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response...the engine renders....”). (*Id.*) Therefore, according to Apple, claim 3 is indefinite, as are claims 4 and 5, which depend from claim 3.

With respect to claim 5, Apple says it, too, is indefinite, because it includes an additional method-of-use step beyond that required by claim 3:

5. A computing device according to claim 3, wherein in response to the interface process detecting a subsequent pan command based on a subsequent motion of a pointer across the display, the engine alters the rate at which it renders the series of pages, based on a velocity vector the velocity detector determines in relation to the subsequent motion.

(*Id.* (citing JXM-9 at 16:60-65).) As in claims 1 and 3, the “wherein” limitation of claim 5 requires action, not capability, by requiring that the user must input two or more pan commands on the touch-sensitive display (i.e., “detecting a subsequent pan command based on a subsequent motion of a pointer across the display”), and the engine must respond to that command (i.e., “in response...the engine alters the rate....”). (*Id.* at 262-263.) Thus, argues Apple, claim 5 is also indefinite for claiming both an apparatus and a method of using the apparatus. (*Id.* at 263 (citing *IPXL Holdings* and *Katz.*))

Samsung responds that claims 1, 3, and 5 recite system capabilities rather than user action, and therefore are not indefinite method steps in an apparatus claim. (CRBr. at 165.) Samsung notes that during the *Markman* phase, Apple argued that the “wherein” clauses of claims 1, 3, and 5 were indefinite for including method-of-use steps in apparatus claims, whereas, Samsung and Staff disagreed and proposed that the “wherein” clauses be understood in accordance with the plain meaning of that term. (*Id.*) Samsung says that Order No. 63 ruled that “the term ‘wherein’ is commonly used in reciting patent claims and would be understood according to its plain and ordinary meaning by persons of ordinary skill in the art to which the asserted claims relate.” (*Id.* (citing Order No. 63 at 145).) Samsung notes that Apple failed to

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provide any analysis relating to this issue in its pre-hearing brief or raise the issue during the hearing, and therefore, Apple's contentions now have been waived under Ground Rules 7.2 and 10.1. However, argues Samsung, to the extent Apple's indefinite contentions are to be decided on the merits, they should be rejected. (*Id.*)

Samsung argues that Apple's citation of and argument with respect to *IPXL Holdings* misapplies the narrow holding of that case and misinterprets the plain language of the claims. (*Id.*) The case law, argues Samsung, including the cases cited by Apple, actually supports Samsung position, according to Samsung. (*Id.* at 166.) In *IPXL Holdings*, the Federal Circuit considered the following claim:

The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and the user uses the input means to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

(*Id.* (citing 430 F.3d at 1384).) The court held the claim to be indefinite for claiming both a system and user action because, in its words, "it is unclear whether infringement of claim 25 occurs when creates a system...or whether infringement occurs when the user actually uses the input means...." (*Id.*) Similarly, in *Katz* the Federal Circuit held invalid claims reciting an "interface means for providing automated voice messages ...to certain of said individual callers, wherein...individual callers digitally enter data." (*Id.* (citing 639 F.3d at 1303, 1318).) Samsung argues that in both cases the court confirmed that indefiniteness depends on claim language that expressly recites user action. (*Id.*)

According to Samsung, unlike the claims at issue in *IPXL Holdings* and *Katz*, the asserted claims of the '114 patent are directed to capabilities of a system, and the Federal Circuit has refused to find such claims indefinite merely because they use active or functional language. In

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*Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, the court reversed a district court's finding of indefiniteness, stating that the claim "is clearly limited to a pipelined processor possessing the recited structure and capable of performing the recited functions, and is thus not indefinite under *IPXL Holdings*." (*Id.* (citing 520 F.3d 1367, 1371-72).)

Samsung says that each of the "wherein" clauses in the asserted claims of the '114 patent recites only capabilities of the system, and not actions taken by a user. (*Id.*) For example, says Samsung, to the command detected by the interface process being the pan command, the engine pans the displayed document on the display at a rate based on the determined velocity vector." (*Id.* at 167 (citing JXM-9 at 16:23-26).) The interface process detects the command, and the engine pans the document, both of which elements that are within the system. (*Id.*) Similarly, argues Samsung, in claim 3, "in response to the command detected by the interface process being the pan command, the engine renders a series of pages of the document on the touchsensitive display at a rate based on the determined velocity vector and a page inertia." (*Id.* (citing JXM-9 at 16:52-56).) And in claim 5, "in response to the interface process detecting a subsequent pan command based on a subsequent motion of a pointer across the display, the engine alters the rate at which it renders the series of pages based on a velocity vector, the velocity detector determines in relation to the subsequent motion." (*Id.* (citing JXM-9 at 16:60-65).) None of these claims include as a limitation action taken by the user. (*Id.*)

Samsung says a system designed to behave as described in the claims meets every claim limitation and necessarily infringes, even if a pan command is never performed by a user. (*Id.*) Thus, Apple's argument that "claim 1 requires an actual user to input an actual pan command...and requires the engine to actually pan in response to that command," contradicts the claim language and is false. (*Id.* (citing RBr. at 262).)

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Samsung notes that Apple's argument that the "wherein" clauses implicitly recite user action because the commands required by the "wherein" clause result from actual movement of the user's pointer across the display. (*Id.*) According to Samsung, this argument is contrary to the holdings of *IPXL Holdings* and *Katz*, which invalidated the claims at issue because they explicitly recited user action. (*Id.* (citing 470 F.3d. at 1384 (*IPXL Holdings*) and 639 F.3d at 1318 (*Katz*)).) Samsung says that Apple's reading of *IPXL Holdings* and *Katz* would invalidate any system that interacts with a user, because any recited user interface functionally would be a method-of-use limitation. (*Id.* at 167-168.) Nothing in the cited cases suggests that the Federal Circuit intended its holdings to be applied so broadly, argues Samsung. (*Id.* (citing *Collaboration Properties*, 2006 WL 1752140 at \*6-7).) To the contrary, argues Samsung, federal courts and the Commission have consistently applied *IPXL Holdings* narrowly. For example, the claim language at issue in *Toshiba*, which Samsung says is very similar to the language here. (*Id.* (citing 2006 WL 178849 at \*4-5).) In that case, argues Samsung, the defendant argued that the following claim language included both apparatus and method limitations:

Wherein the control message processing unit communicates with the next hop node according to the destination information and the corresponding next hop information stored in said another memory unit.

Wherein the control unit also checks authentication of the request message, and judges the set up of the requested label switching path....

(*Id.* (citing 2006 WL 178849 at \*4-5, n. 4).) In that instance, says Samsung, the judge properly found that the use of "active language to describe the capabilities of the claimed apparatus" did not describe a method of using. (*Id.*) Here the claims of the '114 patent similarly use active language ("pans," "renders," "alters") to describe the capabilities of the "interface process" and "engine" and are not indefinite. (*Id.* at 168-169.)

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The Administrative Law Judge concludes that asserted claims of the '114 patent are not indefinite under 35 U.S.C. 112, paragraph 2 as asserted by Apple. The Federal Circuit's holding in *IPXL Holdings* particularly found that the claim at issue, claim 25, disclosed a system that included an input means wherein predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and the user uses the input means to either change the predicted transaction information or accept the displayed transaction type and parameters. *IPXL Holdings*, 430 F.3d at 1384. The court said: "[I] is unclear whether infringement of claim 25 occurs when one creates a system that allows the user to change the predicted transaction information or accept the transaction, or whether infringement occurs when the user actually uses the input means to change transaction information or uses the input to accept a displayed transaction." (*Id.*) In other words, in that situation, is it the system as designed that constitutes the claimed invention or is it the method by which that system is used, or both? Given the possibility that it could be either or both, the claim was found to be indefinite, considering the requirement that others be apprised of the metes and bounds of the patentee's invention. The holding in *Katz* is merely a repetition of the analysis in *IPXL Holdings* based on different but similar facts.

The asserted claims of the '114 patent do not combine apparatus and method. The "wherein" limitations pointed to by Apple are not claiming methods, but rather, disclose how the system responds to a detected pan command: the engine pans the displayed document on the display at a rate based on the determined velocity vector [claim 1]; or the engine renders a series of pages of the document on the touch-sensitive display at a rate based on the determined velocity vector and a page inertia [claim 3]; or the engine alters the rate at which it renders the series of pages base on the velocity vector the velocity detector determines in relation to the

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subsequent motion [claim 5]. This is functional language related to the engine that is included in the claimed computer device, and this limiting language is consonant with the Federal Circuit's holding in *Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, 520 F.3d 1367, 1375 (Fed. Cir. 2008): "Functional language may also be employed to limit the claims without using the means-plus-function format."

For these reasons, as well as the additional arguments advanced by Samsung in opposition, as discussed above, the Administrative Law Judge concludes that the asserted claims of the '114 patent are not indefinite.

### VI. ENFORCEABILITY

#### A. Whether the Claims of the '348 and '644 Patents Are Barred under Samsung Commitments to ETSI

##### 1. Whether FRAND Commitments Preclude Samsung from Seeking an Exclusion Order.

###### a) Apple's Contentions

Apple alleges that Samsung's obligations to ETSI to license its declared essential patents, which include the '348 and '644 patents, on fair, reasonable, and non-discriminatory terms ("FRAND") precludes Samsung from any rights it might have otherwise enjoyed to obtain an exclusionary remedy and limits Samsung to monetary relief. (RBr. at 134.) According to Apple, courts and regulatory agencies are increasingly vigilant in preventing FRAND patent holders from abusing their patent rights by seeking exclusionary remedies, and, therefore, Samsung should not be permitted to engage in such "abuse" here. (*Id.* at 134-135.)

##### (1) *Whether the ETSI FRAND Policy Is Incompatible with Exclusionary Remedies*

Apple says the ETSI IPR Policy recognized that an "investment in the preparation, adoption, and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR

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for a STANDARD being unavailable.” (*Id.* at 135 (citing RX-710, Clause 3.1; Tr. (Walker) at 1346-48).) According to Apple, in order to avoid the risk that ESSENTIAL IPR could be “unavailable,” Clause 6.1 dictates that licenses must be available on FRAND terms, and this requires members who agree to license their IPR to make an “irrevocable” commitment to do so. (*Id.* (citing RX-0710, Clause 6.1).)

Apple notes that Dr. Walker, who is knowledgeable about the operations and procedures of the European Telecommunications Standard Institute, based on his experience as an executive there, explained that a Clause 6.1 commitment involves a trade-off by the IPR holder, who benefits from having IPR incorporated as part of a standard, and with that, enjoys the opportunity to receive FRAND related royalties from all implementers of the standard. (*Id.*) That opportunity can instantly transform the value of IPR (such as in the case of the “precise pattern” of the ’644 patent), thereby providing access to a mass global market, with a potential for high-volume royalties. (*Id.* (citing Tr. (Walker) at 1349).) What the IPR holder gives up for this commercial opportunity is the right to do anything but license its IPR, which includes relinquishing rights it might otherwise have to preclude competitors from using that IPR. (*Id.* (citing Tr. (Walker) at 1349-50).) Apple says that, while the ETSI IPR Policy does not expressly forbid injunctions, it makes clear that such a step is incompatible with making the FRAND bargain to license to all interested parties. (*Id.* (citing Tr. (Walker) at 1350).)

Apple argues that this view is not Apple’s alone, noting that on June 22, 2012, United States Circuit Court Judge Richard Posner, while sitting as a district court judge, rejected a claim by Motorola, seeking an injunction against Apple, despite Motorola’s FRAND commitment, and in so doing, Judge Posner made this comment:

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To begin with Motorola's injunctive claim, I don't see how, given FRAND, I would be justified in enjoining Apple from infringing the '898 unless Apple refuses to pay a royalty that meets the FRAND requirement.

(*Id.* at 135-136 (citing *Apple v. Motorola, Inc.*, No. 1:11-cv-08450 (N.D. Ill. June 22, 2012) at 18).) Apple says that Judge Posner rejected Motorola's argument, which is identical to Samsung's here, that Motorola was justified in seeking an injunction based on its contention that Apple had rejected a FRAND offer:

If Apple said no to 2.25 percent, it ran the risk of being ordered by a court to pay an equal or even higher royalty rate, but that is not the same thing as Motorola's being excused from no longer having to comply with its FRAND obligations. Motorola agreed to license its standard-essential patents on FRAND terms as a *quid pro quo* for their being declared essential to the standard. It does not claim to have conditioned agreement on prospective licensees' making counteroffers in license situations.

(*Id.* at 136 (citing *Apple*, No. 1:11-cv-08450 at 20).) Apple further quotes Judge Posner's conclusion: "A FRAND royalty would provide all the relief to which Motorola would be entitled if it proved infringement of the '898 patent, and thus is not entitled to an injunction. (*Id.* (citing *Apple*, No. 1:11-cv-08450 at 21). Apple says the same logic applies here.

Apple says that two weeks before Judge Posner's decision, the Federal Trade Commission submitted a Statement on the Public Interest in Investigation No. 337-TA-752, in which the FTC observed that "ITC issuance of an exclusion or cease and desist order" for patents that have been declared essential to a standard, "has the potential to cause substantial harm to U.S. competition, consumers and innovation." (*Id.* (citing Third Party United States Federal Trade Commission's Statement on the Public Interest, Inv. No. 337-TA-752 (June 6, 2012) at 1, <http://www.ftc.gov/os202/06/1206ftcgamingconsole.pdf> ("Third Party Statement").) Apple notes that the FTC cautioned that, given the "hold up" power inherent in patents declared essential to a standard, an "imbalance between the value of patented technology and the rewards for



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innovation may be especially acute where the exclusion order is based on a patent covering a small component of a complex multicomponent product.” (*Id.* (citing Third Party Statement at 3).) Apple says the FTC observed that a RAND commitment provides evidence that the SEP [standard-essential patent] owner planned to monetize its IP through broad licensing on reasonable terms, rather than through exclusive use.” (*Id.* (citing Third Party Statement at 5).)

Similarly, according to Apple, in March a court in the Netherlands rejected Samsung’s attempt to enjoin Apple with respect to patents for which Samsung had made FRAND declarations. The court concluded that “seeking injunctions during negotiations on a FRAND license must be considered to be an abuse, or as the case may be breach of precontractual good faith.” (*Id.* at 136-137 (citing Samsung Electronics Co./Apple Inc., District Court of the Hague ¶¶ 4.31, Mar. 14, 2012 (attached to CBR. as Ex. 6).) Apple contends that the statements of the FTC, and the decisions of Judge Posner and the Netherlands court underscore that Samsung’s FRAND commitments are fundamentally inconsistent with an exclusion order for the ’644 and ’348 patents, and that by making FRAND commitments, Samsung has disclaimed any right to seek such a remedy and should not be allowed to renege on that irrevocable commitment.

### **b) Samsung’s Response**

Samsung responds that, in order to support its proposition that a FRAND commitment precludes the ITC from issuing an exclusion order, Apple cites the recent order issued by Judge Posner, sitting by designation, in *Apple*, No. 1:11-cv-08540. (CRBr. at 85.) Samsung says that in that order, after excluding both parties’ damages theories, the judge dismissed the case with prejudice, stating that “[b]y committing to license its [declared essential] patent on FRAND terms, Motorola...implicitly acknowledged that a royalty is adequate compensation.” (*Id.* (citing *Apple*, No. 1:11-cv-08450 at \*18-19).) Samsung says that the court in that case noted that the

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basic principle that injunctive relief is not automatically available in a district court infringement action, where damages are otherwise adequate to compensate for infringement. (*Id.* (citing *Apple*, No. 1:11-cv-08450 at \*21, 34).) With respect to Motorola's asserted standards patent, Samsung notes that the court made the comment first quoted above. (*Id.* at 85-86.) In other words, argues Samsung, even in a district court setting governed by *eBay* principles, the judge recognized that a party that refuses to pay a FRAND royalty is in fact subject to an injunction. (*Id.* at 86.)

In contrast, argues Samsung, where the authority of the United States International Trade Commission to issue exclusion orders is implicated, Judge Posner's opinion has no application. (*Id.* (citing *Spanion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010) (holding that *eBay* does not apply to remedy determinations in the ITC under Section 337)).) Samsung says that Section 337, as amended, sets forth the ITC's mission, namely to protect United States industries from infringing and other unfairly competing imports. (*Id.* (citing 19 U.S.C. § 1337(a)(1) (stating that unfair acts under Section 337 "shall be dealt with in addition to any other provision of the law."))).) Samsung says that Section 337 authorized the Commission to grant an exclusion order when an imported article is shown to infringe a valid and enforceable United States patent. (*Id.*) The statute does not contain any special provisions or carve-outs for RAND-encumbered patents, and Samsung says it is not aware of any statute requiring special treatment for such patents. (*Id.*) According to Samsung, in the absence of an express change by Congress to the ITC's statutory authority, there is no legitimate basis for the Commission to create a bright-line rule preventing the Commission from issuing the only relief it can grant, solely because an asserted patent may be subject to some type of RAND obligation. (*Id.*) Samsung argues that RAND issues have been raised in numerous investigations, but not once has the

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Commission concluded that it lacks the authority to issue an exclusion order solely because an asserted patent is subject to a RAND obligation. (*Id.*)

Samsung says that Apple itself admits “the ETSI IPR Policy does not expressly forbid injunction” and Apple’s expert also confirmed that ETSI could not impose such a rule. (*Id.* (citing Tr. (Walker) at 1450-51).) As for the FTC’s Statement on the Public Interest in Investigation No. 337-TA-752, Samsung says the FTC did not say that an exclusion order is inappropriate in all circumstances; rather, the FTC urged the ITC to “consider the impact of patent hold-up on competitive conditions and United States consumers” when issuing exclusion orders based on standard-essential patents. (*Id.* at 86-87 (citing Third Party United States Federal Trade Commission’s Statement on the Public Interest, Inv. No. 337-TA-752 (June 6, 2012) at 5).) Samsung argues that in cases such as this, where a respondent has not come forward with evidence that a FRAND offer has been made, an exclusion order is entirely appropriate, just as Judge Posner’s recent decision acknowledges. (*Id.* (citing *Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540, \*18 (N.D. Ill. June 22, 2012).)

Staff also disagrees with Apple’s contention that Samsung’s FRAND declarations precludes the Commission from issuing an exclusion order in this Investigation, noting that Apple has failed to cite any precedent holding that the Commission lacks jurisdiction to conduct a Section 337 investigation as to a patent for which FRAND obligations may exist. (SBr. at 67.) Staff says that even though FRAND issues have been raised in numerous investigations, not one of them has resulted in a finding that the Commission lacks jurisdiction to conduct an investigation or to award relief merely because the asserted patent is allegedly subject to FRAND obligations. (*Id.*) Rather, in investigations where an asserted patent is subject to FRAND obligations, the focus has typically been on whether the patentee engaged in good-faith efforts to

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license the patent on FRAND terms. (*Id.* (citing *Certain Dynamic Random Access Memories, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-242, in which there was a determination that the complainant was estopped from asserting the patent-in-suit and was not entitled to an exclusion order, but only because the complainant had been found not to have negotiated in good faith a renewal of a cross-license agreement with the respondent).) Staff says the contractual obligations of the complainant in that case required a good-faith effort to license the asserted patent before the complainant could obtain such relief at the Commission. (*Id.*)

Staff proposes that, if Apple had presented appropriate evidence, Apple might have been able to show the Samsung is equitably estopped, for example, from asserting its patent rights against Apple; however, the mere fact that Samsung may have FRAND obligations does not, by itself, bar Section 337 remedies. (*Id.*)

Apple responds that Samsung has disclaimed its right to an exclusionary remedy through its FRAND commitments. (RRBr. at 88.) Apple contends that Samsung never rebutted Dr. Walker's testimony that a FRAND license is a commitment to license, rather than seek exclusionary remedies, except in rare circumstances, not present here, such as where a party ignores a court judgment setting a FRAND royalty. (*Id.* at 89.) Moreover, argues Apple, contrary to Samsung's and Staff's contention, Apple has provided authority supporting the proposition that a FRAND commitment is incompatible with the remedy Samsung seeks, again citing to Judge Posner's order in the *Motorola* case discussed above and the ruling of the Netherlands court, also mentioned above. (*Id.*)

### **c) Findings and Conclusion of the Administrative Law Judge**

The Administrative Law Judge concludes that ETSI and its FRAND provisions do not preclude the imposition of Section 337 remedies in investigations in which the Commission

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determines that the authorizing statute is violated by reason of the importation into the United States of articles that infringe a valid and enforceable United States patent. Section 337 investigations are different than private patent suites in district courts, where damages or other forms of personal relief are sought. Section 337 investigations have a wider scope than the private interests of the litigants, as they include the interest of the public as well. In Section 337 investigations, the United States International Trade Commission can exclude infringing articles from entry into the United States by offending parties and can issue cease and desist orders, but the statute does not authorize the Commission to provide compensatory relief to the complaining party. In this respect, the subject of Judge Posner's order in the *Motorola* case is inapposite, since it essentially concerns an issue of election of remedies, or waiver thereof, which is not the gravamen of a Section 337 investigation.

Section 337 investigations are time sensitive, because of the irremediable effects that unfair competition, including entry of patent infringing articles, might have on domestic industries in the United States, and the policies and procedures established by ETSI are not necessarily compatible with the mandate of the United States International Trade Commission, for prompt and preventive action. To be more specific, the ETSI states as follows:

Any violation of the POLICY by a MEMBER shall be deemed to be a breach, by that MEMBER, of its obligations to ETSI. The ETSI General Assembly shall have the authority to decide the action to be taken, if any, against a MEMBER in breach, in accordance with the ETSI statutes.

(RX-0710, Clause 14.) In the ETSI Guide on IPRs, it is stated: "The purpose of the ETSI IPR Policy is to facilitate the standards making process within ETSI. In complying with the Policy the Technical Board should not become involved in legal discussion on IPR matters." (RX-0713 at Clause 1.1.) Elsewhere it states: "[I]t 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

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have the sole authority to resolve IPR disputes.” (*Id.* at 4.3.) The Guide also states that “ ETSI MEMBERS should attempt to resolve any dispute related to the application of IPR Policy bilaterally in a friendly manner[.]” and [s]hould 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.” (*Id.*) This procedure, while accommodative and suited to seeking harmony between and among the consensus-building ETSI membership, is also a prescription for a delayed and protracted dispute-resolution process that relies on the good faith and willingness by the parties to settle their disputes themselves, in an amicable manner, an ideal that usually fails in patent cases. Section 337 investigations have a wider concern than a desire to achieve voluntary resolutions in patent disputes where the interests of the parties may not coincide with the interest of the public at large, and the Commission’s mandate should not be subordinated to the ulterior objectives of the ETSI.

As a practical matter, if the ITC were precluded from performing its mandate as set forth in the authorizing statute, an infringing party could, by making unrealistic counter-offers to the patent holder, while claiming that such counter-offers more accurately reflect FRAND than the offers proposed by the patent holder, hold up or frustrate Section 337 investigations. As is discussed in the following section, there is disagreement between Samsung and Apple about what is a fair, reasonable, and non-discriminatory license with respect to Samsung’s standards-essential patents. According to ETSI, the national courts of law, not ETSI, resolves patent disputes, absent the parties’ agreement, as stated in Clause 4.3 of ETSI Guide on IPRs; but if that extends to deciding what is FRAND, any uncooperative party can do an end-around of a Section 337 investigation in cases of standards essential patents.

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### **2. Whether Samsung Has Not Made a FRAND Offer to Apple; and Whether Apple Has Refused To Negotiate in Good Faith**

Apple says that Samsung's counsel stated in Samsung's opening statement that the "biggest point on FRAND" is that Samsung "did make an offer and they made a FRAND offer," and Apple "refused to engage." (CBr. at 137 (citing Tr. at 42).) Apple says that, according to Samsung's theory, based on those facts, Samsung is entitled to pursue an exclusionary remedy against Apple. (*Id.*) Apple says that for the reasons stated in the prior section this issue need not be reached, because Samsung has disclaimed its right to seek an exclusionary order; but in any event, the record does not support Samsung in this regard.

Apple says that no witness took the stand to defend Samsung's license demands as being on FRAND terms. (*Id.*) Apple argues that Samsung previously identified trial witnesses on these issues, but when the actual hearing arrived, Samsung did not call the relevant witnesses:

- David Teece, a professor who was identified by Samsung as an "expert on the history, nature and practice of FRAND licensing" and was also "expected to testify on ...the appropriateness of certain proposed FRAND rates[.]"
- Eric Stasik, a licensing consultant was identified by Samsung as an "expert on the history, nature and practice of FRAND licensing" and was also "expected to testify on...the appropriateness of certain proposed FRAND rates[.]"

(*Id.* (citing Samsung's pre-hearing statement at 3).) Apple argues that Samsung could have called a witness from Samsung to defend its licensing demand but Samsung did not do that either. (*Id.*)

Apple argues that, fundamentally, Samsung is wrong on the facts because, first, Apple has not refused to negotiate with Samsung, because as the co-pending 796 investigation confirms, the issues separating Apple and Samsung include Apple's claim that Samsung is copying Apple's products, and in some of the negotiations between the parties, some of which

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have been publicly reported, Apple has always been willing to pay Samsung a FRAND royalty for any valid, infringed, and enforceable patent that Samsung has declared essential to the UMTS standard. (*Id.* at 137-138.) Apple says that as recently as April 30, 2012, Apple made a licensing proposal to Samsung under which each party would take a license to the other's declared-essential patents using the same methodology to derive a FRAND royalty (based on using each other party's proportion of patents declared essential to UMTS to determine a royalty rate that would be applied to the price of the baseband processor). (*Id.* at 138 (citing RX-1695C).)

Second, Apple says that Samsung has demanded a royalty of 2.4 percent of the full price of each Apple device, which is not remotely close to FRAND, as Apple's April 30, 2012 letter makes clear. (*Id.* (citing CX-1589C; JX-0010C (Chung Dep.) at 57-58).) According to Apple, Samsung's demand of a royalty of 2.4 percent on the full price of each Apple UMTS-compliant product is divorced from the requirements of the ETSI IPR Policy and at odds with Samsung's other licenses for patents subject to FRAND commitments. In short, says Apple, it is unfair, unreasonable, and discriminatory. (*Id.*)

Apple says that Samsung is seeking payment for the value in the iPhone and iPad, including features such as the design, the screen, the camera, and the operating system, that is wholly unrelated to any contribution Samsung made to the UMTS standard. (*Id.*) Apple claims that Samsung's demand is not only unfair and unreasonable but it also discriminates against Apple for developing sophisticated products with higher prices than more basic cellular phones. (*Id.*) Apple says that Samsung can offer no justification for attempting to extract a tax on Apple's innovation that goes well above and beyond basic cell phone functionality supported by UMTS, and more specifically, above and beyond any conceivable value that Samsung may have



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contributed to that standard. (*Id.*) By seeking to charge royalties on the full price of iPhones and iPads, Samsung is also seeking a double recovery on the Samsung components within those devices, for which Apple already pays Samsung billions of dollars each year. (*Id.*)

Apple says the consequences of Samsung's non-FRAND demand are stark, because the Apple iPhone sells for between \$650 and \$850. (*Id.* at 138-139 (citing Tr. (Blevins) at 965).) Samsung's 2.4 percent demand thus seeks a payment of between \$15.60 and \$20.40 per iPhone. (*Id.* at 139.) By contrast, Apple purchases the baseband processor that allows the iPhone to communicate with the cellular network, and which contains the hardware (defined by VHDL code) that Samsung alleges infringes the '644 and '348 patents, {

} (*Id.* (citing Tr. (Blevins) at 960-961, 965-966, 969-971; *see also* RX-1236C, RX-1237C).) Therefore, argues Apple, Samsung is demanding as much, or more, for a license as Apple pays for the hardware that Samsung accuses of infringement, which means that Samsung has demanded a royalty of over 100 percent of the cost of the baseband processor. (*Id.*) This would be grossly excessive, even if the entire baseband processor contained Samsung technology; however, argues Apple, Samsung's infringement allegations are aimed at tiny portions of the circuitry in the baseband processors, and dozens of other companies hold thousands of other declared-essential patents for the UMTS standard. (*Id.*)

Apple says that Samsung's demand is excessive by another measure as well, noting that { } (CX-380C at 1), and if Apple had paid Samsung \$18 per iPhone, Samsung would have received about \$1.3 billion from Apple for the year, not including what Apple would have had to pay for sales of UMTS-compliant iPads. (*Id.*)

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Apple claims that Samsung has not even tried to show that its patents merit such immense value. (*Id.*) Nor does Samsung's 2.4 percent demand find any support whatsoever in Samsung's other licenses and past licensing practices. Apple says that Samsung's top licensing executive, Dr. Seung-Ho Ahn, was unable to offer any support for the figure, as shown here in testimony he provided:

Q. Do you know any reason or basis to support that number?

A. Personally, I don't—there is nothing I know.

(*Id.* (citing JX-0006C (Ahn) at 23-24, 117-118).) That is because Samsung has never demanded a 2.4 percent royalty from any company but Apple. (*Id.* (citing JX-0023C at 61 (Lee); JX-0010C at 106 (Chung)).) In fact, argues Apple, Samsung had never even previously set a FRAND royalty rate to charge for its portfolio. (*Id.* (citing JX-0023C at 61 (Lee)).) The only time that Samsung has put a figure on its UMTS portfolio during license negotiations was with { } in 2005, when it valued it at { } than it has demanded from Apple. (*Id.* at 139-140 (citing RX-0190C at 19; JX-0016C (SW Kim) at 63-64, 68-69, 75-76, 92, 94, 96-99, 104-106, 109, 111, 113-114, 116-117, 120-121, 126-127, 129-131, 133-134, 138-139, 142, 144, 149-150).) Apple says that no company has ever paid { } for a license to its UMTS portfolio. (*Id.* at 140 (citing JX-0010C at 56 (Chung); JX-0006C at 83 (Ahn)).) Instead, Samsung { } licensing covering UMTS patents. (*Id.* (citing JX-0006C at 83 (Ahn)).) On these facts, argues Apple, Samsung's demand of Apple is not only unreasonable, but discriminatory, because { }.

}. (*Id.*)

Samsung responds that it is Apple who refuses to comply with the ETSI framework, which, Samsung says, envisions that parties will negotiate a license to declared essential patents.

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(CRBr. at 87.) According to Samsung, almost a year ago it offered to license its portfolio of patents that had been declared essential to the UMTS standard to Apple at a “headline” rate of 2.4 percent for each relevant end product. (*Id.* (citing CX-1589.0001).) In response, Apple by letter proposed a “methodology to derive a FRAND royalty rate” for Samsung’s patent portfolio. (*Id.* (citing RBr. at 137-138).) Samsung claims that Apple’s letter did not provide a counteroffer, but merely critiqued Samsung’s offer. (*Id.* (citing RX-1659C).) Although Apple contends that Samsung’s offer was too high, Samsung argues that Apple submits no evidence to suggest that it has ever made a counterproposal to Samsung’s outstanding offer. (*Id.*)

Samsung says that Apple’s contention that Samsung’s licensing offer was too high is wrong and the fact that the royalty payments might be significant hardly demonstrates that Samsung’s offer is unreasonable, particularly given the size of Samsung’s UMTS patent portfolios and the valuable contributions reflected therein. (*Id.* at 88.) As regards Apple’s contention that the royalty sought by Samsung would be higher than the price of a baseband chip, Samsung says this is irrelevant, because Apple fails to identify a single industry license that uses the price of a baseband chip as a royalty base. (*Id.*) Samsung says that licenses in the telecommunications industry typically use the net sales price of a handset as the royalty base, not the price of the baseband chip. (*Id.* (citing RX-0174C at 2; RX-205C at 2; RX-206C at 19-20; RX-0201C at 5; RX-0194C at 6; CX-0395C at 9).) Samsung says that even if its royalties would result in payments greater than the price of a baseband chipset, such royalty rates are consistent with industry practice, and other participants in the industry, including Qualcomm and Ericsson, require licensees to pay a royalty rate of more than 2.4 percent of the net sales price of handsets for patents declared essential to ETSI standards. (*Id.* (citing RX-0174C at 2; RX-205C at 2; RX-206C at 19-20; RX-0194C at 6).)

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Samsung says that Apple's reliance on a Fed. R. Evid. 408 document from the negotiation of a cross-license between { } and Samsung is misplaced, and explains by way of this scenario: That { } percent royalty rate for Samsung's WCDMA-declared-essential portfolio and Samsung pays { } percent royalty rate for { } WCDMA-declared-essential portfolio. (*Id.* (citing RX-0190C at S-794-ITC-005280737).) Samsung says that applying the rates used in this scenario to each party's projected sales of handsets, the parties calculated that Samsung would owe { }, resulting in a net payment of { }. (*Id.*) However, the parties ultimately agreed to a net payment of { } greater than what was indicated by the initial calculations. (*Id.* (citing RX-0189C at S-794-ITC-005280293).) At best, argues Samsung, the { } rate is not reflective of the actual agreement reached by the parties, and if anything, the rate supports the reasonableness of Samsung's offer. (*Id.*) If the royalty rate contemplated in the scenario is proportionally increased to match the actual { } net payment, the resulting royalty rate is over { }, which is comparable to the rate offered by Samsung to Apple. (*Id.*)

Samsung counters that Apple's contention that Samsung's proposed rate is out of line with other licenses to which Samsung is a party, is also wrong. (*Id.* (citing RBr. at 139-140).) Samsung argues that the fact that it has not previously licensed its portfolio of UMTS patents for a royalty rate of 2.4 percent demonstrates only that Apple's litigation-driven request for such a limited license, and Apple's refusal to negotiate terms and conditions are at odds with the typical practice in the industry, and at Samsung, of entering into cross-licenses of entire declared-essential patent portfolios, often in exchange for a balancing, or net, payment from one party to the other. (*Id.* (citing RX-0189C; RX-0191C; RX-0193C;RX-0178C; RX-0194C; RX-0195C;

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RX-0196C; RX-0197C; RX-0198C; RX-0199C; RX-0200C; RX-0202C; RX-0203C; RX-0204C; RX-0205C; RX-0206C; RX-0207C; RX-0208C; RX-0209C; RX-0421C; RX-0423C.)

Samsung says that the fact that { } in regards to some of these licenses does not reflect adversely on the value of Samsung's UMTS portfolio, but instead, suggests that Samsung's sales volume and corresponding exposure might be higher than that of competitors with much lower sales. (*Id.*)

Apple responds that Samsung's 2.4 percent demand of Apple is not FRAND, nor remotely close. (RRBr. at 90.) Apple repeats that Samsung asks Apple to pay a price that { }, which would result in per-unit royalties of greater than \$12 a unit, which is greater than the price of the baseband processors that Samsung claims are infringing. (*Id.*) Apple argues that, having failed to put on any trial evidence, and without citation to any proof, Samsung claims that its proposed royalty rate and base are in line with the royalty rates of other companies for their declared-essential patents. (*Id.*) Apple says that Samsung's position is based only on attorney argument and is insufficient to meet Samsung's challenges of proving it made a FRAND offer. Insofar as Samsung suggests that Apple has refused to negotiate, Apple says that this is belied by the course of communications between the parties, including Apple's April 30, 2012 offer to Samsung that included a proposal for the parties to cross-license each other's UMTS portfolios on truly FRAND terms. (*Id.* (citing RX-1659C).)

The Administrative Law Judge concludes that the evidence does not support Apple's allegation that Samsung failed to offer Apple licenses to Samsung's declared-essential patents on FRAND terms. Patents have the attributes of personal property. 35 U.S.C. § 261. Their value, in terms of licensing, varies according to a myriad of factors, and it is not enough for Apple to

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say that Samsung's license offer was unreasonable based on Apple's rationale. Remarkably, even though Apple complains that Samsung's license offer was not FRAND, Apple has not shown that, as a member to ETSI, it ever availed itself of the process and procedures of the ETSI under Clause 4.3 of the ETSI Guide on IPRs, which provides for mediation by ETSI Members or the Secretariat. (RX-0713 at Clause 4.3.) It is not enough for Apple to complain that Samsung's license offer of 2.4 percent of the selling prices of Apple's devices, is unreasonable, since there is insufficient evidence of customs and practices of industry participants showing that Samsung's demand is invidious with respect to Apple. Furthermore, negotiations often involve a process of offer and counteroffer before the parties arrive at an agreed price, but Apple's evidence does not demonstrate that Apple put forth a sincere, bona fide effort to bargain with Samsung. Rather, it appears that Apple and Samsung both decided to negotiate licensing terms between each other through the tortuous, and expensive, process of litigation. More than what has been cited by Apple is necessary in order to establish that Samsung violated its obligations under Clause 6.1 of Annex 6: ETSI Intellectual Property Rights Policy. More than that, Apple needs to establish a legal basis for foreclosing enforcement under Section 337 in this Investigation, which Apple has not done.

### **B. '644 Patent Enforceability**

#### **1. Alleged Standards Setting Misconduct (3GPP)**

##### **a) Apple's allegation that Samsung engaged in misconduct in transactions with 3GPP and ETSI involving the disclosures in the '644 patent**

Apple alleges that the '644 patent is unenforceable because Samsung violated the ETSI IPR Policy<sup>84</sup> by hiding Samsung's then-pending '644 patent applications from ETSI and 3GPP

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<sup>84</sup> This is the European Telecommunications Standards Institute (see RX-723 at APLNDC-WH-A 9397) Intellectual

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while simultaneously advocating that TS 25.212 § 4.10.4 should be amended to adopt the rate-matching pattern of those applications. (RBr. at 127 (citing RX-710 at Clause 4.1).) Apple contends that Samsung was bound by the duties of disclosure set forth by the ETSI in Section 4, entitled “Disclosure of IPRs,” which reads as follows:

Each MEMBER shall use its reasonable endeavors to timely inform ETSI of ESSENTIAL IPRs it becomes aware of. In particular, a MEMBER submitting a technical proposal for STANDARD shall, on a bona fide basis, draw attention of ETSI to any of that MEMBER’s IPR which might be ESSENTIAL if that proposal is adopted.

(*Id.* at 127, 62-63 (citing RX-710 at Clause 4.1).) Apple says that the duties set forth in Clause 4.1 apply to Samsung, and Apple maintains that Samsung’s actions in connection with the ’644 patent, and in particular, Samsung’s claims that the patent has priority to three prior Korean patent applications: KR 10-2004-0099917 (“KR 917”), filed December 1, 2004; KR 10-2004-0110552, filed December 22, 2004; and KR 10-2005 0007437 filed January 27, 2005, demonstrate that Samsung breached those duties. (*Id.* (citing JXM-3).) Apple further notes, in that connection, that the United States application (App. No. 11/289, 572) was filed on November 30, 2005. (*Id.* (citing JXM-3).)

Apple argues that the ETSI IPR policy contemplates that its members must declare any of their proprietary IPR that may be essential to a standard that is under consideration before any such standards are adopted by the ETSI. (*Id.* (citing Tr. (Walker) at 1362-65 (explaining ETSI IPR policies)).) Apple alleges that Samsung did not declare any of the aforementioned patent applications as essential to TS 25.212 until May 16, 2006, almost a year after Samsung successfully convinced the 3GPP to adopt the claimed ’644 rate-matching pattern as TS 25.212 § 4.10.4. (*Id.* (citing RX-722 at APL79-A000000963 (indicating adoption of Samsung’s E-AGCH

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proposal by RAN 1); RX-854 at 55 (indicating adoption of Samsung's E-AGCH proposal by RAN 1); RX-133 at 14 (declaring KR 917 as essential)).) According to Apple, what Samsung did declare was a single application, which was the only application (KR 917), which does not disclose the claimed '644 rate-matching pattern. (*Id.*)

Apple says that Mr. Kim, one of the named inventors of the '644 patent, was unabashed at the hearing about Samsung's strategy vis-à-vis its involvement in the ETSI when he conceded that his Korean applications covered the very same rate-matching pattern that he had proposed to RAN 1. (*Id.* (citing Tr. at 374-376, 378 (Kim)).) Despite that connection and what Apple contends were his and Samsung's obligation to disclose potentially essential IPR, Mr. Kim admitted that he withheld the pending Korean patent applications:

Q. And on February 14th, 2005, you're in, I believe it was Scottsdale, Arizona for the meeting, right?

A. Yes, that's how I recall.

Q. And you heard the call for IPR, right?

A. As I sit here today, I don't quite recall, but I would believe that's how it had happened.

Q. Well, you do recall that the RAN 1 meetings always started with a call for IPR, right?

A. That is correct, based on my ten years of experience.

Q. And what the chairman says is if you have IPR that might be essential to your proposal, you have to disclose it, right?

A. No, I don't think so.

Q. It says, "own IPR which are or likely to become essential," right?

A. That's how it is written.

Q. Now, 18 days before this on January 27th, you had filed the third of your three patent applications, right?

A. I believe so.

Q. An application that covered the rate-matching patterns at this meeting, right?

A. I believe so.

Q. And you took no steps in response to the chairman's call for IPR to disclose your patent applications, right?

A. I did not take any step in response to the call for IPR....

(*Id.* at 127-128 (citing Tr. at 377-378 (Kim)).) Apple notes that Mr. Kim conceded that he never disclosed the applications leading to the '644 patent at any time. (*Id.* (citing Tr. at 380 (Kim)).)



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Apple says that, although Samsung kept the '644 patent secret from 3GPP and ETSI, the named inventors actively lobbied RAN 1 and other member companies to adopt Samsung's pattern as § 4.10.4, instead of better-performing technology, known as "tail-biting," that had been proposed by Motorola. (*Id.* at 128 (citing RX-718 at APL794-A0000009562-63 (showing competing E-AGCH proposals at RAN 1 Meeting #40).) Apple says that Samsung's internal and external communications tell two entirely inconsistent stories, because Mr. Kim's simulation data from 2004 show that he was aware the Motorola's technology substantially outperformed what Samsung was proposing. (*Id.* (contrasting RPX-31C at "case4(2)," col. W-AB at lines 154-177 to RPX-31C at "case4(s)," col. Q-V at lines 156-177).) According to Apple, Mr. Kim's March 2005 internal report states that Motorola's tail-biting proposal produced a gain of 1.2 dB over standard convolutional codes, which is about six times as much gain as that produced by the '644 rate-matching pattern, which was 0.2 dB. (*Id.* (citing RX-878C at 4).) Apple says that Mr. Kim's report admits that tail-biting was "no problem from the ...complexity point of view"; however, he quickly recognized that adoption of Motorola's tail-biting technology would obviate the need for his adapted rate-matching pattern. (*Id.* at 128-129 (citing RX-878C at 4 ("it is expected that the performance gain from the improved rate matching pattern would be marginal due to the equal error protection of tail-biting convolutional code, i.e., uniform puncturing (R99 type RM) may be enough."))).) Apple argues that, in order to thwart that outcome, Samsung set upon a strategy to exploit the conservative nature of 3GPP and ensure that Motorola's technology was excluded. (*Id.* at 129 (citing RX-878C at 4 ("tail-biting convolutional code may be excluded by the conservativeness of 3GPP."))).)

Apple contends that Samsung's representations to the 3GPP were in furtherance of Samsung's devious strategy, and just before RAN 1 Meeting #40bis, Mr. Kim e-mailed RAN 1

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delegates from Ericsson, Qualcomm, Nokia, and Siemens to discuss Motorola's tail-biting proposal. (*Id.* (citing RX-893C).) Apple argues that Mr. Kim deliberately misled other 3GPP delegates by reporting that the gains from tail-biting were "just about 0.2 dB" and that the gain did not justify adopting Motorola's proposal, in light of the "big increase in receiver complexity." (*Id.* (citing RX-893C).) Based on these representations, Mr. Kim asked these delegates to endorse Samsung's proposal. (*Id.* (citing RX-893C; Tr. at 380 (Kim)).) According to Apple, Mr. Kim never revealed that his own testing was directly contrary to these representations, and he never revealed that Samsung had filed several patent applications covering Samsung's proposal. (*Id.* (citing Tr. at 380 (Kim)).)

Apple says that, in April 2005, at RAN 1 Meeting #40bis, Mr. Kim submitted E-AGCH proposal R1-050308, again recommending that Samsung's technology be adopted over Motorola's. (*Id.* (citing RX-152).) Contrary to Mr. Kim's own internal reports, Mr. Kim again argued that tail-biting increased decoder complexity. (*Id.* (comparing RX-152, at 3, with RX-878C at 4).) Apple reports that Mr. Kim also submitted change request R1-050309, seeking adoption of the '644 rate-matching pattern as part of TS 25.212 § 4.10.4. (*Id.* (citing RX-152, RX-050 at APL794A0000075473, 75).) Apple contends that, based on Mr. Kim's representations, the delegates to RAN 1 #40bis decided to move forward with Samsung's technology, at which time they had not been informed by Samsung's participating members that Samsung had applied for patents that were based on Mr. Kim's proposal, or that Mr. Kim's internal reports showed that Motorola's technology performed better and that complexity was "no problem." (*Id.*)

Apple says that the following month, at RAN 1 Meeting #41, Mr. Kim renewed his formal request to adopt the '644 pattern. (*Id.* (citing RX-722 at APL794-A0000009663).) At no

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time, argues Apple, did any of the named '644 inventors or anyone else from Samsung inform the 3GPP participants that they had filed three patent application on the very technology they were advocating for adoption. (*Id.* at 129-130.) Apple says that Samsung's technology was adopted by RAN 1 and then embedded in the standard by the full RAN group in June 2005. (*Id.* (citing RX-854 at 55).)

Apple contends that Samsung's strategy of "non-disclosure" was part of a corporate policy to generate "standards adopted" patents. (*Id.* at 130 (citing JX-23 at 114 (J.W. Lee) ("disclosure of IPR prior to its adopting would be "stupid"); RX-741C at 6 ("[E-AGCH rate matching] appears to be valuable as a patent if we can find the puncturing position that can ensure gain of approximately 0.2 dB and can be contained in the specification in the same way."); JX-9C at 31-35 (Choi Dep.) (Samsung's corporate representative witness testifying that Samsung {  
}); RX-163C at 23-24 (showing "deliverables" for 1998-2005)).) Apple argues that the named inventors of the '644 patent went so far as to {

} (*Id.* citing RX-141C at 7; JX-30C at 120 (Van Lieshout Dep.)).) These efforts, argues Apple, were part of a specific "standards project" that set quotas for Samsung patents to be "adopted in to the standard." (*Id.* (citing JX-9C at 31-35 (Choi Dep.)).) Standards' "adopted patents" were a specific "deliverable" that Samsung expected from all of its engineers that Samsung allowed to participate in RAN 1, according to Apple. (*Id.* (citing JX-9C at 31-35; RX-163C at 23-24).)

Apple argues that Samsung deliberately misled 3GPP on two fronts. First, Samsung failed to disclose Samsung's patents to ETSI in a timely fashion, thereby depriving other

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member companies of the opportunity to balance Samsung's IPR against the benefits of adopting their technology. (*Id.* (citing Tr. at 1363-65 (Walker) ("If solution one is encumbered by IPR...it is going to cost your company something. If solution 2, which is technically the equivalent is not encumbered by any IRP, so it will be free to use, then I believe that most people would choose the second."))).) Second, Samsung made false and misleading statements to the 3GPP regarding the relative merits of their own technology compared to Motorola's technology. (*Id.* at 130-131.) These statements were made in service of Samsung's policy of acquiring a certain number of standards-essential patents on a yearly basis and in light of Samsung's failure to disclose its patent applications, and its misleading statements to the 3GPP, the '644 patent should be held unenforceable, argues Apple. (*Id.* at 131.)

Samsung responds that the Motorola proposal was discussed at 3GPP, but "tail-biting" was a brand-new technology that would have required an entire overhaul of all decoders that were already implemented in UMTS systems. (CRBr. at 74 (citing Tr. (Kim) at 299-300).) Therefore, according to Samsung, it was not an option for the 3GPP to adopt Motorola's proposal. (*Id.* (citing Tr. (Kim) at 299-301).) Eventually, after much discussion, the members of 3GPP adopted Samsung's proposal, recognizing that it was the best solution to the problem they were facing. (*Id.* (citing Tr. at 300-301).) The technology in the '644 patent was adopted into the 3GPP standard and is practiced by all HSUPA-capable products today. (*Id.* (citing CX-1748).)

Samsung says that Apple has pointed to no evidence that corroborates Apple's accusation that Samsung misled the 3GPP regarding Motorola's proposal. (*Id.* (citing Tr. (Kim) at 299-301).) In fact, argues Samsung, Apple itself completely misrepresents a document in an attempt to make its point. As regards Apple's assertion that "Mr. Kim falsely told these other RAN 1

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delegates that the results from Motorola's tail biting proposal 'show that the gain from the tail biting code is just about 0.2 dB'—the same gain Mr. Kim contended his rate-matching pattern produced[,]" (*id.* at 74-75 (citing RBr. at 84)), Samsung says the actual language of document shows otherwise and corroborates Mr. Kim's testimony:

Enclosed are Samsung draft contributions on coding for E-AGCH.

In this contribution, we compared performance of the tail-biting convolutional code and the convolutional code specified in current TS 25.212. The results show that the gain from the tail-biting code is just about 0.2 dB. In our view, this gain is not enough to justify the impact on implementation especially big increase of the UE decoder complexity.

(*Id.* at 75 (citing (RX-0893C).) This shows that Mr. Kim admitted that there is gain from the tail-biting code, but he said that it was not enough to justify the impact, given the necessary complexity in the decoder. (*Id.* (citing Tr. (Kim) at 299-300).)

Samsung says that Apple seeks the creation of a new patent unenforceability defense untethered to any recognized legal or equitable doctrine, namely, if a patent owner fails to disclose an IPR before a potentially related standards contribution has been "frozen," there must be a declaration that any patent in the family of that IPR is unenforceable regardless of circumstances. (CRBr. at 77.) But this is not the law, argues Samsung, as *Qualcomm v. Broadcom*, 548 F.3d 1008, 1024 (Fed. Cir. 2008), the sole legal authority on which Apple relies, demonstrates. Although a court sitting in equity has the discretion to declare a patent unenforceable based on conduct before a standards body, such an order must be predicated on clear and convincing evidence that the patent owner engaged in intentional conduct that was so egregious as to fall squarely within a recognized equitable doctrine, such as implied waiver, equitable estoppel, or unclean hands. (*Id.* at 78 (citing *Broadcom* at 1024).) For example, although Apple contends that in *Broadcom* "there was no evidence that the inventors had participated in the standards-setting process," Apple necessarily ignores a critical fact, namely that Qualcomm concealed its involvement in, and manipulation of, the standard-setting process

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right through trial as part of its “carefully orchestrated scheme” to conceal its patents and thereby hold the industry hostage. (*Id.* (citing *Broadcom* at 548 F.3d at 1009-10).)

Samsung says that Apple failed to provide any evidence of such bad faith conduct on the part of Samsung; rather, to the contrary, the record reflects that Samsung complied with its ETSI obligations. (*Id.*) Samsung says that it openly complied with its ETSI obligations and only participated in the standard-setting process and voluntarily submitted a general IPR declaration in 1998, long before the standards proposals or patent applications at issue existed, stating that it was prepared to offer licenses to all of its essential patents on FRAND terms and conditions.

(*Id.*) Samsung says that it then declared members of the '348 and '644 patent families, along with dozens of other patents and pending patent applications, as essential to the UMTS standard to ETSI in December 2003 and May 2006. (*Id.* at 78-79 (citing RX-0164C; RX-0133).)

Samsung says it has entered into licensing agreements with numerous industry participants that include the '348 and '644 patents along with Samsung's entire portfolio of UMTS-declared essential patents. (*Id.* at 79 (citing RX-0188; RX-0189C; RX-0191C; RX-0193C; RX-0178C; RX-0194C; RX-0195C; RX-0195C; RX-0197C; RX-0198C; RX-0199C; RX-200C; RX-0201C; RX-202C; RX-020cC; RX-204C; RX-205C; RX-206C; RX-0207C; RX-0209C; RX-0421C; RX-0423C).) Samsung says that before this Investigation was initiated, Samsung offered Apple a license that would have included these patents and then, nearly a year ago, at Apple's request, offered Apple a license limited to Samsung's portfolio of UMTS-essential patents, and Samsung has unsuccessfully attempted to engage Apple in negotiations ever since. (*Id.* (citing CX-0390C; CX-0769.0006; CX-1589C).) Samsung says it thereby fully complied with ETSI's disclosure obligations and there is no evidence to suggest that Samsung intentionally shielded the related Korean patent application from disclosure or refused to license its declared-essential UMTS

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patents on FRAND terms and conditions. (*Id.*) Samsung says that Apple's own expert testified that he was not accusing Samsung of any intentional conduct. (*Id.* (citing Tr. at 1418).)

Samsung argues that the testimony of its witnesses, including its inventors, that Apple cites does not support a finding of implied waiver; nor is it reasonable to infer from this evidence that Samsung intentionally failed to timely disclose its patents to ETSI, let alone that this is the single most reasonable inference. (*Id.* (citing *Therasense, Inc.* 649 F.3d at 1290 (holding that, to find a patent unenforceable for inequitable conduct, the accused infringer must prove that "the specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence"))).) Although Apple faults the inventors for not disclosing their Korean applications at ETSI technical working group meetings, Apple ignores unequivocal evidence that ETSI members never disclose IPRs at such meetings in response to a call for IPR; in fact, working group members like Mr. Kim would have neither the responsibility nor the authority to make such disclosures. (*Id.* at 79-80 (citing Tr. (Kim) at 381).) Samsung says that Apple's own expert, Dr. Walker, until recently the Chairman of the ETSI Board, conceded that in his 25 years of involvement at ETSI he could not recall a participant at a working group meeting "ever having made a declaration about IPR in a submission." (*Id.* (citing Tr. (Walker) at 1414).) Mr. Walker also confirmed that it has never been the policy of ETSI that participants in working groups should submit e-mails mentioning the filing of patents in lieu of submitting an IPR declaration. (*Id.* (citing Tr. at 248, 378-379 (Kim), 1414-15 (Walker)).) Samsung says that this is not surprising given that ETSI unequivocally states that technical meeting are not the proper forum for disclosures and discussion of IPR. (*Id.* (citing CX-0441.0012).)

Samsung says that the only mechanism that ETSI provides for IPR disclosures is the "ETSI IPR Information Statement and Licensing Forms" that is attached to Annex 2 of ETSI

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Guide to IPRs. (*Id.* (citing CX-0902.0022).) These IPR declaration forms are typically signed by relatively senior executives who can bind the company to the required FRAND licensing terms. (*Id.* (citing Tr. at 1410 (Walker)).) Samsung says that in large companies like Samsung, there are several layers of management between working group members and those with the authority to sign these forms. (*Id.* (citing Tr. at 1413-14 (Walker)).) Thus, the evidence presented at the hearing, including Mr. Walker's own testimony, cannot support an inference that the inventors of the '348 and '644 patents or Samsung intended to deceive ETSI.

In response to Apple's assertion that "Samsung's strategy of non-disclosure is part of a corporate policy to obtain 'standards adopted' patents," Samsung says there is no ETSI regulation against obtaining standard essential patents and, for the reasons previously mentioned by Samsung, discussed above, Samsung's conduct of developing successful technologies, openly working with ETSI, disclosing potentially relevant patents, and willingly licensing them on FRAND terms, is plainly inconsistent with a "strategy of non-disclosure." (*Id.* at 80-81.) Samsung says the testimony cited by Apple actually demonstrates that Samsung has established internal processes to comply with ETSI policies, including patent teams that assess whether patents being prosecuted are essential to an ETSI standard. (*Id.* at 81 (citing JX-0009C at 65 (Choi Dep.); JX-0023C at 12 (JW Lee Dep.)).) The most reasonable inference from such evidence is that Samsung, unlike Apple, had processes in place to comply with the policies of standards setting organizations, and endeavored to comply with them. (*Id.* (citing JX-0023C at 12 (JW Lee Dep.)).)

Samsung argues that Apple's assertion that Samsung did not timely disclose its patents rests on a bright-line rule that finds no support in the ETSI Policy. (*Id.*) Relying on Clause 4.1, Apple contends that an IPR disclosure is not timely unless the IPR is disclosed before the



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adoption of the proposal to which it applies; however, argues Samsung, Clause 4.1 simply states this:

Each MEMBER shall use its reasonable endeavors to timely inform ETSI of ESSENTIAL IPRs it becomes aware of. In particular, a MEMBER submitting a technical proposal for a STANDARD shall, on a bona fide basis, draw the attention of the ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.

(*Id.* (citing CX-0908.002 at § 4.1).) Samsung says that Apple misreads this clause, which merely requires that a member use “its reasonable endeavors” with respect to IPR it “becomes aware of,” and then goes on to require disclosure, on a “bona fide basis,” i.e., in good faith and without deceit, of IPR that might be essential if a proposal submitted by a member is adopted. (*Id.*) The second sentence of the clause unmistakably refers back to the first sentence and cannot be read in isolation without reference to the required “reasonable endeavors” of IPRs that the member “becomes aware of.” (*Id.* at 81-82.) Samsung notes that Apple's expert, Dr. Walker, confirmed the evidence of intentional misconduct is absent here. (*Id.* at 82 (citing Tr. (Walker) at 1418 (“Q. But you were not offering an opinion to His Honor that Samsung intentionally delayed, are you sir? A. No, I had not said—I had not used the word intentionally delayed at all.”).))

Samsung says that Apple erroneously asserts that the use of the phrase “if the proposal is adopted” in Clause 4.1 of the ETSI IPR Policy necessarily requires disclosure before the proposal has been adopted; however, the clause simply provides the conditions under which IPR must be disclosed if a proposal is adopted, not the time when it must be disclosed before the proposal is adopted. (*Id.*) Samsung argues that Apple failed to introduce any evidence that ETSI has ever considered whether a proposal is subject to an IPR before adopting it, let alone that it should have done so here. Samsung says that Dr. Walker admitted that he had virtually no personal experience with IPR disclosures, and Samsung notes that he did not offer an opinion on

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whether ETSI might have adopted an alternative technology had it known of the Korean patent applications. (*Id.* (citing Tr. at 1365, 1399-1401 (Walker)).)

Samsung says that Apple's theory that members must disclose their patents before a standard is "frozen," because patents disclosed thereafter "only emerge when it is too late for ETSI to consider them," is fundamentally at odds with the ETSI IPR Policy, which prohibits members from discussing IPRs at meetings, as well as the practice at ETSI. (*Id.* (citing CX-0441.0012 at § 4.1.)). Delegates at technical meetings, like the Samsung inventors, are to discuss the technical merits of a proposal, not their relative cost. (*Id.* (citing CX-0908.002 at § 3.1 (stating that the goal of ETSI is to promulgate standards that "best meet the technical objectives of the European telecommunications sector.")).) Samsung contends that the ETSI IPR Policy simply ensures that the relevant IPR will be available through a FRAND commitment. (*Id.* at 82-83 (citing CX-0908.003 § 6.1.)). According to Samsung, ETSI encourages the filing of general disclosures, followed by the submission of specific disclosures "as soon as feasible." (*Id.* (citing CX-0441.0005 at § 2.1.1.)). Samsung contends that Apple has failed to demonstrate that the ETSI IPR Policy requires that a specific disclosure must occur before a proposal is frozen and also has failed to provide any evidence that ETSI members understand and require IPR to be declared before a potentially relevant standard is finalized. (*Id.* (citing *Broadcom*, 548 F.3d at 1016 (noting that the Federal Circuit relied on testimony regarding understanding of SSO members to define the disclosure duty)).)

Samsung says Apple failed to provide any evidence that Samsung's Korean patent applications were not confidential at the time Samsung made its proposals, and therefore that they even fell within ETSI's definition of IPR, which expressly excludes such information. (*Id.* at 84.) As an initial matter, Samsung says that Apple asserts that "confidential information,"

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which appears in that definition in lower case letters, includes “only information that a chairman of a committee has requested and agreed to treat as confidential.” (*Id.* (citing RBr. at 84).)

Samsung protests that because Apple did not disclose this theory in its pre-hearing brief and discovery responses, and Dr. Walker did not testify about it at the hearing or even in deposition, it should be deemed waived, and besides, is wrong. (*Id.*)

Samsung notes that in defining “IPR,” ETSI IPR Policy specifically provides that “[f]or the avoidance of doubt rights relating to get-up, confidential information, trade secrets or the like are excluded from the definition.” (*Id.* (citing CX-0908.006 (“Definition of ‘IPR’”))). Although ETSI’s IPR Policy does separately define “CONFIDENTIAL INFORMATION” using upper-case letters to denote certain information requested by a committee chairman per Clause 10, this upper-case definition of the phrase does not appear outside of Clause 10, say Samsung. (*Id.*)

Had the ETSI IPR Policy intended to incorporate the narrowly-defined phrase, “CONFIDENTIAL INFORMATION” in the definition of “IPR,” it would have used upper-case letters to denote that fact as all of the other defined terms are capitalized in the IPR Policy; instead, “confidential information” is used in a more generic way (along with “get-up, ... trade secrets or the like.”) (*Id.* at 84-85.) Samsung contends that Apple offered no evidence that the Korean patent applications had been published or otherwise had lost their confidential status at the time when Apple claims they should have been “timely” disclosed. (*Id.* at 85.) Because Apple has failed to show that Samsung violated any ETSI policy with the specific intent to deceive ETSI and manipulate the standard-setting process, Apple’s affirmative defense of implied waiver fails.

Staff says that Apple’s contentions regarding both the ’348 and ’644 patents and Samsung’s conduct vis-à-vis the 3GPP and ETSI in regard to those patents does not constitute

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misconduct that warrants holding the patents unenforceable. (SBr. at 87.) Staff says that the '644 patent claims priority to three Korean applications, two that were filed in December 2004, and one that was filed in January 2005. Staff notes that in February 2005 Samsung submitted a proposal to the relevant 3GPP working group regarding rate-matching candidates for absolute scheduling grants of 5-10 bits in length. (*Id.*) Then in June 2005, Samsung's rate-matching proposal was adopted by the 3GPP. (*Id.* (citing RX-854).) Staff notes that Samsung did not declare any of these patent applications as essential to the working group involved in the TS 25.212 standard until May 16, 2006, nearly a year after Samsung had successfully convinced the 3GPP to adopt the claimed '644 rate-matching pattern as TS 25.212 § 4.10.4. (*Id.* at 87-88.)

Staff recognizes that ETSI IPR Policy establishes a duty for ETSI members such as Samsung to disclose potential "Essential IPR" to ETSI in a timely manner. (*Id.* at 88 (citing RX-701 Annex 6 §§ 4.1-4.2 (ETSI IPR Policy).) Staff concludes that Apple has not shown a breach of that duty for at least two reasons. First, a relatively short time passed between adoption of Samsung's rate-matching proposals by the 3GPP plenary group and Samsung's disclosure of the Korean patent applications to which the '644 patent claims priority, less than one year later. Second, the evidence suggests that the technology disclosed in Samsung's '644 patent is not essential to compliance with the technical standards of TS 25.212 and thus would not qualify as "Essential IPR." Staff says the evidence demonstrates that the Apple Accused Products, all of which are CDMA-compliant, do not infringe the asserted claims of the '644 patent.

Accordingly, argues Staff, it must be possible to comply with the ETSI technical standard without making use of Samsung's IPR. Thus, the evidence is insufficient to establish by clear and convincing evidence that the '644 patent is unenforceable due to Samsung's conduct as an ETSI or 3GPP member. (*Id.*)

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In its reply brief, Apple argues that, although Samsung refers generally to standards disclosure (citing CBr. at 128-131), Samsung singularly fails to address the specific reasons Apple demonstrated at trial for why the conduct of Mr. Kim and the other specifically-identified Samsung RAN 1 delegates renders the '644 patent unenforceable, including their failure to timely inform fellow RAN 1 delegates or ETSI that Samsung had applied for three patents covering every permutation of AG and rate-matching pattern that Samsung had proposed to them and deliberately misleading other delegates about the superior performance and low complexity of Motorola's tail-biting technology. (RRBr. at 76.) According to Apple, Samsung failed to rebut Apple's proof in its opening brief and has waived any responsive arguments under Ground Rule 10.1.

The Administrative Law Judge concludes that Apple has failed to demonstrate that either the evidence or the law supports Apple's contention that the '644 patent is unenforceable by reason of alleged acts of misconduct on the part of any of the named inventors or Samsung in its dealings with the 3GPP and ETSI. With respect to the evidence, Samsung has shown a legitimate reason for why it advanced its proposals in opposition to Motorola's. The fact that members of consensus bodies that set industry standards advocate positions they favor and denigrate positions advocated by others is a dialectical process which is conducive to arriving at outcomes deemed desirable to the goals of the organization. The fact that Samsung, or its participating members, found fault with Motorola's proposals and favor with their own is not enough to demonstrate misconduct. Samsung has shown reasons for the stand it took and the Administrative Law Judge finds no reason to conclude that there were any improprieties in what Samsung did vis-à-vis its participation in the ETSI.

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Nor has Apple provided a legal basis for rendering the '644 patent unenforceable even if it were to be concluded that Samsung's activities with respect to the 3GPP and ETSI contravened in some respect a policy thereof. ETSI is an organization that has adopted various policies, among which is the following:

### 14 Violation of Policy

Any violation of the POLICY by a MEMBER shall be deemed to be a breach, by that MEMBER, of its obligations to ETSI. The ETSI General Assembly shall have the authority to decide the action to be taken, if any, against the MEMBER in breach, in accordance with the ETSI statutes.

(RX-710 at APLNDC-WH-A0000012546.) There is no evidence that Apple has exhausted, or even pursued any course of action or remedy available to it under this provision, or any other, offered by ETSI or otherwise shown that pursuit of the forms of relief or remedy available from ETSI would be inadequate. There is no law cited by Apple that authorizes an Administrative Law Judge to superintend the affairs of ETSI and make findings that may not be in accordance with its objectives and governing provisions. For example, Apple points to Clause 4.1 which states that each member shall use its reasonable endeavors to timely inform ETSI of essential IPRs. What constitutes "timely" is not specified, but it stands to reason that the members have views on that matter which may differ not only among each other but also, by way of their consensus, with what an Administrative Law Judge might determine in the context of a Section 337 investigation, not having the benefit of the members' thinking on the matter, as far as effectuating the policies of ETSI. The ETSI Guide on Intellectual Property Rights (IPRs) (RX-0713 at APLNDC-WH-000012464), NOTE 1, states: "Definitions for 'Timeliness' or 'Timely' cannot be agreed, because such definitions would constitute a 'change to the Policy.'" If the ETSI itself cannot arrive at a definition of "timely," for someone outside that body to do so would amount to an assumption of non-delegated legislative power. It would be ill-advised to

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decree what the members might by consensus not agree with. In short, Apple has not carried its evidentiary or legal burden for establishing that the '644 patent, a valid United States patent, should be held unenforceable by reason of Samsung's ETSI activities.

### 2. Alleged Inequitable Conduct

#### a) Applicable Law

Patent applicants and their attorneys have “a duty of candor and good faith” in dealing with the PTO, “which includes a duty to disclose . . . information known . . . to be material to patentability.” 37 C.F.R. § 1.56(a). A patent may become unenforceable on the grounds of inequitable conduct if the patentee withheld material information from the PTO with intent to mislead or deceive the PTO into allowing the claims. *LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1070-1074 (Fed. Cir. 1992) (“*LaBounty*”). Both materiality and intent must be proven by clear and convincing evidence. *Id.* When inequitable conduct occurs in relation to one or more claims of a patent, the entire patent is unenforceable. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988) (en banc).

“The materiality of information withheld during prosecution may be judged by the ‘reasonable examiner’ standard.” *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*, 487 F.3d 897, 913 (Fed. Cir. 2007) (“Materiality . . . embraces any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.”). However, a patentee need not disclose material information that is merely cumulative of other information already before the examiner. *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1328 (Fed. Cir. 1998); 37 C.F.R. 1.56(b).

“Direct evidence of intent or proof of deliberate scheming is rarely available in instances of inequitable conduct, but intent may be inferred from the surrounding circumstances.”

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*Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997). However, intent may not be inferred from materiality. *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (“*Therasense*”). Once the materiality of the withheld information and the patentee’s intent to mislead have been established, the administrative law judge “must weigh them to determine whether the equities warrant a conclusion that inequitable conduct occurred.” *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1234 (Fed. Cir. 2003) (quoting *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995)).

### **b) Apple’s Allegation that the ’644 patent was obtained by means of inequitable conduct**

Apple contends that the ’644 patent is unenforceable because of inequitable conduct committed by Samsung in the course of prosecuting the application for the patent. (*Id.*) Apple argues that, at the time that the named inventors of the ’644 patent were telling the 3GPP that they “took” their ’644 rate-matching pattern from Siemens’s HS-SCCH, they and those involved with them in the prosecution of the patent application that resulted in the ’644 patent, deliberately kept this fact, as well as the R1-02-0604 and R1-041520 proposals, previously discussed, from the USPTO. (*Id.*) These references were unquestionably material for the reasons already discussed, argues Apple, citing *Aventis Pharma S.A. v. Hospira, Inc.*, No. 2011-1018, 2012 U.S. App. LEXIS 7095 (Fed. Cir. Apr. 9. 2012) at \*20 (defining materiality.) Apple points to Dr. Stark’s testimony that none of the art that was before the USPTO was even close to being as material as Siemens’s R1-02-0604 and R1-041520 proposals, and Apple says that his testimony in this regard was un-rebutted. (*Id.* (citing Tr. (Stark) at 2257-61).) Apple says that Figure 24 of Siemens’s R1-41520 proposal admittedly disclosed every limitation of claims 1, 9, and 13, except the specific rate-matching puncturing positions. (*Id.* (citing RX-927; Tr. (Kim) at



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339-42, (Min) at 3080-81.) Apple argues that those puncturing positions were obvious from the teaching of Siemens's R1-02-0406. (*Id.* (citing RX-54; RX-1527C).) Apple says that Mr. Kim admitted at the hearing that his '644 rate-matching pattern was {

} . (*Id.* (citing Tr. (Kim) at 344).) There was no way, argues Apple, for the USPTO to have considered Mr. Kim's derivation of the '644 pattern from the prior invention of Siemens other than through disclosure by the named inventors of the '644 patent. (*Id.*)

Apple says that Mr. Kim admitted he had a duty to disclose prior art like R1-02-0604 and R1-041520 to the USPTO, yet these prior art references and the facts of derivation of the '644 invention were intentionally withheld. (*Id.*) The named '644 inventors' own correspondence, just weeks before they filed their first patent applications respecting the claimed invention, {

}, says Apple. (*Id.* at 131-132 (citing CX-1857C at 2 (questioning patentability); RX-739C).) According to Apple, the named inventors and Samsung's "patent team" were motivated to withhold these important references because of Samsung's {

} . (*Id.*)

In order to achieve Samsung's { }, the named '644 inventors executed a plan that was calculated to ensure that the pattern they derived from Siemens was both patented and adopted by 3GPP. (*Id.*) According to Apple, in order to get their Siemens-

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derived pattern adopted as the standard, the named inventors misled the 3GPP both by withholding the existence of their patent applications in the face of a known duty to disclose them to ETSI and by actively assuring the other RAN 1 delegates that the rate-matching pattern that they were proposing was old technology taken from Siemens, and by implication, was not patentable. (*Id.* (citing Tr. (Kim) at 380 (admitting failure to disclose); RX-125 at 1 (representing to RAN 1 that “we took the similar concept as used for the HS-SCCH”); RX-893C (“{

}”).) Moreover, according to Apple, the named inventors of the ’644 patent lobbied against adoption of Motorola’s better-performing “tail-biting” technology by misstating both the efficacy of Motorola’s technology and its complexity. (*Id.*)

Apple claims that Samsung told an entirely different story to the USPTO and rather than acknowledge that they had taken the invention from the work of Siemens, as they had admitted to the 3GPP, the named inventors and Samsung studiously withheld all of Siemens’s rate-matching prior art from the USPTO, art they admittedly not only possessed, but had used to derive their E-AGCH pattern. (*Id.* at 132-133.) Apple says that named inventor Kim testified that he {

} (*Id.* at 133 (citing JX-18 (Kim Dep.) at 67-68; JX-11C (Gha Dep.) at 61-62).) Apple says that Mr. Gha testified that one purpose of the {

} (*Id.* (citing JX-11C at 93-94).) Apple argues that, because of Mr. Kim’s extensive use of Siemens’s R1-041520 and R1-02-0604 to derive his ’644 rate-matching pattern, these prior art references should have

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been the first documents that Mr. Kim { } Mr. Gha; however, it is clear that Mr. Kim did not submit either one. (*Id.*) To the contrary, argues Apple, Mr. Gha testified that he had never seen Siemens's R1-02-0604 before being confronted with it at his deposition, and neither R1-02-0604 nor R1-041520 were ever revealed to the USPTO. (*Id.* (citing JXM-3 cover; Tr. (Kim) at 371-372).)

Apple says that, uncertain of the patentability of their work in light of Siemens's invention, Mr. Kim and his co-inventors should have made sure that R1-02-0604 and R1-041520 were presented to every patent office that considered their claims, but, instead, what the named inventors and Samsung did was make sure that no patent office ever found out about the very prior art that they had used to derive their claims, out of fear that disclosure of this art would ruin their chances of obtaining a "standards patent." (*Id.* at 133-134.) Faced with competing technology that {

}, Mr. Kim, his co-inventors, and Samsung should have presented all of the facts (including that they had applied for patents on their rate-matching proposal) to RAN 1 and thereby let the best technology prevail. (*Id.* at 134.) Instead, what the named inventors and Samsung did was mislead members of RAN 1 about both the performance and complexity of Motorola's proposal, and fail to disclose their Korean patent application, lest disclosure of these applications hamper their attempt to standardize their patent.

Samsung points out that Apple's burden to prove inequitable conduct is particularly high, citing *Therasense*. Samsung says that Apple must show that, but for the failure to disclose a particular reference, the patent would not have issued, and Apple's argument and its cited evidence do not come close to meeting this high burden. (*Id.*) Moreover, argues Samsung, Apple has pointed to no evidence of intent to deceive, but instead, relies on fabricated stories

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which are not supported by the evidence. (*Id.* (citing RBr. at 131-134).) To start with, Samsung says that at the hearing Dr. Stark only opined regarding materiality for R1-02-0604, which is Siemens's HS-SCCH proposal, and R1-041520, which is Siemens's E-DCH proposal. (*Id.* (citing Tr. (Stark) at 2257, 2261). Because these references are missing many of the claimed limitations, including the claimed rate-matching pattern, they cannot possibly rise to the level of "but for" materiality that is required for inequitable conduct. (*Id.*) Also, Mr. Young-Bum Kim testified that the HS-SCCH proposal did not even work as it applied to the E-AGCH. (*Id.* at 75-76 (citing Tr. (Kim) at 288).) Therefore, it cannot possibly be material to claims related to the E-AGCH. (*Id.* (citing Tr. (Min) at 3042-43).) Samsung says that Apple has pointed to no evidence but relies solely on attorney argument in its attempt to show that the claims would not have issued but for these references being before the patent office. (*Id.* at 76.)

Samsung says that Apple's accusation that the cited references were "intentionally" withheld is conclusory and that Apple has proffered as its support a discussion between the inventors relating to { } that occurred before they had begun to work on the '644 invention. (*Id.* (citing RBr. at 131-134; RX-793C).) Samsung notes that the inventors did not invent anything related to the HS-SCCH, but instead, spent {

} . (*Id.* (citing Tr. (Kim) at 296-298; RX-0153; RPX-031C).)

As a result, says Samsung, RX-739C fails to support Apple's assertion that the inventors believed the HS-SCCH invention was material to the '644 patent. By the time the invention was complete and the claimed rate-matching pattern was developed, the inventors knew that the HS-SCCH proposal was not related to the '644 invention. (*Id.* (citing Tr. (Kim) at 296-98).)

Samsung argues that, despite Apple's assertion, there is actually no evidence that the inventors did not submit any of the prior art to their patent attorneys; and although Apple claims

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that it is clear that Mr. Kim did not submit these references, Apple points to no evidence that shows that he did not, only pointing to testimony of Mr. Gha, who was {  
}. (*Id.* at 76-77 (citing JX-11C (Gha Dep.) at 61-62).) Samsung argues that it is possible that, given that the alleged inequitable-conduct references do not disclose any of the claimed limitations, it was determined that more material references had already been disclosed. According to Samsung, there is no evidence to support Apple's allegations, and the evidence fails to show that the inventors and Samsung had the requisite intent to deceive the patent office. (*Id.* at 77.)

Staff says that, in its view, the evidence demonstrates that the references that Apple identifies were not material to the prosecution of the '644 patent, because a reference is not material unless the patent would not have issued "but for" the non-disclosure. (SBr. at 89 (citing *Therasense*, 649 F.3d at 1291-92).) Staff asserts that for the reasons provided by Staff in regard to Apple's obviousness contentions, Staff believes that the R1-02-0604 and R1-041520 references do not meet that standard. Staff argues that these references are concerned with downlink communication from the base station, not with decoding information at the mobile device, and they fail to disclose the specific rate-matching pattern found in the asserted claims of the '644 patent. (*Id.* at 89-90.) Given the limited relevance of these references, Staff contends that Apple has not shown that the '644 patent likely would not have issued if R1-02-0604 and R1-041520 had been provided to the patent examiner. (*Id.* at 90.)

Staff also says that even if these prior-art references were shown to be material, Apple's inequitable conduct argument would still fail because Apple has not even alleged facts indicating that there was an intent to deceive the USPTO. (*Id.* (citing *Cancer Research Tech. Ltd. v. Barr Labs., Inc.*, 625 F.3d 724, 733-734 (Fed. Cir. 2010) (evidence that inventor co-authored articles

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contradicting patent specification insufficient to establish intent to deceive PTO).) Staff sums up by saying Apple has not alleged with any particularity who exactly attempted to deceive the USPTO or how they attempted to do so, and absent any evidence of intent to deceive, there can be no finding of inequitable conduct as a matter of law. (*Id.*)

Apple replies to both Samsung and Staff by declaring that Dr. Stark's testimony was un rebutted, and arguing that, lacking witness testimony or other evidence, the opposition's arguments largely mirror their obviousness and derivation arguments and are, therefore, incorrect for the reasons offered by Apple with respect those arguments. (RRBr. at 76-77.) As for Samsung's and Staff's arguments that RX-1527C; RX-0927 lack materiality because they do not recite the identical rate-matching pattern claimed in the '644 claims, Apple responds that prior art does not have to teach every limitation identically in order to be material. (*Id.* at 77 (citing *Aventis*, 2012 U.S. App. LEXIS 7095 at \*20 (defining materiality))), and Apple says that RX-1527C; RX-0927 are what Mr. Kim and Samsung actually used to derive the '644 claims, unbeknownst to the USPTO. (*Id.*) Apple argues that Mr. Kim and Samsung kept this fact to themselves, and Apple contends that no art before the USPTO was anywhere as close to being as material. (*Id.* (citing Tr. (Stark) at 2257, 2260-61).)

According to Apple, it is undisputed that, for the case of a 6-bit AG, Siemens's Figure 24 directly teaches every limitation of transmitter claim 1 other than the specific puncture positions of the rate-matching pattern, and renders the corresponding limitations of receiver claims 9 and 13 obvious. (*Id.* (citing RX-54; Tr. (Kim) at 339-342; Tr. (Min) at 3080-81).) Moreover, the puncture positions were obvious from Siemens's RX-1527C, which Mr. Kim {  
}. (*Id.* (citing RX-54; RX-1527C).) Because Mr. Kim admitted that his {

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}, those facts would unquestionably have been material to a reasonable examiner, according to Apple. (*Id.*) And had they been revealed, the '644 claims would not have issued in their current form (the form covering what Mr. Kim and Samsung proposed to RAN 1 for standardization). (*Id.*) Apple says that Mr. Kim's contemporaneous admissions to RAN 1 that he "took" Siemens's HS-SCCH technology that is described in RX-1527C in order to derive his '644 rate-matching cannot be reconciled with Samsung's newly asserted, and unexplained, suggestion that the "the inventors used [RX-1527C] as a baseline, but it did not work. (*Id.* at 77-78 (citing CBr. at 134).) To the contrary, argues Apple, Mr. Kim admitted to extensive use of Siemens's prior art to derive his '644 rate-matching claims, and that conduct rendered these references highly material. (*Id.* at 78.)

Apple alleges that Mr. Kim and his co-inventors intentionally withheld RX-1527C; RX-0927 with the intent to mislead the USPTO as to the patentability of their claims, and this fact is clear, convincing, and remarkably voluminous, as detailed in Apple's opening brief. (*Id.*) To carry out this policy, says Apple, the named inventors actively represented one thing to 3GPP ("we took the similar concept as used for the HS-SCCH" (RX-0125)), while at the same time concealing these facts from the USPTO. (*Id.* (citing CBr. at 131-134).) The named inventors {

} just weeks before filing their first Korean patent application (CX-1857C at 2 { }; RX-739C at 4 (same)), but never provided RX-1527C, or any other version of RX-54, to any patent office, according to Apple. (*Id.*) The named inventors used RX-0927 to set the {

}, but never revealed that fact to the USPTO and even attempted to hide it during discovery and at trial in this Investigation, argues Apple. (*Id.* (citing CBr. at 131-134).)

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Apple maintains that Samsung's post-hearing brief addresses none of this conduct or any of the copious other evidence of intent set forth in both Apple's pre-hearing brief and at trial. Accordingly, Samsung has waived any responsive arguments under Ground Rule 10.1, which bars raising such arguments for the first time in reply. (*Id.*) Instead, argues Apple, Samsung resorts to unsupported platitudes, for example, that "gross negligence" is not enough. (*Id.* (citing CBr. at 134).) Apple says that Mr. Kim's deciding to hide from the USPTO the very documents from which he took the '644 rate-matching pattern was not mere negligence; it was intentional. (*Id.* (citing RX-0125; CBr. at 131-134).) Apple argues that Mr. Kim, his named co-inventors, and Samsung's "patent team" were motivated by Samsung's {  
}. (*Id.* at 78-79 (citing JX-9C (Choi Dep.) at 31-33; RX-0163C at 23-24).)

Apple argues that, had RX-1527C or RX-0927 been revealed, the '644 claims would not have issued in the form proposed to RAN 1 for standardization. (*Id.* at 79.) The named inventors thus had every incentive to hide from the USPTO what they {

} (*Id.* (citing RX-739C at 4).) As concerns Samsung's argument that there can be no intent to conceal because the HS-SCCH proposal supposedly "did not work[.]" Apple counters that this conclusory argument is belied by Mr. Kim's own trial testimony, where he admitted that {

} , which is the pattern claimed in the '644 patent. (*Id.* (citing Tr. (Kim) at 357-360, 366-367).) Far from teaching that the reference did not work, RX-1527C; RX-0927 taught everything Mr. Kim or any



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person of ordinary skill in the art would have needed know in order to derive the '644 claims.

(*Id.*)

Apple sums up by saying that Mr. Kim's, his co-inventors', Hee Don Gha's, and Samsung's intent to deceive the USPTO regarding the patentability of the '644 claims is evident from the motivation Samsung's {

} (*Id.*)

The Administrative Law Judge finds that there is not clear and convincing evidence that inequitable conduct was committed during the prosecution of the '644 patent before the USPTO. "To prevail on a claim of inequitable conduct, the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO." *Therasense, Inc. v. Becton, Dickinson and Co.* 649 F.3d 1276, 1290 (Fed. Cir. 2011). "A finding that the misrepresentation or omission amounts to gross negligence or negligence under a 'should have known' standard does not satisfy this intent requirement." (*Id.*) "In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant *made a deliberate decision* to withhold a *known* material reference." (*Id.* (citation omitted).) "In other words, the accused infringer must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it." (*Id.*) Dr. Stark only opined regarding materiality for R1-02-0604, which is Siemens's HS-SCCH proposal, and R1-041520, which is Siemens's E-DCH proposal. (Tr. (Stark) at 2257, 2261.) Because these references are missing many of the claimed limitations, including the claimed rate-matching pattern, they do not rise to the level of materiality that is required for inequitable conduct: it cannot be concluded that had these references not been omitted the patent would not have issued. Mr. Young-Bum

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Kim testified that the HS-SCCH proposal did not even work as it applied to the E-AGCH. (Tr. (Kim) at 288.) Therefore, it is, at best, debatable whether that reference was material to claims related to the E-AGCH. (Tr. (Min) at 3042-43.) The inventors did not invent anything {  
}. (Tr. (Kim) at 296-298;  
RX-0153; RPX-031C.) The evidence fails to support Apple's assertion that the inventors believed the HS-SCCH invention was material to the '644 patent. By the time the invention was complete and the claimed rate-matching pattern was developed, the inventors had concluded, according to the testimony of Mr. Kim, that the HS-SCCH proposal was not related to the '644 invention. (Tr. (Kim) at 296-98.) For these reasons, the Administrative Law Judge concludes that in this Investigation there is no clear and convincing evidence that there was a deliberate decision to withhold material evidence during the prosecution of the '644 patent that renders it unenforceable.

### VII. PATENT EXHAUSTION DEFENSE

#### A. Law

"[T]he initial authorized sale of a patented item terminates all patent rights to that item." *Tessera, Inc. v. International Trade Comm'n*, 646 F.3d 1357, 1369 (Fed. Cir. 2011) (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008)). At issue is whether Samsung has authorized certain sales of products "embodying the asserted patent." (*Id.*)

#### B. Patent Exhaustion and Contract Bar by Reason of an Intel-Samsung Licensing Agreement

##### 1. Intel's Baseband Processors

Apple says that Samsung, as part of a cross-license agreement for portfolios of patents, licensed the '348 and '644 patents to Intel Corporation, which supplies the baseband processor chips incorporated in the accused iPhone 4, iPhone 3G, iPhone 3GS, iPad 3G, and iPad 2 3G.

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(RBr. at 140.) Apple maintains that this license agreement bars Samsung from asserting the '348 and '644 patents against Apple products containing Intel chips, because the agreement authorized sales by Intel of baseband processor chips to Apple, thereby exhausting any of Samsung's patent rights that relate to those chips. (*Id.*) According to Apple, Samsung's '644 and '348 infringement claims against the iPhone 4, iPhone 3GS, iPhone 3G, iPad 2 3G, and iPad 3G target functionality that is substantially embodied in the Intel chips, and because these patents are exhausted as to those chip components in the Accused Products, Samsung's '644 and '348 claims must fail on this ground as well. (*Id.*)

More specifically, Apple says that, effective January 1, 1993, Intel and Samsung executed a "Patent Cross Licensing Agreement," which was thereafter amended twice. (*Id.* at 141 (citing RX-0207C, RX-0208C, RX-209C).) {

} (*Id.* (citing JX-0006C (Ahn Dep.) at 44-45).) Apple says that Samsung does not contest this assertion nor the fact that the '348 and '644 patents fall within the "Samsung Patents" licensed under the agreement. (*Id.*) Nor, says Apple, does Samsung contest that, as a technical matter, {

} (*Id.* (citing RX-207C § 1.14).)

Apple says that, {

} (*Id.* (citing RX-209C § 3.1).) According to Apple, Intel, through its subsidiary Intel Americas, Inc., sells

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baseband chips to Apple {

}” (*Id.* (citing RX-1236C, RX-1237C).) Apple contends, therefore, that Intel’s sales to Apple fall within “[t]he longstanding doctrine of patent exhaustion [which] provides that the initial authorized sale of a patented item terminates all patent rights to that item.” (*Id.* (citing *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008))).) Apple argues that Samsung cannot assert these patents against the Intel baseband chips that are incorporated in Apple products. (*Id.*) With those chips removed from the infringement analysis, Samsung’s ’644 and ’348 claims against iPhone 4, iPhone 3GS, iPhone 3G, iPad 2 3G, and iPad 3G collapse, because those claims are directed at features in and functionality of the Intel chips. (*Id.* at 141-142.)

Apple acknowledges that Order No. 47 found that there was an outstanding factual issue as to whether Intel’s sales to Apple were United States sales, as is required for exhaustion of the patents. (*Id.* (citing Order No. 47 at 33-34).) Apple says that these sales do exhaust Samsung’s United States patents, for two reasons: (1) { }; and (2) under Federal Circuit precedent, Intel’s sales to Apple were United States sales. (*Id.*)

Apple argues that *Fujifilm Corp. v. Benun*, 605 F.3d at 1366 (Fed. Cir. 2010), which requires that any sales for purposes of exhaustion to occur within the United States, is inapposite, because that decision {

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} (Id.)

Furthermore, according to Apple, the sales of Intel chips to Apple were, as a matter of law, United States sales under 35 U.S.C. § 271, which provides that a “sale” occurs in the United States when the “essential activities” of a sale take place here. (Id. (citing *Litecubes, LLC v. Northern Light Prods., Inc.*, 523 F.3d 1353, 1370-71 (Fed. Cir. 2008).) Apple notes that {

} (Id. (citing Tr.

(Blevins) at 966-971).) The essential activities of the Intel sales, argues Apple, occurred in the United States, making these transactions United States sales. (Id. (citing *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software, Inv. No. 337-TA-724*, Initial Determination at 264 (July 1, 2011) (Id. at 142-143.)

Samsung counters by saying that Apple has failed to prove its exhaustion defense, because Apple erroneously maintains that an initial sale of an infringing baseband processor in the United States is not required insofar as {

} (CRBr. at 89-90.) Samsung argues that

the fundamental requirement of an initial United States sale has recently been reaffirmed by the Federal Circuit in the case of *Ninestar Tech. Co. v. Int’l Trade Comm’n*, 667 F.3d 1373 (Fed. Cir. 2012) (“[P]atents are subject to exhaustion upon sale of product or components in the United States.”) According to Samsung, nothing in *Ninestar* or *Fujifilm* suggests that this requirement can be ignored simply because {

} (Id. at 90.)

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Samsung says that in *LaserDynamics, Inc. v. Quanta Storage America Inc.*, No. 2:06-CV-348-TJW-CE, 2009 U.S. Dist. LEXIS 115848 at \*3 (E.D. Tex. 2009), {

} did not change the rule that exhaustion requires an authorized first sale in the United States. (*Id.*) In *Fujifilm Corp. v. Benun*, No. 05-cv-1863 (KSH), 2009 U.S. Dist. LEXIS 64465 (D. N.J. 2009) (*aff'd*, 605 F.3d 1366 (Fed. Cir) 2010), the district court surveyed the state of exhaustion law, noting that “the controlling rule of law...remains that U.S. Patent rights are only exhausted when the patentee (or licensee) sells the patented article in the United States.” 2009 U.S. Dist. LEXIS 64465 at \*9; *MedImmune, LLC v. BioPharma, Inc.*, No. C 08-9550 JF HRL, 2011 WL 61191 at \*17 (N.D. Cal. 2011) (finding that even with the existence of a license, exhaustion can only occur by sale in the United States)).) Samsung contends that the law is clear that, in order for the doctrine of patent exhaustion to apply, the authorized first sale of the infringing article must in fact occur in the United States; but Apple failed to prove this requirement, and therefore, Apple’s affirmative defense to infringement liability fails. (CRBr. at 90.)

Samsung also disputes Apple’s contention that the sales of infringing baseband processors occur in the United States as a matter of law under 35 U.S.C. § 271 because the sales of Intel’s chips were made in the United States, owing to the fact that all of the “essential activities” of the sales took place here. (*Id.*) Samsung argues that a sale under 35 U.S.C. § 271(a) occurs when the “essential activities” of that sale take place in the United States. (*Id.* at 90-91 (citing *MEMC Elec’s Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1375-77 (Fed. Cir. 2005). Samsung says that a number of courts have further elaborated on what the definition of “essential activities” means in the context of Section 271(a). For example, in *Quality Tubing Inc. v. Precision Tube Holdings Corp.*, 75 F. Supp. 2d 613 (S.D. Tex. 1999), the

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court attempted to define “sale” with greater precision, saying that a “sale” presupposes not merely an agreement to sell, but performance of that agreement.” *Quality Tubing Inc. v. Precision Tube Holdings Corp.*, 75 F. Supp. 2d at 621. Samsung says the court held that negotiation of a contract to sell, standing alone, does not constitute an infringing sale under Section 271(a); there has to be performance. (CRBr. at 90.)

Samsung says this view was reinforced in *Wing Shing Prods. Ltd. v. Simatelex Manufactory Co.*, 479 F. Supp. 2d 388, 403 (S.D.N.Y. 2007), where the court concluded that *MEMC* did not hold that an actual sale took place in the United States, because “the plaintiff could not show any ‘contracting and performance’—i.e., the ‘essential activities’ by the defendant in the United States.” (*Id.*) According to Samsung, a critical part of the “essential activities” that constitute a sale in the United States are delivery and performance, and where delivery has not taken place in the United States, patent rights are not exhausted. (*Id.* (citing *Minebea Co., Ltd. v. Papst*, 444 F. Supp. 2d 68, 146 (D.D.C. 2006); *Cornell Research Found., Inc. v. Hewlett-Packard Co.*, 2007 WL 4349135, \*51 (N.D.N.Y. Jan. 31, 2007)).)

Samsung says that Apple has not come close to establishing that all “essential activities” concerning the supply of the Intel and Qualcomm chips occur in the United States, let alone that these transactions were even negotiated here. (*Id.*) With respect to Intel, {

} (*Id.* at 92 (citing Tr. at 993-999 (Blevins))). Similarly, argues Samsung, nowhere does Apple assert that the actual performance of Intel’s or Qualcomm’s sales occurred in the United States. (*Id.*) According to Samsung, Mr. Blevins

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<sup>85</sup> Intel acquired Infineon after the Samsung-Intel agreement was executed.

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confirmed that {

}. (*Id.* (citing Tr. at 958, 968, 975, 985-

988, 990, 992-993, 1002-04 (Blevins)).) Instead, says Samsung, {

}. (*Id.*) Samsung contends that Apple has not

demonstrated that delivery of the chips and, therefore, performance of the sales contract, occurs in the United States. (*Id.*) Samsung argues that mere negotiation of a contract, by itself, is insufficient to satisfy the requirements of “essential activities” that an actual sale occurred in the United States, pursuant to Section 271(a). (*Id.*)

Samsung says that Apple’s reliance on *Certain Electronic Devices* is misplaced, because in that case there was a finding that a sale had occurred since “all of the purchase and sale negotiations, product engineering, testing, prototyping, product selection, and engineering” took place in the United States. (*Id.* at 92-93 (citing *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, 2011 WL 3385131, Initial Determination at \*151 (U.S.I.T.C., 2011)).) In this Investigation, argues Samsung, Apple has not shown that any of those things occurred in the United States. (*Id.* at 93.)

Samsung says that Apple has improperly interpreted {

}” (*Id.* (citing

CBr. at 141).) Samsung says that Apple ignores {

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<sup>86</sup> See Order No. 49 at 33.



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} (*Id.*) Given this limitation, argues Samsung, it would violate the obvious purpose and intent of the agreement if { } could simply do an end run around {

} (*Id.*) Such an interpretation would render the { }; therefore, Apple's interpretation of the { } cannot be reconciled with the provisions of the agreement. (*Id.*)

Staff contests Apple's claim that the evidence is sufficient to establish Apple's exhaustion defense, noting that the Federal Circuit has held that a patent is not exhausted if the sale of the allegedly infringing article was not in the United States. (SBr. at 65.) Staff points out that the evidence does not establish that there were authorized sales of the accused components in the United States, since Mr. Blevins was unable to provide the necessary details, as exemplified by this colloquy during his cross-examination at the hearing:

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{

}

(*Id.* (citing Tr. (Blevins) at 995-996).) Staff says there was objection to what was represented to be {

}

ultimately that document was not offered into evidence. (*Id.* (citing Tr. (Blevins) at 996-996).) Staff maintains that in the absence of specific evidence of sales in the United State from Intel and Qualcomm to Apple, and in the absence of proof that those sales were authorized by Samsung, Apple has not met its burden of proof necessary to sustain its affirmative defense of patent exhaustion. (*Id.*)

In its reply brief, Apple points out that Samsung's '348 and '644 patent infringement claims against Apple concern Intel's baseband processors and Apple contends that {

}. (RRBr. at 90.) Apple argues that it follows,

therefore, that the Samsung-Intel agreement precludes enforcement of Samsung's infringement actions against Apple with respect to the '348 and '644 patents. (*Id.*) First, with respect to Samsung's contention that Intel never made a United States sale to Apple triggering patent exhaustion, Apple rejoins that even if the Federal Circuit's locus-of-sale precedent applied to {

}, which Apple says it does not, { }, as

a matter of law, United States sales under 35 U.S.C. § 271. (*Id.* at 90-91.) A "sale" under 35 U.S.C. § 271 occurs in the United States when the "essential activities" of a sale occur here. (*Id.*

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(citing *Litecubes, LLC v. Northern Light Prods., Inc.*, 523 F.3d 1353, 1370-71 (Fed. Cir. 2008)).)

{

} . (*Id.* at 91 (citing Tr. (Blevins) at 966-971).) Apple therefore concludes that the “essential activities” of the Intel sales occurred in the United States, making these United States sales. (*Id.*)

Apple disputes Samsung’s assertion that what matters for the locus-of-sale requirement is whether the Intel baseband processors were delivered to Apple in the United States. Apple counters that delivery of the licensed articles in the United States is not the law, citing *North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (“it is possible to define the situs of the tort of infringement-by-sale either in real terms as including the location of the seller and the buyer and perhaps the points along the shipment route in between, or in formal terms as the single point at which some legally operative act took place....[A]ppellee has failed to explain why the criterion should be the place where the legal title passes rather than the more familiar places of contracting and performance.”) (*Id.* (also citing *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1377 (Fed. Cir. 2005) (focusing on the location of contracting and finding that a sale occurred in Japan where all of the negotiations, ordering, invoicing, and shipping instructions occurred, despite the fact that delivery was in Texas).) Apple again cites to *Certain Electronics Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724,

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Initial Determination at 264 (July 1, 2001) (“Whether these products were produced and delivered to Apple or its fabricators outside the United States does not alter the fact that the sales and purchases between the parties were consummated in California.”). (*Id.* at 91-92.)

Apple also disputes Samsung’s assertion that {

}, Apple responds that this is erroneous and cites

*Thorn EMI N.A. v. Hyundai Elecs. Indus.*, 1996 U.S. Dist. LEXIS 21170 (D. Del. 1996), a case in which the court reviewed a license {

}. (*Id.* (citing *Thorn*. at

\*13).) According to Apple, the court in that case, relying on Federal Circuit precedent, first concluded that the right to sell included products manufactured by others outside of the “have made” rights. (*Id.* (citing *Thorn* at \*11-13 (citing *Cyrix Corp. v. Intel Corp.*, 77 F.3d 1381 (Fed. Cir. 1996)).) Apple says the court in *Thorn* next explained that “have made” rights not only protect the licensee, they also protect the manufacturer that makes patented products for the licensee. (*Id.* (citing *Thorn* at \*14-15).) According to Apple, the court in *Thorn* therefore held that the limitations on the “have made” rights would not be read out of the contract by giving full effect to the unlimited right to sell—they would still determine whether the manufacturer infringed. (*Id.*)

The Administrative Law Judge concludes that the evidence is not sufficient to support Apple’s patent exhaustion defense. According to Mr. Blevins, Intel acquired the German company Infineon’s wireless solutions business in January 2011. (Tr. at 988, 990) Intel then

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caused a corporation to be created for that business, Intel Mobile Communications (“IMC”).<sup>87</sup>

{

} . (*Id.*) Apple has not adequately correlated its

legal arguments and citations to the particular facts of this Investigation. The fact that {

} are not proof that the

“essential activities” of the sale take place in the United States for purposes of establishing patent exhaustion.

Nor does Apple’s evidence demonstrate the applicability of the Samsung-Intel agreement with respect to the events that are the subject of this Investigation. {

} . (RX-0270C at §§ 1.2,

6.1.) {

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<sup>87</sup> Mr. Blevins testified that he had been of the belief that IMC was a division of Intel, rather than a separate corporation. (Tr. at 991.)

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}

(RX-207C at § 6.4.) { } is not germane to any issue presented in this case. Paragraph

3.3 recites thus:

{

}

(*Id.* at § 3.3.) There is no evidence that {

}. Neither has there been any legal principle cited by

Apple why it should be concluded that {

} Intel acquired the business that manufactures the baseband chips at issue from Infineon, a German company, and the terms of that agreement are not known, nor what if any impediments it might have imposed on Intel as