

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

**In the Matter of
CERTAIN SEMICONDUCTOR CHIPS WITH
MINIMIZED CHIP PACKAGE SIZE AND PRODUCTS
CONTAINING SAME**

Inv. No. 337-TA-605

**ORDER NO. 52: INITIAL DETERMINATION GRANTING RESPONDENTS'
MOTION FOR STAY PENDING REEXAMINATION**

(February 26, 2008)

I. INTRODUCTION

A. Procedural History

By publication of the notice of investigation in the *Federal Register* on May 21, 2007, the Commission instituted this investigation pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, to determine:

whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain semiconductor chips with minimized chip package size or products containing same by reason of infringement of one or more of claims 1, 2, 6, 12, 16-19, 21, 24-26, and 29 of U.S. Patent No. 5,852,326 and claims 1-11, 14, 15, 19, and 22-24 of U.S. Patent No. 6,433,419, and whether an industry in the United States exists as required by subsection (a)(2) of section 337.

72 FR 28521(May 21, 2007)

The notice of investigation names Tessera, Inc. as complainant, and Spansion, Inc., Spansion, LLC, QUALCOMM, Inc., ATI Technologies, ULC, Motorola, Inc., STMicroelectronics N.V., and Freescale Semiconductor, Inc. as respondents. The Commission Investigative Staff (“Staff”) of the Office of Unfair Import Investigations is also a party in this investigation. Id.

The investigation was originally assigned to Administrative Law Judge Barton. Id. On July 5, 2007, the Commission reassigned this investigation from Administrative Law Judge Barton to Administrative Law Judge Charneski. See Commission Notice (July 5, 2007). On October 16,

2007, the Commission reassigned this investigation from Administrative Law Judge Charneski to Administrative Law Judge Essex. See Commission Notice (October 16, 2007).

On February 22, 2008, respondents filed a joint motion to stay these proceedings pending reexamination of the '419 and '326 patents by the United States Patent and Trademark Office ("PTO"). On February 25, 2008, the Administrative Law Judge held oral argument on respondents' motion to stay. Each party was given unlimited time to present their arguments on the motion. On February 25, 2008, Tessera filed an opposition to the present motion. On February 26, 2008, respondents filed a motion for leave to file a reply in further support of their motion to stay. Good cause shown, respondents' motion for leave is hereby GRANTED.

B. Background

On February 9, 2007, Siliconware Precision Industries Co., Ltd. ("Siliconware"), which is not a party to this investigation but is a party in a related litigation in the United States District Court for the Northern District of California, requested *ex parte* reexamination of claims 1-3, 6, 11, 12, 16-19, 21, 24-26, and 29 of the '326 patent and *inter partes* reexamination of claims 1-19, 22-24, and 27 of the '419 patent before the PTO. On April 20, 2007, the petition for *ex parte* reexamination of the '326 patent was granted stating that a "substantial new question of patentability" exists with respect to all of the claims for which the requester seeks reexamination. On May 4, 2007, the petition for *inter partes* reexamination of the '419 patent was granted.

With regard to the *inter partes* reexamination of the '419 patent, an Initial Office Action issued on June 6, 2007, rejecting all of the claims under reexamination. On August 10, 2007, Tessera filed a response to the Initial Office Action. On September 5, 2007, third-party Siliconware filed its response to the Initial Office Action. On February 19, 2008, the PTO issued an Action

Closing Prosecution of the '419 patent.¹ In the Action Closing Prosecution, the PTO again rejected all of the claims at issue in the reexamination. Notably, the Action Closing Prosecution is signed by three senior patent examiners, two primary examiners and one supervisory patent examiner. Specifically, the PTO rejected claims 1-19, 22-24, and 27 of the '419 patent. The claims that stand rejected under the Action Closing Prosecution include all of the asserted claims of the '419 patent in this investigation.

With regard to the *ex parte* reexamination of the '326 patent, an Initial Office Action issued on February 21, 2008, rejecting all of the claims under reexamination. Specifically, the Initial Office Action rejected claims 1-3, 6, 9-12, 16-19, 21, 24-26 and 29 of the '326 patent. Notably, the Initial Office Action was signed by the same three senior patent examiners that are also reexamining the '419 patent. The claims that stand rejected under the Initial Office Action include all of the asserted claims of the '326 patent in this investigation.

II. DISCUSSION

The Commission does not have a per se rule regarding whether to stay an investigation in light of an ongoing reexamination proceeding at the PTO. Rather, each case is decided on its own unique facts based on a careful balancing of the equities. Thus, under “appropriate circumstances,”

¹ Now that the PTO has issued an Action Closing Prosecution in the reexam of the '419 patent, pursuant to 37 CFR § 1.951 (a), the patent owner may once file written comments limited to the issues raised in the reexamination proceedings and/or present a proposed amendment to the claims which amendment will be subject to the criteria of 37 CFR § 1.116 as to whether it shall be entered and considered. Such comments and/or proposed amendments must be filed within a time period of 30 days or one month (whichever is longer) from the mailing date of the Action Closing Prosecution. Where the patent owner files such comments and/or proposed amendment, the third party requester may once file comments under 37 CFR § 1.951 (b) responding to the patent owner's submission within 30 days from the date of service of the patent owner's submission on the third party requester. If the patent owner does not timely file comments and/or a proposed amendment pursuant to 37 CFR § 1.951 (a), then the third party requester is precluded from filing comments under 37 CFR § 1.951 (b). See MPEP § 2671.02.

an Administrative Law Judge may stay an investigation. See e.g., Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof, and Products Containing Same, 2006 ITC Lexis 52, Inv. No. 337-TA-558, Order No. 6 at 11-12 (February 7, 2006)(Commission notice of decision not to review an Initial Determination ordering a temporary stay (March 10, 2006))("Personal Computers"). In determining whether a stay is appropriate, several factors are weighed, including: (1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; (5) the efficient use of Commission resources; and (6) the alternative remedies available in federal court. As discussed in detail below, the Administrative Law Judge finds that based on the circumstances of this investigation, the above factors weigh in favor of issuing a stay.

A. The State of Discovery and The Hearing Date

Tessera argues that the enormous time and financial sacrifices that have been committed to this investigation weigh in favor of denying respondents' request for a stay. In support, Tessera cites to Administrative Law Judge Saxon's opinion denying a motion for stay in the Matter of Certain Microsphere Adhesives, Process For Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes. Inv. No. 337-TA-366, Order No. 16 (November 1994). In denying the motion for stay, Judge Saxon wrote,

The hearing in the Section 337 case is scheduled to commence on Monday November 7, less than a week from today. The parties already have spent a large amount of time and money in discovery and preparing the case for hearing. Experts have been retained and are prepared to testify. There is no good reason for the case not to be heard now.

Microsphere Adhesives at 1. Contrary to Tessera's argument, Microsphere Adhesives is distinguishable from the facts of this investigation. In Microsphere Adhesives, the motion to stay

was based on a reexamination in which the reexamination had been ordered but no rejections stood outstanding. In the present investigation, the PTO has issued office actions in both the '326 reexam and the '419 reexam rejecting all of the claims at issue in this investigation.

Although discovery is closed and the hearing in this investigation was scheduled to begin on February 25, 2008, significant public and private resources may still be saved if respondents' motion for stay is granted. Specifically, the parties may be saved the time and expense of the hearing itself, the time and expense to file post-hearing briefs, the time and expense of filing any petitions for review, and ultimately the time and expense of taking an appeal of the Commission's final determination to the Court of Appeals for the Federal Circuit. Additionally, the International Trade Commission and its staff may be saved the time required for the hearing and the time and energy required to process this matter to final decision. Accordingly, this factor weights in favor of granting the motion to stay.

B. Whether a Stay Will Simplify the Issues and Hearing of The Case

Tessera argues in its opposition to respondents' motion for stay that historically only 12% of reexaminations requested by third parties result in claims being cancelled. See Tessera Opposition at 1 (quoting Soverain Software LLC v. Amazon.com, Inc., 356 F.Supp.2d 660, 662-663 (E.D. Tex. 2005)). While that statistic may or may not be accurate, with regard to the circumstances in this investigation, the statistic is at best wrong and at worst misleading. As stated above, the claims at issue in this investigation stand rejected in both the '326 and '419 reexaminations. Thus, the proper inquiry is not what percentage of third-party reexamination requests result in cancelled claims, but rather when the claims of a patent in reexamination stand rejected, what is the percentage of those rejected claims that are eventually cancelled. Accordingly, the Administrative Law Judge finds Tessera's argument unpersuasive.

The PTO is the agency within the government responsible for the issuance of patents. As previously stated, the PTO has at least preliminarily rejected on reexamination all of the asserted claims in this investigation in both the '326 and '419 patents. If the rejections stand, this investigation will be entirely moot. However, regardless of the final outcome of the reexamination process, the record created during reexam will be of considerable worth in construing the claim terms at issue in this investigation. The Federal Circuit has repeated time and time again that the intrinsic record is the best source in determining the meaning of claim terms. See e.g., Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2005). “In considering the issue of patent validity, th[e] Commission would certainly benefit in being able to consider the Patent and Trademark Office’s ultimate determination on the patentability of the claims involved in the reissue proceeding . . .” See Certain High-Voltage Circuit Interrupters and Components Thereof, Inv. No. 337-TA-64, Commission Notice and Order of Suspension of Investigation at 7, 204 USPQ 50, 53 (November 16, 1979). Thus, this factor weighs highly in favor of granting a stay.

As the reexam stands at the PTO now, each claim that Tessera asserts in this action has been rejected. While Tessera has a right to comment on the '419 patent action, and to present matters in the '326 patent action, it appears unlikely that the claims in either will survive intact. If the patents are determined in the end to be valid, it is probable that some or all of the claims would be narrowed in scope. If this were the case, even if the claims survived, this investigation would have to begin again, because if the claims change in a substantive manner, they must be reinterpreted and the infringement allegations based on those claims reinvestigated.

C. The Undue Prejudice or Clear Tactical Disadvantage to Any Party

Tessera claims undue prejudice citing, among other things, that its patents expire in the year 2010. According to Tessera, “a stay of the proceedings now would effectively extinguish Tessera’s

ability to get any meaningful relief.” Tessera Opposition at 3. Tessera argues that the consequences of going forward with the hearing are far less severe than the consequences of halting the proceedings, regardless of how the reexamination proceedings ultimately are resolved. Tessera asserts that even if one or more claims at issue in this investigation are found invalid during reexam the Commission can always rescind any exclusion order that may issue in this investigation if the hearing was to go forward and a violation was found. Tessera argues that because the Commission may rescind its order granting relief, respondents will not be significantly harmed if the stay was denied. In support, Tessera again relies on Judge Saxon’s opinion in Microsphere Adhesives.

As discussed, *supra*, the facts of the present investigation are distinguishable from those in Microsphere Adhesives. While Judge Saxon relied heavily in denying the motion for stay in Microsphere Adhesives on the fact that complainant’s patent would likely expire before the reexamination proceeding would be completed, the reexamination proceeding in that case had only recently been instituted and there was no outstanding rejection of any of the claims at the time the stay was requested. In contrast, in this investigation the reexamination process is much further along. As previously discussed, the PTO has already rejected all of the claims at issue in this investigation in an Initial Office Action in the ‘326 reexam and an Action Closing Prosecution in the ‘419 reexam. Because the facts of the two cases differ, it would be error to apply wholesale Judge Saxon’s findings in Microsphere Adhesives to the present motion for stay. In determining whether a stay is appropriate, the facts and equities specific to each investigation must be carefully analyzed and weighed.

The fact that the Commission may rescind an order granting relief, does not guarantee that respondents will not be significantly harmed if the stay was denied. If indeed the stay was denied, the hearing was to go forward, and an initial determination was to issue finding respondents in

violation of Section 337, the remedy of a limited exclusion order is most likely. That would, at a minimum, prevent respondents from importing the accused products into the United States. For those respondents with significant quantities of domestic inventory, a cease and desist order may also issue. In any case, because respondents will not be able to import the semiconductor chips at issue in this investigation and the products containing same, respondents could be in a position that would require redesign of their products, retooling of their manufacturing operations and/or discontinuance of certain products containing the infringed semiconductor chips. Respondents also risk losing their market share, customer base and goodwill to Tessera's licensees if a limited exclusion order and/or cease and desist order were to issue in this investigation. Contrary to Tessera's argument, the potential harm to respondents is significant if the investigation was to proceed and a violation was found only to have the PTO ultimately cancel all the claims at issue in this investigation.

While the fact that Tessera's patents are set to expire in 2010 does weigh in favor of Tessera, the notion of going forward with the hearing and forcing respondents to expend countless more dollars and time defending an action where the PTO has rejected all of the claims at issue in this investigation would be equally burdensome on respondents. In light of the PTO's rejections of all of the claims at issue in this investigation, there appears to be little chance that the claims will survive in their current form. Thus, regardless of what happens in the remainder of the reexamination process, the issues in this investigation are likely to change. Accordingly, even if the hearing were to move forward and a remedy issue in this investigation, the likelihood that the investigation would at some point have to be reset, discovery would have to be reopened, and the issues tried anew is great. Such a gross waste of resources would unduly prejudice both parties. Accordingly, this factor weighs in favor of a stay.

D. The Stage of The PTO Proceedings

As previously noted, an Initial Office Action issued in the '326 patent on February 21, 2008, and an Action Closing Prosecution issued in the '419 patent on February 19, 2008.² When a reexamination is pending concerning a patent which is in litigation, the PTO processes the reexamination with "special dispatch." See MPEP § 2261. Thus, there is every reason to believe that the reexamination process will continue to proceed in a timely manner. Because the PTO proceeding is at an advanced stage, this factor weighs in favor of granting a stay.

E. The Efficient Use of Commission Resources

As discussed with regard to the first factor considered herein, it would be an inefficient use of Commission resources to proceed with a hearing in this investigation in light of the actions of the PTO in the reexamination of the '326 and '419 patents. Specifically, holding a five-day hearing, having to draft an initial determination, and having the Commission review the initial determination are all considerable drains on Commission resources. As was noted in the Diltiazem case,

It appears not to be in any party's interest or in the public interest to continue an investigation which is ultimately found to be based on an invalid or non-existent patent. This would be an inefficient and improper use of scarce Commission resources, and of the resources of the parties.

See Certain Diltiazem Hydrochloride and Diltiazem Preparations, Inv. No. 337-TA-349, Order No. 33, Initial Determination at 4, 1993 WL 852935 (November 24, 1993) (unreviewed by Commission) ("Diltiazem"). Accordingly, this factor weighs in favor of granting a stay.

F. The Alternative Remedies Available in Federal Court

Tessera argues that a stay would cause irreparable harm because the asserted patents are likely to expire before the reexamination process is complete. That does not mean, however, that

² Copies of the First Office Action in the '326 reexamination and the Action Closing Prosecution in the '419 reexamination are attached as Appendix A.

Tessera is without remedy. If a stay was granted and Tessera was ultimately successful in retaining the asserted claims in this investigation in both the '326 reexam and the '419 reexam, Tessera could seek money damages in United States District Court for any on-going infringement of its patents during the period this investigation and any parallel district court cases are stayed. Because Tessera's annual revenues come primarily from its licensing program and because Tessera neither manufactures nor sells any products, monetary compensation should be an adequate alternative remedy. Accordingly, this factor weighs in favor of granting a stay.

III. CONCLUSION

Having carefully considered each of the above enumerated factors, the equities in this investigation suggest that granting a stay would be the most appropriate course of action. Although all of the above factors weigh in favor of granting a stay, the fact that the PTO has issued an Initial Office Action in the '326 reexam and an Action Closing Prosecution in the '419 reexam rejecting all of the claims at issue in this investigation weighs particularly heavy. Accordingly, for the reasons discussed herein above, the Administrative Law Judge orders this investigation stayed pending completion of the reexamination of the '326 and '419 patents by the PTO.

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Pursuant to 19 CFR § 210.42(h)(3), this ID shall become the determination of the

Commission 30 days after its date of service unless the Commission within those 30 days shall have ordered review of this ID, or certain issues herein, pursuant to 19 CFR § 210.43(d) or 19 CFR § 210.44.

SO ORDERED.

Theodore R. Essex
Administrative Law Judge

APPENDIX A