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**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436**

In the Matter of

**CERTAIN PERSONAL COMPUTERS,
SERVER COMPUTERS, AND
COMPONENTS THEREOF**

Investigation No. 337-TA-509

COMMISSION OPINION

On December 8, 2005, the Commission reversed the ALJ's determination that claims 1, 3, 4, 6-8, 18, 20, 21, 23-25, 35, 37, 38, and 40-42 of U.S. Patent No. 6,138,184 ("the '184 patent"), and claim 9 of U.S. Patent No. 5,892,976 ("the '976 patent") were literally infringed and remanded this portion of the investigation to the administrative law judge ("ALJ") for a determination of infringement under the doctrine of equivalents with respect to claims 7, 24, and 41 of the '184 patent and claim 9 of the '976 patent, consistent with this opinion.¹ The Commission also remanded the investigation to the ALJ for a determination of whether the technical prong of the domestic industry requirement had been met in regard to the '184 and '976 patents. The Commission also vacated that portion of the initial determination ("ID") regarding infringement of claim 1 of U.S. Patent No. 6,085,318 ("the '318 patent") under the doctrine of equivalents in view of its affirmance of the ALJ's finding that claim 1 was literally

¹ The Commission affirmed the ALJ's finding that all the claims asserted in this investigation are invalid except for claims 7, 24, and 41 of the '184 patent and claim 9 of the '976 patent. *See* Notice of Commission Decision to Remand-In-Part and Vacate-In-Part an Initial Determination Finding a Violation of Section 337 of the Tariff Act of 1930; Referral of Motion to Administrative Law Judge.

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infringed. The Commission affirmed the remainder of the ID. In addition, the Commission referred a motion regarding a license agreement related to the patents at issue in this investigation to the ALJ for ruling.

PROCEDURAL HISTORY

This investigation was instituted by the Commission on June 7, 2004, based on a complaint filed under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), by Hewlett-Packard Development Company, L.P. of Houston, Texas and Hewlett-Packard Company of Palo Alto, California. 69 *Fed. Reg.* 31844 (June 7, 2004) (collectively “HP”). HP alleged violations of section 337 in the importation and sale of certain personal computers, server computers, and components thereof, by reason of infringement of seven U.S. patents. HP named Gateway, Inc. (“Gateway”) of Poway, California as the only respondent. Claim 1 of U.S. Patent No. 5,737,604 (“the ‘604 patent”), claims 1, 3, 4, 6-8, 18, 20, 21, 23-25, 35, 37, 38, and 40-42 of the ‘184 patent, claim 9 of the ‘976 patent, and claim 1 of the ‘318 patent remained at issue in this investigation at the time that the presiding ALJ issued his final ID.

On February 8, 2005, the ALJ issued Order No. 15 (“the ‘*Markman* Order’”), which construes the terms of the asserted claims of the patents at issue. On August 8, 2005, the ALJ issued his ID in which he found that Gateway literally infringed claims 1, 3, 4, 6-8, 18, 20, 21, 23-25, 35, 37, 38, and 40-42 of the ‘184 patent and claim 9 of the ‘976 patent, but that only asserted claims 7, 24, and 41 of the ‘184 patent and claim 9 of the ‘976 patent were not invalid. He also found that a domestic industry existed as to the ‘184 and ‘976 patents. The ALJ also found that Gateway infringed claim 1 of the ‘318 patent, both literally and under the doctrine of

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equivalents. He found that claim 1 of the '318 patent was invalid, and that a domestic industry existed as to this patent. In addition, the ALJ found that claim 1 of the '604 patent is not infringed, is invalid, and that a domestic industry does not exist based on the '604 patent. Accordingly, he found a violation of section 337 based only on his findings that Gateway literally infringed claims 7, 24, and 41 of the '184 patent and claim 9 of the '976 patent. The final ID incorporates by reference the *Markman* Order. The ALJ also issued a recommended determination ("RD") on remedy and bonding. Petitions for review were filed by HP, Gateway, and the Commission investigative attorney ("IA") on August 18, 2005. On August 25, 2005, all parties filed responses to the petitions.

On October 20, 2005, the Commission issued a notice indicating that it had determined to review the final ID in its entirety. 70 *Fed. Reg.* 61157 (October 20, 2005). In connection with its review, the Commission requested written submissions on certain issues under review, as well as the issues of remedy, the public interest and bonding.

On October 27, 2005, Gateway filed a motion to stay review of the final ID and remand to the ALJ for additional findings regarding a license agreement related to the patents at issue in this investigation. On November 7, 2005, HP and the IA filed responses to Gateway's motion.

DISCUSSION

I. Infringement of Claims 1, 3, 4, 6-8, 18, 20, 21, 23-25, 35, 37, 38, and 40-42 of the '184 Patent and Claim 9 of the '976 Patent

All of the asserted claims of the '184 and '976 patents contain the "parallel output port"

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limitation.² The ALJ found that Gateway's accused computer systems satisfy this limitation because they contain the hardware claimed in the '184 and '976 patents. *See* ID at 75-118. The ALJ stated that "[t]he fact that Gateway does not sell accused computer systems with parallel port device driver software is irrelevant because the hardware, which is what is claimed, is present within the accused system." *Id.* at 89. The ALJ also stated that "the patent was written contemplating the use of a printer with its accompanying software," and that "[s]oftware is not claimed within the invention because it is assumed that the printer and its accompanying software are already present." *Id.*

Relying on *High Tech Medical Instr. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995) (*High Tech*), the ALJ stated that "if a device is designed to be altered or assembled before operation, the manufacturer may be held liable for infringement if the device, as altered or assembled, infringes a valid patent." *Id.* at 91. The ALJ also stated that "[i]t is reasonable for a consumer who purchases an accused Gateway computer system to attach a printer and load the accompanying [printer driver] software so that documents can be printed." *Id.* The ALJ cited *Intel v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 831 (Fed. Cir. 1991) (*Intel*) stating that while "the *Intel* case involves infringement [under the] doctrine of equivalents, [the analysis in *Intel*] is

² The ALJ construed the claim term "a parallel output port coupled to said memory and said direct memory access controller for receiving a plurality of data packets from said memory under control of said direct memory access controller and for providing said data packets to said external device" to mean "[a] parallel output port connected directly or indirectly to memory and the DMA controller. When enabled, the parallel port receives data packets from memory under the control of the DMA controller and outputs the data packets to an external device. There is no requirement that the parallel output port must first be configured to receive data under DMA control." *Markman* Order No. 15 at 133.

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still applicable here because there are similarities between the claim language [in *Intel*] and the undersigned's claim construction: the 'when' language in *Intel* is similar to the undersigned's claim construction 'when enabled,' which is when the software is present." *Id.* at 92.

Having examined the record of this investigation, including the final ID and the submissions of the parties, we agree with Gateway and the IA that the ALJ erred in his infringement analysis regarding the "parallel output port" limitation. All parties agree that the accused computer systems include hardware which can be enabled with the appropriate parallel port driver software such that "the parallel port receives data packets from memory under the control of the DMA controller and outputs the data packets to an external device." ID at 77, 88-89. Moreover, all parties agree that Gateway's accused computer systems, as sold, do not include a parallel port driver that enables data transfer under DMA control. ID at 88. The parallel port driver that is included in the Microsoft operating system does not employ the DMA controller; rather it only enables data transfer under processor control. ID at 86-87. Nevertheless, citing the Federal Circuit's opinions in *High Tech* and *Intel*, the ALJ concluded that claim 1 of the '184 patent is infringed if the DMA control circuitry is present in the computer system and all other elements of the claim are met. The ALJ found that the lack of enabling software is irrelevant because the patent "assume[s] that the printer and its accompanying software are already present" and that Gateway "does not discourage its customers from attaching printers and loading software onto their computer systems so that printed documents are properly formatted." ID at 89 and 91.

In our view, the ALJ erred in his infringement analysis by merging the two types of

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software that are needed to print using a parallel port under DMA control – a printer driver and a parallel port driver. This error led to the incorrect conclusion that Gateway’s customers can be expected to install parallel port driver software to allow the transfer of data under DMA control, which led, in turn, to the improper determination that the accused Gateway products satisfy the “parallel output port” limitation.

As the ALJ noted, it is assumed that a customer purchasing a printer will also receive software specific to the printer to be installed on the computer system that will allow the customer to print documents in the proper format. The ALJ erred, however, in confusing this printer driver software with parallel port device driver software. Regardless of whether a printer driver is installed, a document cannot be printed using a parallel port under DMA control unless the appropriate parallel port driver software to enable DMA controlled transfer is also installed. We agree with Gateway and the IA that the evidence does not show that any such parallel port driver software can be obtained from Gateway, Microsoft, or other third party sources. *See* Respondent Gateway, Inc.’s Written Submission on the Issues Under Review, and on Remedy, the Public Interest and Bonding (“Gateway’s Submission”) at 13-14; *see* also Submission of the Office of Unfair Import Investigations on the Issues Under Review, Remedy, the Public Interest and Bonding (“OUII’s Submission”) at 7-8. Thus, the ALJ erred in stating that such a parallel port driver is available for installation. Additionally, the evidence does not show that Gateway intends or expects its customers to install any parallel port driver other than that included in the Microsoft operating system, which, the evidence clearly shows, does not use DMA control to transfer data to the parallel port. *See* ID at 88-89.

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The evidence supports a finding that Gateway's accused computer systems are not designed to be altered or assembled with the addition of a parallel port driver such that the mere presence of the circuitry is sufficient to find infringement. A parallel port driver could conceivably be written and installed that would cause Gateway's accused computer systems to infringe the asserted claims of the '184 and '976 patents. Such a modification is similar to the type of modification made to the endoscopic device at issue in *High Tech*, wherein the screws were loosened in an unintended way to allow an endoscopic device to rotate. The Federal Circuit in *High Tech* held that an endoscopic device did not infringe because it could not perform the claimed function without modification. *High Tech*, 49 F.3d at 1555-56. The Court stated that "a device does not infringe simply because it is possible to alter it in a way that would satisfy all the limitations of a patent claim."³ *Id.* at 1555. An accused device must be presently and reasonably capable of performing the claimed function. *See Stryker Corp. v. Davol, Inc.*, 234 F.3d 1252 (Fed. Cir. 2000). If the claimed function has not been fully enabled, the accused

³ The Federal Circuit also discussed *Intel v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 831 (Fed. Cir. 1991), a case relied on by HP in the present investigation:

The [district] court read *Intel* to mean that if a particular device can be altered without undue difficulty to operate in an infringing manner, the device, as sold, must be deemed to infringe. *Intel* does not support so broad a holding. All that was required by the limitation at issue in *Intel* was that the claimed invention, an integrated circuit memory device, was "programmable" to operated in a certain manner. The accused device, although not specifically designed or sold to operate in that manner, could be programmed to do so; that is, it was "programmable" to operate in the designated mode. The claim at issue in *Intel* therefore read on the accused device, as made and sold. The AcuCam camera, by contrast, is not rotatable within its housing unless the AcuCam is altered, at least to the extent of removing or loosening the set screws that secure the camera to the housing. *High Tech*, 49 F.3d at 1555-56.

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device is not reasonably capable of meeting the claim's functional limitation and thus does not infringe. *See Telemac Cellular Corp. v. Topp Telecom, Inc.*, 247 F.3d 1316 (Fed. Cir. 2001). "Under the precedent of this circuit, however, that a device is capable of being modified to operated in an infringing manner is not sufficient by itself, to support a finding of infringement." *Id.* at 1316, *citing High Tech*. In the present case, because the Gateway computer systems were not designed or intended to be altered by the addition of parallel port driver software that enables DMA-controlled transfer, the ALJ erred by finding that Gateway's accused computer systems infringe the asserted claims of the '184 and '976 patents, consistent with this opinion. Accordingly, we reverse the ALJ's finding of literal infringement of the asserted claims of the '184 patent and '976 patents, and remand to the ALJ for findings concerning infringement of claims 7, 24, and 41 of the '184 patent and claim 9 of the '976 patent under the doctrine of equivalents.

As a prerequisite to establishing a violation of section 337, HP must satisfy the domestic industry requirement, which is viewed as consisting of two prongs: (1) the economic prong and (2) the technical prong. *See Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Comm'n Opinion at 14-17 (1996). The economic prong concerns the investment in a domestic industry, while the technical prong involves whether complainant (or its licensees) practice the patents at issue. In order to satisfy the technical prong of the domestic industry requirement, it is sufficient to show that the domestic industry practices any claim of the patents at issue, not necessarily an asserted claim. *See Certain Microsphere Adhesives*, Inv. No. 337-TA-366, Comm'n Opinion at 7-16 (1996).

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There is no dispute that HP's and Gateway's computer systems have the same parallel output port hardware. The ALJ found, based on his ruling on infringement in HP's favor and in view of the evidence presented by HP, that HP satisfied the technical prong of the domestic industry requirement with respect to claim 1 of the '184 patent and claim 9 of the '976 patent. *See ID* at 118-121. Thus, a reversal of the ALJ's finding that Gateway's accused computer systems literally infringe the asserted claims of the '184 and '976 patents is also a reversal of the ALJ's finding that HP practices claims of the '184 and the '976 patents. Moreover, HP failed to provide any evidence that a software driver is provided with its own computer systems to enable the transfer of data to the parallel port under DMA control. Accordingly, we remand to the ALJ the question of whether the technical prong of the domestic industry requirement has been met in regard to the '184 and '976 patents, in light of our determination of no literal infringement of these patents and the findings to be made by the ALJ concerning infringement under the doctrine of equivalents.

II. Infringement of Claim 1 of the '318 patent

The ALJ found that Gateway's accused computer systems literally infringe claim 1 of the '318 patent, *see ID* at 163-200, and the Commission has affirmed this determination. In view of our determination that Gateway's accused computer systems infringe claim 1 of the '318 patent and that HP's computer systems also fall within this claim, we also affirm the ALJ's finding that the technical prong of the domestic industry requirement has been met by HP as to the '318 patent. Accordingly, it is unnecessary for the Commission to consider infringement under the doctrine of equivalents, and we vacate the ALJ's findings on this issue. *See Graver Tank & Mfg.*

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Co. v. Linde Air Prods. Co., 339 U.S. 605 (1950) (if literal infringement is found, it is unnecessary for the tribunal to reach the issue of infringement under the doctrine of equivalents).

III. Patent Exhaustion

Citing *Jazz Photo Corp v. International Trade Commission*, 264 F.3d 1094, 1105 (Fed. Cir. 2001) (*Jazz*), and *Fuji Photo Film Co. Ltd. v. Jazz Photo Corp.*, 394 F.3d 1368, 1376 (Fed. Cir 2005) (*Fuji*), the ALJ summarily rejected Gateway’s patent exhaustion and implied license defenses, stating that Gateway did not show a first U.S. sale. *See* ID at 245.

The doctrine of patent exhaustion holds that “[t]he unrestricted sale of a patented article, by or with authority of the patentee, ‘exhausts’ the patentee’s right to control further sale and use of that article by enforcing the patent under which it was first sold.” *Jazz*, 264 F.3d at 1105. “Thus when a patented device has been lawfully sold in the United States, subsequent purchasers inherit the same immunity under the doctrine of patent exhaustion.” *Id.* The Federal Circuit explained that the doctrine is limited to authorized and unrestricted sales in the United States, stating: “the United States patent rights are not exhausted by products of foreign province. To invoke the protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent.” *Id.* (citing, *Boesch v. Graff*, 133 U.S. 697, 701-03 (1890)) (*Boesch*). The Federal Circuit recently reinforced this territorial requirement of the United States patent laws in *Fuji* as follows:

This court does not construe the “solely foreign provenance” language or the *Boesch* citation to dictate a narrow application of the exhaustion principle. Specifically, this court does not read *Boesch* or the above language to limit the exhaustion principle to unauthorized sales. *Jazz* therefore does not escape application of the exhaustion principle because *Fuji* or its licensees authorized the international first sales of these

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[lens fitted film packages (LFFPs)]. The patentee’s authorization of an international first sale does not affect exhaustion of that patentee’s rights in the United States. Moreover, the “solely foreign provenance” language does not negate the exhaustion doctrine when either the patentee or its licensee sells the patented article abroad. Read in full context, this court in *Jazz* stated that only LFFPs sold within the United States under a United States patent qualify for the repair defense under the exhaustion doctrine. *Id.* Moreover, Fuji’s foreign sales can never occur under a United States patent because the United States patent system does not provide for extraterritorial effect. *Int’l Rectifier Corp. v. Samsung Elecs. Co.*, 361 F.3d 1355,1360 (Fed.Cir. 2004). (“Further, it is well known that United States patent laws ‘do not, and were not intended to, operate beyond the limits of the United States,’” quoting *Brown v. Duchesne*, 60 U.S. 183,195, 19 How. 183, 15 L.Ed. 595 (1856)). In *Jazz*, therefore, this court expressly limited first sales under the exhaustion doctrine to those occurring within the United States.

Fuji, 394 F.3d at 1376.

Gateway argues that the *Jazz* and *Fuji* decisions do not control application of the exhaustion doctrine in this investigation because they are factually driven determinations that do not address the application of the patent exhaustion doctrine where the patents at issue are subject to a worldwide license and that the first sale of the licensed patented products were subject to an authorized foreign sale. Gateway also argues that “the Federal Circuit did not even address how the patent exhaustion doctrine would apply in the context of an authorized foreign sale by a licensee with a worldwide right to sell and import.” Gateway’s Submission at 32.

Gateway argues that *Kabushiki Kaisha Hattori Seiko v. Refac Tech. Develop. Corp.*, 690 F.Supp. 1339 (S.D.N.Y. 1988) (*Hattori*) “strongly supports application of exhaustion where an authorized foreign sale is accompanied with a worldwide license.” Gateway’s Submission at 30 (*citing Hattori*). Gateway argues that, faced with similar facts to those currently before the Commission, the *Hattori* Court held that “when the importer purchased patented components from a foreign licensee having rights under the patent in both the U.S. and foreign jurisdiction,

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and the purchase by the importer was in the foreign jurisdiction, the patentee had exhausted its rights.” *Id.* at 33 (footnote omitted).

HP argues that the briefs filed in *Fuji* show that sales made by worldwide licensees of the patentee were involved in *Fuji* and, thus, *Fuji* controls here, even though the worldwide licenses were not specifically mentioned in either the *Jazz* or *Fuji* decisions. HP argues that “[t]he Federal Circuit did not specifically mention the worldwide nature of some of the licenses because that fact has no bearing whatsoever on the territorial limits of the exhaustion doctrine.” Complainants Hewlett-Packard Development Company, L.P.’s and Hewlett-Packard Company’s Response Brief in Support of Brief Containing Supplementary Information Requested by the Commission and Brief on Remedy, Bond and the Public Interest (“HP’s Response”) at 28. HP argues that “[t]he Federal Circuit applied its holding of no exhaustion to *all* foreign sales in that case authorized by *Fuji* or any of its licensees, worldwide and otherwise—indeed, to *any* authorized foreign sale under any United States patent.” *Id.* at 29 (emphasis in original).

HP also argues that *Hattori* was impliedly overruled by *Fuji* and notes that *Jazz* unsuccessfully cited *Hattori* to the Federal Circuit for the same proposition Gateway advances here. HP asserts that Gateway misunderstands the significance of a “worldwide” license, as a “worldwide” license cannot grant rights under a United States patent in a foreign country. HP argues that “[b]ecause one cannot enforce a United States patent directly against wholly extraterritorial conduct to begin with, there can be, strictly speaking, no granting of a ‘license’ to that patent for otherwise-directly-infringing activities in a foreign country.” *Id.* at 30. Accordingly, HP argues, “while a ‘worldwide’ license grants rights under patents in different countries according to their territorial scope, it does not and cannot expand the territorial scope

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of United States patent rights.” *Id.*

OUII contends that the issue of whether the Federal Circuit’s decision in *Jazz* applies when the foreign sale was made by the patent holder or its licensee was decided by the Commission in the Enforcement II phase of *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406. OUII submits that “[b]oth the ID in Enforcement II and the Commission Opinion indicate that a first sale in the United States with the patent holder’s authorization is required before there can be any exhaustion of patent rights.” OUII’s Submission at 16 (*citing Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406 (Enforcement II), Commission Opinion on Enforcement Measures at 5 (Public Version August 4, 2005); *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406 (Enforcement II), Enforcement Initial Determination at 23-24 (Public Version June 18, 2004)). Moreover, OUII submits that “the Federal Circuit has been very clear on what is required for patent exhaustion – because patents do not have extraterritorial effect, the authorized first sale must occur in the United States.” *Id.* at 17. Finally, OUII argues that “[i]t makes no difference as far as exhaustion of the U. S. patent rights are concerned if the first sale overseas is authorized under a worldwide license.” *Id.* at 17-18.

Gateway has failed to distinguish the facts in this investigation from those before the Court in *Jazz* and *Fuji*. Accordingly, we determine to affirm the ALJ’s finding that Gateway has not shown a first U.S. sale, and thus, cannot establish a defense based on patent exhaustion or implied license.⁴

⁴ We adopt the ID’s reasoning regarding implied license: that a first sale in the United States is necessary for this defense, as it is for patent exhaustion.

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By order of the Commission.

Marilyn R. Abbott
Secretary to the Commission

Issued: February 9, 2006