

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC**

In the Matter of

**CERTAIN ELECTRONIC DEVICES,
INCLUDING WIRELESS
COMMUNICATION DEVICES, PORTABLE
MUSIC AND DATA PROCESSING
DEVICES, AND TABLET COMPUTERS**

Investigation No. 337-TA-794

**REPLY BRIEF OF THE OFFICE OF UNFAIR IMPORT INVESTIGATIONS
ON ISSUES UNDER REVIEW AND ON REMEDY, THE PUBLIC INTEREST,
AND BONDING**

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I. INTRODUCTION

Pursuant to the Commission’s Notice of November 19, 2012, the Office of Unfair Import Investigations (“OUII”) respectfully submits this Reply Brief on the Issues Under Review and on Remedy, the Public Interest, and Bonding.¹ *See Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, Notice of Comm’n Det. to Review Final Initial Det. (Nov. 19, 2012), 77 Fed. Reg. 70,464 (Nov. 26, 2012) (“Comm’n Notice”). OUII’s Reply Brief responds to the written submissions to Commission questions filed by Complainants Samsung Electronics Co., Ltd. and Samsung Telecommunications America, LLC (“Samsung”) and Respondent Apple, Inc. (“Apple”), as well as to the public interest comments filed by eleven third parties: Research in Motion Corp. (“RIM”); Ericsson, Inc. (“Ericsson”); Qualcomm Inc. (“Qualcomm”); Innovation Alliance; Intel Corp. (“Intel”); Sprint Spectrum L.P. (“Sprint”); the Association for Competitive Technology (“ACT”); Hewlett-Packard Co. (“HP”); Motorola Mobility LLC (“Motorola”); GTW Associates (“GTW”); and BSA | The Software Alliance (“BSA”).

II. RESPONSES TO FRAND-RELATED POLICY QUESTIONS

- 1. Does the mere existence of a FRAND undertaking with respect to a particular patent preclude issuance of an exclusion order based on infringement of that patent? Please discuss theories in law, equity, and the public interest, and identify which (if any) of the 337(d)(1) public interest factors preclude issuance of such an order.**

The Commission has received numerous submissions from third parties taking the position that the mere existence of an undertaking to license a patent on fair, reasonable and non-

¹ The patents at issue in this investigation are United States Patent Nos. 7,706,348 (“the ’348 Patent”), 7,486,644 (“the ’644 Patent”), 6,771,980 (“the ’980 Patent”), and 7,450,114 (“the ’114 Patent”).

discriminatory (“FRAND”) terms does not, by itself, preclude issuance of an exclusion order.² OUII continues to agree with this point of view and respectfully submits that the question of whether an exclusion order is appropriate despite the existence of a FRAND obligation must be decided on a case-by-case basis. OUII Written Submission on Issues Under Review at 2-6 (Dec. 3, 2012) (“OUII Br.”). OUII disagrees with the submissions that urge the Commission to adopt a bright-line rule that issuing an exclusion order as to a standard-essential patent is always contrary to the public interest.³⁴

Apple argues that “[t]he existence of a FRAND obligation precludes issuance of an exclusion order, other than in the exceptional scenarios such as where a potential licensee has refused to pay a royalty after a U.S. court has determined that royalty to be FRAND, or where no

² See RIM Comments (Nov. 30, 2012) (no single rule should apply, as the importance of patents varies by industry); Ericsson Comments (Dec. 3, 2012) (declared standard-essential patents should be eligible for entry of an exclusion order); Qualcomm Comments (Dec. 3, 2012) (entry of an exclusion order should depend on contract terms of the FRAND commitment); Innovation Alliance Comments (Dec. 3, 2012) (such decisions should be decided based on the circumstances of the case); Motorola (the public interest favors availability of exclusion orders in appropriate circumstances); GTW Comments (Dec. 3, 2012) (the mere existence of a FRAND assurance does not preclude an exclusion order).

³ See Intel Comments (Dec. 3, 2012) (the public interest should preclude exclusion orders except in rare cases); Sprint Comments (Dec. 3, 2012) (the Commission should not investigate FRAND cases because it cannot impose a reasonable royalty); ACT Comments (Dec. 3, 2012) (the public interest is adversely affected by issuing exclusion orders in the FRAND context); HP Comments (Dec. 3, 2012) (an exclusion order based on a standard-essential patent is not in the public interest); BSA Comments (Dec. 3, 2012) (exclusionary relief is contrary to the public interest).

⁴ Proponents of this view argue that enforcing a standard-essential patent by exclusion order promotes “patent hold-up,” the practice of demanding extortionate royalties from those forced to implement the relevant standard. Innovation Alliance comments that in fact there is no evidence of a systemic patent hold-up problem. Innovation Alliance Comments at 2-4. The record in this investigation tends to support this point of view: Apple’s own expert, Dr. Walker, until recently the Chairman of the Board of ETSI, testified that patent hold-up has never been a problem at ETSI at any time from 1988 to the present and he was not aware of any situation in which an ETSI standard had been blocked by an essential patent or in which a patent owner had refused to license on FRAND terms. Hearing Tr. at 1440:21-1442:5 (Walker); Samsung Br. at 34.

U.S. court has jurisdiction over the potential licensee in order to set a FRAND rate.” Apple Written Submission on Issues Under Review at 2 (Dec. 3, 2012) (“Apple Br.”). Third-party Intel agrees that these two scenarios are the only circumstances in which an exclusion order should be permissible. Intel Comments at 1. Sprint would go even further, urging the Commission to “cease investigations once it is clear that FRAND terms apply.” Sprint Comments at 6.

Neither Apple nor the third parties cite to any statute or case law that would authorize the Commission to decline to investigate an alleged violation of Section 337 of the Tariff Act of 1930 simply because of the existence of a FRAND obligation. On the contrary, Section 337 provides that “[t]he Commission *shall investigate* any alleged violation of this section[.]” 19 U.S.C. § 1337(b)(1) (emphasis added). Thus, OUII submits that the Commission is not authorized to abandon investigations as Sprint suggests, simply because a FRAND-encumbered patent is at issue. Moreover, the Commission must impose a remedy if a violation is found, unless it would be contrary to the public interest to do so. *Id.* § 1337(d)(1) (“If the Commission determines . . . that there is a violation of this section, it *shall* direct that the articles concerned . . . be excluded from entry . . .”) (emphasis added). Thus, the mere existence of a FRAND undertaking with respect to a particular patent is not a sufficient reason to decline to impose a remedy, as Apple and Intel suggest. Rather, the inquiry into the effect of an exclusion order on the public interest must always be case-specific, “considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers[.]” *Id.* This analysis is necessarily done on a case-by-case basis, and the

existence of a FRAND undertaking is merely one of many factors that the Commission must consider.⁵

The Commission should reject the argument that the only appropriate remedy for infringement of a standard-essential patent is payment of a reasonable royalty, which precludes seeking a remedy under Section 337. *See, e.g.*, Apple Br. at 10 (“In the ordinary course, the patentee’s remedy would be money, in the form of FRAND royalties. This is consistent with the FRAND commitment itself, which involves the irrevocable election of one category of remedies (namely FRAND royalties) rather than others. By making a FRAND commitment, the patentee has agreed to license any standard implementer and has thereby conceded that a FRAND royalty is proper and adequate compensation for practicing its patent.”). Apple argues that having agreed to license on FRAND terms, “the FRAND patent holder can hardly claim that it would be ‘irreparably harmed’ by others practicing the patents[.]” *Id.* at 11. As Motorola comments, “to accept this argument would improperly impose an injury requirement on issuing an exclusion order.” Motorola Comments at 12. Unlike in federal district courts, where a plaintiff seeking injunctive relief must show that it otherwise will suffer irreparable harm, “the Commission must not require complainants to make such a showing in order to obtain relief under Section 337.” *Id.*; see H.R. Rep. No. 100-576, at 633, 1988 U.S.C.C.A.N. 1547, 1666 (1988) (Conf. Rep.) (bill “removes the requirement to prove injury. . . with regard to certain intellectual property rights cases involving patents”); S. Rep. No. 100-71, at 129 (1987) (“The Committee does not intend

⁵ In some situations, the question of whether a FRAND commitment bars a particular exclusion order will overlap with the question of whether the order would be contrary to the public interest, such as when a complainant’s breach of its FRAND obligations leads to price gouging or monopolization. *See* S. Rep. No. 92-1298 (1974) *reprinted in* 1974 U.S.C.C.A.N. 7186, 7730 (1974). In general, however, the existence and breach of FRAND obligations relate to various potential affirmative defenses (*e.g.*, express or implied license), not to the statutory public interest factors, and therefore often will not play any part in the Commission’s public interest analysis.

that the ITC, in considering the public health and welfare, or the President, in reviewing the ITC's determination on policy grounds, will reintroduce these requirements.”).

2. Where a patent owner has offered to license a patent to an accused infringer, what framework should be used for determining whether the offer complies with a FRAND undertaking? How would a rejection of the offer by an accused infringer influence the analysis, if at all?

In many cases, FRAND-related issues are likely to arise as part of an affirmative defense rather than as part of the consideration of the statutory public interest factors. As a general rule, an allegation that a complainant has breached its FRAND obligations constitutes an “avoidance” (*i.e.*, even if the complainant proves the elements of a Section 337 violation, the respondent alleges that no violation should be found and/or no relief should issue) and is thus an affirmative defense. *See generally* 2 James Wm. Moore et al., *Moore's Federal Practice* §§ 8.08[1], 8.08[5] (3d ed. 2011) (discussing affirmative defenses generally); Fed. R. Civ. P. 8(c). Apple, for example, argued in this investigation that when Samsung made a commitment to ETSI to license its standard-essential patents on FRAND terms, it waived the right to seek an exclusion order from the Commission. *See, e.g.*, Apple Contingent Pet. for Review at 46-56 (Oct. 1, 2012). Affirmative defenses to patent infringement based on the patent holder's FRAND commitments are generally based on contract law, and should be analyzed within that framework, with the respondent bearing the burden of proof.⁶ *See Stockton East Water District v. United States*, 583 F.3d 1344, 1360 (Fed. Cir. 2009) (“The proponent of the affirmative defense must prove all elements of the defense.”).

Federal district courts have recognized that the FRAND commitment itself is a contractual obligation between the patent holder and the standard-setting organization (“SSO”),

⁶ Thus, even if true, it would not be relevant that “Samsung made no attempt to prove that its offer was FRAND.” Apple Br. at 14. In this investigation, Apple has the burden of proof with regard to its FRAND-based affirmative defenses.

to which potential licensees who implement the relevant standard are third-party beneficiaries. *See Apple Inc. v. Motorola Mobility, Inc.*, ___ F. Supp.2d ___, 2012 WL 3289835 at *19-21 (W.D. Wis. Aug. 10, 2012) (citing *Microsoft Corp. v. Motorola, Inc.*, 2012 WL 2030098 at *5-6 (W.D. Wash. June 6, 2012) (contract formed through Motorola’s commitments to the SSO to license patents essential to a standard on reasonable and nondiscriminatory terms); *Research In Motion Ltd. v. Motorola, Inc.*, 644 F.Supp.2d 788, 797 (N.D. Tex. 2008) (plaintiff stated *prima facie* breach of contract claim based on defendant’s failure to offer FRAND terms); *ESS Technology, Inc. v. PC-Tel., Inc.*, 1999 WL 33520483 at *4 (N.D. Cal. Nov. 4, 1999) (as a third-party beneficiary of contract between the SSO and patent holder, a software manufacturer properly stated a claim for specific performance of agreement requiring the defendant to license patents on nondiscriminatory and reasonable terms)); *see also* Qualcomm Comments at 2; Motorola Comments at 4.

Thus, the first step in determining whether a FRAND-based affirmative defense has merit is to consider whether a contract in fact exists, and if so, whether the respondent is in fact a third-party beneficiary of that contract. The respondent raising the defense must establish that the patent holder made a FRAND commitment, as well as the specific terms of that commitment. It is not a foregone conclusion that the existence of a FRAND undertaking means that the patent holder has waived its right to enforce its intellectual property in the courts or before the Commission. Ericsson, for example, comments that “Ericsson is not aware of any FRAND undertakings that require the party making the commitment to forego its right to enjoin or exclude infringing products when the accused infringer refuses to accept a FRAND license.” Ericsson Comments at 2. The specific words of the patent holder’s contract with the SSO must be examined to determine what has been promised to the SSO and any third-party beneficiaries.

The party raising the affirmative defense must also establish that it is one of the third-party beneficiaries to the FRAND contract. To do so, it must at a minimum show that: (1) the patent at issue is a standard-essential patent; and (2) the party's products implement the relevant standard. If, as here, it is possible to implement the standard without practicing the patent at issue, then in fact it is not a standard-essential patent that would trigger FRAND obligations. *See* OUII Br. at 10 (noninfringing products that comply with the relevant ETSI standards already exist in the marketplace); Qualcomm Comments at 3 (“[I]f the patents are not infringed by the accused standards-compliant products, then they are not in fact essential.”).

Finally, the party raising the affirmative defense must establish each element of the specific contractual or equitable defense that it is asserting. The argument that there is a *per se* bar against exclusion orders in cases involving FRAND patents is incorrect, and if that is the only basis for the defense, the Commission need go no further in its analysis. However, if a respondent asserts a cognizable defense, such as equitable estoppel, or implied license or waiver, the Commission should consider whether the respondent has established a factual basis for each element of the asserted defense.

III. RESPONSES TO CASE-SPECIFIC FRAND-RELATED QUESTIONS

3. Would there be substantial cost or delay to design around the technology covered by the '348 and '644 patents asserted in this investigation? Could such a design-around still comply with the relevant ETSI standard?

As Apple correctly notes, “just because a product is operable on a standardized network does not necessarily mean that the product practices every provision of the relevant standard. For example, some standardized provisions are, according to the standard itself, optional.” Apple Br. at 23 n.8. Thus, it is possible for a product to comply with the relevant ETSI standards without using the technology covered by the '348 and '644 patents. In fact, designing around that technology would be unlikely to involve substantial cost or delay because such technology

already exists in the marketplace. Specifically, [

]. *See*

OUII Br. at 10-13. OUII therefore submits that there would not be a substantial cost or delay to design around the '348 and '644 patents.

4. What portion of the accused devices is allegedly covered by the asserted claims of each of the '348 and '644 patents? Do the patents cover relatively minor features of the accused devices?

No portion of an accused device is covered by asserted claims if the device is found not to infringe those claims. *See* OUII Br. at 13-14. Thus, if the Commission upholds the noninfringement determinations in the Final ID, then no part of the accused devices will be covered by the '348 and '644 patents.

If, however, the Commission reverses the Judge's noninfringement determinations and finds that the functioning of the baseband processor in the accused devices is covered by either the '348 or the '644 patent, then OUII submits that the infringed asserted claims are directed to an important (not a "minor") feature of the accused devices: the ability of the baseband processor to connect with and exchange information with a CDMA-based telecommunications network. As Samsung notes, [

]. Without this technology, the products could not reliably communicate on the network." Samsung Written Submission on Issues Under Review at 28 ("Samsung Br.").

5. What evidence in the record explains the legal significance of Samsung's FRAND undertakings under French law?

ETSI's IPR Policy specifically states that "[t]he POLICY shall be governed by the laws of France." CX-908 at 5 (ETSI IPR Policy (Nov. 1997)). Nevertheless, at trial no party entered

evidence into the record that would explain how the laws of France govern the interpretation of ETSI's IPR policies. OUII Br. at 14-15. In the absence of expert trial testimony subject to cross-examination, OUII submits that the factual record is insufficient to support any claim or defense predicated on French law.

In response to the Commission's questions, Apple and Samsung describe the "expert submissions" regarding the significance of Samsung's FRAND undertaking under French law that were offered by both parties in connection with Apple's "Motion for Summary Determination Terminating the Investigation as to the '644 and '348 Patents Based on Samsung's Agreements with Chip Suppliers and FRAND Commitments," Mot. Docket. No. 794-042 (Mar. 5, 2012). Apple Br. at 27-28; Samsung Br. at 29-20. In support of Apple's summary determination motion, Apple's expert, Professor Nicolas Molfessis, opined that under French law, ETSI members "are contractually bound by French law to adhere to the ETSI IPR Policy, including the obligation to make timely disclosure of potentially-essential IPR under Clause 4 and to make irrevocable FRAND commitments under Clause 6.1." Apple Br. at 27. Moreover, as a matter of French law "a FRAND declaration constitutes a binding license offer by the declarant that can be accepted by a party implementing the standard regardless of whether certain terms, such as price, remain to be fixed." *Id.* In opposition to the motion for summary determination, Samsung's expert, Professor Remy Libchaber, explained that "since Samsung's declarations do not disclose the duration of the license, the geographic scope of the license, or the applicable royalty rate, then, as a matter of French law, they lack the requisite precision to constitute an offer." Samsung Br. at 29. He further stated that "Under French law, formation of a contract requires a clear acceptance of the offer by the promise[,]" and "French law also requires that both parties assent to a patent license in writing, which Apple failed to show." *Id.*

The Judge denied Apple's motion for summary determination that Samsung's ETSI FRAND commitments constituted an implied license under French law, finding as follows:

The determination of foreign law is a question of law. The evidence discloses that the price terms for the licensing of Samsung's patents subject to ETSI were never agreed upon by Apple and Samsung. A license under French law is a lease of things or items. The *Cour de cassation* (the French Supreme Court) reportedly has ruled, pursuant to Article 1709 of the Civil Code, that "a promise of lease can only be considered as a lease if it contains an agreement of the parties on the price." Although Apple's legal expert suggests, based on analogy to French case law respecting service agreements, that contracts can be formed between parties without an agreement on price, this is not persuasive, because service contracts involve different considerations, and the legal authority cited by Samsung's expert, that price is a necessary term for the formation of a contract, is more in point, and better reasoned. Furthermore, the ETSI IPR Policy provides a mechanism for addressing a member's non-compliance with its licensing requirements, which includes nonrecognition of the standard, rather than determining a *de facto* license. Furthermore, the ETSI Guidelines on IPRs specifically state, "Specific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI." The remedy provided for a member's non-compliance with the licensing provisions of ETSI IPR Policy and the Guideline provision just quoted are inconsistent with Apple's constructive license argument.

Order No. 47 at 37 (Mar. 30, 2012) (citations omitted). In light of the Judge's ruling, Apple did not raise the argument at trial, and Professor Molfessis did not take the stand. Professor Libchaber also did not testify, as there was no trial testimony for him to rebut.

Since neither professor was proffered as an expert witness, neither the trial transcript nor the Final ID indicate whether either would have been accepted by the Judge as qualified experts in French contract law. Moreover, since neither professor testified at trial, their opinions on the subject were never subject to cross-examination, and the factual bases for their opinions remains unexplored. In light of Apple's strategic decision not to pursue its implied license theory at trial, OUII submits that the factual record is now insufficient to support any affirmative defense predicated on the application of French law to Samsung's ETSI FRAND commitments.

6. [

]

In OUII's view, there is no *per se* rule that the mere act of making a licensing offer is sufficient to satisfy any obligations arising from a FRAND undertaking. *See* OUII Br. at 15-17. Whether a FRAND commitment has been satisfied will depend first on the specific terms of the FRAND agreement. As third-parties Qualcomm and Motorola argue, a FRAND commitment is a contractual obligation between the patent holder and the relevant standard-setting organization ("SSO") and should be interpreted under contract law. Qualcomm Comments at 2; Motorola Comments at 10.

If a FRAND obligation to offer a license to other members of an SSO exists under the specific contract terms at issue, then OUII submits that the patent holder is obligated to make that licensing offer in good faith. OUII Br. at 15-17. A failure to negotiate in good faith may lead to the conclusion that no actual offer to license took place. *Id.* at 15. Alternatively, under the equitable doctrine of estoppel "a court, after considering all the relevant evidence, may decline to issue an injunction when the infringer would in fact be licensed but for the failure of the patentee to comply with its FRAND commitment." Qualcomm Comments at 10 (noting that concept is called doctrine of estoppel within Common Law context; same result is reached under different doctrinal names in Civil Law countries).

Estoppel is an affirmative defense, for which the burden of proof falls to the respondent. *See* Samsung Br. at 32; Motorola Comments at 11. In this investigation, the Judge concluded that Apple did not meet its burden of proof to show that Samsung's initial offer was so far beyond the customs and practices of industry participants that it could not have been made in good faith. Final ID at 469-70. The presumption, therefore, is that in this case Samsung's offer

to license the '348 and '644 patents to Apple satisfied any obligation towards Apple that may have existed due to Samsung's FRAND undertaking pursuant to the ETSI standards.

7. [

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In OUII's view, there is no *per se* rule that the mere act of refusing a licensing offer is sufficient to establish either that the offer was not FRAND-compliant or that the respondent is an "unwilling licensee" whose refusal to negotiate creates a presumption that the licensor has satisfied its FRAND obligations. OUII Br. at 17-18. Thus, the fact that Apple has not accepted Samsung's licensing offer is not necessarily dispositive.

The more difficult issue, as Samsung notes, is "Apple's failure to present any evidence that it negotiated with Samsung or was even willing to do so[.]" Samsung Br. at 33. The Final ID concluded that "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." Final ID at 470. OUII agrees with Samsung that the Judge's factual finding "should influence a determination that Samsung, at least for now, has satisfied any obligation it might have to be prepared to license Apple on FRAND terms and conditions to the '348 and '644 patents." Samsung Br. at 33; *see* also Ericsson Comments at 3 ("the accused infringer's rejection of, or its failure to timely accept or timely negotiate, a FRAND licensing offer is a prerequisite to a finding that the patent holder has satisfied its FRAND undertaking."); Qualcomm Comments at 10-11 (licensing requires long and complex negotiations); Motorola Comments at 9 ("If an implementer of standards is not willing to pay license fees like its competitors, it should not be heard to complain when it faces exclusion orders for its unlawful importation of infringing

devices.”). Accordingly, OUII submits that the Judge’s rejection of Apple’s FRAND-based affirmative defenses was correct.

IV. RESPONSES TO REMAINING QUESTIONS POSED BY THE COMMISSION

8. **With respect to the asserted claims of the ’348 patent, what record evidence shows that a person of ordinary skill in the art would understand the phrase “10 bit TFCI information” to allow or preclude the use of padding bits? What is the difference between the “10 bit TFCI information” in the portion of Table 1a shown in columns 13 and 14 of ’348 patent and the TFCI information with padding zeroes allegedly used in the alleged domestic industry devices? Is the patent’s discussion of padding zeroes at col. 3, lines 27-34 of any relevance? What consequence would construing “10 bit TFCI information” to allow padding bits have on the issues of infringement, validity, and the technical prong of the domestic industry requirement?**

OUII submits that while both the 3GPP TS 25.212 standard and the specification of the ’348 patent allow the use of padding bits when necessary to generate a 10-bit input to the controller, the *asserted* claims, which cover only a subset of potential embodiments of the invention, do not. *See* OUII Br. at 19-21. Accordingly, OUII agrees with Apple that “the ’348 patent itself, the parties’ Joint Technology Stipulation, the trial testimony of Apple’s expert Dr. Davis and Samsung’s expert Dr. Min, and the relevant portions of the ETSI standard all confirm that a person of ordinary skill in the art would not have understood the phrase ‘10 bit TFCI information’ to include padding bits.”⁷ Apple Br. at 34-35.

First, a person of ordinary skill in the art reading the ’348 patent claims and specification would understand that the ’348 patent addresses both basic and extended TFCI information. *See* JXM-1 at 5:12-14 (’348 patent). Several unasserted claims of the ’348 patent are explicitly directed to padded TFCI information of less than ten bits. *See id.* at 42:1-4, 42:51-54, 43:15-17,

⁷ OUII and Apple’s position is consistent with the Final ID, which found that domestic industry products containing a Qualcomm baseband processor “do not practice claims 75 or 82 of the ’348 patent, because _____] Final ID at 547. Samsung had argued that those products used 10 bits of TFCI information. *Id.* at 536-37.

43:59-61, 44:26-29, 44:65-67 (claims 38, 44, 48, 54, 58, and 63). The *asserted* claims of the '348 patent, however, are directed only to 10-bit TFCI information, without padding. Asserted claims 75 and 82 call for “a 10 bit TFCI information input to the controller” rather than “TFCI information bits in a 10 bit unit[.]” *Id.* at 45:56-57, 46:44-45. This difference in language is significant; Apple is correct that “the '348 patent’s written description repeatedly and consistently uses the term ‘TFCI information’ to refer only to those bits that carry information about the TFCI.” Apple Br. at 35. Thus, while both the 3GPP TS 25.212 standard and the specification of the '348 patent allow the use of padding bits when necessary to generate a 10-bit input to the controller, the *asserted* claims, which cover only a subset of potential embodiments of the invention, do not.

Second, in the parties’ Joint Technology Stipulation, all parties agreed that “the extended TFCI can represent 1 of 128, 1 of 256, 1 of 512, or 1 of 1024 different values with 7, 8, 9, or 10 TFCI information bits respectively.” Joint Technology Stipulation at 3; *see* Apple Br. at 36. Thus, the Joint Technology Stipulation recognizes that the term “TFCI information” refers only to bits that convey TFCI information, and not to any padding bits. Seven TFCI information bits “in a 10 bit unit” are not the same as ten bits of TFCI information. Seven bits of TFCI information, whether padded or unpadded, can only represent 128 (*i.e.*, 2^7) different values, while ten bits of TFCI information can represent 1024 (*i.e.*, 2^{10}) values.

Third, there is hearing testimony that is consistent with this understanding of the asserted claims. While Samsung’s expert witness for the '348 patent testified that in his opinion, as soon as the TFCI bits are padded, the padded bits collectively become part of “a 10-bit TFCI information[.]” Samsung Br. at 36 (citing Hearing Tr. at 1248:19-1249:8 (Min)), Apple’s expert disagreed, testifying that the term “10 bit TFCI information” does *not* include padded bits.

Hearing Tr. at 2085:2-4 (Davis) (“I do dispute it. Those 10 bits that you put in may not be TFCI information. There is, in the standard, discussion of padding.”). In other words, padding may create a “10 bit unit” of the type disclosed in the ’348 patent’s unasserted claims, but it does not create ten bits of TFCI information representing one of 1024 possible values.

Finally, ETSI’s TFCI standard, the 3GPP TS 25.212 standard, recognizes the distinction between ten bits of TFCI information and a TFCI of less than ten bits that is padded to create a ten-bit unit. Section 4.3.3 of the 3GPP TS 25.212 standard provides that “if the TFCI consists of less than 10 bits, it is padded with zeros to 10 bits, by setting the most significant bits to zero.” CX-1099 § 4.3.3 (TS 25.212 v.6.9.0 (Sept. 2006)). The standard does *not* provide that any TFCI of less than ten bits must be converted to a ten-bit TFCI, in which all ten bits convey TFCI information. As Samsung’s expert testified, the standard permits using less than ten bits of TFCI information, *plus* padding with zeros. Hearing Tr. at 1244:19-1245:14 (Min). Thus as Apple notes, the standard “provides contemporaneous evidence that participants in the standards setting process understood the phrase ‘TFCI information’ to exclude padding bits.” Apple Br. at 37.

In OUII’s view, construing the phrase “10 bit TFCI information” to include the use of padding bits would not affect the ultimate outcome of the infringement, validity, or domestic industry analyses for the ’348 patent. See OUII Br. at 22-23. Apple’s argument that under that construction its accused products would not infringe [

[], is at odds with the testimony of its expert,

Dr. Davis. See Apple Br. at 40. Dr. Davis testified:

Q. Dr. Davis, the iPhone 4 AT&T [], right?

A. []

...

Q. And the [], correct, sir?

A. []

Hearing Tr. at 2079:7-11, 2082:4-6 (Davis). OUII agrees with Samsung that the Apple accused products infringe this limitation of the asserted claims whether or not “10 bit TFCI information” is construed to include padded bits. *See Samsung Br.* at 41.

OUII agrees with Apple, however, that under the proposed new construction, the “basic TFCI” encoding apparatus that was part of the prior art ETSI standard would render all of the asserted claims of the ’348 patent invalid for obviousness. As Apple explains, “[t]he basic TFCI encoding would generate the identical codewords as the allegedly novel encoder would if 6 bits of actual information and 4 padded zeros were encoded. Indeed, the ‘basic TFCI’ encoder in the prior standard generated the first 64 codewords shown in Table 1a in the ’348 patent.” *Apple Br.* at 40-41. Finally, all parties agree that the proposed new construction would not affect the domestic industry technical prong analysis. *OUII Br.* at 23; *Apple Br.* at 41; *Samsung Br.* at 43-47.

9. With respect to the asserted claims of the ’348 patent, what claim language, if any, limits the claim to the use of a look-up table and precludes the claim from covering the embodiment of the invention shown in Figures 8 and 14 of the ’348 patent?

In OUII’s view, there is nothing in the claim language of asserted claims 75-76 and 82-84 that limits them to the use of a look-up table rather than a codeword generator, such as the examples shown in Figures 8 and 14 of the ’348 patent. *OUII Br.* at 25-26. OUII agrees with Samsung’s statement that “[e]ach and every limitation in the asserted claims can be satisfied by the use of a look-up table and a codeword generator.” *Samsung Br.* at 47.

Apple asserts that the plain meaning of the asserted claim language “from among a plurality of [30 or 32] bit codewords,” limits the asserted claims to look-up tables. *Apple Br.*

at 42. OUII disagrees that this claim language precludes the use of a codeword generator. Like a look-up table, a codeword generator is capable of producing a specific and finite set of codes. When a ten-bit input is used, either apparatus is capable of producing $2^{10} = 1024$ 32-bit codewords, no more and no less. In either embodiment, for each unique 10-bit input the apparatus will generate a unique 32-bit output. *See* Hearing Tr. at 2083:2-7 (Davis) (“If your encoding apparatus is working properly, you’ll get the same codeword out for the same input.”). Thus, either embodiment is capable of meeting the limitation “from among a plurality of [30 or 32] bit codewords” in the asserted claims.

Apple argues that the asserted claims must require the use of a look-up table because there are other, unasserted claims in the ’348 patent that are expressly limited to the use of a codeword generator. Apple reasons that “[h]aving distinctly claimed alternative embodiments in separate claims, Samsung may not now assert that those claims cover all embodiments.” Apple Br. at 44 (citing *Helmsderfer v. Bobrick Washroom Equip., Inc.*, 527 F.3d 1379, 1383 (Fed. Cir. 2008) (“[D]ifferent claims are often directed to different disclosed embodiments.”); *PSN Ill., LLC v. Ivoclar Vivadent, Inc.*, 525 F.3d 1159, 1166 (Fed. Cir. 2008) (“[C]ourts must recognize that disclosed embodiments may be within the scope of other allowed but unasserted claims.”)).

The difficulty with Apple’s argument is that the asserted claims of the ’348 patent do *not* “distinctly claim[] alternative embodiments” when compared to those covered by the unasserted claims on which Apple relies. Rather, they claim a “TFCI encoding apparatus.” All TFCI encoding apparatuses are included in the scope of this broad language, including the embodiment shown in Figures 8 and 14 of the ’348 patent. *See* JXM-1 at 6:8-10, 6:25-27 (defining these figures as an “embodiment of the TFCI encoding apparatus”). Moreover, as Samsung notes, “the Federal Circuit is clear that there is no rule that each claim cover a different embodiment and it is

improper to restrict a claim to only one embodiment where the claim language is broader. Each claim should be given its proper scope based on the claim's language." Samsung Br. at 47 (citing *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1369 (Fed. Cir. 2007) (citing "the common sense notion that different words or phrases used in separate claims are presumed to indicate that the claims have different meanings and scope"); *SRI Int'l v. Matsushita Electric Corp.*, 775 F.2d 1107, 1121 (Fed. Cir. 1985) (en banc) ("A narrow disclosure in the specification does not necessarily limit broader claim language.")).

10. With respect to asserted claims 82-84 of the '348 patent, identify any support in the patent specification or the record generally for construing the term "puncturing" in asserted claims 82-84 to encompass "excluding" bits (see, e.g., '348 patent at 32:10-17). What consequence would such a construction have on the issues of infringement, validity, and the technical prong of the domestic industry requirement?

OUII agrees with Samsung's statement that "[p]ersons of ordinary skill in the art agree that 'puncturing' is *any* means by which to adapt the size of a sequence of bits to fit an acceptable transmission size[.]" Samsung Br. at 50 (emphasis added); *see* OUII Br. at 26-30. One means for doing so is by excluding certain bits, either when transmitting the sequence of bits or at an earlier point when generating the sequence in the first place.

As Apple notes, the word "excludes" appears exactly once in the written description of the '348 patent. *See* JXM-1 at 32:14 ('348 patent). In that one instance, it is used to describe a "modification" to the second embodiment of the invention. Apple correctly describes the second embodiment in the written description as a (30, 10) encoder that outputs length 30 codewords "equivalent" to the length 32 codewords output by the (32, 10) encoder described as the first embodiment of the claimed invention. Apple Br. at 45-46. The modification described in the '348 patent at column 32, lines 10-17 is that rather than using 32-bit mask sequences to generate a 32-bit codeword that is then punctured to create a 30-bit codeword, the mask sequences

themselves are punctured (*i.e.*, certain bits are excluded) to create 30-bit mask sequences that generate a 30-bit codeword directly.⁸ JXM-1 at 32:10-17 ('348 patent).

Thus, the relevant distinction between the second embodiment and the modification is not between “puncturing” and “excluding,” which in this context are essentially synonyms of one another, but between eliminating bits from the transmitted codeword or from the basis sequences from which the codeword is derived. The latter is covered by claims 67-74 of the '348 patent, while the former is covered by asserted claim 75. JXM-1 at 45:11-61 ('348 patent).

Accordingly, OUII disagrees with Apple's conclusion that the existence of claims 67-74 is proof that “puncturing” can never encompass “excluding” bits.

11. With respect to the asserted claims of the '644 patent, what is the proper construction of “extracting”? What variable, if any, in the source code relied upon by Samsung to prove infringement and domestic industry represents a “60-bit rate-matched block” that has been extracted from a received signal?

OUII and Apple agree that because the word “extracting” was not a disputed term, no record was developed concerning the meaning of this word, either at or before the hearing. OUII and Apple further agree that to the extent that it is necessary to construe the word, it should be given its plain and ordinary meaning. OUII Br. at 32-33; Apple Br. at 57. OUII characterizes the ordinary meaning of the term as “taking,” while Apple suggests “removing for separate processing.” *Id.* (citing *Webster's New World Dictionary of Computer Terms* at 102 (1983). Samsung suggests construing the term as “processing to obtain or derive.” Samsung Br. at 55.

In OUII's view, any of these proposed definitions could be adopted without changing the outcome of the investigation with regard to the '644 patent. This is because with regard to the

⁸ “It will be easy to modify the second embodiment of present invention. For example, the one-bit generator **800**, basis Walsh generator **810**, basis mask sequence generator **820** can generate 30 symbols which excludes the #0 and #16 symbols. The adder **860** then adds the output of the one-bit generator **800**, basis Walsh generator **810** and basis mask sequence generator **820** bit by bit and output 30 encoded symbols as TFCI symbols.” JXM-1 at 32:10-17 ('348 patent).

'644 patent, the infringement and domestic industry analyses do not hinge on *how* extraction occurs, but on *what* is extracted from the received signal. Specifically, claims 9 and 13 require taking “a 60-bit rate-matched block” from a signal received from a “Node B.” The parties have stipulated that a “bit” is “a binary digit,” meaning a binary “1” or “0.” Joint List of Disputed Claim Terms & Proposed Constructions, at 6 (Oct. 21, 2011). A “60-bit rate-matched block,” therefore, must be sixty binary digits long.

The evidence indicates, however, that no Apple accused product or Samsung domestic industry product extracts a “60-bit rate-matched block” from a Node B signal. The Final ID correctly concluded that [] in both the accused products and the domestic industry products []

[], and ignoring that fact runs counter to the parties’ accepted construction.” Final ID at 111. Thus, for example, rather than “extracting a 60-bit rate-matched block[,]” as required by asserted claims 9 and 13, []

[] *Id.* at 110 (citing Hearing Tr. at 1057 (Min)). OUII agrees with the Final ID’s conclusion that [] and, therefore, does not read on the asserted claims of the ’644 patent.

Since neither the accused products nor the domestic industry products ever extract a “60-bit rate-matched block” from a received signal, OUII submits that there is no variable representing such a block in either the Apple or the Samsung source code. As Apple states, “[t]he accused Intel and Qualcomm chips never extract a ‘60-bit rate-matched block’ from a Node B signal, and the reason Samsung failed at trial to identify any such variable in these chips’

VHDL is because none exists.” Apple Br. at 58. [

] Samsung Br. at 61 (citing Hearing Tr. at 772:5-15 (Min)). Although the testimony on which Samsung relies is not entirely clear,⁹ it does not appear that [

].

- 12. With respect to the '980 patent, has Samsung waived all infringement and domestic industry allegations except for those based on claim 10? Identify by source code file name or other specific record designation the precise “dialing program” that Samsung relies upon to prove infringement and domestic industry with respect to claim 10. Also identify, using record evidence, the conditions that trigger execution of the “dialing program” in the relevant devices.**

Samsung states that it does not seek review of the Judge’s determinations regarding the “loading” limitation in asserted claims 5 and 9. Samsung is seeking review of the Judge’s findings with respect to claim 10 of the '980 patent and its dependent claim 13. Samsung Br. at 65.

Samsung has asserted that in both the Apple and Samsung products, the “dialing program” is [

]. It has not, however, identified *any* source code files that

⁹ [

] Hearing Tr. at 772:5- 15 (Min).

contain the functions that Samsung asserts are part of the “dialing program” in either the Apple accused products or in its own domestic industry devices. Instead, it has provided only a general description of the “dialing program,” which it asserts is the same as the “phone program” disclosed in the asserted claims but is not the same as [] in either the Apple or the Samsung products. *See* Samsung Br. at 65-66 (citing Hearing Tr. at 2408:18-22 (Cole)).

According to Samsung, the “dialing program” [] and is the software that allows a user to dial and edit a phone number selected in a PDA function. Samsung Br. at 66 (citing Hearing Tr. at 2381:16-2382:23, 2408:18-22 (Cole); CDX- 03.47C, CDX-03.83C). In other words, the “dialing program” is whatever aspect of the Apple, or Samsung, source code allows the user to dial directly from a PDA function by selecting a highlighted phone number. *Id.* (citing Hearing Tr. at 2352:9-17 (Cole)). In the Apple products, the source code responsible for this feature is [

]. *Id.* (citing Hearing Tr. at 2381:16-2382:23; 2383:5-2385:16 (Cole); CDX-03.47C-48C). In the Samsung products, it is scattered within (1) the PDA application from which the phone number is selected,

], (3) the Android Application Framework, (4) the Dialer and (5) the Phone application. *Id.* at 67 (citing Hearing Tr. at 2424:13-2425:22 (Cole); CDX-03.108C- 109C).

Samsung’s explanation appears to be that since (in its view) the functionality for dialing a hyperlinked phone number exists in both the Apple and Samsung products, the software implementing that functionality must also exist. While this is a reasonable initial assumption, at this stage of the investigation, OUII submits, Samsung should be able to identify the specific

source code files that perform each step of the claimed method. The fact that it has failed to do so even now casts a shadow on its credibility and demonstrates that the Judge was correct to find that Samsung did not meet its burden of proof to establish that a “dialing program” (or a “phone program”) performing the steps claimed in claims 10 and 13 exists in either the accused products or the domestic industry products. *See* Final ID at 165-66, 568-69, 573.

13. With respect to the '980 patent, if the Commission were to construe “dialing icon” to require a “pictorial element,” what record evidence demonstrates that Samsung’s alleged domestic industry products meet that limitation?

In its initial written submission, OUII pointed to the green “Call” button on the “dialer screen” as an example of a dialing icon containing a pictorial element (an image of a telephone receiver). OUII Br. at 39. The Final ID identified this image as a “dialing icon.” Final ID at 569. Samsung points out that the domestic industry products also display a green call button with a pictorial element in the Messaging application after a user long presses on a linkable phone number. Samsung Br. at 68 (citing CDX-03.98; CDX-03.131C; Hearing Tr. at 2437:21-2438:5 (Cole)). OUII agrees that this image also contains a pictorial element and therefore qualifies as a “dialing icon” within the meaning of the asserted claims.

Apple correctly contends that Mr. Cole never identified what software displays the green “Call” button identified as a “dialing icon” in the Final ID. Final ID at 569. Therefore, Apple argues, “Samsung still cannot prove that the ‘Call’ button is the ‘dialing icon’ of claim 10—which must be displayed by the ‘dialing program for . . . displaying . . . a dialing icon when a PDA function is utilized in said smart phone.” Apple Br. at 69; *see* JXM-5 at 5:4-7 ('980 patent); Hearing Tr. at 2487:11-16 (Cole) (dialing icon must be displayed by the “phone program”). Apple also notes that the Judge correctly found that a user cannot select a phone number to dial after pressing the green “Call” button, as required by claim 10. Apple Br. at 69; *see* JXM-5 at 5:8-10 ('980 patent) (requiring “switching a display screen into a dialing state when said

dialing icon is selected”); Final ID at 573-75. Apple contends that, for these reasons, the green “Call” button cannot qualify as a “dialing icon.”

In OUII’s view, the “dialing icon” limitation of claim 10 is satisfied because the green “Call” button exists (and contains a pictorial element). It is other limitations of the claim that are not met in the domestic industry device. Specifically, the device has not been shown to have a “dialing program for . . . displaying” and does not “switch[] a display screen into a dialing state when said dialing icon is selected[.]” Final ID at 573-75. Failure to meet these limitations does not mean that the separate “dialing icon” limitation is not satisfied. It does mean that Samsung has not met its burden of showing by a preponderance of the evidence that the Samsung domestic industry products practice asserted claim 10. *See, e.g., Allen Eng’g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1345 (Fed. Cir. 2002) (Literal direct infringement exists only where every element of a claim reads exactly on an accused device).

V. COMMENTS ON REMEDY, THE PUBLIC INTEREST, AND BONDING

OUII respectfully submits the following responses to Apple and Samsung’s comments regarding remedy, the public interest, and bonding.

First, Apple requests that if the Commission finds a violation and issues an exclusion order, “any remedial order should except service, repair, or replacement articles imported for use in servicing, repairing, or replacing the accused Apple products under warranty or an insurance contract (whether the warranty or contract is offered by Apple, a carrier, or by a third party) for an identical article that was imported prior to the effective date of the remedial order.” Apple Br. at 70-71 (citing *Certain Mobile Devices, Associated Software and Components Thereof*, Inv. No. 337-TA-744, Comm’n Op. at 21-22 (June 5, 2012); *id.*, Limited Exclusion Order ¶ 1 (May 18, 2012)). As Apple notes, the Commission has recognized in similar cases that the public interest may weigh in favor of a service and repair exception to prevent disruption to the domestic

business operations of third parties and consumers. *See Certain Mobile Devices*, Comm'n Op. at 21-22; *Certain Liquid Crystal Display Devices*, Inv. No. 337-TA-631, Comm'n Op. at 27 (Jul. 14, 2009) ("the public interest weighs in favor of an exemption to allow importation of service and replacement parts"). Accordingly, OUII has no objection to Apple's request for a reasonable service and repair exception to any relief granted in this investigation.¹⁰

Second, Apple also requests that any exclusion order imposed include a certification provision that permits an importer to certify to U.S. Customs and Border Protection ("CBP") that the importer's products are not covered by the order. Apple Br. at 71. It is the Commission's general practice to include certification provisions in exclusion orders involving patents for which the practice of the patent is not easily determined by visual inspection. *See, e.g., Certain Mobile Devices*, Comm'n Op. at 21. OUII agrees that practice of the patents asserted in this investigation is not readily determined by visual inspection. Therefore, any exclusion order should include a certification provision to assist the CBP in enforcing the order.

Finally, OUII disagrees with Samsung's argument that the Commission should reject the Judge's recommendation of zero bond for infringing iPhones. Given a lack of evidence concerning either a price differential in Apple's favor or a reasonable royalty rate, the Judge determined as follows:

Samsung had an affirmative obligation to obtain the evidence it needs to support its proposed remedy. Samsung cannot simply say that because no one did anything it should automatically be granted a windfall of 100 percent. Thus with respect to the accused iPhones, which directly compete with Samsung's claimed

¹⁰ To further prevent disruption to the business operations of third parties and consumers, OUII has suggested delaying the effective date of the exclusion order by four to six months, thus giving manufacturers and service providers time to switch to comparable substitute products before the exclusion order takes effect. OUII Br. at 44; *see, e.g., Certain Personal Data and Mobile Communications Devices and Related Software*, Inv. No. 337-TA-710, USITC Pub. No. 4331, Comm'n Op. at 83 (June 2012).

domestic industry mobile handset products . . . , the Administrative Law Judge recommends that bond be set at zero.

Recommended Determination at 6-7 (citations and footnote omitted). Originally, Samsung argued that it was impossible to determine a bond rate based on a reasonable royalty. *See* Samsung Prehearing Br. at 175 [

]. Samsung now argues that “a bond rate based on median industry royalty rates is a reasonable alternative.” Samsung Br. at 79. OUII submits that Samsung’s new theory, while plausible, is not supported by citations to record evidence indicating that the bond of 4.25% of entered value that Samsung now advocates is a reasonable royalty for the specific patents at issue here. “Complainants are, or should be aware, that such failure to satisfy their burden to support bonding may result in no bonding at all.” *Certain Personal Data and Mobile Communications Devices and Related Software*, Inv. No. 337-TA-710, USITC Pub. No. 4331, Comm’n Op. at 85 (June 2012). Accordingly, OUII continues to support a zero bonding rate as the correct rate established by [

]. OUII Br. at 46-47.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that on December 20, 2012, she caused the foregoing **REPLY BRIEF OF THE OFFICE OF UNFAIR IMPORT INVESTIGATIONS ON ISSUES UNDER REVIEW AND ON REMEDY, THE PUBLIC INTEREST, AND BONDING (PUBLIC VERSION)** to be served by hand upon Administrative Law Judge E. James Gildea (2 copies), and served upon the parties (1 copy each) in the manner indicated below:

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