

Exhibit C

PUBLIC VERSION

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

In the Matter of

**CERTAIN ELECTRONIC DEVICES WITH
MULTI-TOUCH ENABLED TOUCHPADS
AND TOUCHSCREENS**

Inv. No. 337-TA-714

Final Initial and Recommended Determinations

This is the administrative law judge's Final Initial Determination under Commission rule 210.42. The administrative law judge, after a review of the record developed, finds inter alia that there is jurisdiction and that there is no violation of section 337 of the Tariff Act of 1930, as amended.

This is also the administrative law judge's Recommended Determination on remedy and bonding, pursuant to Commission rules 210.36(a) and 210.42(a)(1)(ii). Should the Commission find a violation, the administrative law judge recommends the issuance of a limited exclusion order barring entry into the United States of infringing electronic devices with multi-touch enabled touchpads and touchscreens as well as the issuance of an appropriate cease and desist order. The imposition of any bond during the Presidential Review period is not recommended.

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ABBREVIATIONS

CBr	Complainant's Post Hearing Brief
CDX	Complainant's Demonstrative Exhibit
CFF	Complainant's Proposed Findings of Fact
CRBr	Complainant's Post Hearing Reply Brief
CRRFF	Complainant's Rebuttal to Respondent's Finding of Fact
CX	Complainant's Exhibit
JX	Joint Exhibit
RBr	Respondent's Post Hearing Brief
RDX	Respondent's Demonstrative Exhibit
RFF	Respondent's Proposed Findings of Fact
RRBr	Respondent's Post Hearing Reply Brief
RRCFF	Respondent's Rebuttal to Complainant's Finding of Fact
SBr	Staff's Post Hearing Brief
SRBr	Staff's Post Hearing Reply Brief
SRCFF	Staff's Rebuttal to Complainant's Finding of Fact
SRRFF	Staff's Rebuttal to Respondent's Finding of Fact
Tr.	Transcript

OPINION

I. Procedural History

By notice dated April 23, 2010, the Commission instituted an investigation, pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, to determine (a) 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 electronic devices with multi-touch enabled touchpads or touchscreens that infringe one or more of claims 1, 2, 4, 7, 10, 12, 14, 16, 18, 19, 21, 24, 26, and 30 of U.S. Patent No. 5,825,352, ('352 patent) and whether an industry in the United States exists as required by subsection (a)(2) of section 337. The complaint was filed with the Commission on March 29, 2010, under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, on behalf of Elan Microelectronics Corporation (Elan). A letter supplementing the complaint was filed on April 16, 2010. The complainant requested that the Commission institute an investigation and, after the investigation, issue an exclusion order and a cease and desist order. Apple, Inc. (Apple) was named in the notice of investigation as respondent and was served with the complaint.

Order No. 3, which issued on May 21, 2010, set a target date of August 29, 2011 which meant that any final initial determination on violation should be filed no later than the close of business on April 29, 2011.¹

A Markman hearing was conducted on August 18, 19, and 20, 2010, with all parties participating.

¹ The notice of investigation was published on April 29, 2010 (75 Fed. Reg. Vol. 75, No. 82 at 22625-26).

Order No. 13, which issued on August 20, 2010, terminated the investigation with respect to claim 26 of the '352 patent. The Commission non reviewed said order on September 13, 2010.

Order No. 15, which issued on September 28, 2010 found each of claims 19, 24 and 30 of the '352 patent invalid. On October 28, 2010, the Commission non-reviewed said order.

Order No. 16, which issued as an initial determination (ID) on September 28, 2010, found complainant collaterally estopped from certain pleadings. The Commission, in a notice dated October 28, 2010, reviewed said Order No. 16 and determined that said order is an order rather than an initial determination. In said notice, it was stated in part:

Prior to the ALJ's *Markman* hearing [on August 18, 19 and 20, 2010], Apple moved for summary determination that Elan was barred from advocating a claim construction for certain claim terms in claims 1 and 18 of the '352 patent different from the claim construction advocated by Elan and adopted by the District Court in *Elantech Devices Corp. v. Synaptics, Inc.*, No. C 06-01839 CRE (N.D. Cal. filed Mar. 10, 2006).^[2] Apple's motion was based on the doctrine of issue preclusion, or in the alternative, on the doctrine of judicial estoppel. Mem. in Support of Apple Inc.'s Mot. for Summ. Determination of Claim Construction 10-23 (July 14,2010). Following briefing (both before and after the *Markman* hearing) and attorney argument at the *Markman* hearing, the ALJ granted Apple's motion as an ID (Order No. 16).

On October 6, 2010, Elan petitioned for review of the ID, and on October 14, 2010, Apple opposed the petition, substantially for the reasons set forth in its motion. On October 14, 2010, the Commission investigative attorney opposed the petition on the basis that the decision is not properly an ID and that Commission review is not ripe.

The Commission has determined to review the subject ID in its entirety, and upon review to find that Order No. 16 is an order and not

² As set forth in Section X, Domestic Industry, there were three litigations involving Synaptics which included the litigation referenced here.

an initial determination. On October 20, 2010, the Commission found that claim constructions standing alone (*i.e.*, without a finding of invalidity, infringement, or the like) are not properly the subject of initial determinations under Commission rules 210.18 and 210.42, 19 C.F.R. §§ 210.18, 210.42. Notice of Commission Determination that June 22, 2010, Initial Determination Is an Order Rather than an Initial Determination, Inv. No. 337-TA-703 (Oct. 20, 2010); *see also* Notice, 75 *Fed Reg.* 44282 (July 28, 2010). It follows, *a fortiori*, that Order No. 16 in the instant investigation, which merely precluded the presentation of certain evidence or attorney argument in connection with claim construction proceedings, is similarly not an initial determination under Commission rules.

On November 9, 2010, the administrative law judge issued Order No. 17 relating to claim construction in connection with the Markman hearing held on August 18, 19 and 20, 2010.

Order No. 21, which issued on December 22, 2010 terminated the investigation as to claim 10 of the '352 patent. The Commission non-reviewed said order on January 11, 2011.

Order No. 22 which issued on January 5, 2011 relates to a stipulation regarding respondent Apple's importation and inventory.

Order No. 28, which issued on January 31, 2011, required certain submissions from complainant, respondent and the Commission Investigative Staff (staff).

Order No. 31, which issued on February 16, 2011 relates to a stipulation regarding the '352 patent and the technology at issue. Order Nos. 32 and 33 which also issued on February 16, 2011 relate to a stipulation regarding additional Apple source code and a stipulation on domestic industry respectively.

Order No. 34, which issued on February 16, 2011, relates to a stipulation regarding an application specific integrated circuit (ASIC) within each Apple accused product.

Order No. 35, which issued on March 7, 2011 terminated the investigation as to claims 4, 12, 14, 18 and 21 of the '352 patent. The Commission issued a notice not to review Order

No. 35 on March 28, 2011.

Arguments were heard on Motions In Limine Nos. 714-32, 714-33, 714-34, 714-35, 714-36 and 714-37 on February 11, 2011. At the prehearing conference conducted on February 15, 2011, said motions were ruled on. A four day evidentiary hearing was conducted on February 15, 16, 17 and 18. Post hearing submissions have been filed. In issue, inter alia, are claims 1, 2, 7 and 16 of the '352 patent. The matter is now ready for a final decision.³

The Final Initial and Recommended Determinations are based on the record compiled at the hearing and the exhibits admitted into evidence. The administrative law judge has also taken into account his observation of the witnesses who appeared before him during the hearing. Proposed findings of fact submitted by the parties⁴ not herein adopted, in the form submitted or in substance, are rejected as either not supported by the evidence or as involving immaterial matters and/or as irrelevant. Certain findings of fact included herein have references to supporting evidence in the record. Such references are intended to serve as guides to the testimony and exhibits supporting the finding of fact. They do not necessarily represent complete summaries of the evidence supporting said findings.

³ In a filing dated March 1, 2011 respondent Apple, in an unopposed motion, moved to clarify that CX-298C is not in evidence or alternatively, to strike CX-298C from the record. (Motion Docket No. 714-39.) Motion No. 714-39 is granted on the ground that the administrative law judge sustained the objections to CX-281C through CX-315C on the basis of lack of foundation (Tr. at 305).

⁴ Ground rule 18 in effect for this investigation states that “[f]ollowing the close of the hearings, each party will submit proposed findings of fact . . .” While proposed findings of fact were submitted by each of the private parties, no proposed findings were filed by the staff nor did the staff file any motion to be relieved from the filing of proposed findings. The administrative law judge finds no explanation or justification in the record for the staff’s failure to submit proposed findings of fact.

II. Jurisdiction Including Parties And Importation

On June 15, 2010, Apple and Elan⁵ entered into a stipulation regarding importation of the accused products. Pursuant to paragraph 2 of the stipulation, the parties agreed that at least one unit of each of the accused products has been imported or sold after importation into the United States by Apple, or will be imported or sold after importation by Apple as of the time of the evidentiary hearing. That stipulation was put into effect on June 23, 2010 pursuant to Order No. 10. On December 22, 2010, Apple and Elan submitted a supplemental importation stipulation, wherein they agreed that the private parties will not dispute that the importation requirement for this Investigation is satisfied with respect to Apple's accused products, namely the iPhone 3G, iPhone 3GS, iPhone 4, iPad, iPod touch, MacBook, MacBook Air, MacBook Pro, Magic Mouse, and Magic Trackpad. That stipulation was put into effect on January 5, 2011 pursuant to Order No. 22. Moreover, Apple does not dispute that the Commission has in rem jurisdiction over the accused Apple products.

The Commission also has in personam jurisdiction over respondent Apple who, inter alia, (i) has responded to the complaint and notice of investigation, (ii) has participated in discovery, and (iii) has participated in the evidentiary hearings. See Certain Audible Alarm Devices For Divers, Inv. No. 337-TA-365, Initial Determination at 3 (Feb. 2, 1995).

III. The '352 Patent In Issue

The '352 patent, titled "Multiple Fingers Contact Sensing Method for Emulating Mouse Buttons and Mouse Operations on a Touch Sensor Pad" issued on October 20, 1998, based on an application filed on February 28, 1996. (JX-11.) Stephen Bisset and Bernard Kasser are the

⁵ See FF 1-6 in Section XIII, infra, for identification of parties.

named inventors. Complainant Elan acquired the patent from Logitech, Inc. (See CX-52C, JX-8 and complaint, ¶ 8.)

The abstract of the '352 patent reads as follows:

Method and apparatus for detecting an operative couple between one or more fingers or other appropriate objects and a touch pad includes processes for detection of multiple maxima with intermediate minima in appropriate sequences to emulate the operations of cursor control and button actuations in a pointing and control device.

(JX-1).

IV. The Claims In Issue

Claims 1, 2, 6,⁶ 7 and 10 of the '352 patent read:

1. A method for detecting the operative coupling of multiple fingers to a touch sensor involving the steps of

scanning the touch sensor to (a) identify a first maxima in a signal corresponding to a first finger, (b) identify a minima following the first maxima, (c) identify a second maxima in a signal corresponding to a second finger following said minima, and

providing an indication of the simultaneous presence of two fingers in response to identification of said first and second maxima.

(JX-1 at 16:14-23).

2. The method of claim 1 further including the step of causing a pointing device click function to occur in response to the detection of at least a second maxima.

(JX-1 at 16:24-26).

⁶ Complainant has not asserted claim 6. However claim 7, which depends from claim 6, has been asserted.

6. The method of claim 1 wherein said touch sensor includes a plurality of lines, said maxima being a largest local variation in a signal value on one of said lines due to capacitive coupling of a finger.

(JX-1 at 16:36-39).

7. The method of claim 6 wherein said maxima are peaks.

(JX-1 at 16:40).

16. The method of claim 1 further comprising the step of: calculating first and second centroids corresponding to said first and second fingers.

(JX-1 at 17:20-23).

V. Experts

Elan's technical expert is Robert Dezmelyk. He was qualified as an expert in computer user input devices in the Markman hearing. See Order No. 17. No one at the evidentiary hearing had any objection to him continuing to be so qualified. (Tr. at 434.) Apple's technical expert is Ravin Balakrishnan. He was qualified as an expert in the field of computer user input devices during the Markman hearing. See Order No. 17. No one at the evidentiary hearing had any objection to him continuing to be so qualified. (Tr. at 811-12.)

In addition to the technical experts, Cate Elsten was qualified as complainant's expert in the field of licensing and financial analysis. (Tr. at 280.) Christopher Bakewell was qualified as respondent's expert in licensing and financial analysis. (Tr. at 1150.)

VI. Skill Level Of One Of Ordinary Skill In The Art

The skill level of one of ordinary skill in the art for the '352 patent is education equivalent to a bachelor's degree in computer science, electrical engineering, or a similar

technical degree, and three years of experience in touch-sensitive input devices. See Order No. 17.

VII. Claim Construction

With respect to claim 1 of the '352 patent, Order No. 17 construed certain language of said claims as follows:

1. “identify a first maxima in a signal corresponding to a first finger,” “identify a minima following the first maxima,” and “identify a second maxima in a signal corresponding to a second finger following said minima” (Claim 1).

As found in Order No. 17:

“the administrative law judge finds (1) that the disputed claim term “identify a first maxima in a signal corresponding to a first finger” means identify a first peak value in a finger profile taken on a straight line obtained from scanning the touch sensor, (2) that the disputed claim term “identify a minima following the first maxima” means identify the lowest value in the finger profile taken on said straight line that occurs after the first peak value, and before another peak value is identified, and (3) that the disputed claim term “identify a second maxima in a signal corresponding to a second finger following said minima” means after identifying the lowest value in the finger profile taken on said straight line, identify a second peak value in the finger profile taken on said straight line. The administrative law judge also finds that claims 1 and 18 include a temporal requirement to identify the first maxima, then later in time identify the minima following the first maxima, and still later in time identify the second maxima following said minima.”

Order No. 17 at 13-24.

2. “control functions”

As found in Order No. 17:

“the administrative law judge finds that one of ordinary skill in the art would understand the claim term “control function” to mean

any function executed in response to the operative coupling of multiple fingers on a touch sensor.”

Order No. 17 at 23.

3. “in response to”

As found in Order No. 17:

“the administrative law judge finds that one of ordinary skill in the art would understand from the claim language that the claim term “in response to” means that the indication step must occur after the identification step, and that the indication step must occur because of the “identification of said first and second maxima.” The administrative law judge further finds that the claim language does not indicate whether any other events may occur between the identification and indication steps.”

Order No. 17 at 28.

4. “identify”

As found in Order No. 17:

“the administrative law judge finds that one of ordinary skill in the art would understand the claim term “identify” to mean “recognize a value to be,” which requires both analysis of the touch sensor signal and designation of the location of the claimed maxima and minima.”

Order No. 17 at 34.

The parties were aware, prior to the evidentiary hearing which commenced on February 15, 2011, that any arguments, with respect to changing the claim construction of Order No. 17, must meet the standard for a motion for reconsideration. (RFF 193 (undisputed in relevant part).) Complainant has not moved for reconsideration. (CRREF 193.A.) Thus the claim construction of Order No. 17 is the law of the case.

VIII. Infringement

A. Accused Products

Complainant argued that the accused products include, but are not limited to, Apple's iPod Touch, iPhone 3G/3GS, iPhone 4, iPad, MacBook, MacBook Pro, MacBook Air, Magic Mouse, and Magic TrackPad. (CBr at 28.) Complainant further argued that all of the accused products "incorporate a touch sensor and detect the operative coupling of multiple fingers to the touch sensor." (CBr at 38.)

Respondent argued that its multi-touch algorithms are "at the heart of this Investigation." (RBr at 18.)

The staff argued that while there are "numerous" accused devices, viz. the Apple iPhone 3G, iPhone 3GS, iPhone 4, iPod touch, iPad, MacBook, MacBook Air, Magic Mouse, and Magic TrackPad, the evidence relating to infringement involves, in general, respondent's software source code for controlling the touch pad of each accused product, which operates the same in the various products. (SBr at 4.)

The administrative law judge finds that the accused products at issue are Apple's iPod Touch, iPhone 3G/3GS, iPhone 4, iPad, MacBook, MacBook Pro, MacBook Air, Magic Mouse, and Magic TrackPad. (CFF I.198; RRCFF I.198.) The administrative law judge finds, however, that no party attempts to break down the infringement analysis on a product-by-product basis, instead focusing on the algorithm used by the various accused products. (See, generally, CBr at 38-65; RBr at 42-79; SBr at 6-10.) Thus, the administrative law judge will analyze the algorithm in use by the accused products and that analysis will apply to each of the accused products. Hence, he finds that his analysis of the algorithm will determine whether there is or is not

infringement of the claims in issue, consistent with the arguments of the parties.

B. Claim 1

1. The claimed phrase “(a) identify a first maxima in a signal corresponding to a first finger...”

With respect to the claimed phrase, {

}

The staff argued that{

}

The administrative law judge has previously found that the claimed phrase, “identify a first maxima in a signal corresponding to a first finger” is construed as “identify a first peak value in a finger profile taken on a straight line obtained from scanning the touch sensor.” (Order No. 17 at 13; see also Section VII, supra; RFF 353 (“The max/min/max terms of the asserted claims all require that extrema be identified “in a finger profile taken on a straight line.”) (undisputed).)

It is undisputed that data from the touchpad must be processed, because the data alone is not useful unless an analysis is performed on it to determine whether there are any contacts, and if so, how many and of what kind. (RFF 234 (undisputed).) {

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{

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} However, the administrative law judge notes that it is a method claim that is asserted, and therefore, it is a method that is at issue, not the results of that method. (See, inter alia, Joy Techs. Inc. v. Flakt, Inc., 6 F.3d 770, 775 (Fed. Cir. 1993); Surfware, Inc. v. Celeritive Techs., Inc., 2009 WL 605803 at *5; GTX Corp. v. Kofax Image Prods. Inc., 571 F. Supp. 2d 742, 748 (E.D. Tex. 2008).) {

}

⁷ Respondent disputes that complainant has shown that the accused products are actually used in the fashion claimed by complainant. See, inter alia, Rbr at 48-55; RRB at 25-28.

2. The claimed phrase “(b) identify a minima following the first maxima...”

Regarding the claimed phrase in issue, complainant argued that, {

}

Respondent argued that its algorithm never identifies a minima, as cited in the claimed phrase, {

}

The administrative law judge has previously found that the claim term “identify a minima following the first maxima” means “identify the lowest value in the finger profile taken on said

straight line that occurs after the first peak value, and before another peak value is identified.”

(Order No. 17 at 13; see also Section VII, supra.) As the administrative law judge has found, supra, respondent’s algorithm does not perform an analysis on pixels in a straight line. Thus, he finds that the accused products do not identify minima on a straight line.

{

} the

administrative law judge finds that complainant has pointed to nowhere in the source code that the algorithm actually identifies a minima. (See, generally, JX-20.) Moreover, the administrative

law judge finds that complainant has admitted {

}

3. The temporal requirement in asserted claim 1

With respect to the temporal requirement,⁸ complainant argued that the accused products infringe the asserted claims of the '352 patent in the requisite sequential order. (CBr at 36; see also CBr at 43-54.)

Respondent argued that even applying Elan's theory with respect to {

}

The staff argued that complainant has failed to show that the accused products find a maxima or minima in the required temporal order. (SBr at 7.)

The administrative law judge has found, supra, that the accused products never identify a minima. {

} Thus, the

administrative law judge finds that complainant has not shown that the accused products meet the temporal requirement of asserted claim 1.⁹

⁸ The administrative law judge has previously found that asserted claim 1 has a temporal requirement to identify the first maxima, then later in time identify the minima following the first maxima, and still later in time identify the second maxima following said minima. (Order 17 at 14; see also Section VII, supra.)

⁹ Complainant has argued that it "construes steps (a),(b), and (c) in claims 1 and 18 as not having to be performed in a specific order...", i.e., that there is no temporal requirement. (CBr

4. Conclusion

Based on the foregoing, the administrative law judge finds that complainant has not shown, by a preponderance of the evidence, that the accused products infringe asserted claim 1 of the '352 patent.

C. Asserted dependent claims 2, 7, and 16

The administrative law judge has found, supra, that complainant has failed to show that asserted claim 1 of the '352 patent is infringed by any product accused in this investigation. Hence, the administrative law judge finds that complainant has likewise not shown that the asserted claims depending from claim 1, viz. 2, 7, and 16, are infringed.

D. Inducement to Infringe

The administrative law judge has found, supra, complainant has failed to show that any accused product infringes the asserted '352 patent, which is a requirement to show inducement to infringe. Thus, the administrative law judge finds that complainant has not shown any inducement to infringe.

IX. Validity

Respondent argued that asserted claims 1, 2, and 16 of the '352 patent are anticipated by Japanese Patent Application Publication 6-161661 (the '661 application) (RX-195). (RBr at 84-99.) Respondent further argued that asserted claim 7 of the '352 patent would have been obvious considering either the '661 application in combination with Siegel et al., "Performance Analysis of Tactile Sensor," 1987 IEEE International Conference on Robotics and Automation (Siegel) (RX-197) or the '661 application in combination with R.S. Fearing, "Tactile Sensing

at 35.) Assuming arguendo the administrative law judge had accepted said argument, he has found other basis for his finding of non-infringement, independent of the temporal requirement. See supra.

Mechanisms,” International Journal of Robotics Research (June 1990) (Fearing) (RX-101). (RBr at 99-107.)

Complainant argued that respondent has not shown by clear and convincing evidence that any of the asserted claims are anticipated or obvious in view of any of the prior art asserted. (CBr at 65-77.)

The staff argued that the evidence produced at the evidentiary hearing shows that the ‘661 application “renders asserted claims 1, 2, and 16 invalid as anticipated,” and “the evidence shows that claim 7 (and its underlying claim 6) would have been obvious over the ‘661 application in light of either Fearing 1990 (RX-101) or Siegel 1987 (RX-197).” (SBr at 16-17.)

An issued patent is presumed valid, see 35 U.S.C. § 282, and a party challenging a patent’s validity must overcome this presumption by clear and convincing evidence. See Pfizer, Inc. v. Apotex, Inc., 480 F.3d 1348, 1360 (Fed. Cir. 2007). Respondent has the burden to overcome the presumption that the asserted claims of the ‘352 patent are valid. Tech. Licensing Corp. v. Videotek, Inc., 545 F.3d 1316 (2008). The burden of persuasion never shifts to complainant. Id. Rather, the risk of “decisional uncertainty” remains on the party or parties asserting invalidity. Id. Thus, it is respondent’s burden to prove by clear and convincing evidence that any of the alleged prior art references anticipate or render obvious asserted claims 1, 2, 7, and 16 of the ‘352 patent. See PharmaStem Therapeutics, Inc. v. ViaCell, Inc., 491 F.3d 1342, 1360 (Fed. Cir. 2007) (stating, “the burden falls on the patent challenger to show by clear and convincing evidence that a person of ordinary skill in the art would have had reason to attempt to make the composition or device, or carry out the claimed process, and would have had a reasonable expectation of success in doing so.”). Failure to do so means that respondent loses on this point. Tech. Licensing, 545 F.3d at 1327.

The '661 application is a Japanese Laid Open Patent Application titled "A touch panel input device and input method wherein multiple inputs can be made simultaneously" and published on June 10, 1994 more than one year before the filing of the application that resulted in the '352 patent. (RX-195.001.)

Siegel is an article titled, "Performance Analysis of a Tactile Sensor" published in 1987. (RX-191.001.) Siegel discloses the design of a contact sensor utilizing an 8 x 8 array of capacitive cells for use in a robotic dexterous hand, where said capacitive cells are formed by two parallel electrically conductive plates that generate a capacitance proportional to their separation. (Id.)

Fearing is an article titled, "Tactile Sensing Mechanisms" published in the International Journal of Robotics Research in June 1990. (RX-101.002.) Fearing discloses the design of a cylindrical tactile sensor with an 8 x 12 array of capacitive sensing elements. (Id. at 003.) Fearing further discloses a method for accurately determining contact location. (Id. at 017.)

A. Anticipation

A patent claim is invalid as anticipated if it "was known or used by others in this country, or patented or described in a printed publication" before the claimed invention, or it was "patented or described in a printed publication... more than one year prior" to the filing date. 35 U.S.C. §§ 102(a) and (b). Additionally, a claim is anticipated if "the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent." 35 U.S.C. § 102(e). For anticipation, "all of the elements and limitations of the claim must be shown in a single prior art reference, arranged as in the claim." Karsten Mfg. Corp. v. Cleveland Golf Co., 242 F.3d 1376, 1383 (Fed. Cir. 2001). Further, where a prior art reference does not expressly disclose an element or limitation of the

claim in issue, extrinsic evidence may be used to prove said element or limitation is inherently present in the prior art. See Continental Can Co. USA, Inc. v. Monsanto Co., 948 F.2d 1264, 1268 (Fed. Cir. 1991). However, “[s]uch evidence must make clear the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill.” Id. Anticipation is a question of fact, including whether or not an element is inherent in the prior art. In re Schreiber, 128 F.3d 1473, 1477 (Fed. Cir. 1997).

1. Claim 1

a. The claimed phrase, “scanning the touch sensor...”

The parties have agreed that the term “scanning the touch sensor” means “measuring the values generated by a touch sensor to detect operative coupling and determining the corresponding positions at which measurements are made.” (RFF 534 (undisputed).) Moreover, prior to the issuance of Order No. 17, the parties had so agreed.

Respondent argued that the ‘661 application “explicitly discloses the ‘scanning’ of lines in the X- and Y-axes of the touch sensor to collect data for subsequent analysis.” (RBr at 87.)

Complainant argued that the ‘661 application does not measure values generated by the touch sensor or detect operative coupling of fingers to the touch sensor, and thus, the ‘661 application does not meet the construction of this claimed phrase agreed upon prior to the issuance of Order No. 17. (CBr at 68-69.)

The staff argued that the ‘661 application “teaches a touch sensing panel for multiple finger input” and “projecting a finger profile along an x and y axis,” where the “profile contains a maxima, a minima, and a second maxima.” (SBr at 16.)

The '661 application discloses the use of a touch panel in the name of the invention, viz. “[a] touch panel input device and input method wherein multiple inputs can be made simultaneously,” and in the object of the invention, viz. “[i]n connection with a touch panel input device, to make it possible for multiple switch inputs to be made simultaneously.” (RX-195.001.) The parties do not dispute that the touch panel in the '661 application is a touch sensor as in claim 1 of the '352 patent. (See RFF 520; CRRFF 520.C (referring to the “touch sensor” of the '661 application).) Also, the private parties do not dispute that the '661 application contemplates multiple finger contacts as the “multiple inputs” referenced in the '661 application name of invention and object of invention, supra. (See CFF V.15 (“Finger contact at an intersection causes the lines to touch, closing the switch...”); RFF 530 (“The JP6-161661 Application discloses the ‘operative coupling’ of multiple fingers to the touch sensor.”).) Further, the operation of the '661 application discloses:

When a touch panel (1) is pressed, switch input is detected by a switch detector (3) in the touch panel interface, and a microprocessor (written as MPU (5)) takes in all switch data. The said data taken in from the touch panel (1) is/are stored in memory as coordinate data, and projection data are obtained by projecting the said coordinate data to the x and y axes. It is determined whether or not it is possible to divide the coordinate data by detecting whether or not there are points of divisions in data groups of the said projection data and the coordinates of the points of divisions. If possible, divided coordinate data are made by dividing the coordinate data. If not possible, then it is determined that one switch was pressed.

(RX-195.003 at ¶ 8 (emphasis added).) The '661 application further discloses:

In Figure 1, a touch panel (1) is a transparent sheet and placed in layers on a display screen of a display device (4); and in the present embodiment, it has a group of 8 X 6 switches configured along the x and y axes. If any one of the switches is pressed, a switch detector (3) transmits an interrupt signal to a microprocessor (5). When this is received, the microprocessor (5) jumps into an interrupt process routine. In the interrupt process routine, an output

port of an open collector of a parallel input output interface (called PIO (2)) which is the x-axis is scanned line by line using a timer interruption, and by taking in all the y-axis output connected to an input port of PIO (2) for every line scanned, data for each intersection are obtained. Since each line of the x-axis is output from the open collector, when it is being scanned and active, it draws a line at a potential of nearly zero; and when it is not scanned, it is inactive and impedance becomes high.

(RX-195.003 at ¶ 12 (emphasis added).) Thus, the device in the '661 application includes an array of conductive lines arranged along x and y axes such that mechanical switches are formed at the intersection of the conductive lines, allowing for finger presses to cause intersecting conductive lines to touch and close a switch or switches, and when the device detects that one or more switches have been closed an interrupt process routine occurs and the switch data is scanned line by line along the x-axis. (RX-195.003; see also, CFF V.14; CFF V.15; CFF V.16.)

With respect to the data produced by scanning line by line, the '661 application discloses:

In the present embodiment, data for all the said intersections are stored in memory, and they are recognized as coordinate data if a scan number is an x address and a bit order of data output from the y-axis in the matrix, a y-axis address, data for each intersection, "0" when [such an intersection] is pressed and "1" when not pressed.

(RX-195.004 at ¶ 13.) Thus, the data generated by scanning the touch sensor are "0" or "1" values representing whether a switch at a particular coordinate is open or closed. The administrative law judge finds that the determination of "0" or a "1" at particular coordinates on a touch panel, where those values are generated by the closing of mechanical switches in response to finger presses on said touch panel, teaches the claim limitation "scanning the touch sensor" under the agreed-to construction of that limitation.

Complainant argued that "[t]he 661 patent [sic application] does not measure values generated by a touch sensor." (CBR at 68.) In support of said argument, complainant asserted that

the '661 application only teaches detecting ON and OFF states that are stored as coordinate data, and that coordinate data only "refers to the location where there is a touch, no measured value is stored for that coordinate." (Id.) However, as found supra, the '661 application teaches storing of "0" or "1" corresponding to whether switches are open or closed. Moreover complainant's expert Dezmelyk indicated that said teaching corresponds to determining a logical value:

Q. And what the claim says is value, right?

A. Yes, I believe it is determining a value is the exact phrase.

Q. And a logical 1 or a 0 is determining a value, isn't it?

A. Determining a logical value, yes.

(Tr. at 1261.)

Complainant also argued that the '661 application does not teach "operative coupling" referenced in the agreed upon construction prior to the issuance of Order No. 17. (CBr at 68-69.) In support of this argument, complainant cited previous litigation between complainant and Synaptics, Incorporated (Synaptics) in which complainant and Synaptics "agreed that 'operative coupling' would be understood by those skilled in the art to mean an 'electrical finger-induced effect.'" (Id. at 69.) Complainant further argued that with respect to operative coupling, "the ['352] patent refers specifically to the capacitive coupling of a finger with the conductive elements in the touch sensor." (Id.) The administrative law judge rejects complainant's argument for the reasons that (1) the record does not establish that respondent was a party in the previous litigation with Synaptics and complainant does not so argue (see Domestic Industry Section infra); respondent has not agreed to the construction of "operative coupling" alleged to be agreed to by complainant and Synaptics; and (3) the administrative law judge has found nothing in the record indicating that complainant had asserted this construction of the term

“operative coupling” prior to its post-hearing brief.

- b. The claimed phrase, “(a) identify a first maxima in a signal corresponding to a first finger, (b) identify a minima following the first maxima, (c) identify a second maxima in a signal corresponding to a second finger following said minima...”

Respondent argued that the ‘661 application generates projection data corresponding to finger profiles; that the ‘661 application includes a first maxima consisting of one or more “1s” in the finger profile; that the ‘661 application identifies those “1s” as a first maxima “because it discloses looking for a point where the finger profile changes from ‘1’ to ‘0’,” which also identifies a minima following the first maxima; and that the ‘661 application further looks for a point where the finger profile changes form “0” to “1,” which provides identification of the second maxima in the finger profile. (RBr at 89-90.)

Complainant argued that the ‘661 application only discloses determining two distinct contacts on the touch panel based on finding a “0” to “1” transition following a “1” to “0” transition, and that finding those transitions does not disclose the elements (a), (b), and (c) of claim 1 of the ‘352 patent. (CBr at 69-70.) Complainant also argued that the ‘661 patent only provides an indication of whether switches are ON or OFF and the “1s” and “0s” corresponding to the ON and OFF states are not maxima and minima. (Id. at 70.)

The staff argued that the ‘661 application teaches projecting a finger profile along an x and y axis, said profile containing a maxima, a minima, and a second maxima. (SBr at 16.)

The administrative law judge has previously construed elements (a), (b), and (c) and found:

- (1) that the disputed claim term “identify a first maxima in a signal corresponding to a first finger” means identify a first peak value in a finger profile taken on a straight line obtained from scanning the touch sensor, (2) that the disputed claim term “identify a minima following the first maxima” means identify the lowest value in the finger profile taken on said straight line that occurs after the first

peak value, and before another peak value is identified, and (3) that the disputed claim term "identify a second maxima in a signal corresponding to a second finger following said minima" means after identifying the lowest value in the finger profile taken on said straight line, identify a second peak value in the finger profile taken on said straight line.

Order No. 17 at 13-14. The administrative law judge also previously found that one of ordinary skill in the art would understand the language of claim 1 to require that elements (a), (b), and (c) be performed in sequential order. *Id.* at 11. Further, with respect to the term "identify," the administrative law judge previously construed said term in his Order No. 17 to mean "recognize a value to be," which requires both analysis of the touch sensor signal and designation of the location of the claimed maxima and minima. *Id.* at 34.

Regarding the determination in the '661 application of whether there have been multiple finger contacts on the touch panel, the '661 application provides a flow chart at Figure 2, which indicates the steps used to determine whether there have been one or more inputs on the touch panel. (RX-195.005; RX-195.015 at Figure 2.) When the presence of at least one input is determined at step 11 of the flow chart, the method of the '661 application generates a projection of data along the x-axis, an example of which is shown in Figure 5. (RX-195.004 at ¶ 14 ("If it is determined by the empty data judgment part (11) that there are some data, [the flow] jumps to an x-axis projection data maker (12), coordinate data are projected on the x-axis as shown in Figure 5, and x-axis projection data are obtained"); RX-195.014 at Figure 5.) Figure 5 of the '661 application shows a data projection along the x-axis that corresponds to the presence of two

fingers on the touch panel:



(RX-195.014.) Based on the foregoing, the administrative law judge finds that the projection of data along the x-axis in Figure 5 of the '661 application represents a finger profile taken on a straight line obtained from scanning the touch sensor of the '661 application.

With respect to identifying the locations of multiple inputs along said finger profile, the '661 application discloses with respect to the flow diagram of Figure 2:

At a part-for-judging-whether-or-not-it-is-possible-to-divide-the-x-axis (13), there are multiple groups of the said projection data (23) and it is determined whether or not it is possible to make a division. First, when considered in the positive logic, a determination as to a division is carried out, first, by finding a point where a change occurs from "1" to "0" which is at the end of the first data group and, then, by finding a point where a change occurs from "0" to "1" which is at the beginning of the second data group. The point of division is set at the above-stated point of change from "0" to "1." If a division is possible, a point of division (indicated by A - A line in Figure 5) is found as stated above, and then, [the flow] moves to the division coordinate data maker (14). At the division coordinate data maker (14), the coordinate data are divided at the A - A line so that the data are divided between divided coordinate data wherein data on the left side shown in Figure 6 are left while data on the right [in Figure 6] are deleted, [on one hand], and divided coordinate data wherein data on the right side shown in Figure 7 are left while data on the left side [in Figure 7] are deleted, [on the other].

(RX-195.004 at ¶ 15 (emphasis added).) Thus, the '661 application teaches identifying a

transition from “1” to “0” and then another transition from “0” to “1” in order to determine that a division in the data exists and providing an indication that the data recorded resulted from multiple contacts on the touch panel. As seen from the foregoing quote, while the ‘661 application recognizes a division after the “0” to “1” transition has been identified and then sets the point of division at that transition, the administrative law judge finds nothing in the ‘661 application which recognizes any value to be a maxima or a minima. Further, assuming, arguendo, said values of “0” or “1” were recognized as maxima or minima, the location of said minima is not recognized until after the second maxima is identified because the data is not divided until the “0” to “1” transition is found, i.e. the minima is not recognized as a minima until the “0” to “1” transition is found. Thus, he finds that the temporal requirement of claim 1 of the ‘352 patent is not met.

Respondent argued that because the ‘661 application discloses looking for a change in value from “1” to “0” and then from “0” to “1,” the ‘661 application identifies a first maxima, a minima, and then a second maxima. In support of said argument, respondent relied on the testimony of its expert Balakrishnan, who testified:

Q. Let's turn to the identify a first maxima in a signal corresponding to a first finger portion of the limitation. And in your opinion, is that met by the '661 application?

A. Yes, it is.

Q. And what is your basis for that testimony?

A. The basis for the testimony is the text in the application that talks about finding a change from a 1 to a 0. And also the way the analysis is shown in the figure that looks at the data in the projections.

* * *

Q. Thank you. Now, applying the Order Number 17 constructions of identify a minima and the word identify, could you explain how the

'661 application discloses identification of a minima?

A. Sure. The '661 application talks about finding a change from a one to a zero. And then a change from a zero to a one. And in that text, which is referring to these finger profiles in figure 5, that in itself is looking for -- it is very clearly looking for that 1-0. In other words, a zero that follows a 1, a minima that follows a maxima that's previously identified

Q. And how would a person of ordinary skill in the art understand that to constitute identification of a minima?

A. It would understand that because the notion of finding a point that changes, that's clearly identification.

* * *

Q. And with respect to identification of a second maxima, how is that disclosed in the patent?

A. That's disclosed by the sentence in the patent referring to figure 5 that talks about finding a change from a zero to a 1. So it knows it is going the other way now.

Q. Now, you understand that under Order Number 17, there is a temporal requirement that requires the second maximum be identified later in time than the minimum. Is that limitation met by the '661 application?

A. Yes, it is.

Q. And where do you find that?

A. First of all, the analysis is happening in one direction along the -- on those finger profiles, the coordinate projections, and the text itself talks about where the finding the change is in sequence, so you have to first find a 1 and a zero and then find a zero and a 1. So that's clearly a temporal order.

(Tr. at 966, 983-984, 985-986 (emphasis added).) Thus, as the foregoing testimony establishes, Balakrishnan concluded that the '661 application discloses identifying a first maxima, a minima, and second maxima because it identifies transitions from "1" to "0" and "0" to "1." However, as found supra, while said transitions indicate where values change, the '661 application does not

teach recognizing said values to be maxima or minima as required by the administrative law judge's previous construction of the term "identify" in Order No. 17.

- c. The claimed phrase, "providing an indication of the simultaneous presence of two fingers in response to identification of said first and second maxima."

Respondent argued that "[t]here does not appear to be any dispute that the JP6-161661 Application discloses providing an indication of the simultaneous presence of two fingers," and asserted that complainant's expert Dezmelyk agreed. (RBr at 91-92.)

Complainant argued that this limitation is not present in the '661 application because the '661 application does not teach identification of first and second maxima. (CBr at 71.)

The staff argued that "[t]he '661 patent [application] provides an indication of simultaneous presence of two fingers." (SBr at 16.)

The administrative law judge previously construed the phrase "in response to" to mean "after and in reaction to," meaning that the indication of the presence of two fingers must occur at some time after the identification of the claimed first and second maxima, and that said indication must occur in reaction to at least the identification of the claimed first and second maxima." Order No. 17 at 30.

The '661 application discloses a flow diagram at Figure 3 depicting a method for determining whether the data generated from the flow diagram of Figure 2 at A can be further subdivided. (See RX-195.016 at Figure 3; RX-195.004 at ¶¶ 17-19.) Where a third subdivision of data is not possible, the '661 application discloses, "it is determined that two switches were pressed, and the result is recorded at a two switch press recording part." (RX-195.004 at ¶ 19; see also RX-195.016 at Figure 3.) Based on the foregoing, the administrative law judge finds that the '661 application teaches "providing an indication of the simultaneous presence of two fingers." However, because the administrative law judge has found, supra, that the '661

application does not teach identifying maxima as in claim 1 of the '352 patent, he further finds that the '661 application does not disclose "providing an indication... in response to identification of said first and second maxima."

Based on the foregoing, respondent has not established by clear and convincing evidence that the '661 application discloses all of the elements of claim 1 of the '352 patent, and hence, he finds that claim 1 is not anticipated by the '661 application.

2. Claim 2

Respondent argued that its expert Balakrishnan identified three examples of how the '661 application "discloses providing a pointing device click function in response to the detection of at least a second maxima," and hence, that claim 2, which is dependent on claim 1, is anticipated by the '661 application. (RBr at 96-97.)

Complainant argued that the '661 application does not anticipate claim 2 of the '352 patent because it does not disclose any of the elements of claim 1 and also "does not disclose a pointing device and does not disclose a pointing device click function." (CBr at 71-72.)

The staff argued that the '661 application teaches a click function, and thus, anticipates claim 2 of the '352 patent. (SBr at 16.)

The parties agree that the term "pointing device click function" means "a function that would normally result from the button click of a pointing device. (RFF 609 (undisputed).) Further, the administrative law judge previously construed the term "in response to" to mean "after and in reaction to." Order No. 17 at 30.

With respect to claim 2 of the '352 patent and the disclosure in the '661 application, respondent's expert Balakrishnan testified:

Q. Let's turn to dependent claim number 2. This includes the further step of causing a pointing device click function to occur in

response to the detection of at least a second maxima.

Is it your opinion that that limitation is disclosed by the '661 application

A. Yes, it is.

Q. And what is the basis for that testimony

A. The basis for that testimony is, again, the fact that it finds a second maxima and then determines to click -- to whether or not a switch is activated due to that second maxima

Q. And if you could, where in the '661 application do you find that limitation that you just described with reference to

A. That's in the text there. It says when the touch panel is pressed, switch input is detected by a switch detector. That switch input would be similar to pressing a switch on a pointing device. So it is a click function.

Q. You testified earlier about a two-switch press. What is a two-switch press?

A. A two-switch press in the context of the '661 application is when two switches are pressed at the same time indicating multiple fingers are pressing multiple times.

Q. Would a two-switch press constitute a pointing device click function under the parties' agreed construction for that limitation?

A. Yes, it would.

Q. And why is that?

A. Because it is -- if a two-switch press occurs, a single switch press could also have occurred. And it is also related to the second switch happening in response to that second maxima

(Tr. at 990-992 (emphasis added).) The administrative law judge finds that the portions of the disclosure in the '661 application relied upon by Balakrishnan relate only to the detection of multiple inputs on the touch panel, i.e. determining that multiple switches have been pressed, and do not disclose any functionality that occurs based on the detection of multiple inputs.

Accordingly, the administrative law judge further finds that respondent has not shown by clear and convincing evidence that the '661 application discloses a pointing device click function. Further, the administrative law judge has found, supra, that respondent failed to show by clear and convincing evidence that claim 1 of the '352 patent is anticipated by the '661 application. Hence, he finds that respondent has not shown by clear and convincing evidence that claim 2 of the '352 patent, which depends from claim 1, is anticipated by the '661 application.

3. Claim 16

Respondent argued that the '661 application teaches computing the center of individual touches on the touch panel, which is equivalent to calculating a centroid, and hence, claim 16, which is dependent on claim 1, is anticipated by the '661 application. (RBr at 98.)

Complainant argued that the '661 application discloses finding "the center of a group of coordinates where the switch is engaged," which "is not the 'centroid' or center of mass calculation disclosed in the '352 patent." (CBr at 72.) Complainant also argued that the '661 application only discloses finding the center of data when one input is detected. (See, e.g., CRRFF 630.G.)

The staff argued that the '661 application "teaches calculating centroids of each finger as claimed," and thus, anticipates claim 16 of the '352 patent. (SBr at 16.)

The '661 application discloses calculating the center of projection data:

(Effects of Invention) In the present invention, switch coordinates are not recognized as they are, as was done in the conventional method, but rather data are treated as a group, and a coordinate[s] that is/are calculated to be at the center of projection data comprising the group is/are recognized to be a switch[es], so by selection of an appropriate size for switches, malfunction due to touching of switches in the surrounding area can be greatly reduced as described below, and an important function described above can be added.

(RX-195.003 (emphasis added).) The '661 application further describes an example where the center of a data group is calculated:

If there are data on both the x- and y-axes and a division is impossible, it is determined that an input is only from one switch, so a press point coordinate is set at the center of a data group comprised of multiple coordinates.

(RX-195.004 at ¶ 16.) Thus, the '661 application teaches calculating the center of projection data in order to determine which switch or switches a user intended to press on the touch panel. Further, respondent's expert Balakrishnan opined that "one of skill in the art would understand that calculating the center of the projection would be equivalent to calculating a centroid of a touch." (Tr. at 1018.) Based on the foregoing, the administrative law judge finds that the '661 application discloses calculating the center of the data projections created based on multiple inputs on the touch panel, and said centers of data projections are equivalent to centroids corresponding to multiple finger inputs on a touch sensor. However, the administrative law judge has found, supra, that respondent failed to show by clear and convincing evidence that claim 1 of the '352 patent is anticipated by the '661 application, and hence, he finds that respondent has not shown by clear and convincing evidence that claim 16 of the '352 patent, which depends from claim 1, is anticipated by the '661 application.

B. Obviousness

Included within the presumption of validity is a presumption of non-obviousness. Structural Rubber Prods. Co. v. Park Rubber Co., 749 F.2d 707, 714 (Fed. Cir. 1984). Regarding non-obviousness, the patent statute dictates that a person is not entitled to a patent if the differences between the claimed invention and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. §103; see also Net MoneyIN, Inc. v. VeriSign, Inc., 545 F.3d 1359,

1371 (Fed. Cir. 2008) (stating, “differences between the prior art reference and a claimed invention, however slight, invoke the question of obviousness, not anticipation.”).

The ultimate determination of whether an invention would have been obvious is a legal conclusion based on underlying findings of fact. In re Dembiczak, 175 F.3d 994, 998 (Fed. Cir. 1999). The underlying factual inquiries relating to non-obviousness include: 1) the scope and content of the prior art; 2) the level of ordinary skill in the art; 3) the differences between the claimed invention and the prior art; and, 4) secondary considerations of non-obviousness, such as long-felt need, commercial success, and the failure of others. See Graham v. John Deere Co., 383 U.S. 1, 17 (1966).

The first step in an obviousness analysis requires a determination of the scope and content of the prior art, and only analogous art can be considered prior art. In re Clay, 966 F.2d 656, 658 (Fed. Cir. 1992). Whether art is analogous is a question of fact and “[t]wo criteria have evolved for determining whether prior art is analogous: (1) whether the art is from the same field of endeavor, regardless of the problem addressed, and (2) if the reference is not within the field of the inventor’s endeavor, whether the reference still is reasonably pertinent to the particular problem with which the inventor is involved.” Id. at 658-659.

Obviousness may be based on any one of the alleged prior art references or a combination of the same, and what a person of ordinary skill in the art would understand based on his knowledge and said references. If all of the elements of an invention are found, then:

[A] proper analysis under § 103 requires, inter alia, consideration of two factors: (1) whether the prior art would have suggested to those of ordinary skill in the art that they should make the claimed composition or device, or carry out the claimed process; and (2) whether the prior art would also have revealed that in so making or carrying out, those of ordinary skill would have a reasonable expectation of success. Both the suggestion and the reasonable expectation of success must be founded in the prior art, not in the

applicant's disclosure.

Velander v. Garner, 348 F.3d 1359, 1363 (Fed. Cir. 2003) (emphasis added) (internal citations omitted). Further, the critical inquiry in determining the differences between the claimed invention and the prior art is whether there is a reason to combine the prior art references. See C.R. Bard v. M3 Sys., 157 F.3d 1340, 1352 (Fed. Cir. 1998). For example:

[A] patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art. Although common sense directs one to look with care at a patent application that claims as innovation the combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.

KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398, 418-19 (2007) (emphasis added) (KSR). However, the Supreme Court has rejected a "rigid approach," regarding a patent challenger's obligation to demonstrate a "teaching, suggestion, or motivation to combine" in the prior art. Id. at 419-22.

The Court stated that:

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill. Sakraida and Anderson's-Black Rock are illustrative—a court must ask whether the improvement is more than the predictable use of prior art elements according to their established function.

Following these principles may be more difficult in other cases than it is here because the claimed subject matter may involve

more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement. Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue. To facilitate review, this analysis should be made explicitly. See In re Kahn, 441 F.3d 977, 988 (CA Fed. 2006) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusions of obviousness”). As our precedents make clear, however, the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.

Id. at 417-18 (emphasis added). Further, a suggestion to combine may come from the prior art, as filtered through the knowledge of one skilled in the art. See Certain Lens-Fitted Film Pkgs., Inv. No. 337-TA-406, Order No. 141 at 6 (May 24, 2005). “[I]n many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle.” KSR, 550 U.S. at 420-21.

1. Claim 7

Respondent argued that claim 7 of the ‘352 patent, which is dependent on claim 6 which is dependent on claim 1, is rendered obvious by the ‘661 application in view of either Siegel (RX-197) or Fearing (RX-101). It is argued by respondent that there is no dispute regarding the prior art status of either Siegel or Fearing; that both Siegel and Fearing disclose a capacitive touch sensor; and “that one of ordinary skill in the art would have known that either of these touch sensors could be utilized in conjunction with the JP6-161661 Application” to meet the requirements of claim 6 of the ‘352 patent, which is incorporated by reference in asserted claim 7

in issue. (RBr at 99-100.) Respondent further argued that the '661 application teaches the additional requirement of claim 7 that the maxima are peaks. (Id. at 100.)

Complainant argued that Siegel and Fearing are non-analogous art that relate to robot fingers and thus, should not be considered as prior art to the '352 patent; that the teachings of the combination of the '661 application with either Siegel or Fearing do not disclose all of the elements of claim 7; and that respondent has not provided any evidence regarding "any reason or motivation to combine those references." (CBr at 73.)

The staff argued that "the testimony shows that claim 7 would have been obvious under 35 U.S.C. § 103," based on the combination of the '661 application with either Siegel or Fearing because capacitive coupling was "well-known in the art" and the interchangeability of the type of touch sensor was "well-known in the art" such that "it would have been well within the knowledge of a person of skill in the art to substitute a capacitive touch pad for the touch pad of the '661 patent with predictable results." (SBr at 16-17.)

At the outset, the administrative law judge rejected, supra, respondent's argument regarding anticipation of claim 1 by the '661 application. Respondent has not argued that Siegel or Fearing teach any element of claim 1. Thus, respondent has only relied on Siegel or Fearing to teach the elements of claim 6, which depends from claim 1, and claim 7, which is in issue and depends from claim 6. Based on the foregoing, the administrative law judge finds that respondent has failed to establish by clear and convincing evidence that claim 7 of the '352 patent is rendered obvious by the '661 application in view of either Siegel or Fearing.

Assuming, arguendo, that the administrative law judge had found claim 1 anticipated by the '661 application, it is undisputed that the '661 application does not disclose capacitive coupling of a finger as required by claim 6 of the '352 patent. (See CFF V.114 (undisputed in

relevant part.); RFF 632 (“...the JP6-161661 Application is silent about whether the switches are capacitive switches or otherwise”).) Thus, in arguing that claim 7 is rendered obvious by the combination of the ‘661 application with either Siegel or Fearing, respondent relied on its expert Balakrishnan’s conclusion that “those of skill in the art would know to substitute the touch sensors of either the Fearing 1990 Reference or Siegel 1987 Reference with the touch sensor of the ‘661 Application.” (RBr at 102-103.) In support of said conclusion, Balakrishnan testified:

Q. Turning to the Siegel reference, which is RX-197 and the first page of that is depicted here on RDX-974. Dr. Balakrishnan, how does the Siegel reference support your testimony with respect to obviousness of claim 6?

A. Sure. The Siegel reference is published nine years before the '352 patent, but more importantly, it is about a capacitive touch sensor. And it talks about how that sensor is designed.

And given that the Siegel reference is demonstrating a capacitive sensor could be used for touch, one of skill in the art would know that it could be substituted for the switches in the touch panel. And the other thing that is kind of clear here is even the image in the Siegel reference, that it is a grid-based, you know, series of plurality of lines. And that corresponds very nicely to the grid in the touch panel of the '661 application.

Q. Thank you. Now, Dr. Balakrishnan, turning to the Fearing reference, the Fearing 1990 reference, that is RX-101, how does that relate to your opinion with respect to obviousness of claim 6?

A. This is the same argument in that the Fearing reference also discloses a capacitive sensor or touch sensor. And these are also formed very much like the grid of lines that you see in the '661 application. They basically have a horizontal and vertical grids that you test the capacitive coupling at those rows.

You are basically creating a touch sensor out of a grid of lines. And one of skill in the art would know to substitute, that this could be substituted as the type of sensor for the Fearing -- sorry, for the '661 application.

(Tr. at 997-999 (emphasis added).) Thus, Balakrishnan testified that it would have been obvious

to a person of ordinary skill in the art to substitute either the Siegel "capacitive sensor" or the Fearing "capacitive sensor or touch sensor" for the touch panel in the '661 application.¹⁰

Balakrishnan also testified regarding why a person of ordinary skill in the art would have been motivated to substitute either the sensor of Siegel or the sensor of Fearing for the touch panel in the '661 application:

- Q. Now, when you say it needs to be combined with other applications, could you explain your opinion with respect to that
- A. Sure. My opinion there is what we have in the '661 and this 8-by-6 touch panel matrix is switches. And it is silent about what kind of switches that is. So it could have been a capacitive switch, but we don't know.

So one skilled in the art would say, okay, it has got a switch, what kind of switches could possibly be used? And looking at the other art at that time frame or earlier would know that capacitive switches were well-known, were in existence, and could easily be substituted as an obvious combination.

(Tr. at 996-997 (emphasis added).) Balakrishnan further testified that his opinion was supported by the '352 patent:

- Q. Dr. Balakrishnan, is there any support in the '352 patent for your testimony that one of ordinary skill in the art would know combine the Fearing and Siegel references with the '661 application?
- A. Yes, the '352 patent makes it very clear that the type of -- the variety of sensors were known in the art at the time of the '352 patent. And it is in the background, for example, it talks about touch sensors are well-known and take a number of different forms.

And the summary of the invention talks about implementing that based on conventional touch sensing technology and it talks about the exemplary one being capacitive but also says others are

¹⁰ As found supra, the parties do not dispute that the touch panel in the '661 application is a touch sensor as in claim 1 of the '352 patent.

possible.

(Tr. at 999.) Thus, Balakrishnan indicated that one of ordinary skill in the art would have been motivated to make said combination because said person of ordinary skill would have known that capacitive switches could be easily substituted into the touch panel of the '661 application, and thus, such a substitution would have been obvious. However, the administrative law judge finds that Balakrishnan did not testify regarding how a person of ordinary skill in the art would have implemented a device that provides for capacitive coupling of a finger as required by claim 6 of the '352 patent, which is incorporated by reference in asserted claim 7 in issue, and the administrative law judge also finds that Balakrishnan did not identify any "reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does," viz. to allow for capacitive coupling of a finger. See KSR, 550 U.S. at 418 supra. Further, complainant's expert Dezmelyk testified that the sensor design in both Siegel and Fearing would prevent capacitive coupling of a finger:

Q. And, sir, does the Fearing reference anywhere disclose this finger detecting the operative coupling of a -- let me, let me -- can we call this -- well, I guess it is a robot finger.

Can the robot finger that is disclosed in Fearing detect the operative coupling of a human finger on or near that robot finger?

A. No, unless you have got your hand caught in the gripper and it was squeezing you in which case it would measure the squeezing force resulting from, you know, trapping your finger.

Q. And is that coupling of a finger in the sense of the '352 patent?

A. No, it is not.

Q. Okay. Is there anything in the Fearing reference that would prevent it from detecting the operative coupling of a finger, human finger on or near the robot finger?

A. Well, there is quite a bit of rubber in between, and it is a force

sensor. Unless you are pressing into the surface of it with something, it is not going to detect anything.

* * *

Q. Which is RX-197. Can we have that, please. What do you understand the reference to refer to?

A. This reference describes analysis of another fourth sensor. It is actually another robot finger, with a similar design to Fearing's, done by this fellow, Siegel.

* * *

A. Well, it is -- Fearing is quite different than the particular one here in Siegel. Siegel's design includes an actual shielding layer to prevent any kind of electrical influence from the outside world.

So it intentionally prevents any kind of coupling with any, say, fingers that are near it in a capacitive sense.

Q. Okay. Now, in your opinion, would the combination of the disclosure of the '661 patent and the disclosure of the Siegel reference, RX-197, render claim 7 of the '352 patent obvious to one of ordinary skill in the art?

A. No, not at all.

Q. And why not?

A. Well, the particular device does not meet the claim limitations of 6, where it has to have capacitive coupling, and it just doesn't have that. Plus the fundamental sort of design or architecture of the '661 application does not detect any kind of amplitude. So it can't be detecting peaks. It is simply doing an on/off logical kind of switch state.

(Tr. at 1230-1234 (emphasis added).) Respondent, who has the burden of establishing that asserted claim 7 is obvious, has presented no evidence that refutes said testimony of complainant's expert Dezmelyk. Based on the foregoing, the administrative law judge finds that respondent has not established that it would have been obvious to one of ordinary skill in the art to combine the '661 application with either Siegel or Fearing to provide for capacitive coupling of a finger. Accordingly, the administrative law judge finds that respondent has not established

by clear and convincing evidence that the prior art combinations asserted render claim 7 of the '352 patent, which depends from claim 6, obvious and invalid.¹¹

X. Domestic Industry

Complainant argued that it has satisfied the domestic industry requirement. In support it argued that the "evidence adduced during the evidentiary hearing establishes that Elan has maintained and continues to maintain a licensing program in the United States with respect to the 352 patent ... [that] Elan has invested more than \$4 million in its efforts to license the 352 patent in the United States and has successfully licensed the 352 patent as a result of these efforts . . . [and that] accordingly, a domestic industry pursuant to 19 U.S.C. § 1337(a)(3)(C) exists with respect to Elan's exploitation of the 352 patent through its licensing activities in the United States." (CBr at 79-80.)

Respondent argued that there is a lack of a domestic industry; that lacking any relevant presence of complainant's own domestic industry in the United States, complainant contends that its outside litigation counsel expenditures constitute the domestic industry in this investigation, but complainant failed to submit any reliable evidence regarding what its "investments" in its litigation counsel have been; and that complainant did not provide any evidence establishing that its alleged "investments" are substantial to complainant or in relation to a domestic industry. (RBr at 108.)

The staff argued that complainant appears to rely solely upon gross litigation expenses for its proof of a purported licensing industry with respect to the '352 patent; that the evidence does not show that the domestic industry requirement has been met; that complainant did not offer

¹¹ In view of the findings of the administrative law judge that respondent has failed to establish, by clear and convincing evidence, that the asserted claims are anticipated or obvious, complainant's argument with respect to secondary considerations has been mooted.

competent testimony that links all of the Synaptics litigation expenses offered into evidence to the asserted '352 patent; that complainant's witness Chang testified that he did no independent verification of the purported litigation expenses; that similarly, complainant's expert Cate Elsten provided no independent analysis of the gross litigation expenses supplied to her; that in light of the failure to offer competent testimony concerning the purported litigation expenses, complainant's alleged support should be given no weight; and that in addition, complainant pursued its litigation against Synaptics not for licensing purposes but because Synaptics had threatened complainant's customers with allegations of infringing Synaptics' patents. (SBr at 10-1.)

In order to prove a violation of section 337 in a patent-based action, a complainant must demonstrate that a domestic industry exists or is in the process of being established. 19 U.S.C. § 1337(a)(2). See Certain Microsphere Adhesives, Process For Making Same, And Prods. Containing Same, Including Self-Stick Repositionable Notes, Inv. No. 337-TA-366, USITC Pub. 2949, Comm'n. Op. at 8 (Jan. 1996). The domestic industry requirement is set forth in its entirety in sections 337(a)(2) and (3):

(2) Subparagraphs (B), (C), (D), and (E) of paragraph (1) apply only if an industry in the United States, with respect to the articles protected by the patent, copyright, trademark, maskwork, or design concerned, exists or is in the process of being established.

(3) [A]n industry in the United States shall be considered to exist if there is in the United States, with respect to articles protected by the patent ... concerned -

- (A) significant investment in plant and equipment;
- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.

19 U.S.C. § 1337(a)(2) and (3) (emphasis added).

In Certain Coaxial Cable Connectors and Components Thereof and Products Containing

Same, Inv. No. 337-TA-650 (Commission Opinion (March 31, 2010), (Coaxial),¹² the

Commission stated:

We conclude that patent infringement litigation activities alone, i.e., patent infringement litigation activities that are not related to engineering, research and development, or licensing, do not satisfy the requirements of section 337(a)(3)(C). However, litigation activities (including patent infringement lawsuits) may satisfy these requirements if a complainant can prove that these activities are related to licensing and pertain to the patent at issue, and can document the associated costs. The same holds true for other types of activities that are allegedly related to licensing.

* * *

. . . Filing a patent infringement lawsuit is no more than a small step beyond mere ownership. Any patent owner can file a patent infringement action in the district courts of the United States under 35 U.S.C. § 271. Allowing patent infringement litigation activities alone to constitute a domestic industry would place the bar for establishing a domestic industry so low as to effectively render it meaningless. Congress nowhere indicated that it intended that result. Thus, we conclude that patent infringement litigation activities alone do not constitute "exploitation" under section 337(a)(3)(C).

* * *

Because we have determined that litigation costs taken alone do not constitute investment in exploitation but that litigation costs related to licensing may, it follows that, in order to establish that a substantial investment in exploitation of the patent has occurred through licensing, a complainant must prove that each asserted activity is related to licensing. A complainant must also show that licensing activities pertain to the particular patent(s) at issue. Depending on the circumstances, such activities may include, among other things, drafting and sending cease and desist letters, filing and conducting a patent infringement litigation, conducting settlement negotiations, and negotiating, drafting, and executing a license. The mere fact, however, that a license is executed does not

¹² In Coaxial the Commission vacated the administrative law judge's findings relating to the domestic industry with respect to a '539 patent in issue and remanded the investigation to the administrative law judge for "further proceedings" consistent with its opinion. Coaxial at 2. Subsequently the administrative law judge, on May 27, 2010, issued a remand initial determination finding no domestic industry with respect to the '539 patent, which remand ID was non-reviewed by the Commission on July 12, 2010.

mean that a complainant can necessarily capture all prior expenditures to establish a substantial investment in the exploitation of the patent. A complainant must clearly link each activity to licensing efforts concerning the asserted patent.

Even where the complainant establishes that certain acts are properly treated as investment in the exploitation of the patent, we must still determine whether that investment in exploitation is "substantial." That inquiry is a factual one that the Commission can undertake only after the parties present their facts and arguments, including evidence of the actual costs associated with each activity. The Commission may take into account, among other things, the type of activity, the relationship between the activity, licensing, and the patent at issue, and the amount of the investment. The Commission may also consider whether the activity is of a type that Congress explicitly indicated may establish a domestic industry; namely, activities that serve to encourage practical applications of the invention or bring the patented technology to the market. In weighing the evidence, the Commission has previously indicated that whether an investment is substantial "will depend on the industry in question, and the complainant's relative size." Certain Stringed Musical Instruments and Components Thereof, Inv. No. 337-TA-586, Comm'n Op. at 25 (May 2008).

* * *

... [a party] must show that each asserted litigation activity is related to licensing. In addition, ... [a party] must show that these activities are related to the patent [in issue] ... [a party] must document the costs incurred for each activity. ... [a party] cannot rely on its broad allegation that it spent [[]] on its litigation with [[]] and that this is a substantial investment in the patent's exploitation through licensing. Litigation activities may need to be broken down into their constituent parts.

* * *

... Cease-and-desist letters are not inherently related to licensing, as they may simply instruct the recipient to cease the infringing activity. On the other hand, they may be related to licensing if, for example, they offer the recipient the option of taking a license or they form part of a concerted licensing program or effort. If . . . [a party] wishes to rely on these letters, it must show . . . that the cease-and-desist letters are related to licensing, and are related to the . . . patent [in issue] . . . [a party] must also establish the costs of drafting and sending those letters.

(*Id.* at 43, 44, 46, 50, 51, 54-6) (footnote omitted.)

Complainant Elan, in support of its allegation that it has made a substantial investment in the United States to exploit the '352 patent through licensing (CBr at 83) argued that

complainant's effort to license the '352 patent to Synaptics demonstrates the existence of complainant's licensing program in the United States. (CBr at 84.) At the evidentiary hearing Mr. Wayne Chang, who is head of complainant's department in charge of intellectual property and legal affairs (RFF 673 (undisputed)) presented testimony regarding Elan's alleged domestic industry in licensing the '352 patent. Chang indicated that {

} (Tr. at 156.) In support, Chang indicated that CX-332 is {

} (Tr. at 154.) CX-

332 is identified as {

} CX-332 stated in part:

{

}

Pursuant to the plain language of CX-332, the administrative law judge finds that CX-332 is merely an agreement under FRE 408 that the content and existence of "negotiations" between

Synaptics and Elan will not be discoverable or usable.¹³ Contrary to the testimony of Chang, relied on by complainant (CFF VI. 39) the administrative law judge finds that the language of CX-332 provides no evidence of licensing negotiations between the parties, does not propose a license agreement and does not mention any proposed licensing terms.

Chang further testified:

Q. And can you look at Exhibit CX-396, please.

A. I'm there.

Q. Do you recognize it?

A. I have.

Q. What is it?

{

Q. Did you contribute to the drafting of this document?

A. I did.

{

}

(Tr. at 154-5.) On the administrative law judge's examination of CX-396C he finds said testimony of Chang is not totally accurate. Thus CX-396C is a multipage document (bearing Bates Nos. CX-396C.001-028). { }

¹³ The administrative law judge frequently encounters FRE 408 when conducting settlement discussions before an evidentiary hearing which discussions are not confined to licensing negotiations.

{ } as Chang so testified, supra. It would appear however that Chang was referring to Bates CX-396C.025 of said document. That page has a recitation of {

Complainant relies on CX-396C. Thus under the subheading “Elan’s efforts to license the ‘352 patent to Synaptics demonstrates the existence of Elan’s licensing program in the United States” complainant references CFFVI.40 which refers to CX-396C supra. However the administrative law judge, on his review of CX-396C finds that the majority of its pages focus on {

Significantly the administrative law judge finds nothing in CX-396C that propose any licensing terms related specifically to the ‘352 patent. Moreover it is undisputed that any contact between Elan and Synaptics from 2003-2006 did not result in any patent license agreement directed to the ‘352 patent. See CFFV.41, CFF.VI.42 (all undisputed).

Negotiations between Elantech Devices Corporation and Synaptics did come to an impasse in 2006. Thus a communication from Elantech Devices Corporation to Kirby of Synaptics dated April 7, 2006 (CX-370) read (emphasis added):

I write to follow-up on our earlier meeting about the possibility of resolving the on-going patent disputes between our companies. Before I address any proposals, however, I'd like to respond to your comment about the manner in which we filed our

suit against Synaptics.

Both companies have engaged in good faith, though protracted, discussions about patent infringement issues. Although Synaptics did provide us with some information about why it believed Elantech products infringed the Synaptics patents, it relied only on Elantech's spec sheets, which do not reveal the actual operations of our products. During our various meetings, we explained why we do not believe our products infringed any of Synaptics's patents. At the same time, we began our own investigation of possible infringement by Synaptics of Elantech patents. Before we had an opportunity to share our findings with you, Synaptics filed suit against our customers and extracted their agreement to not purchase any product from Elantech. We believe this action to be a fundamental departure from the framework upon which our negotiations are based. Elantech had no choice but to file suit against Synaptics to protect its own interests. As a gesture of good faith, however, we did not sue your customers nor have we served the complaint on Synaptics.

Neither Synaptics nor Elantech is in the business of patent litigation. It is my sincere hope that our companies resolve these disputes quickly so that we can concentrate on our respective businesses. To this end, I propose that the two companies grant each other a non-exclusive cross-license for their entire patent portfolios. In exchange, Elantech will dismiss its suit against Synaptics. As a further gesture of goodwill, Elantech will pay for the attorney's fees and costs actually incurred by Synaptics in the Synaptics v. Averatec and Prostar suit, provided that the Stipulated Orders signed by Averatec and Prostar be vacated.

If the parties cannot come to an agreement within 30 days from the receipt of this letter, we will have no choice but to proceed with the suit, including but not limited to amending our complaint to add sellers, distributors and/or customers of the infringing Synaptics products. I look forward to your favorable response.

Significantly CX-370 is not limited to the '352 patent. Synaptics Kirby in a reply dated April 19, 2006 (CX-371) stated (emphasis added):

Hello Duke, I am sending this to summarize our thoughts. First, after much discussion we have decided not to propose a licensing agreement. We do not believe that we would find a license agreement that would be mutually acceptable. We have been

talking about this for a long time without any forward progress.. Elantech and Synaptics do not seem to be in agreement on the subject of infringement so discussing a license does not seem productive. We don't agree on the problem and until we do, I don't think we can solve it.

We would like to maintain ongoing dialogue, however, in the absence of a concrete proposal from Elantech that acknowledges our IP position, we do not see an exit from the legal actions that both companies are pursuing. I believe the options we have are quite limited. One, Elantech can voluntarily stop using our IP and enter into a negotiated settlement agreement. Second, we can let the legal actions take their course. Third, we can engage in an M+A discussion for the purpose of joining the companies together. We don't see any other viable options. In the absence of a proposal from Elantech, we are prepared to let the court decide on the matter.

A letter dated June 29, 2007 from counsel for Elantech Devices Corp. to Judge Breyer of the Northern District of California (CX-401) does read:

Pursuant to the Court's request at the telephonic conference with counsel last Friday, June 21, 2007, plaintiff Elantech Devices Corp. ("Elantech") and defendant Synaptics, Inc. ("Synaptics") provide this joint report regarding the parties' settlement efforts this week.

On Monday, June 25, 2007, representatives from Elantech and Synaptics, including their chief executive officers and outside trial counsel, met for several hours to discuss their respective positions. The parties' CEOs met again on Tuesday, June 26 to explore possible agreements based upon the exchange of information the previous day. Despite their best efforts the parties were unable to reach agreement during those discussions. However, the parties have agreed to continue their efforts to settle this matter.

Like CX-332C, supra, the language of CX-401 contains {

}

Judge Breyer in a filing dated March 13, 2008 (CX-49) did grant a motion by Elantech for partial summary judgment of infringement of claim 18 of the '352 patent by Synaptics'

touchpads implementing Type 2 Code and further granted Elantech's motion for preliminary injunction to enjoin Synaptics from importing, making, using selling, or offering to sell its touchpad products implementing Type 2 Code. However the administrative law judge finds nothing in CX-49 which would indicate that the parties were in discussions involving licensing the '352 patent.

With respect to litigations involving Synaptics (Synaptics litigation), a "Settlement And Cross-License Agreement" (Agreement), which has an effective date of October 19, 2008 (CX-277C), indicates that Synaptics, Elantech Devices Corporation (Elantech) and Elan Microelectronics Corporation, the latter being the complainant in this investigation, and the latter two collectively termed "Elan" in said Agreement, were named parties to related civil actions entitled Elantech Devices Corp. v. Synaptics, Inc. et al. (Case No. CV 06-01839 PVT), Synaptics Incorporated v. Elantech Devices Corp. (Case No. 07-CV-6434 CRB) and Elantech Devices Corp. v. Synaptics Inc. et al (Appeal No. 2008-1310) which were characterized in said Agreement as the "Pending Lawsuits" (CX-277C at CX-277C.001).¹⁴ Said Agreement references

{

} (Id. at CX-277C.002). However {

} Thus Chang testified:

{

}

¹⁴ As the Commission stated in Coaxial supra "[f]iling a patent infringement lawsuit is no more than a small step beyond mere ownership" which is insufficient "to constitute a domestic industry." Also as stated in Coaxial, supra, a complainant must also show that licensing activities pertain to the particular patent(s) at issue.

{

}

(Tr. at 246-7.) (emphasis added.)

Pursuant to said Agreement, inter alia, there were a {

} (CX-

277C.002-006). {

}

It is a fact also that the Agreement (CX-277C) states that {

}

(CX-277C).

While complainant alleged that its efforts to license the '352 patent to Synaptics demonstrated the existence of complainant's licensing program in the United States, the administrative law judge finds that the underlying documents do not support said allegation. Thus prior to complainant's lawsuit with Synaptics, Synaptics accused Elantech and its customers of infringing Synaptics' patents. (See CX 370 supra). Moreover Elan sought and obtained a preliminary injunction based on Synaptics' alleged infringement of the '352 patent. See CX-49 supra. An injunction is not licensing. As respondent's expert Bakewell testified:

Q. And having sat through the testimony of Mr. Chang and Ms. Elsten regarding the licensing activities, have you formed a conclusion about the purpose behind Elan sending a cease and desist letters to various companies?

A. Yes, sir. Well, it is very clear that the purpose was to exclude, and to the extent that it was able to, it emphasized the desire to sell product as opposed to license. There is some very clear examples of that.

(Tr. at 1175-6.) Moreover CX-371 supra which originated from Synaptics indicates that Synaptics was expressly uninterested in a license from Elantech and instead proposed that the companies merge. Also {

} (See CX-396C.027-28 { }

Hence the administrative law judge finds that Elan, in the course of its dealing with Synaptics, had attempted to force Synaptics to buy {

}¹⁵ Moreover as found supra the plain language of the { }

¹⁵ {

}

{ (CX-277C) indicated that said Agreement was {
}

Complainant, who has the burden in establishing a domestic industry, relying only on Chang testimony (Tr. at 182:12-16) argued that “Elan spent a great deal of money, time and effort in pursuing the license of the ‘352 patent through the Synaptics litigation” (CRRFF 691.B.) Said Chang testimony read: “ [w]e spent a great deal of money. For instance, in the litigation we had with Synaptics, we spent over \$4 million U.S. dollars. I recall that Synaptics - - no, Elantech, its annual revenue was 3 million.” Moreover at the evidentiary hearing the administrative law judge heard other amounts expended, in licensing the ‘352 patent which included the figures of {
} (See Tr. at 201-07.) Regarding said figures Chang testified:

{

}}

-
- Q. Okay. And would the purchase of Elan's touchpad modules have any effect on the size of the U.S. domestic industry in touchpads?
- A. Well, it could only make it smaller, since all of their activities are overseas and Synaptics is a U.S.-based company with activities in the U.S.

So to the extent that they were encouraging parties to purchase from Elan as opposed to Synaptics, it would only make the industry smaller.

(Tr. at 1176.)

}

(Tr. at 207-9, 212 (emphasis added).)

Complainant argued that it conducts its licensing activities in the United States primarily through outside counsel. (CBr at 83.) However the administrative law judge can find no evidence of how much time or money any of Elan's outside counsel has spent on licensing activities. Complainant's Chang did testify about invoices, viz. CX-281-315, from outside law firms to complainant. Thus there is the following testimony:

Q. Mr. Chang, could I get you to look at CX-281, please.

A. I'm there.

{

}

{

}

{

}

}^[16]

(Tr. at 237-43 (emphasis added).)¹⁷ Significantly there is nothing in the record which establishes that complainant paid any of its legal bills, much less “substantial” amounts for services limited to the ‘352 patent rendered by any outside counsel.¹⁸

¹⁶ There are no fee application sheets or remittance records in evidence.

¹⁷ As the Commission stated in Coaxial *supra*, a complainant cannot rely on a broad allegation that it spent certain dollars on its litigation.

¹⁸ During the hearing, on February 15, 2011, respondent’s counsel objected to admission of CX-281 through CX-315, inclusive, which are allegedly certain invoices. (Tr. at 259.) Specifically, respondent’s counsel argued, *inter alia*, that the exhibits lacked foundation; that the sponsoring witness Chang had no familiarity with said exhibits; that there was no showing that said invoices had actually been received by Elan or Elantech; that many of the exhibits had redactions in them that “clearly” were not there when created but the sponsoring witness Chang has not shown any knowledge with regard to how the redactions were made; that Chang witness further disclaimed any ability to figure out what related to the ‘352 patent versus other patents being litigated in the Synaptics litigation; that the record is very clear that the only people who know how the redactions were done are counsel, and counsel is not testifying here, and Elan is not waiving privilege with regard to its counsel’s work; and that complainant’s counsel has repeatedly represented that they are not using the invoices for the purpose of showing that any work was done with regard to the ‘352 patent. (Tr. at 259-60.)

The staff supported the objection, and argued, *inter alia*, that all of the exhibits lack foundation; that the witness testified that these documents did not come from Elan; that there was no testing if the documents match up with the records that Elan actually has, while normally documents would be produced from the client; that these exhibits could be drafts, or had reductions or discounts made later, and we don’t really know because we don’t have the documents from the client; that there isn’t even a declaration from a custodian of records who could have said these are the final bills that were sent out; and that as to the subset that are redacted, it is clear these are not documents from Elan and that they were altered by counsel and are attorney work product, yet there is no testimony how or why or who even altered the documents. (Tr. at 262-63.)

Complainant also relies on testimony of its expert Cate Elsten, who is not an employee of complainant and had no personal knowledge of complainant. She testified:

Q. So let's shift gears a bit and focus on a different aspect of your opinion. Is it correct that you previously stated that, in your opinion, Elan has made a substantial investment in licensing the '352 patent in the United States?

A. Yes.

Q. Were you able to evaluate that investment?

A. To a reasonable degree, yes.

Q. And how did you go about evaluating?

A. In the context of the other records I looked at, I quantified the investment, primarily through reference to the legal invoices tendered by Elan's U.S. counsel to Elan.

* * *

Q. So in coming to the numbers that you have testified about today, you did not attempt to determine for yourself what fees paid by Elan to its outside counsel actually pertained to efforts to license the '352 patent, correct?

A. I didn't independently endeavor to determine direct versus indirect expenditures.

Q. Okay. And you relied on counsel for that, correct?

A. For that distinction, yes.

Q. Okay. And you didn't speak to anyone at Elan, at least as of the

In rebuttal, complainant argued, inter alia, that the witness testified that he received the invoices, and paid them in full, and thus it doesn't matter whether they came out of the files of Akin Gump or out of the files of Elan; and that the unredacted versions of all the invoices were produced in response to Order No. 30. (Tr. at 264-65.)

On February 16, 2011, the administrative law judge sustained respondent's objection to the exhibits at issue, viz. CX-281 through CX-315, inclusive, based on lack of foundation. (Tr. at 305.)

time of your deposition and after you had formulated your opinion to confirm the information provided to you by Elan's counsel, correct?

A. What specific -- are you specifically referring to that distinction, the distinction between direct and indirect?

Q. Well, let's be clear, Ms. Elsten. As of the time of your deposition, your testimony was that you hadn't talked to anybody from Elan about anything, correct?

A. That's correct.

Q. Okay. So clearly you didn't talk to anybody at Elan like Mr. Chang to verify the allocation that had been provided to you by outside counsel, correct?

A. As represented by the redactions, yes, that's correct.

(Tr. at 290, 331-32 (emphasis added).) Hence, Elsten relied on invoices that were not admitted into evidence and gave no testimony as to how much money complainant's outside counsel charged complainant for licensing negotiations directed to the '352 patent, and how much money was actually paid by complainant to outside counsel. Based on the foregoing, the administrative law judge finds that complainant has not met its burden in establishing a nexus between the Synaptics litigation and any licensing of the '352 patent and in establishing that complainant has made "substantial investment" in the United States to exploit the '352 patent through licensing.

Complainant, in support of its argument that it makes a "substantial" investment in the United States to exploit the '352 patent through licensing, makes reference to communications to { } (CBr at 84.) With respect to { } complainant references communications identified as CX-349-52, CX-354-56 (CFR VI.83). The administrative law judge has examined those communications and in none does he find that complainant offered a license to { }. Thus CX-349 which is a letter dated January

4, 2007 from Akin Gump to Toshiba only requested that Toshiba "cease and desist"¹⁹ and indicated that Elantech is willing to discuss with Toshiba its past use of the '352 patent and alternatively Elantech is open to a "reasonable business arrangement that is beneficial to both Toshiba and Elantech." Thus CX-349 (emphasis added) reads:

I am writing on behalf of our client Elantech Devices Corporation ("Elantech"). Elantech is the sole owner of U.S. Patent No. 5,825,352 ("the '352 patent"). The '352 patent is directed to touch pad and touch sensor pad technologies. Elantech has asserted the '352 patent against several companies for making, selling and offering for sale laptop computers incorporating touch pads that infringe the '352 patent. For example, Prostar Computer, Inc. entered into a consent judgment in a lawsuit Elantech previously brought against it for its infringement of the '352 patent. In the binding consent judgment, Prostar admitted that the '352 patent is both valid and enforceable, and infringed by its products incorporating Synaptics's touch pads. Attached is a copy of the consent judgment for your reference. Elantech will likewise protect and enforce its intellectual property rights vigorously against any others who practice Elantech's patent without Elantech's authorization.

It has come to our attention that Toshiba's laptop computers, including its T5200 model and others, incorporate touch pads that practice the '352 patent. For your reference I have enclosed a claim chart setting forth the infringement of the '352 patent by laptop computers incorporating Synaptics's touch pads. As none of Toshiba's products are licensed under the patent, we request that Toshiba cease and desist further use, sale, offer for sale, and/or importation of the infringing products into the United States. In an attempt to avoid any unnecessary lawsuit, Elantech is also willing to discuss with Toshiba its past use of the '352 patent.

Alternatively, Elantech is open to a reasonable business arrangement that is beneficial to both Toshiba and Elantech. Please contact me by January 29,2007 to discuss this matter.

Toshiba's responses to CX-349, viz. CX-350 and CX-351, makes no mention of actual or

¹⁹ As the Commission stated in Coaxial supra cease and desist letters "are not inherently related to licensing, as they may simply instruct the recipient to cease the infringing activity."

potential licensing discussions involving the '352 patent. CX-352 is a follow-up letter from Akin Gump dated March 22, 2007 to Toshiba which also does not refer to licensing discussions involving the '352 patent but rather states (emphasis added):

As I mentioned in my earlier letter, Elantech believes that its intellectual property rights are important, and will act to protect them. However, Elantech would prefer to explore possible ways that it and Toshiba may find an amicable solution to the present situation without resort to legal process. As such, I invite you to see if Toshiba would agree to have relevant business people discuss this situation.

CX-354, which is a Toshiba letter dated April 10, 2007 to Akin Gump does not refer to any licensing discussions. Rather it merely states (emphasis added):

It is apparent from the claim chart you provided us that your patent infringement assertion directly relates to the touch pad itself. Since we have procured the touch pad devices from the outside vendor, Toshiba does not have any firsthand knowledge regarding the devices. Furthermore, Synaptics, from which we procured the touch pad devices, informed us that they would discuss and resolve this matter with Elantech Device on behalf of Toshiba.

Again, considering the fact mentioned above, we strongly believe that we are not in the position of discussing this matter with you. We would suggest that you contact and discuss directly with Synaptics.

Your understanding would be highly appreciated.

CX-355, which is an Akin Gump letter dated May 16, 2007 to Toshiba also does not refer to licensing discussions but rather states (emphasis added):

I have your letter of April 10, 2007. You are correct that the infringement of Elantech's U.S. Patent no. 5,825,352 is a result of the touchpads included in Toshiba's laptop computers, which we understand are provided to Toshiba by Synaptics. While Elantech has engaged Synaptics on this issue, I remind you again that Toshiba is responsible for its own importation, sale and offer to sell infringing components, regardless of whether it manufactures those components or sources them from other suppliers. You will

be interested to know that the U.S. District Court [Order issued 3/19/08] hearing Elantech's infringement case against Synaptics has rejected the claim construction arguments Synaptics relies on for its non-infringement arguments.

In light of this ruling, Toshiba's continuing failure to take reasonable steps to ensure that it is not infringing Elantech's patent exposes Toshiba to a claim for willful infringement. I therefore strongly urge Toshiba to review its purchasing decisions and to locate a source of touchpads that does not infringe Elantech's patents.

The last exhibit, CX-356C, which is { }

states in pertinent part (emphasis added):

{

}

Nothing is said { } Moreover there is an indication in {

{

} (CX-49.)

Referring to Hewlett Packard, complainant references CX-357, CX-358 and CX-360.

However, CX-357 is comparable to the January 4, 2007 letter to Toshiba. Hewlett-Packard's response dated January 18, 2007 (CX-358) and Akin Gump's response dated January 22, 2007 (CX-359) say nothing about any licensing negotiations involving the '352 patent.

Akin Gump's letter dated May 21, 2008 to Hewlett Packard (CX-360) states (emphasis added):

As you may be aware, Elantech Devices Corp. was forced to bring a lawsuit against Synaptics, Inc. to protect Elantech's intellectual property rights. On March 13, 2008 the United States District Court in California issued summary judgment finding that Synaptics touchpad products including the current firmware code with multiple finger detection enabled are infringing Elantech's patent rights. Based on that finding, on March 19, 2008 the Court also issued a Preliminary Injunction prohibiting Synaptics from any further infringement, including making, using, selling or importing into the United States any such touchpad. That injunction also applies to any company working with Synaptics that has notice of the injunction.

Elantech is aware of statements by Synaptics that this injunction may not affect its current products. I note, however, that the Court determined that Synaptics was unable to fully support that argument in response to Elantech's motion for summary judgment of infringement.

I trust that you will take all necessary steps to ensure that Hewlett-Packard Company respects the Court's order. I have attached a copy of the Court's Preliminary Injunction for your reference.

Thank you for your consideration. Should have any questions about the foregoing or about Elantech's innovative touchpad products, please contact me immediately.

Nothing is said in that letter about licensing negotiations involving the '352 patent.

As for { } complainant references CX-372C. (CFF VI.89.) CX-372C is {

} (Chang Tr. at 237.) CX-372C states (emphasis added):

{

}

As seen from { } was not limited to

{ } Moreover respondent's expert Bakewell testified:

{

}

(Tr. at 1176.)

Referring to Cirque Corporation (Cirque), complainant references CX-361 which is a letter dated July 6, 2009 from Alston & Bird to Cirque. (CFF VX. 92.) The letter merely requests that "you review the '352 patent in relation to your GlidePoint Advanced Gestures" and indicates an appreciation "to discuss the '352 patent with you and/or your patent counsel in the near future.

Alternatively, Elan is open to a reasonable business arrangement beneficial to both parties." (emphasis added). Said letter makes no mention of actual or potential licensing discussions. Moreover it is undisputed that subsequently Cirque contacted Elan and expressed interest to purchase Elan's '352 patent licensed touchpad products and that Elan's sales department took over the negotiation with Cirque. (CFF VI.93, CFF VI.94 (all undisputed).)²⁰

With respect to Palm, Inc. (Palm), complainant has identified a letter dated July 6, 2009 from Alston & Bird to Palm. (CX-362.) The letter is comparable to CX-361 supra, although there is no reference to any reasonable business arrangement. In a follow up letter dated October 7, 2009, Elan informed Palm that "Elan remains willing to discuss any appropriate business solution to this issue, but will remain diligent about enforcing its rights." (CX-365.) CX-365 makes no mention of actual or potential license negotiations involving the '352 patent. A subsequent email dated October 19, 2009 to Palm from "Sean DeBruine" of Alston & Bird stated that "I've learned that there have been some direct communications between Elan and Palm on the business side of the matter ..." (CX-367.) No mention is made of licensing negotiations involving the '352 patent.

Referring to { } Elan did send { } to said company suggesting that { } (CX-334C) (CFFVI. 101.)²¹ { } (Chang Tr. at 243-44.) While complainant alleges that for the next few years, Elan continued to discuss with { } (CFF VI.103) there are no documents or testimony in evidence

²⁰ There is no indication in the record that Elan's sales department was in the United States.

²¹ As the Commission stated in Coaxial, supra, a complainant must show that "licensing activities pertain to the particular patents in issue."

concerning said allegation. It is undisputed that to date, Elan and { } have not successfully negotiated a license. (CFF VI. 107 (undisputed).) Also it is a fact that this investigation initiated by the filing of a complaint against Apple has been brought not for obtaining a license from Apple but rather to exclude products of Apple from importation into the United States.

Based on the foregoing, the administrative law judge finds that complainant has not met its burden in establishing a nexus between communications with { } and the licensing of the '352 patent and has failed to establish that complainant has made a "substantial investment" in the United States to exploit the '352 patent thru licensing.

Complainant argued that detailed documentation of substantial investments is not required, because a "precise accounting is not necessary" to satisfy the domestic industry requirement." (CRBr at 49-50 (citing Certain Short-Wave Light Emitting Diodes, Inv. No. 337-TA-640, Order No. 72 (May 8, 2009) (Light Emitting Diodes); Coaxial, Remand Initial Determination at 19 (May 27, 2010), and Certain Mobile Telephones and Wireless Communication Devices Featuring Digital Cameras, and Components Thereof, Inv. No. 337-TA-703,²² Initial Determination (Jan. 24, 2011) (Digital Cameras)).) While each of the decisions cited by complainant include a statement that precise accounting is not necessary, the administrative law judge finds that none of these decisions support complainant's conclusion that complainant need not provide an accounting of expenditures to show substantial investment in the current investigation. For example, in Light Emitting Diodes, the administrative law judge

²² The final initial determination in 337-TA-703 however is currently under review by the Commission which complainant did not indicate. See Notice of Commission Determination to Review a Final Determination of No Violation of Section 337; Schedule for Filing Written Submissions on the Issues under Review and on Remedy, The Public Interest, and Bonding (March 25, 2011).

concluded that “complainant’s licenses, pattern of licensing, and licensing revenue” demonstrated substantial investment such that an accounting of complainant’s expenses was not necessary. Light Emitting Diodes, Order No. 72 at 11. In the current investigation, complainant has only relied on one license and has not established a pattern of licensing or significant licensing revenue. Further, in Coaxial, the administrative law judge concluded that even though billing records for the litigation were in evidence, the evidence did not demonstrate that a substantial investment had occurred. Coaxial at 25. Finally, in Digital Cameras, while the administrative law judge stated that “the Commission does not necessarily require an exact accounting of all litigation expenses,” he concluded that the complainant must “prove that these activities are related to licensing and pertain to the patent at issue.” Digital Cameras, Initial Determination at 135 (emphasis added) (citations omitted).²³

²³ While complainant argued that it has made a substantial investment in the United States to exploit the ‘352 patent through licencing, the administrative law judge finds complainant’s arguments, and the underlying facts, in stark contrast to the underlying facts of Order No. 33 in Certain Integrated Circuits, Chipsets, And Products Containing Same Including Televisions, Media Players , and Cameras Inv. No. 337-TA-709, which order the administrative law judge issued on January 5, 2011 and in which he found complainant Freescale’s licensing activities in the United States satisfied the domestic industry requirements of 19 U.S.C. 1337(a)(3)(C) (Commission non-review on February 14, 2011). As recited in said Order No. 33, complainant Freescale, which is a Delaware Corp. with its headquarters in Austin, Texas, was formed in 2004 when Motorola, Inc. divested its semiconductor products sector and Freescale became an assignee of Motorola’s semiconductor-related patents, which included the entire interest to a ‘455 patent. (Order No. 33 at 4-5). Regarding Freescale’s licensing activities, Freescale licenses its integrated circuit technology and patents to semiconductor manufacturers. (Id. at 5). In so doing, Freescale has paid employees involved in said licensing activities (Id.) Freescale’s efforts to license its patent portfolio have resulted in a substantial income stream (Id. at 7). In support, Freescale provided a declaration of Freescale’s 30(b)(6) representative and deposition testimony regarding the activities of Freescale personnel related to Freescale’s licensing investments. (Id. at 9). Said deposition testimony was found to include questioning regarding the individuals listed and their job functions, including their activities related to licensing in general and activities specifically related to the patents in issue (Id. at 10). In contrast to the findings in said Order No. 33, complainant Elan is a Taiwan-based integrated circuit design house. (FF 1.) Like Freescale, complainant Elan did not design or develop the alleged invention of the ‘352 patent. (FF 2.) Thus in 2008, through Elantech’s merger with Elan,

In view of the findings, supra, the administrative law judge finds that complainant has not met its burden in establishing a domestic industry pursuant to 19 U.S.C. § 1337(a)(3)(C).

XI. Remedy

Complainant argued that because Apple's accused products infringe the asserted claims of the '352 patent, it requests that the Commission issue a permanent limited exclusion order and a cease and desist order, and any further relief the Commission deems just and proper based on the facts of the investigation and the authority of the Commission. (CBr at 91). It is further argued in its CRBr that Apple acknowledged that "the Commission typically affords some exclusionary relief if a violation is found" (citing RBr at 132), but Apple argued that no exclusion order should issue if Apple is determined to be in violation of Section 337 based on facts not in the record; that Apple appears to present a public interest argument against an exclusion order, even though the administrative law judge was not asked by the Commission to consider the public interest in the Notice of Investigation; that notwithstanding whether the public interest should be considered at this stage, Apple put forth no evidence at the hearing to show why exclusion would result in the "hyperbolic" harms Apple alleges; and that, Apple has not identified any evidence in the record or even offered proposed Findings of Fact to support its claims that an exclusion order should exempt replacement parts, be limited to future models, or be delayed by one year. (CRBr at 59-60.)

Respondent Apple argued that even if a violation is found, exclusionary relief should be denied because complainant has not proved that any individual accused device will infringe,

complainant acquired the '352 patent. (FF 3.) However unlike Freescale, complainant Elan has licensed the '352 patent to only one entity, viz. Synaptics. Also, unlike Freescale, complainant Elan has alleged that it conducts its licensing activities in the United States "primarily through outside counsel." (CBr at 83.) Complainant also has not identified any relevant sales from U.S. operations. (Bakewell, Tr. at 1152:18-20, RDX-205.)

much less all accused devices infringe; that complainant's patent relates only to a single component of Apple's products, and excluding Apple's products would (1) provide no incremental value to complainant, (2) would result in significant detriment to Apple, (3) would impose undue burden on third parties, including at least Apple's component manufacturers, carriers, accessories suppliers, and applications developers, and (4) impair the U.S. economy due to a lack of availability of alternative products; that in the event that exclusionary relief is found to be warranted, replacement parts should be specifically exempt from any potential limited exclusion order; that only future models should be excluded to lessen the harm to third parties, such as Apple's carriers AT&T and Verizon; and that enforcement of any exclusion order should be delayed by at least one year to minimize the impact to and disruption of the U.S. economy and Apple's domestic industry. (RBr at 132-3.)

Regarding imposition of any cease and desist order respondent Apple argued that complainant failed to prove that such relief is necessary; that to the extent that a cease and desist order does issue, it should not prohibit Apple from providing necessary technical or other support to its United States customers, including for models which are within the scope of any exclusion order; and that without Apple's support, Apple's customers' businesses would be seriously disrupted and the customers would have to expend significant resources to purchase replacement products. (RBr at 133.)

The staff argued that, in the event the Commission finds a violation, a limited exclusion order would be the proper remedy. (SBr at 18.) As for any cease and desist order, the staff argued that Apple has stipulated to holding an inventory of accused products that would be considered commercially significant; and that thus, under Commission precedent, a cease and desist order against Apple would appear to be appropriate.

The Commission has broad discretion in selecting the form, scope, and extent of a remedy in Section 337 proceedings. Certain Integrated Circuit Telecommunication Chips, Inv. No. 337-TA-337, Comm'n Op. at 21 (August 3, 1993). Pursuant to its statutory authority found at 19 U.S.C. § 1337 (d), the Commission may exclude from importation goods and products that form the basis for a finding of a violation of Section 337 which includes products that have been found to infringe the patents-in-suit directly, contributorily or by inducement after importation has occurred. 19 U.S.C. § 1337(d); Certain Flash Memory Circuits, Inv. No. 337-TA-382, Comm'n Op. at 26 (June 26, 1997) ("The Commission has the authority to enter an exclusion order, a cease and desist order, or both."). Indeed, absent special circumstances, the statute requires such exclusion:

If the Commission determines ... that there is a violation of this section, it shall direct that the articles concerned ...be excluded from entry into the United States, unless, after considering the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.

19 U.S.C. § 1337(d). Hence, a remedy excluding respondent's infringing products from entry is mandatory if a violation of Section 337 is found, unless the Commission finds that public interest factors militate against such remedy.

Section 337(f) also permits the Commission to issue, in lieu of, or in addition to, an exclusion order, a cease and desist order directing persons found to have violated Section 337 to cease and desist from engaging in the unfair methods or acts involved. 19 U.S.C. § 1337(f). Cease and desist orders are warranted with respect to respondents that maintain commercially significant U.S. inventories of the infringing product. See, e.g., Certain Crystalline Cefadroxil Monohydrate, Inv. No. 337-TA-293, USITC Pub. 2391 at 37-42 (June 1991). The Commission

has the authority to issue cease and desist orders where a respondent has a sufficient inventory of infringing goods in the United States. Certain NAND Flash Memory Circuits, Inv. No.

337-TA-526, 2005 ITC Lexis 859, Init. Determ. at *255 (Oct. 19, 2005) (citing Certain Plastic Encapsulated Integrated Circuits, Inv. No. 337-TA-315, U.S.I.T.C. Pub. No. 2574, Comm'n Op. at 37 (November 1992)).

Cease and desist orders are directed at a specific respondent in order to prevent the sale, distribution and other use of products that have already been imported into the United States prior to the entry and implementation of any exclusion order. Certain Curable Fluoroelastomer Compositions, Inv. No. 337-TA-364, Notice of Issuance of Limited Exclusion Order and Cease and Desist Order, 1995 WL 1049682 (Mar. 16, 1995). Cease and desist orders can preclude any activity "reasonably related to the importation of infringing products." Certain Hardware Logic Emulation Systems, Inv. No. 337-TA-383, Comm'n. Op. on Remedy, the Public Interest, and Bonding, 1998 WL 307240 (Feb. 28, 1998). Typical cease and desist orders enjoin a respondent from selling, marketing, distributing and advertising its infringing products, as well as any solicitation of U.S. agents and distributors for the purpose of selling, marketing, distributing, and advertising infringing products. See Certain Electrical Connectors and Products Containing Same, Inv. No. 337-TA-374, Comm'n Cease and Desist Order, 1996 WL 1056313 (May 3, 1996).

In the event a violation is found, the administrative law judge recommends the issuance of a limited exclusion order prohibiting the importation into the United States of infringing articles, regardless of brand name, "that are manufactured abroad or imported by or on behalf of [the respondent], or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns." See Certain Laser Bar Code Scanners and Scan Engines,

Components Thereof, and Products Containing Same, Inv. No. 337-TA-551, Limited Exclusion Order, ¶ 1 (May 30, 2007). Moreover, he recommends that said order should not be limited to specifically-identified products, but rather extend to all infringing products. See e.g., Certain Integrated Repeaters, Switches, Transceivers and Products Containing Same, Inv. No. 337-TA-435, Commission Opinion at 23, USITC Pub. 3547 (Oct. 2002).

With respect to issuance of any cease and desist order to respondent Apple, respondent Apple does not dispute that it has commercially significant inventories in the United States of the following products: iPhone 3GS, iPhone 4, iPad, iPod touch, MacBook, MacBook Air, MacBook Pro, Magic Mouse, and Magic Trackpad. See Order No. 22 and RBr at 134. Hence, the administrative law judge recommends an appropriate cease and desist order directed to Apple should a violation be found.

XII. Bond

Complainant requested that the Commission require a bond equal to 100 percent of the entered value of the infringing products during the Presidential review period. (CBr at 91.)

Respondent Apple argued that no bond should be required because complainant has conceded that it has not suffered any competitive injury, citing Chang, Tr. at 229-230, JX-13C at 126-127.

The staff argued that complainant provided no evidence to show that any bond should be required. (SBr at 19.)

Section 337(j)(3) provides for the entry of infringing articles upon the payment of a bond during the sixty-day Presidential review period. 19 U.S.C. § 1337(j)(3). Any bond is to be set at a level sufficient to “offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation.” Certain Dynamic

Random Access Memories, Components Thereof and Products Containing Same, Inv. No. 337-TA-242, Commission Opinion on Violation, Remedy, Bonding and the Public Interest, USITC Pub. No. 2034, 1987 WL 450856 (U.S.I.T.C.) at 38 (1987). When reliable price information is available, the Commission has set a bond by eliminating the price differential between the domestic and the imported infringing product. Certain Digital Satellite System (DSS) Receivers and Components Thereof, Inv. No. 337-TA-392, Final Initial and Recommended Determination on Remedy and Bonding, U.S.I.T.C. Pub. No. 3418, 2001 WL 535427 (U.S.I.T.C.) at 336 (April 2001). Where reliable price information is not available, Commission precedent establishes that the bond should be set at 100%. Certain Semiconductor Memory Devices and Products Containing Same, ITC Inv. No. 337-TA-414, Recommended Determination on Remedy and Bonding, 1999 WL 1267282 (U.S.I.T.C.) at 6 (December 13, 1999).

Complainant, in support of its argument that it is entitled to a bond equal to 100 percent of the entered value of the infringing products for the Presidential review period argued that it is relying solely on its licensing activities to establish the existence of a domestic industry; that because there are no domestic industry products available upon which to conduct a price comparison for purposes of determining the bond, the bond amount should be set at 100 percent; that alternatively, while a bond amount may be set if reliable evidence of a reasonable royalty rate exists, a 100 percent bond has been required when no such alternative existed, or where the royalty rate cannot be easily calculated; and that {

}

{ }
The administrative law judge finds that complainant's request for a bond in the amount of 100% of the entered value of infringing products imported during the Presidential review period is not supported by any allegations or evidence of competitive injury. See Certain Rubber Antigradants, Inv. No. 337-TA-533, Comm'n Opinion at 39-40 (July 21, 2006) (finding no bond required where complainant did not meet its burden of supporting its need for a bond). As seen from the foregoing, Elan is not relying on any domestic industry products in the United States. Hence should a violation be found the administrative law judge does not recommend the issuance of any bond.

XIII. Additional Findings

1. Complainant Elan Microelectronics Corporation (Elan) is a Taiwan-based integrated circuit design house that develops integrated circuits for different input, audio/video and telecommunications applications including touchpads and touchscreens. (RFF 1 (undisputed).)

2. Elan did not design or develop the alleged inventions of the '352 patent. See Chang, Tr. at 145:18-22; CX-52C (Patent Transfer Agreement) at CX-52C.001; JX-8 (Patent Assignments) at JX-8:041 to JX-8.043; Complaint, ¶ 8.

3. Elan currently owns the full rights and title to the '352 patent (Chang Tr. 1498:24-150:2; CDX170.010; JX8.049-050; Compl. Ex. 3).

4. Elantech Devices Corporation (Elantech) acquired the '352 patent from K-Tech Devices Corporation, a division of Logitech. (RFF 3 (undisputed).)

5. In 2008, through Elantech's merger with Elan, Elan acquired the '352 patent. (RFF 4 (undisputed).)

6. Respondent Apple is a California corporation having its principal place of business at 1 Infinite Loop, Cupertino, California 95014.



Apple Inc.



- Established April 1976 in Cupertino, California
- IPO in December 1980 raised over \$100 million
- Macintosh PC introduced in 1978
- In 2001, began expanding product line to consistently include:
 - iPod
 - iPhone
 - iPad

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(RFF5 (undisputed).)

CONCLUSIONS OF LAW

1. The Commission has in personam and in rem jurisdiction.
2. There has been an importation of accused electronic devices with multi-touch enabled touchpads and touchscreens into the United States which are the subject of the unfair trade allegations.
3. It has not been established that the claims 1, 2, 7 and 16 of the '352 patent are invalid.
4. Complainant has failed to show that asserted claims 1, 2, 7 and 16 of the '352 patent are infringed.
5. Complainant has not established a domestic industry.
6. The evidence establishes that there is no violation of section 337.
7. In the event a violation of section 337 is found, a limited exclusion order and cease and desist order are recommended. However no bond is recommended.

ORDER

Based on the foregoing, and the record as a whole, it is the administrative law judge's Final Initial Determination that there is no violation of section 337 in the importation into the United States, sale for importation, and sale within the United States after importation of certain electronic devices with multi-touch enabled touchpads and touchscreens. It is also the administrative law judge's recommendation, should a violation be found, that a limited exclusion order issue barring entry into the United States of infringing electronic devices with multi-touch enabled touchpads and touchscreens and that an appropriate cease and desist order should also issue. The administrative law judge does not recommend any bond should a violation be found.

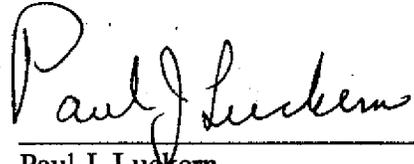
The administrative law judge hereby CERTIFIES to the Commission his Final Initial and Recommended Determinations. The briefs of the parties, filed with the Secretary, are not

certified, since they are already in the Commission's possession in accordance with Commission rules.

Further it is ORDERED that:

1. In accordance with Commission rule 210.39, all material heretofore marked in camera because of business, financial and marketing data found by the administrative law judge to be cognizable as confidential business information under Commission rule 201.6(a), is to be given in camera treatment continuing after the date this investigation is terminated.
2. Counsel for the parties shall have in the hands of the administrative law judge those portions of the final initial and recommended determinations which contain bracketed confidential business information to be deleted from any public version of said determinations, no later than May 13, 2011. Any such bracketed version shall not be served via facsimile on the administrative law judge. If no such bracketed version is received from a party, it will mean that the party has no objection to removing the confidential status, in its entirety, from these initial and recommended determinations.
3. The initial determination portion of the Final Initial and Recommended Determinations, issued pursuant to Commission rules 210.42(a) and 210.42-46, shall become the determination of the Commission, unless the Commission, shall have ordered its review of certain issues therein or by order has changed the effective date of the initial determination portion. The recommended determination portion, issued pursuant to Commission

rule 210.42(a)(1)(ii), will be considered by the Commission in reaching a determination on remedy pursuant to Commission rule 210.50(a).

A handwritten signature in cursive script that reads "Paul J. Luckern". The signature is written in black ink and is positioned above a horizontal line.

Paul J. Luckern
Chief Administrative Law Judge

Issued: April 29, 2011

**CERTAIN ELECTRONIC DEVICES WITH MULTI-TOUCH
ENABLED TOUCHPADS AND TOUCHSCREENS**

337-TA-714

PUBLIC CERTIFICATE OF SERVICE

I, James R. Holbein, hereby certify that the attached **Public Version Final Initial and Recommended Determinations** has been served by hand upon the Commission Investigative Attorney, Kevin G. Baer, Esq., and the following parties as indicated, on
July 6, 2011



James R. Holbein, Secretary
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