

PUBLIC VERSION

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

In the Matter of

CERTAIN DIGITAL TELEVISION
PRODUCTS AND CERTAIN PRODUCTS
CONTAINING SAME AND METHODS OF
USING SAME

Investigation No. 337-TA-617

COMMISSION OPINION

I. INTRODUCTION

On April 10, 2009, the Commission found a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, ("section 337") by respondents in connection with certain claims of complainants' Funai Electric Co., Ltd. of Japan and Funai Corporation of Rutherford, New Jersey (collectively "Funai") U.S. Patent No. 6,115,074 ("the '074 patent") and issued a limited exclusion order and cease and desist orders. On June 2, 2009, certain respondents moved the Commission to stay enforcement of the limited exclusion order and the cease and desist orders pending an appeal to the U.S. Court of Appeals for the Federal Circuit. We have determined to deny the motion.

II. PROCEDURAL HISTORY

The Commission instituted this investigation on November 15, 2007, based on a complaint filed by Funai. 72 Fed. Reg. 64240 (2007). The complaint alleged violations 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 digital television products, certain products

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containing the same, and methods of using the same by reason of infringement of claims of the '074 patent and U.S. Patent No. 5,329,369 ("the '369 patent"). The Notice of Investigation named 14 respondents:

1. Vizio, Inc. of Irvine, California and AmTran Technology Co., Ltd. of Taiwan (collectively, "the Vizio respondents");
2. TPV Technology, Ltd. of Hong Kong, TPV International (USA), Inc. of Austin, Texas, Top Victory Electronics (Taiwan) Co., Ltd. of Taiwan, Envision Peripherals, Inc. of Fremont, California (collectively, "the TPV respondents");
3. Syntax-Brilliant Corporation of Tempe, Arizona and Taiwan Kolin Co., Ltd. of Taiwan (collectively, "the SBC respondents");
4. Proview International Holdings, Ltd. of Hong Kong, Proview Technology (Shenzhen) Co., Ltd. of China, Proview Technology, Ltd. of Garden Grove, California (collectively, "the Proview respondents");
5. Polaroid Corporation of Waltham, Massachusetts and Petters Group Worldwide, LLC of Minnetonka, Minnesota (collectively, "the Polaroid respondents"); and
6. International Reliance Corp. of San Dimas, California ("IRC").¹

On November 17, 2008, the ALJ issued his final initial determination ("ID"), finding a violation of section 337 by reason of infringement of claims 1, 5, and 23 of the '074 patent and no violation with respect to the '369 patent. On December 1, 2008, the respondents, Funai, and the Commission investigative attorney ("IA") petitioned for review of the ALJ's ID. Based upon these petitions, the Commission granted review on limited issues pertaining to the '074 patent infringement findings.

¹ IRC and the Polaroid respondents were terminated from the investigation based on settlement agreements.

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On April 10, 2009, the Commission issued a final determination affirming the ALJ's finding of infringement of claim 23 by the Vizio and SBC respondents based on testing activities, but reversed his finding of infringement by TPV and Proview respondents based on testing. The Commission also affirmed the ALJ's finding of induced infringement of claim 23 of the '074 patent by all respondents. The Commission determined that the appropriate form of relief is (1) a limited exclusion order under 19 U.S.C. § 1337(d)(1) prohibiting the unlicensed entry of certain digital television products and certain products containing same that infringe one or more of the asserted claims of the '074 patent, and are manufactured abroad by or on behalf of, or imported by or on behalf of, the Proview, Vizio, SBC, and TPV respondents; and (2) cease and desist orders directed to the domestic respondents in the Vizio, TPV USA, Proview Technology, Envision, and SBC respondents.

On June 2, 2009, the Vizio and TPV respondent groups (collectively "Respondents") filed a motion with the Commission to stay enforcement of the limited exclusion order and the cease and desist orders pending the outcome of an appeal of the Commission's final determination to the Federal Circuit, and on June 9, 2009, Respondents supplemented their motion. On June 12, 2009, Funai and the IA filed responses opposing the motion. On June 18, 2009, Respondents moved for leave to file a joint reply in support of their motion. The IA opposed Respondents' motion for leave on June 29, 2009.

III. LEGAL STANDARD FOR GRANTING A STAY PENDING APPEAL

The Commission has previously held that section 705 of the Administrative Procedure Act ("APA") (5 U.S.C. § 705) provides the requisite authority to stay the effective date of its

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orders. *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower* (“Tractors”), Inv. No. 337-TA-380, Comm’n Opinion at 9-10 (Apr. 24, 1997). In determining whether to grant a motion for stay under section 705 of the APA, the Commission has applied the four-prong test used by courts to determine whether to grant a preliminary injunction. *Id.*; *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices and Products Containing Same*, Inv. No. 337-TA-395, Comm’n Opinion at 88-90, USITC Pub. No. 3392 (February 2001); see *Cuomo v. U.S. Nuclear Regulatory Comm’n*, 772 F.2d 972 (D.C. Cir. 1985); *Washington Metro. Area Transit Comm’n v. Holiday Tours, Inc.*, 559 F.2d 841 (D.C. Cir. 1977); *Virginia Petrol. Jobbers Ass’n v. FPC*, 259 F.2d 921 (D.C. Cir. 1958).

The four-prong test as applied by the Federal Circuit in considering whether to issue a stay pending appeal requires that the movant demonstrate: (1) a likelihood of success on the merits of the appeal; (2) irreparable harm to the movant absent a stay; (3) that issuance of a stay would not substantially harm other parties; and (4) that the public interest favors a stay. See *Standard Havens Prods. Inc. v. Gencor Indus. Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990); *Holiday Tours*, 559 F.2d at 843. However, the Commission has held that it need not conclude that its own determination is likely to be overturned on appeal, but may find the first prong satisfied if the Commission has ruled on “an admittedly difficult legal question.” *Tractors* at 10; citing *Holiday Tours*, 559 F.2d at 844-45.

IV. DISCUSSION

A. Likelihood of Success on the Merits

The ‘074 patent has been involved in reexamination proceedings in the United States

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Patent and Trademark Office (“USPTO”) since December 7, 2007. On March 11, 2009, the patent examiner issued a final rejection of all of the asserted claims currently at issue as anticipated under 35 U.S.C. § 102 and/or obvious under 35 U.S.C. § 103.

The USPTO reexamination results do not demonstrate that this issue represents an admittedly difficult question. Of fundamental importance is the fact that “PTO examination procedures have distinctly different standards, parties, purposes, and outcomes compared to civil litigation.” *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008). In particular, “the two forums take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions.” *Id.* Moreover, “[i]n civil litigation, a challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid.” *Id.* By contrast, “[i]n PTO examinations and reexaminations, the standard of proof — a preponderance of evidence — is substantially lower than in a civil case; there is no presumption of validity; and the ‘examiner is not attacking the validity of the patent but is conducting a subjective examination of the claims in light of prior art.’” *Id.*

Because the Commission and the USPTO decide two entirely different questions with respect to the ‘074 patent, success in one of these proceedings does not indicate a likelihood of success in the other. Moreover, the patent examiner’s rejection is not a predictor of how the Board of Patent Appeals and Interferences (BPAI) or the Federal Circuit would rule on the merits of the reexamination, nor does it predict how the Federal Circuit will review the Commission’s claim construction and finding that the ‘074 patent is not invalid. Respondents are wrong to

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suggest that the outcome of the USPTO reexamination proceedings is indicative of how the Federal Circuit will decide the appeal based on the evidentiary record before the Commission. It is one thing for the USPTO to cancel the claims, in essence deciding that the claimed subject matter was not patentable in the first instance; it is quite another for a tribunal to find the issued patent invalid when applying the appropriate burdens and presumptions. Moreover, the USPTO, is not bound to the same claim construction principles as the Commission. *Swanson*, 540 F.3d at 1377. Under the appropriate “clear and convincing evidence” standard, both the ALJ and the Commission found that Respondents had not presented sufficient evidence to support the conclusion that the asserted claims of the ‘074 patent would have been obvious at the time of invention.

In any case, we note that the USPTO’s “final office action” is not a final decision. Funai can either continue its efforts with the examiner or file an appeal with the BPAI, and if warranted, an appeal of the BPAI’s decision to the Federal Circuit under 35 U.S.C. § 141. Because Funai has a number of additional opportunities to reverse the reexamination results, the USPTO’s present position will not necessarily prevail when all appeals are exhausted. Only after all appeals from the reexamination proceeding have been exhausted, including an appeal to the Federal Circuit, will the USPTO issue a certificate canceling the claims of the patent. 35 U.S.C. § 307. Until and unless that occurs, the patent is valid and enforceable. *See In re Bingo Card Minder Corp.*, 152 F.3d 941 (Fed. Cir. 1998).

B. Irreparable Harm to Respondents

Establishing irreparable harm sufficient to warrant a stay requires an injury that is “both

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certain and great; it must be actual and not theoretical.” *Wisconsin Gas Co. v. Fed. Energy Regulatory Comm’n.*, 758 F.2d 669, 674 (D.C. Cir. 1985). In analyzing irreparable harm, “[b]are allegations of what is likely to occur are of no value since the court must decide whether the harm will *in fact* occur.” *Id.* at 674. To succeed, therefore, Respondents must provide “proof indicating that the harm is certain to occur in the near future.” *Id.*

We acknowledge that Respondents could experience some harm if the remedial orders are not stayed. Respondents, however, do not provide any evidence to substantiate their claim that they would be irreparably harmed, and the harm they allege is far from certain. Respondents have alternatives that would allow them to continue operations, such as seeking a license to the ‘074 patent from Funai. Respondents acknowledge that Funai has an obligation to license the ‘074 patent on reasonable and nondiscriminatory (“RAND”) terms, and the record indicates that Funai has previously offered Respondents a license to the ‘074 patent. *See* JX-11C (¶ 21); Alexander Tr. 82:16-83:8, 121:13-122:3. If Respondents obtain a license, they could continue manufacturing and importing digital televisions covered by claims 1, 5, and 23 of the ‘074 patent. Respondents could also design around the ‘074 patent. A successful design around would remove their digital televisions from the scope of claims 1, 5, and 23 of the ‘074 patent and the remedial orders.

C. Harm to Funai

If the Commission’s orders are stayed and Respondents are allowed to continue importing and selling infringing products, Funai will likely lose sales and a share of the market for digital televisions. Funai’s licensees under the ‘074 patent will also probably lose sales and market

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share, having the effect of diminishing the value of Funai's '074 patent. Funai demonstrated during the investigation that it is entitled to relief under section 337 because Respondents were infringing its patent. Respondents' interests not should be favored over those of Funai.

D. The Public Interest

In determining that the statutory factors enumerated in 19 U.S.C. §§ 1337(d), (f) did not preclude issuance of remedial orders in this case, the Commission considered the same public interest concerns raised in Respondents' motion for stay. Specifically, Respondents argue that a stay of the Commission's orders is in the public interest because it would provide consumers with maximum access to digital televisions at a time when demand is "at its peak" due to the Congressionally mandated analog to digital switch. Respondents' Motion at 14-15. Yet, on this very point, the Commission found that:

[A]ny adverse effect on United States consumers resulting from issuing relief to Funai would be minimal given the range of DTVs manufactured by Funai and its licensees, and any such effect would not outweigh the benefit gained by Funai in protecting its intellectual property rights. We reject Respondents' argument that the possibility of a shortage of converter boxes weighs against the issuance of a remedy because that argument is based on mere speculation. Furthermore, Congress has delayed the DTV transition from February 17, 2009 to June 12, 2009 to allow the public more time to obtain converter boxes. [] In any event, even if there is a converter box shortage, there are a variety of other DTV producers, including Funai and its licensees. Funai maintains that the United States market can be supplied with DTVs by Funai and its many licensees, and there is no evidence to the contrary.

Comm'n. Op. at 15-16. Respondents have produced no evidence that other digital television producers cannot meet the demand in the U.S. market. We further find that U.S. consumers will be minimally affected the Commission's remedial orders, and Respondents have not cited any

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evidence to the contrary. In fact, as we noted in the investigation, the public interest *favors* the protection of intellectual property:

[P]rotection of intellectual property rights in the United States provides foreign and domestic businesses alike with a climate of predictability that fosters investment, innovation, and the exchange of technology and associated intellectual property rights. Denying Funai relief based on the remote possibility of a converter box shortage or a price increase in DTVs would introduce substantial uncertainty to section 337 enforcement, in turn hindering collaborative efforts between foreign and domestic businesses to market products in the United States that are manufactured abroad.

Id. at 17. Funai has not raised any public interest arguments that the Commission did not already consider when it issued the remedial orders in this investigation. Granting a stay of those orders pending appeal would contravene the public interest in expeditious relief under section 337 and diminish value of the Commission's administrative remedies.

Respondents' arguments concerning U.S. trade policy are matters considered by the U.S. Trade Representative ("USTR"), as delegated by the President. The USTR took no action to disapprove the Commission's orders during the 60-day period of Presidential review under 19 U.S.C. § 1337(j).

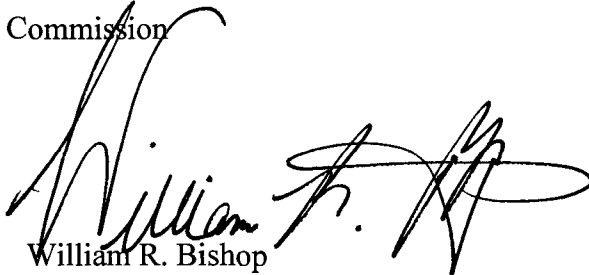
E. Balance of the Factors

Upon consideration, we have found that all four of the stay factors counsel against granting Respondent's motion for stay of the Commission's remedial orders pending the outcome of the appeal of the Commission's final determination to the Federal Circuit. Accordingly, we deny Respondent's motion.

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Respondents also filed a motion for leave to file a joint reply brief in support of their motion to stay. Respondents have not stated good cause to file a reply brief, and so we deny Respondents' motion for leave.

By order of the Commission.
Marilyn R. Abbott, Secretary to the Commission



William R. Bishop
Acting Secretary to the Commission

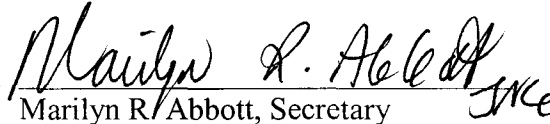
Issued: August 21, 2009

**CERTAIN DIGITAL TELEVISIONS AND CERTAIN
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337-TA-617

PUBLIC CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **COMMISSION OPINION** has been served by hand upon the Commission Investigative Attorney David O. Lloyd, Esq., and the following parties as indicated, on August 21, 2009.


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