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

In the Matter of

**CERTAIN POWER SUPPLY
CONTROLLERS AND PRODUCTS
CONTAINING SAME**

Inv. No. 337-TA-541

COMMISSION OPINION

Respondent System General Corporation (“SG”) of Taipei, Taiwan, was found to be in violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the above-referenced investigation. *71 Fed. Reg.* 38901 (July 10, 2006). For the reasons set forth herein, the Commission has determined to issue a limited exclusion order directed to SG’s infringing power supply controllers¹ and liquid crystal display (“LCD”) computer monitors, AC printer adapters, and sample/demonstration circuit boards containing the same.

I. BACKGROUND

On June 13, 2005, the Commission instituted this investigation, based on a complaint filed by Power Integrations, Inc. (“PI”) of San Jose, California. *70 Fed. Reg.* 34149 (June 13, 2005). The complaint, as amended and supplemented, alleges violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain power supply controllers and products containing the same by reason of infringement of claims 1-3, 6, 9, and 17-19 of United States Patent No. 6,212,079 (“the ‘079

¹ The parties interchangeably refer to power supply controllers, power supply controller circuits, and power supply controller chips. Accordingly, we treat them the same.

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patent”), claims 1-3, 5, 6, 24, 28, and 29 of United States Patent No. 6,351,398 (“the ‘398 patent”), claims 8 and 12 of United States Patent No. 6,366,481 (“the ‘481 patent”), and claims 1, 4, 9-11, 13, 17, 19, 20, 22, 23, 26, 27, 30, 31, and 34 of United States Patent No. 6,538,908 (“the ‘908 patent”). The complaint named a single respondent: SG. During the investigation, the Commission allowed PI to terminate the investigation with regard to claims 1-3, 6, 9, and 17-19 of the ‘079 patent, claims 2, 24, 28, and 29 of the ‘398 patent, claims 8 and 12 of the ‘481 patent, and claims 1, 4, 9-11, 13, 17, 19, 20, 22, 23, 30, 31, and 34 of the ‘908 patent. As a result, only claims 1, 3, 5, and 6 of the ‘398 patent and claims 26 and 27 of the ‘908 patent remained in the investigation.

During the investigation, the administrative law judge (“ALJ”) issued an initial determination (“ID”) granting PI’s motion to terminate the investigation with regard to certain accused products, because PI stated that it did not assert that the SG6105, SG68501, and SG68502 products infringe the claims of the ‘079 patent, the ‘398 patent, or the ‘908 patent and that it no longer asserts that the SG38xx, SG5841, SG5848, SG6842J w/HV Start, SG6846, SG6846A, SG6848, SG6848x, SG6849, SG6850, and SG69xx products infringe the claims of the ‘398 patent or the ‘908 patent. The Commission determined not to review the ALJ’s determination.

After an evidentiary hearing, the ALJ issued his final ID finding SG in violation of section 337 with regard to claims 1, 3, 5, and 6 of the ‘398 patent and claims 26 and 27 of the ‘908 patent, and he issued a recommended determination on remedy and bonding. ID at 82-86, 90. The ALJ recommended that the Commission issue a limited exclusion order directed to

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infringing power supply controllers produced by SG, as well as LCD computer monitors, AC printer adapters, and sample/demonstration circuit boards containing the same. ID at 146. In addition, the ALJ recommended that the Commission specifically omit products SG6105, SG68501, SG68502, SG38xx, SG5841, SG5848, SG6842J w/HV Start, SG6846, SG6846A, SG6848, SG6848x, SG6849, SG6850, and SG69xx from the scope of the exclusion order. ID at 141. The ALJ also recommended that the Commission provide for a certification procedure and that the Commission set the bond during the Presidential review period at thirty-eight cents per infringing article or downstream product containing the same. ID at 147-48.

On June 30, 2006, the Commission determined not to review the ALJ's determination of violation. *71 Fed. Reg.* 38901 (July 10, 2006). The Commission requested written submissions from the parties relating to the appropriate remedy, whether the statutory public interest factors preclude issuance of that remedy, and the amount of bond to be imposed during the Presidential review period.

On July 10, 2006, PI filed a brief, seeking a limited exclusion order excluding SG's infringing power supply controller chips, as well as LCD computer monitors, AC printer adapters, and sample/demonstration circuit boards containing the same. *See* Complainant Power Integration, Inc.'s Brief on Remedy, the Public Interest, and Bonding at 1 ("Comp. Brief"). PI asserts that exclusion of these downstream products is necessary to provide effective protection from infringing imports and that a certification provision would minimize the burden on third parties and on the Bureau of Customs and Border Protection ("Customs"). *Id.* at 6-7.

SG also filed a brief, requesting that any limited exclusion order directed to SG's infringing power supply controllers not include downstream products, because of the serious risk

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to disrupting trade and alleged lack of supporting evidence. *See* Respondent System General Corporation’s Brief on Remedy, Bond, and the Public Interest at 1-5 (“Resp. Brief”). On July 14, 2006, the Commission investigative attorney (“IA”) filed a brief, recommending that the Commission adopt the ALJ’s recommendations on remedy in this investigation. *See* Brief of the Office of Unfair Import Investigations on Remedy, the Public Interest, and Bonding at 3. On July 19, 2006, complainant PI, respondent SG, and the IA each filed reply briefs on the issues of remedy, the public interest, and bonding.

II. ANALYSIS

We note at the outset, that we agree with the ALJ’s recommendations on the scope of the remedy appropriate in this case and on the issue of bonding. Accordingly, we adopt his findings and determinations.

I. Remedy

A. Type of Remedy

The Commission is authorized to issue a limited exclusion order when the Commission determines that there is a violation of section 337. 19 U.S.C. § 1337(d). Because we determined that SG’s power supply controllers infringe the asserted claims of the ‘398 patent and the ‘908 patent, we have issued a limited exclusion order directed to those controllers. In addition, because we allowed PI to terminate the investigation with regard to products SG6105, SG68501, SG68502, SG38xx, SG5841, SG5848, SG6842J w/HV Start, SG6846, SG6846A, SG6848, SG6848x, SG6849, SG6850, and SG69xx, we have determined to omit these products from the remedial order. The sole remaining remedy issue, therefore, is whether to issue a limited exclusion order that covers downstream products.

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The Commission may issue an exclusion order that covers downstream products, if the exclusion is necessary to give the complainant complete and effective relief. *Certain Erasable Programmable Read-Only Memories* (“*EPROMs*”), Inv. No. 337-TA-276, USITC Pub. 2196, Comm’n Op. at 124-26 (May 1989), *aff’d sub nom. Hyundai Elec. Indus. Co. v. U.S. Int’l Trade Comm’n*, 899 F.2d 1024 (Fed. Cir. 1990). At the same time, excluding downstream products has the potential to greatly expand the coverage of an exclusion order, thus increasing the risk of interfering with legitimate commerce. *Id.* The Commission has identified several factors for consideration when deciding whether to include downstream products in an exclusion order. These factors include: (1) the value of the infringing articles relative to the value of the downstream products in which they are incorporated; (2) the identity of the manufacturer of the downstream products in which they are incorporated, *i.e.*, whether it can be determined that the downstream products are manufactured by the respondent or by a third party; (3) the incremental value to the complainant of the exclusion of downstream products; (4) the incremental detriment to respondents of exclusion of such products; (5) the burdens imposed on third parties resulting from exclusion of downstream products; (6) the availability of alternative downstream products that do not contain the infringing articles; (7) the likelihood that the downstream products actually contain the infringing articles and are thereby subject to the exclusion order; (8) the opportunity for evasion of an exclusion order that does not include downstream products; and (9) the enforceability of an order by the Customs. *Id.*

Consideration of the *EPROMs* factors leads us to conclude that downstream products should be included in this exclusion order. The parties agree that the value of the infringing articles is small relative to the value of the downstream products in which they are incorporated.

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Comp. Brief at 13. Complainant PI introduced evidence showing that SG's infringing power supply controllers cost anywhere from 18 cents to 22 cents. *See* Tr. at 693 (Renouard Direct). The LCD monitor in which the controllers are integrated range in cost from \$200 to several hundred dollars. *Id.* A typical AC adapter, which incorporates a power supply controller, costs under \$100. *Id.* at 725. Although the value of a SG power supply controller chip is small compared to the value of these downstream products, the chips are critical components to the operation of the products. *See EPROMs*, Comm'n Op. at 127 (“[C]omputer equipment requires EPROMs in order to function. Thus, while the actual value of EPROMs compared to the value of the equipment may be small, they are vital to its operation.”). For example, in an LCD monitor, the power supply controller regulates how much power is delivered in the power supply for that monitor. Without it, the LCD monitor will not operate. Tr. at 693-694.

SG asserts that the power supply controllers are insignificant, because they relate to the basic power supply for the more complex downstream product. Resp. Brief at 11. The controllers, however, are fundamental to the operation of the downstream products and are not merely optional components that one could choose to leave out. *See EPROMs*, Comm'n Op. at 127 (In limiting the exclusion order to computers and not automobiles, the Commission stated that “unlike computers, automobiles can be built without EPROMs . . .”). While SG asserts that the Commission should focus on the importance of the patented technology, rather than the component itself, the Commission, in *EPROMs*, made clear that the focus should be on a comparison of the value and importance of the infringing articles with the downstream products. *EPROMs*, Comm'n Op. at 125.

With regard to the second *EPROMs* factor, several of the downstream manufacturers

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have already been identified. Although SG does not manufacture downstream products, the companies that do are well known and include Dell, Hewlett-Packard, Envision, Kodak, and Sony. Tr. at 697 (Renouard Direct). Moreover, complainant presented direct evidence that Dell's LCD monitor, Hewlett-Packard's LCD monitor, Envision's LCD monitor, Kodak's Easy Share printer, and Sony's adapter contain SG's infringing power supply controllers. Lum Decl. ¶¶ 17-19, RFF 724 & 726 (undisputed). The downstream manufacturers were not party to the investigation or themselves found to have committed an unfair act. However, these companies had opportunities to be involved with the investigation in other ways - their representatives were deposed and they could have intervened in the investigation or filed remedy briefs with the Commission, but chose not to do so.

With regard to the third *EPROMs* factor, the incremental value to the complainant of the exclusion of downstream products is significant. Although there is some evidence that the accused chips are imported into the United States separately, the vast majority of SG's infringing power supply controllers enter the country incorporated in downstream products. As a result, an order that does not include these products would essentially provide no relief to complainant. Accordingly, this factor weighs in favor of an order excluding downstream products.

With regard to the fourth *EPROMs* factor, the incremental detriment to respondents of exclusion of such products is minimized in light of the fact that several of SG's power supply controllers are specifically excluded from the exclusion order. In addition, we have included a certification provision in the limited exclusion order, which will help Customs ensure that non-infringing alternatives are not improperly excluded and will help protect both respondents and third parties. SG asserts that its distributors may just avoid its chips entirely, since it will be

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difficult to discern which chips can be imported into the United States and which cannot. SG's assertion, however, is mere speculation. Accordingly, this factor does not weigh against an exclusion order covering downstream products as SG suggests.

With regard to the fifth *EPROMs* factor, the burdens imposed on third parties resulting from exclusion of downstream products will be moderated. The exclusion order is narrowly tailored to cover only those downstream products that PI showed were actually imported with infringing SG chips. Originally, PI had sought an exclusion order directed to a broad range of downstream products, including LCD monitors, LCD TV monitors, printer adapters, game consoles, set-top boxes, notebook adapters, and DVD recorders and players. Comp. Brief at 19. PI eventually limited its requested relief to LCD monitors, printer adapters, and sample/demonstration circuit boards containing SG's infringing power supply controllers, because these are the products that it showed actually contain the infringing circuits and are available in the United States. *Id.* As discussed, complainant presented evidence that Dell's LCD monitor, Hewlett-Packard's LCD monitor, Envision's LCD monitor, Kodak's Easy Share printer, and Sony's adapter contain SG's infringing power supply controllers.² Lum Decl. ¶¶ 17-19, RFF 724 & 726 (undisputed). Accordingly, the relief is properly tailored to avoid imposing undue burdens on third parties.

With regard to the sixth *EPROMs* factor, there are several alternative downstream products that do not contain the infringing articles. Indeed, there are downstream products that

² We agree with the ALJ that the exclusion order should cover sample/demonstration circuit boards, otherwise SG could circumvent the order by importing these circuit boards and then extracting the power supply controller chips. *See* ID at 143.

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use SG's power supply controllers that were terminated from the investigation and are specifically not included in the exclusion order. Moreover, there are downstream products that use PI's power supply controllers. Thus, there are ample alternatives if downstream products containing SG's infringing power supply controllers are excluded, so this factor weighs in favor of an order excluding downstream products.

With regard to the seventh *EPROMs* factor, there are downstream products that actually contain the infringing articles. Specifically, the evidence shows that the downstream products that will be excluded have been found in the United States with SG's infringing power supply controllers. Tr. at 697-707 (Renouard Direct); Lum Decl. ¶¶ 17-19, RFF 724 & 726 (undisputed). Accordingly, this factor weighs in favor of excluding downstream products.

With regard to the eighth *EPROMs* factor, there would be a significant opportunity for evasion of an exclusion order that does not include downstream products. In fact, there would be little, if any, benefit to a narrow exclusion order that only covers SG's infringing power supply controllers, and PI would be left without any effective relief. This factor supports the exclusion of downstream products.

Finally, with regard to the ninth *EPROMs* factor, Customs will not be overly burdened in enforcing this order, because the use of a certification process will greatly reduce any burden. Accordingly, the *EPROMs* factors weigh in favor of excluding certain downstream products.

II. Public Interest

When issuing an exclusion order under section 337(d), the Commission must weigh the remedy sought against the effect such a remedy would have on the following public interest factors: (1) the public health and welfare; (2) the competitive conditions in the United States

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economy; (3) the production of articles in the United States that are like or directly competitive with those subject to the investigation; and (4) United States consumers. *See* 19 U.S.C. § 1337(d)(1).

No public interest concerns will be raised by issuing a limited exclusion order directed to infringing power supply controllers produced by SG, as well as certain downstream products containing these controllers. Excluding infringing power supply controllers and certain downstream products containing the same will not harm the public health and welfare, nor will it harm United States consumers. In addition, the market will be supported by non-infringing alternatives. Finally, protection of intellectual property is favored. Accordingly, we conclude that the statutory public interest factors do not preclude issuance of the limited exclusion order.

III. Bonding

Section 337(j) provides for entry of infringing articles during the sixty (60) day Presidential review period upon posting of a bond and states that the bond is to be set at a level “sufficient to protect the complainant from any injury.” 19 U.S.C. § 1337(j)(3); *see also* 19 C.F.R. § 210.50(a)(3).

PI sells its controller chip as a combined pulse width modulation (“PWM”) controller plus a power MOSFET³ with some added “PI value” (the cost of discrete components that are incorporated into the PI product), while SG sells its chip separately. Therefore, we cannot directly compare the prices of the parties’ commercial products. Instead, we compare the price of PI’s controller as sold with a power MOSFET and connector components with a constructed

³ “MOSFET” is a metal oxide silicon field effect transistor.

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price for a comparable product of SG - *i.e.*, a product that contained SG’s controller plus a MOSFET and requisite connector components.

PI’s witness Mr. Renouard testified on the pricing differences between a comparable SG PWM controller product and PI’s “integrated” product in his deposition testimony and at the hearing. JX-8C at 173-74; Tr. at 689 (Renouard Direct). To get the comparable SG price, Renouard combined the cost of an SG chip with the cost of a power MOSFET, plus [

] additional cents to account for additional PI value in the chip. JX-8C at 175. According to Mr. Renouard, the comparable SG price is about []. *Id.* at 174-76 (“I’m going to say [] to make my case the worst, I get [].”). Mr. Renouard further testified that PI’s price was originally [], but it dropped to [], when faced with competition from SG. Tr. at 689. Comparing the [] PI price to the constructed SG price of [], the price differential is thirty-eight cents, which is where we set the bond.

SG complains that a bond of thirty-eight cents is more than the entered value of its imported chip. Resp. Brief at 27-28. Section 337, however, only requires that the bond be set at a level “sufficient to protect the complainant from any injury.” 19 U.S.C. § 1337(j)(3). SG asserts that the appropriate bond should be five (5) percent of the value of the imported chip. *Id.* SG identifies this percentage based on a royalty from a license of [

] *Id.* at 28. A bond of five percent of the value of the imported chip is not appropriate in this investigation, because PI has not entered into a licensing arrangement where a comparable royalty rate has been established. The terms of the license agreement between PI and [], relied on by SG, do not merely license the patents-in-suit to [] for a royalty rate of five percent. Rather, [

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]. See RX-304C at ¶¶ 4.1, 4.2, 5.1.

Accordingly, this license cannot be relied upon to establish a reasonable royalty rate for the patents at issue. Therefore, we set the bond during the Presidential review period at thirty-eight (38) cents per infringing article or product containing the same.

III. CONCLUSION

We have determined to exclude from entry for consumption into the United States SG's power supply controllers that infringe one or more of claims 1, 3, 5, and 6 of the '398 patent or claims 26 and 27 of the '908 patent and LCD computer monitors, AC printer adapters, and sample/demonstration circuit boards containing the same. The limited exclusion order covers power supply controllers that are manufactured abroad by or on behalf of, or imported by or on behalf of SG, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. The public interest factors found in 19 U.S.C. § 1337(d)(1) do not preclude issuance of this order. The amount of the bond for temporary importation during the Presidential review period is set at thirty-eight (38) cents per infringing article or product containing the same.

By order of the Commission.

/s/
Marilyn R. Abbott
Secretary to the Commission

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