

Princo America Corporation of Fremont, California (collectively, “Princo”). That ID was not reviewed by the Commission.

On October 24, 2003, the presiding administrative law judge (“ALJ”) issued his final initial determination (“ID”). When the ID issued, GigaStorage, Linberg, and Princo (collectively, “respondents”) were the only remaining active respondents in the investigation. The ALJ found that none of the asserted claims are invalid, that the accused products infringe the asserted patent claims, and that the domestic industry requirement of section 337 had been satisfied. Nonetheless, he found no violation of section 337 because he concluded that all of the asserted patents were unenforceable by reason of patent misuse by Philips. ID at 139-220. He found patent misuse *per se* and also found patent misuse under a “rule of reason” standard.

On November 5, 2003, Philips petitioned for review of the portion of the final ID that found the asserted patents unenforceable due to patent misuse. Respondents and the Commission investigative attorney filed responses to Philips’ petition for review.

On December 10, 2003, the Commission determined to review all of the ID’s findings of fact and conclusions of law concerning patent misuse. The Commission determined not to review the remainder of the ID, thereby adopting the unreviewed portions. The Commission issued a notice dated December 10, 2003, in which it requested briefing on the issues under review. In accordance with that notice, all parties to the investigation filed timely written submissions, and timely reply submissions, regarding the issues under review.

On review, the Commission affirmed the ALJ’s conclusion that the asserted patents are unenforceable for patent misuse *per se*, but on the ground that Philips’ practice of mandatory package licensing constituted patent misuse *per se* as a tying arrangement between (1) licenses to

patents that are essential to manufacture CD-Rs or CD-RWs according to technical standards published in the “Orange Book” and (2) licenses to other patents that are not essential to that activity. The Commission also adopted the ALJ’s conclusion that the asserted patents are unenforceable for patent misuse under a rule of reason standard based on the ALJ’s analysis of and findings as to the tying arrangement, and affirmed the ALJ’s conclusion that the patent misuse has not been shown to have been purged. Based on these determinations, the Commission found no violation of section 337 in this investigation. The Commission took no position on the ALJ’s conclusion that the asserted patents are unenforceable for patent misuse *per se* based on theories of price fixing and price discrimination, and took no position on the ALJ’s conclusion that the royalty rate structure of the CD-R/RW patent pools is an unreasonable restraint of trade.

Philips appealed the Commission’s final determination to the United States Court of Appeals for the Federal Circuit, and respondents intervened. On September 21, 2005, the Federal Circuit issued its decision in the appeal. The Court reversed the Commission’s final determination and remanded the case for further proceedings consistent with the Court’s opinion. *U.S. Philips Corp. v. International Trade Commission*, 424 F.3d 1179 (Fed. Cir. 2005). On December 19, 2005, the Court denied respondents’ petition for rehearing en banc, and issued its mandate on December 27, 2005. The Commission now seeks input from the parties as to how to proceed on remand.

Accordingly, it is hereby ORDERED that:

1. Within thirty days of service of this Order, the parties shall submit comments on how they believe this investigation should proceed, including how the Commission should proceed with those portions of the ALJ’s initial determination of patent misuse upon which the Commission did not take a position. (*See, e.g.,*

Commission opinion at 5 nn. 3 and 4; 26 n.19; 50-51 (March 25, 2005).)

2. The Secretary shall serve copies of this Order upon each party to this investigation.

By order of the Commission.

Marilyn R. Abbott
Secretary to the Commission

Issued: January 17, 2006