UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of **CERTAIN ELECTRONIC DEVICES WITH IMAGE PROCESSING SYSTEMS, COMPONENTS THEREOF, AND ASSOCIATED SOFTWARE**	**Inv. No. 337-TA-724**

NOTICE OF COMMISSION DETERMINATION TO REVIEW A FINAL INITIAL DETERMINATION; SCHEDULE FOR FILING WRITTEN SUBMISSION ON THE ISSUES UNDER REVIEW AND ON REMEDY, THE PUBLIC INTEREST, AND BONDING

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review the final initial determination ("ID") issued by the presiding administrative law judge ("ALJ") in the above captioned investigation on July 1, 2011, finding a violation of section 337 (19 U.S.C § 1337). The Commission requests briefing from the parties on the issues under review and from the parties and the public on remedy, the public interest, and bonding, as indicated in this notice.

FOR FURTHER INFORMATION: Clark S. Cheney, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone 202-205-2661. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation on May 19, 2010, based on a complaint filed by S3 Graphics Co. Ltd. and S3 Graphics Inc. (collectively, "S3G"). 75 Fed. Reg. 38118 (July 1, 2010). The complaint alleged violations of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain electronic devices with image processing systems, components thereof, and associated software by reason of infringement of various claims of United States Patent Nos. 7,043,087 ("the '087 patent");

6,775,417 ("the '417 patent"); 6,683,978 ("the '978 patent"); and 6,658,146 ("the '146 patent"). *Id*. The complaint named Apple Inc. of Cupertino, California ("Apple") as the only respondent. *Id*.

On July 1, 2011, the ALJ issued his final initial determination ("ID") in this investigation finding a violation of section 337 based on conclusions that certain Mac computers imported by Apple infringe claim 11 of the '978 patent and claims 4 and 16 of the '146 patent, that those patent claims are not invalid, that S3G has a domestic industry related to those patents, and that S3G satisfied the importation requirement. The ID found that a patent exhaustion defense relieved Apple of liability for some of its infringing products, but not others. The ID further found no violation with respect to the '087 and '417 patents. The ID concluded that certain Apple products infringe the '087 and '417 patents, but that the asserted claims in those patents are invalid. Along with the ID, the ALJ issued a recommended determination on remedy and bonding ("RD"). Complainant S3G, respondent Apple, and the Commission investigative attorney ("IA") filed petitions for review of the ID on July 18, 2011. S3G, Apple, and the IA each filed responses to the petitions for review on July 26, 2011.

Having examined the record of this investigation, including the ALJ's final ID, the petitions for review, and the responses thereto, the Commission has determined to review the final ID in its entirety.

The parties are requested to brief their positions on the issues under review with reference to the applicable law and the evidentiary record. In connection with its review, the Commission is particularly interested in the following issues:

(1) Please comment on the Commission's statutory authority to find a violation under 19 U.S.C. § 1337(a)(1)(B)(i) where direct infringement is asserted and the accused article does not meet every limitation of the asserted patent claim at the time it is imported into the United States.

(2) Please comment on the Commission's statutory authority to find a violation under 19 U.S.C. § 1337(a)(1)(B)(i) where an imported article is used in the United States to directly infringe a method claim, but where there is no evidence of contributory infringement or inducement of infringement on the part of the importer.

(3) Please comment on whether, in evaluating the scope of the Commission's authority, any significance should be attributed to the fact that 35 U.S.C. § 271(a) defines patent infringement in terms of a person who "makes, uses, offers to sell, or sells . . . or imports" a patented invention, while 19 U.S.C. § 1337(a)(1)(B) defines as unlawful only the actions of "importation" and "sale."

(4) Some ALJ and Commission decisions have found the requirements of section 337 to be satisfied so long as there is some "nexus" between the products imported and the alleged infringement. Please comment on the history and application of this nexus requirement in patent and non-patent cases. Please also address the continuing relevance of the nexus requirement, if any, after the 1988 amendments to section 337 of the Tariff Act of 1930.

(5) The ID found that Apple infringes claim 11 of the '978 patent when, *inter alia*, it "sells applications containing compressed DXT texture." (ID at 69.) Please identify all evidence in the record, if any, supporting this finding.

(6) Apple contends that the ALJ did not decide whether accused articles having graphics processing units ("GPUs") supplied by NVIDIA Corporation ("NVIDIA") infringe any asserted patent claims. (Apple Resp. Pet. at 62.) Please identify (a) the portions of the ID, if any, that show the ALJ addressed infringement relating to the NVIDIA GPUs; and (b) the evidence in the record, if any, that accused articles incorporating the NVIDIA GPUs infringe an asserted patent claim. Please also address whether review of this issue has been preserved.

(7) Please identify all evidence in the record, if any, that a person of ordinary skill in the art at the time of the asserted inventions would have been motivated to use headers in the invention disclosed in U.S. Patent No. 5,046,119 to Hoffert ("Hoffert").

(8) Please identify all evidence in the record, if any, that a person of ordinary skill in the art at the time of the asserted inventions would have been motivated to combine teachings from the 1995 article titled "Hardware for Superior Texture Performance," by Knittel et al., with the invention disclosed in Hoffert.

(9) The petitions raise the question of whether Apple's purchase of certain processing units from NVIDIA and Intel convey a right to practice the asserted patents. Please provide legal authority, if any, addressing the question of whether the authorized purchase of a patented component gives the purchaser the right to (a) use its own independent implementation of the patented technology, and (b) the right to use the purchased component in conjunction with other components that together utilize the patented technology. In the context of this issue, please provide factual explanations, based on the record, as to how the Mac OS X devices use combinations of licensed and unlicensed components and/or software to implement the technology alleged to infringe the asserted patent claims.

(10) The petitions raise the question of whether patent licenses to Intel and NVIDIA exhaust S3G's rights in the patents as to downstream purchasers from Intel and NVIDIA. Please address this argument in the context of this investigation in view of *LG Elecs. Inc. v. Hitachi Ltd.*, 655 F. Supp. 2d 1036, 1047-48 (N.D. Cal. 2009) ("the license agreement represented a sale for exhaustion purposes"), *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, No. 337-TA-630, ID at 153 (U.S.I.T.C. Aug. 28, 2009) (complainant "cannot enforce patent law remedies against Respondents as it relates to those [products] purchased from [complainant's] licensees thereafter"), and any other pertinent legal authorities. Please also comment on whether Apple has properly raised and preserved this argument.

(11) Please identify the distinctions, if any, between Apple's defense under an implied license theory and Apple's defense under a patent exhaustion theory.

(12) Please comment on the correct legal standard for determining whether an invention has been abandoned, suppressed, or concealed under 35 U.S.C. § 102(g).

(13) Please comment on the bond that should be set in this case should the Commission determine that a remedy and bond are appropriate. Please specifically address each of the bond amount issues identified by the ALJ in the ID at 286-87.

In connection with the final disposition of this investigation, the Commission may (1) issue an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) issue one or more cease and desist orders that could result in the respondent(s) being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see *In the Matter of Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843 (December 1994) (Commission Opinion).

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See* Presidential Memorandum of July 21, 2005, 70 Fed. Reg. 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

WRITTEN SUBMISSIONS: The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the ALJ's recommendation on remedy and bonding set forth in the RD. Complainants and the IA are also requested to submit proposed remedial orders for the Commission's consideration. Complainants are also requested to state the dates that each of the asserted patents are set to expire and the HTSUS numbers under which the accused products are imported. The written submissions and proposed remedial orders must be filed no later than close of business on Friday, September 16, 2011. Reply submissions must be filed no later than the close of business on Friday, September 23, 2011. No further submissions on these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document and 12 true copies thereof on or before the deadlines stated above with the Office of the Secretary. Any person desiring to submit a document to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 C.F.R. § 210.6. Documents for which confidential treatment by the Commission is sought will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in sections 210.42-46 and 210.50 of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.42-46 and 210.50).

By order of the Commission.

/s/
James R. Holbein
Secretary to the Commission

Issued: September 2, 2011