

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

**CERTAIN ELECTRONIC DEVICES WITH
COMMUNICATION CAPABILITIES,
COMPONENTS THEREOF, AND
RELATED SOFTWARE**

Inv. No. 337-TA-808

**RESPONSE OF THE OFFICE OF UNFAIR IMPORT INVESTIGATIONS TO
COMPLAINANT'S PETITION FOR REVIEW OF THE INITIAL DETERMINATION
GRANTING RESPONDENT APPLE, INC.'S MOTION FOR PARTIAL TERMINATION
OF THE INVESTIGATION WITH RESPECT TO U.S. PATENT NOS. 6,473,006;
6,708,214; 6,868,283; 7,020,849; AND 7,289,772 DUE TO LACK OF STANDING**

On June 15, 2012, Complainant HTC Corporation ("HTC") petitioned for review of an initial determination terminating the investigation with respect to five of the eight asserted patents, namely, U.S. Patent No. 6,708,214 ("the '214 patent"), U.S. Patent No. 6,473,006 ("the '006 patent"), U.S. Patent No. 7,020,849 ("the '849 patent"), U.S. Patent No. 6,868,283 ("the '283 patent"), and U.S. Patent No. 7,289,772 ("the '772 patent").¹ HTC acquired certain rights in these patents from Google Inc. ("Google") and, thus, they are referred to herein as the "Google Patents." The Office of Unfair Import Investigations ("OUII") opposes HTC's petition for the reasons set forth below.

¹ See Order No. 15: Initial Determination Granting Respondent Apple, Inc.'s Motion for Partial Termination of the Investigation with Respect to U.S. Patent Nos. 6,473,006; 6,708,214; 6,868,283; 7,020,849; and 7,289,772 Due to Lack of Standing, EDIS Doc. ID 482403 (June 8, 2012) ("Order No. 15"); Complainant HTC Corporation's Petition for Review of Order No. 15: Initial Determination Granting Respondent Apple, Inc.'s Motion for Partial Termination of the Investigation with Respect to U.S. Patent Nos. 6,473,006; 6,708,214; 6,868,283; 7,020,849; and 7,289,772 Due to Lack of Standing (June 8, 2012), EDIS Doc. ID 483058 ("Petition").

I. BACKGROUND

On August 16, 2011, HTC filed a Complaint (EDIS Doc. Nos. 457007, 457008, 457069, 457071, 457306, 457307, 457308, 458510) with the Commission (Docket No. 2841) pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. In its Complaint, HTC alleged violations of Section 337 based on infringement of one or more claims of patents other than the Google Patents, namely U.S. Patent No. 7,765,414 (“the ‘414 patent”), U.S. Patent No. 7,417,944 (“the ‘944 patent”), and U.S. Patent No. 7,672,219 (“the ‘219 patent”) (collectively, the “Non-Google Patents”).

On August 29, 2011, almost two weeks after filing its Complaint, HTC and Google entered in a Patent Purchase Agreement (“Agreement”) whereby HTC acquired certain rights related to the Google Patents [REDACTED] subject to unusual restrictions [REDACTED]

[REDACTED]

[REDACTED] Days later, on September 7, 2011, HTC filed an Amended Complaint (EDIS Doc. Nos. 458692, 458693) adding further allegations based on its newly acquired rights in the Google Patents.

The Agreement between HTC and Google purports to assign all of Google’s “right, title, and interest in and to the [Google Patents]” to HTC. *See* Pet. Exh. 1 at ¶ 3.1. However, under the Agreement, Google retains [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Agreement provides for HTC to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] However, should HTC [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

On May 15, 2012, Apple filed a motion seeking partial termination of the investigation with the respect to the Google Patents due to lack of standing. Mot. Dkt. No. 808-035, EDIS Doc. ID 480362 (“Apple Mot.”). On May 25, 2012, OUII filed a response in support of and HTC filed a response opposing Apple’s motion. *See* Commission Investigative Staff’s Response to Respondent Apple, Inc.’s Motion for Partial Termination of the Investigation with Respect to U.S. Patent Nos. 6,473,006, 6,708,214, 6,868,283, 7,020,849, and 7,289,772 Due to Lack of Standing, EDIS Doc. ID 481268 (“Staff’s Mot. Resp.”); HTC Corp.’s Opposition to Respondent Apple Inc.’s Motion for Partial Termination of the Investigation with Respect to U.S. Patent Nos. 6,473,006; 6,868,283; 7,020,849; and 7,289,772 Due to Lack of Standing, EDIS Doc. ID 481257 (“HTC Mot. Resp.”). On May 31, 2012, Apple filed a motion seeking leave to file a reply. *See* Respondent Apple Inc.’s Motion for Leave to File a Reply in Support of Its Motion for Partial

[REDACTED]

Termination of the Investigation with Respect to Certain Patents Due to Lack of Standing, EDIS Doc. ID 481651.

On June 8, 2012, the Administrative Law Judge (“ALJ”) issued Order No. 15, granting Apple’s motion for leave to file a reply and issuing an initial determination terminating the investigation with respect to the Google Patents. Order No. 15. Finally, on June 15, 2012, HTC filed its Petition. For the reasons set forth below, OUII submits that Order No. 15 should not be reviewed.

II. APPLICABLE STANDARD

Commission Rule 210.43 states in relevant part that “any party to an investigation may request Commission review of an initial determination under § 210.42(a)(1) or (c), § 210.50(d)(3) or § 210.70(c) by filing a petition with the Secretary.” 19 C.F.R. § 210.43(a). A petition for review of an initial determination must “specify one or more of the following grounds upon which review is sought: (i) that a finding or conclusion of material fact is clearly erroneous; (ii) that a legal conclusion is erroneous, without governing precedent, rule or law, or constitutes an abuse of discretion; or (iii) that the determination is one affecting Commission policy.” 19 C.F.R. § 210.43(b)(1).

A petition for review will only be granted “if it appears that an error or abuse of the type described in paragraph (b)(1) of this section is present or if the petition raises a policy matter connected with the initial determination, which the Commission thinks it necessary or appropriate to address.” 19 C.F.R. § 210.43(d)(2).



III. DISCUSSION

A. The Petition is Based on the False Premise That HTC is the Undisputed Title Holder

Complainant's position is premised on HTC holding legal title to the Google Patents. However, HTC is not the title holder, but is only a mere, non-exclusive licensee. On this point, OUII, Apple, and the ALJ all agree.² Nonetheless, the Petition falsely states that "[i]t is undisputed that, on August 29, 2011, HTC acquired complete ownership of 'all right, title, and interest in and to' the Patents...." Petition at 18. Absent this false premise, HTC's argument unravels.

The law is clear – "[t]he critical determination regarding a party's ability to sue in its own name is whether an agreement transferring patent rights to that party is, in effect, an assignment or a mere license" and this determination is made by examining "whether the agreement transferred all substantial rights to the patents and whether the surrounding circumstances indicated an intent to do so." *Asymmetrx, Inc. v. Biocare Medical, LLC*, 582 F.3d 1314, 1319 (Fed. Cir. 2009) (internal quotations omitted), citing *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 874 (Fed. Cir. 1991). Moreover, "[w]hether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions." *Waterman v. Mackenzie*, 138 U.S. 252, 256 (1891). In other words, a grantee's status as an assignee or licensee turns on

² See Order No. 15 at 8 ("HTC argues it holds formal legal title to the Google Patents[] . I disagree."); Staff's Mot. Resp. at 5 ("[T]he Agreement fails to convey all substantial rights and, thus, HTC is a mere licensee without standing to assert the Google Patents."); Apple Mot. at 2 ("HTC possesses far fewer than 'all substantial rights' necessary to maintain a Section 337 action in its own name, and thus good cause supports partial termination as to the Google Patents.").



substance over form. Applying the correct legal precedent, Order No. 15 found that the Agreement failed to transfer all substantial rights to HTC. Order No. 15 at 9.

HTC's argument is based on the false premise that HTC holds title to the Google Patent. For example, HTC contends that "[t]he standing issue therefore resolves on whether HTC, as patentee and title owner of the Patents, can sue 'in its own name.'" Petition at 19. However, because Google failed to transfer all substantial rights in the patents, HTC's argument fails.

B. The Petition Fails to Establish Any Factual or Legal Error

In the OUII's view, the Petition fails to establish any factual or legal error and, thus, Order No. 15 should not be reviewed.

Commission Rule 210.12 requires that intellectual property-based complaints filed by a private complainant "include a showing that at least one complainant is the owner or exclusive licensee of the subject intellectual property." 19 C.F.R. § 210.12(a)(7). In determining whether this requirement is met, the Commission has applied the standing requirement established by courts in patent infringement cases. *See Certain Catalyst Components and Catalysts for the Polymerization of Olefins*, Inv. No. 337-TA-307, Commission Opinion, 1990 ITC LEXIS 224, at *50 (June 18, 1990) ("[W]e see little basis for inferring a different standing requirement under section 337 than the courts have established in patent infringement cases"); *Certain Point of Sale Terminals & Components Thereof ("Point of Sale Terminals")*, Inv. No. 337-TA-524, Order No. 31 (February 7, 2005).

Order No. 15 correctly found that Google failed to transfer all substantial rights in the Google Patents to HTC. Order No. 15 at 9. The ALJ found that "HTC's right to sue an infringer



is illusory, [REDACTED]

[REDACTED] This determination is firmly supported by the facts. Google retains

[REDACTED] Google can thus determine who can use the patented invention. This fact alone clearly establishes that Google failed to transfer all substantial rights to HTC.

Moreover, Order No. 15 found that the Agreement failed to transfer all substantial rights in the Google Patents to HTC due to encumbrances on HTC's ability to transfer its rights to a third party. Order No. 15 at 12. In *Propat*, the Federal Circuit considered an agreement where the transferor retained the right to veto any further transfers. *Propat International Corp. v. RPost, Inc.*, 473 F.3d 1187, 1191 (Fed. Cir. 2007) ("*Propat*"). In that case, the Federal Circuit found that "[t]he right to dispose of an asset is an important incident of ownership, and such a restriction on that right is a *strong indicator* that [an] agreement does not grant [] all substantial rights...." Similarly, the Federal Circuit has found restrictions on the right to transfer to be "a fatal reservation of rights." *Sicom Systems, Ltd. v. Agilent Technologies, Inc.*, 427 F.3d 971, 974 (Fed. Cir. 2005) ("*Sicom*").

Order No. 15 correctly found that the Agreement between Google and HTC significantly encumbers HTC's ability to transfer its rights to a third party. Order No. 15 at 12. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Order No. 15 correctly found that this term renders illusory any right HTC may have to dispose of its interests related to the Google Patents. Not only would HTC [REDACTED]

[REDACTED]

[REDACTED] As in *Propat* and *Sicom*, these restrictions on transfer are fatal.

Furthermore, as discussed above, the intent of the parties is relevant in determining HTC's status as assignee or licensee. HTC contends that the intent of the parties was to transfer title from Google to HTC. Petition at 6. However, Order No. 15 found that HTC's arguments were unpersuasive, noting that HTC precluded Apple, the Staff, and [the ALJ] from testing its arguments through discovery into the parties' negotiations over the Agreement by asserting [REDACTED]

[REDACTED] and producing only heavily redacted emails excising any discovery of the parties' intent." Order No. 15 at 13. Moreover, the ALJ found "HTC's [REDACTED]

[REDACTED]

[REDACTED] The weight of the evidence suggests that Google intended to retain control over the Google Patents, loaning them to HTC for the purpose of asserting them against Apple.

The Petition fails to establish any factual or legal error and, thus, review should be denied.

[REDACTED]

C. The Petition Fails to Establish an Issue Affecting Commission Policy

OUII submits that the Petition fails to establish, or even allege, that Order No. 15 affects Commission policy. Accordingly, OUII submits that review should not be granted on that basis.

D. The Issue of Joinder of Google is Not Ripe

Should HTC be found to lack standing, HTC requests that Google should be permitted to participate as a co-complainant. Pet. at 29. In OUII's view, this issue is not ripe for consideration. First, Order No. 15 explicitly states that it does not consider the question of Google's standing. Order No. 15 at 13. Moreover, HTC has not sought leave to amend its complaint and the Notice of Investigation to add Google as a complainant.

IV. CONCLUSION

For the foregoing reasons, OUII respectfully submits that Order No. 15 should not be reviewed by the Commission, and HTC's Petition should be denied.

Respectfully Submitted,

/s/ R. Whitney Winston

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