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**UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436**

In the Matter of

**CERTAIN LIGHT-EMITTING DIODES
AND PRODUCTS CONTAINING THE
SAME**

Investigation No. 337-TA-784

RECOMMENDED DETERMINATION ON REMEDY AND BONDING

Administrative Law Judge David P. Shaw

Pursuant to the notice of investigation, 75 Fed. Reg. 40745 (July 11, 2011), this is the Recommended Determination on remedy and bonding in *Certain Light-Emitting Diodes and Products Containing the Same*, United States International Trade Commission Investigation No. 337-TA-784.

For the reasons stated herein it is recommended that, if the Commission finds a violation of section 337, the Commission issue a limited exclusion order against infringing LG LEDs found to infringe the asserted patent claims, but that the limited exclusion order not extend to cover downstream products. It is not recommended that the Commission issue a cease and desist order should it find a violation of section 337. It is further recommended that LG then be required to post a bond for importation of accused products during the Presidential review period.

I. Procedural Background

The Commission's Rules provide that subsequent to issuing an initial determination on the question of violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, the administrative law judge shall issue a recommended determination containing findings of fact and recommendations concerning: (1) the appropriate remedy in the event the Commission finds a violation of section 337, and (2) the amount of bond to be posted by respondents during Presidential review of Commission action under section 337(j). 19 C.F.R. § 210.42(a)(1)(ii).

On July 9, 2012, an initial determination ("ID") issued in this investigation, finding that a violation of section 337 of the Tariff Act, as amended, has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation, of certain light-emitting diodes and products containing the same that infringe asserted claims 1, 3, 4, 6, 8, 22, 24, 25, 26, 29, 32, 33, and 34 of U.S. Patent No. 7,151,283.¹ No violation was found as to U.S. Patent No. 7,271,425.

II. Remedy

A. Limited Exclusion Order

A limited exclusion order ("LEO") directed to respondents' infringing products is among the remedies that the Commission may impose following a determination that a violation of section 337 has occurred. *See* 19 U.S.C. § 1337(d). For the reasons discussed below, it is recommended that, in the event the Commission finds a violation of

¹ The complainant is OSRAM AG of Munich, Germany ("OSRAM"). ID at 1. The respondents are LG Electronics, Inc. of Seoul, South Korea; LG Innotek Co., Ltd. of Seoul, South Korea; LG Electronics U.S.A., Inc. of Englewood Cliffs, New Jersey; and LG Innotek U.S.A., Inc. of San Diego, California (collectively, "LG"). *Id.* The Office of Unfair Import Investigations was not named as a party to this investigation. *Id.*

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section 337, an LEO should be issued that is directed to LG LEDs that are found to infringe the asserted claims. It is not recommended that the LEO extend to cover LG's downstream products.

OSRAM argues that the proper remedy is an LEO against LG, barring from entry into the United States all LEDs and products containing the same (*i.e.*, downstream products) that infringe one or more of the asserted claims of the patents-in-suit. The downstream products at issue include computer monitors, televisions, smartphones, lighting fixtures, media players, and home appliances. *See* CX-303C (LG Interrogatory Responses) at 16-39; Compl. Br. at 195-96. OSRAM requests that the LEO apply not only to LG, but also to its "principals, stockholders, officers, directors, employees, agents, licensees, distributors, affiliates, subsidiaries, and successors and assigns." Compl. Br. at 186.

LG argues that any remedial order should be limited to an LEO directed to LG's LEDs. Should the Commission determine that downstream relief is appropriate, LG argues that any such downstream relief should be limited to LG's televisions, monitors, and LED lighting products that include LG LEDs found to infringe the asserted claims of the patents-in-suit, wherein the LEDs constitute more than 5% of the economic value of the downstream product. Resps. Br. at 179; Resps. Reply at 96.

When considering whether to extend an LEO to downstream products, the Commission has often considered the so-called *EPROMs* factors, which are nonexclusive and include: (1) the value of the infringing articles compared to the value of the downstream products in which they are incorporated, (2) the identity of the manufacturer of the downstream products, (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 exclusion, (8) the opportunity for evasion of an exclusion order that does not include downstream products, and (9) the enforceability of an order by Customs. *Certain Erasable Programmable Read Only Memories*, Inv. No. 337-TA-276, USITC Pub. No. 2196 (May 1989) (“*EPROMs*”), *aff’d sub nom. Hyundai Elec. Indus. Co. v. U.S. Int’l Trade Comm’n*, 899 F.2d 1204 (Fed. Cir. 1990). An analysis of the *EPROMs* factors is set forth below.

1. The Value of the Infringing Articles Compared to the Value of the Downstream Products in Which They Are Incorporated

A comparison of the cost of an accused LED with the cost of a downstream product that incorporates that LED reveals a large gap.² The cost of an accused LED ranges from [] CX-496C (LG Interrogatory Responses) at 63-110. The downstream products that OSRAM seeks to exclude generally cost [] CX-303C (LG Interrogatory Responses) at 16-39. When the cost of the downstream product is compared to the cost of any

² For example, [

] *Id.* at 38. Similar analyses can be made for additional categories of downstream products. *See id.* at 39 [] CX-103C [] at 15-16 []].

included LEDs, this *EPROMs* factor weighs heavily against excluding downstream products.

OSRAM argues, however, that the LEDs included in the downstream products provide benefits that are not reflected by cost alone, and that that the technological value of the LEDs to the downstream products must be considered when performing an *EPROMs* analysis. *See* Compl. Br. at 189-91; *Certain Power Supply Controllers, Inv.* No. 337-TA-541, Comm'n Op., 2008 WL 2164194, at *6-7 (Aug. 29, 2006). Indeed, the record shows that the use of LEDs in products such as [

] *See* CX-150C [] at 8, 10, 12, 28; JX-96C (Taylor Dep.) at 15; JX-97C (Vandenbree Dep.) at 43, 44. By contrast, [

] *See* Hausman Tr. 1180, 1193; Compl. Br. at 191.

Accordingly, when the value, and not just the cost, of the LEDs is compared to the downstream products, this *EPROMs* factor weighs in favor of excluding downstream products such as [] in which LEDs are critical components.³

³ LG [

] *See* Resps. Reply at 96. LG therefore requests that any downstream relief be limited to products in which the value of the LEDs is more than 5% of the value of the downstream product. *Id.*

2. The Identity of the Manufacturer of the Downstream Products

The identity of the manufacturer of the downstream products is LG, the named respondent in this investigation. *See* CX-303C (LG Interrogatory Responses) at 16-39. This factor weighs evenly as to the exclusion of downstream products.

3. The Incremental Value to the Complainant of the Exclusion of Downstream Products

Inasmuch as there is little competition in the United States LED market between OSRAM and LG, the incremental value to OSRAM of the exclusion of downstream products would not be significant. *See* Hausman Tr. 1193. OSRAM's U.S. operations are targeted at automotive, home and commercial lighting applications, areas in which LG has limited exposure. *See* Hausman Tr. 1193-1194. Accordingly, this factor does not support the exclusion of downstream products.

4. The Incremental Detriment to Respondents of Exclusion of Such Products

LG would experience a significant detriment should an exclusion order extend to all downstream products. The vast majority of LG's LEDs entering the United States have been incorporated into downstream products. *See* Compl. Br. at 193 (citing CX-496C (LG Interrogatory Responses) at 26; CX-142C [] CX-140C (same)). Any exclusion of downstream products should be narrowly tailored to ensure that the excluded products actually contain the LED model numbers found to infringe the asserted claims, and that the LEDs are critical components of the excluded products. Accordingly, this factor weighs against an exclusion order extending to all downstream products.

5. The Burdens Imposed on Third Parties Resulting from Exclusion of Downstream Products

The exclusion order sought by OSRAM seeks to exclude downstream products manufactured by LG only, and will not have any detrimental effect on third parties manufacturing downstream products. *See* Compl. Br. at 195. Many of LG's downstream products do contain LEDs manufactured by third parties, however, and exclusion of the LG downstream products would impose a burden on only these third party LED manufacturers. *See* Resps. Br. at 180-81. This factor therefore weighs slightly in favor of exclusion of downstream products.

6. The Availability of Alternative Downstream Products That Do Not Contain the Infringing Articles

There are many alternative downstream products that do not contain the accused LG LEDs. *See* Compl. Br. at 195-96; Resps. Br. at 181. Including LG's downstream products in an LEO would not impose a significant burden to consumers of the downstream products. This factor therefore weighs evenly as to whether downstream products should be included in an LEO.

7. The Likelihood That the Downstream Products Actually Contain the Infringing Articles and Are Subject to Exclusion

If the accused LEDs identified in the ID are found to infringe the asserted claims, it would be simple to determine whether an infringing LED is included in a downstream product and, consequently, subject to an exclusion order. *See* Resps. Br. at 181. For example, the record evidence includes a chart of many LG downstream products that identifies the model number(s) of the LG LEDs incorporated therein. CX-303C (LG Interrogatory Responses) at 16-39. This factor therefore weighs in favor of the exclusion of downstream products.

8. The Opportunity for Evasion of an Exclusion Order That Does Not Include Downstream Products

This factor considers whether a respondent could evade an exclusion order that does not include downstream products. As OSRAM points out, [

] *See*

Compl. Br. at 193 (citing CX-496C (LG Interrogatory Responses) at 26; CX-142C [

] CX-140C (same)). Inasmuch as [

] this factor supports the

exclusion of these downstream products.

9. The Enforceability of an Order by Customs

The large number of downstream products that OSRAM seeks to exclude would impose a substantial administrative burden on U.S. Customs and Border Protection. The downstream products at issue cover at least three different harmonized tariff schedule (“HTS”) numbers, and span multiple subsections thereof. *See* CX-288 (Complaint) at 43. Even if LG were required to certify that its imports were not excludable under any LEO entered by the Commission,⁴ the volume of LG’s imports into the United States would render enforcement of the LEO burdensome. This factor therefore weighs against an exclusion order covering LG’s downstream products.

⁴ An exclusion order may contain a provision that permits entities whose products are potentially excludable under the Commission’s order to certify, pursuant to procedures to be specified by U.S. Customs and Border Protection, that they are familiar with the terms of the order, that they have made appropriate inquiry, and thereupon state that, to the best of their knowledge and belief, the products being imported are not excluded from entry under the order. *Certain Semiconductor Chips with Minimized Chip Package Size or Products Containing Same*, Inv. No. 337-TA-605, Comm’n Op. at Section II.D.2. (July 29, 2009).

10. Recommendation As to Downstream Products

As discussed above, an analysis of the *EPROMs* factors suggests that extending an exclusion order to cover any downstream products is not warranted. Should the Commission determine to issue an LEO that provides downstream relief, that relief should be limited to only downstream products that contain the specific LED model numbers found to infringe the asserted claims, and in which the technological value of the LEDs to the product is high (*i.e.*, []).

B. Cease and Desist Order

Section 337 provides that in addition to, or in lieu of, the issuance of an exclusion order, the Commission may issue a cease and desist order as a remedy for a violation of section 337. *See* 19 U.S.C. § 1337(f)(1). Under current Commission precedent, a cease and desist order is generally issued when there is a “commercially significant” amount of infringing, imported product in the United States that could be sold by an infringing respondent resulting in evasion of the remedy provided by an exclusion order. *Certain Mobile Devices, Associated Software, and Components Thereof*, Inv. No. 337-TA-744, Comm’n Op. at 24 (June 5, 2012).

OSRAM argues that a cease and desist order is warranted because [

] Compl. Br. at 197.

LG argues that OSRAM [

] Resps. Br. at 183.

The evidence shows that [

] *See* JX-97C (Vandenbree Dep.) at 23-24, 25; JX-93C (Laroche Dep.) at 24.

[

] *See* JX-97C (Vandenbree Dep.) at 23-24, 25; JX-93C (Laroche Dep.) at 24. Accordingly, should the Commission find a violation of section 337 and issue an LEO [

] If, however, the Commission finds a violation of section 337 and issues an LEO [

]

C. Bond

Pursuant to section 337(j)(3), the administrative law judge and the Commission must determine the amount of bond to be required of a respondent, during the 60-day Presidential review period following the issuance of permanent relief, in the event that the Commission determines to issue a remedy. The purpose of the bond is to protect the complainant from any injury. 19 U.S.C. § 1337(j)(3); 19 C.F.R. §§ 210.42(a)(1)(ii), 210.50(a)(3).

When reliable price information is available, the Commission has often set bond by eliminating the differential between the domestic product and the imported, infringing product. *Certain Microsphere Adhesives, Processes for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366,

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Comm'n Op. at 24 (1995). In other cases, the Commission has turned to alternative approaches, especially when the level of a reasonable royalty rate could be ascertained. *Certain Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus*, Inv. No. 337-TA-337, Comm'n Op. at 41 (1995). A 100 percent bond has been required when no effective alternative existed. *Certain Flash Memory Circuits and Products Containing Same*, Inv. No. 337-TA-382, USITC Pub. No. 3046, Comm'n Op. at 26-27 (July 1997) (a 100% bond imposed when price comparison was not practical because the parties sold products at different levels of commerce, and the proposed royalty rate appeared to be *de minimis* and without adequate support in the record).

OSRAM argues that a 100% bond is appropriate because it is difficult to conduct a reliable price comparison between OSRAM and LG products, inasmuch as OSRAM and LG sell many different products that incorporate LEDs, and these products offer a wide variety of features, making a head-to-head comparison impracticable. Compl. Br. at 198-99.

LG argues that any bond should be set at less than [] of the cost of any infringing LED, and not the downstream product. Resps. Br. at 184. LG points to the royalties payable pursuant to OSRAM's license agreements to support the position that the reasonable royalty rate applicable to the asserted patents should be less than [] of the cost of the infringing LED. *Id.* (citing to JX-026C, JX-027C, JX-030C, JX-048C to JX-062C, JX-066C, JX-067C, CX-0276C, CX-0278C, CX-0279C, CX-0598C, CX-0790C, CX-0795C, CX-0796C, CX-0798C, CX-0801C, CX-0804C, CX-0806C to CX-0808C, CX-1144C, CX-0045C, and CX-1149C to CX-1152C).

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OSRAM rejects LG's license argument, arguing that its license agreements do not accurately reflect the appropriate bond that should apply in this investigation because [

] Compl. Br.

at 199.

OSRAM's argument that the differences between the OSRAM and LG products are so great that they cannot be compared is persuasive. Accordingly, it is recommended that, in the event that a violation of section 337 is found, LG be required to post a bond of 100% of the wholesale price of the products subject to any LEO during the Presidential review period.

III. Recommended Determination

It is the RECOMMENDED DETERMINATION ("RD") of the administrative law judge that in the event a violation of section 337 is found, the Commission should issue an LEO, but that the LEO not extend to cover any downstream products. It is not recommended that the Commission issue a cease and desist order should it find a violation of section 337. Further, should the Commission impose a remedy that prohibits importation, it is recommended that the Commission subject LG's importations during the Presidential review period to a bond.

To expedite service of the public version, each party is hereby ORDERED to file with the Commission Secretary by no later than July 30, 2012, a copy of this RD with brackets that show any portion considered by the party (or its suppliers of information) to

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be confidential, accompanied by a list indicating each page on which such a bracket is to be found. At least one copy of such a filing shall be served upon the office of the undersigned, and the brackets shall be marked in red. If a party (and its suppliers of information) considers nothing in the RD to be confidential, and thus makes no request that any portion be redacted from the public version, then a statement to that effect shall be filed.

So ordered.



David P. Shaw
Administrative Law Judge

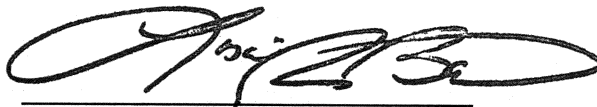
Issued: July 23, 2012

**CERTAIN LIGHT-EMITTING DIODES
AND PRODUCTS CONTAINING THE SAME**

Inv. No. 337-TA-784

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **RECOMMENDED DETERMINATION** has been served upon the following parties as indicated, on August 7, 2012.



Lisa R. Barton, Acting Secretary
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