

PUBLIC VERSION

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

**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)

On May 15, 2012, respondent Apple Inc. (“Apple”) filed a motion for partial termination of this Investigation with respect to 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”) (“the Google Patents”¹). (Motion Docket No. 808-035.) On May 25, 2012, complainant HTC Corp. (“HTC”) filed an opposition to the motion. On May 25, 2012, the Commission Investigative Staff (“Staff”) filed a response in support of the motion.

On May 31, 2012, Apple filed a Motion for Leave to File Reply in Support of its 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 (Motion Docket No. 808-040) which is hereby GRANTED.

¹ HTC acquired certain rights in these patents from Google Inc. (“Google”).

I. BACKGROUND

On August 16, 2011, HTC filed a Complaint with the Commission pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. (Docket No. 2841.) 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, HTC and Google entered in a Patent Purchase Agreement (“Agreement”) whereby HTC acquired certain rights related to the Google Patents [

] On September 7, 2011, HTC filed an Amended Complaint adding further allegations based on its newly acquired rights in the Google Patents.

The Agreement between HTC and Google purports to assign [
] However, under the
Agreement, Google [

The Agreement provides for HTC [

]

[

]

On October 3, 2011, Apple served its first set of requests for production to HTC that specifically requested the Agreement:

REQUEST FOR PRODUCTION NO. 71:

All documents and things relating to any communication between HTC and any other entity (including Apple, Openwave, ADC, Palmsource, Myriad, Google, and IEEE) regarding any of the Patents-In-Suit, or any patents related to the Patents-In-Suit including, without limitation, documents related to HTC's purchase of the Patents-In-Suit, ownership of the Patents-In-Suit, and any Standards, including, without limitation, the IEEE 802.11 Standard.

(Mot. Ex. D (emphasis added).) Over five months later, on March 19, 2012, HTC produced the Agreement. (Mot. Mem. at 5.) HTC continues to withhold production of communications between HTC and Google regarding this Investigation under [

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II. CONTENTIONS OF THE PARTIES

Apple's Contentions

Apple argues Google agreed to "sell" the Google Patents to HTC [] but in reality Google granted HTC only illusory rights. Apple asserts unlike a true patent "owner," HTC's rights are both shared and subordinate to Google's retained rights, rendering HTC a non-exclusive rights holder whose actions are sharply curtailed by its obligations to Google.

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Apple avers the Google Patents are simply on loan to HTC while it litigates this action against Apple, []

Apple argues this Investigation must be terminated as to the Google Patents. Apple argues under well-established Federal Circuit and Commission case law, parties lacking “all substantial rights” in asserted patents lack standing to maintain a Section 337 action in their own name. Apple argues 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. Apple asserts partial termination of this Investigation will also prevent the ALJ, Staff, and Apple from wasting further resources in connection with the Google Patents that HTC has no right to assert. Apple therefore requests partial termination of this Investigation based on HTC's alleged lack of standing with respect to the Google Patents.

HTC's Contentions

HTC asserts that on August 29, 2011, Google executed a Patent Purchase Agreement stating that,[

] HTC asserts Google's assignment clearly, succinctly, and irrevocably transferred to HTC “all of its right, title, and interest” in, *inter alia*, the Google Patents without reservation of any substantial, exclusive rights. [

]

HTC argues that Apple fails to establish that Google's unqualified assignment to HTC of “all right, title and interest” in the Google Patents failed to convey all substantial exclusive rights or that any person other than HTC possesses any substantial, exclusive right under the Google Patents to bring suit against Apple for patent infringement. HTC argues Apple's motion is based

primarily on HTC's [

] HTC argues its [

] are made under HTC's authority as the

patent owner and have no bearing on HTC's ownership of all substantial, exclusive rights. HTC further argues that Google, [

] HTC argues that [

] does not impact HTC's patent ownership, by assignment of all substantial rights, or impede HTC's ability, without any other person, to maintain suit against Apple under the Google Patents.

HTC argues that despite Apple's speculation about what might "make sense" for HTC, the financial terms of HTC's agreement with Google do not detract from HTC's legal rights under the agreement. HTC asserts it remains the one and only holder of legal title as well as the holder of all substantial rights and therefore is the one and only party that has standing to assert the Google Patents. Finally, HTC argues that the result Apple seeks here is unprecedented and incorrect: a party holding both *legal title* as well as the exclusive right to enforce the patent would not have standing to sue. HTC asserts under Apple's reasoning no one would be left with standing to assert the patents at issue.

Staff's Contentions

The Staff argues the Agreement between Google and HTC appears to be nothing more than a creative attempt to thread the needle of legal precedent so as to confer standing on HTC to assert Google's patents. The Staff asserts the Agreement comes close to conferring standing, but ultimately fails given, *inter alia*, the expansive rights retained by Google, and the apparent intentions of Google and HTC. The Staff argues HTC's rights in the Google Patents are so

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encumbered as to render them illusory. Specifically, the Staff asserts HTC’s right to dispose of the Google Patents is illusory and Google failed to convey exclusionary rights in the Google patents. Finally, the Staff argues that the terms of the agreement are inconsistent with an assignment. Accordingly, the Staff avers the Agreement fails to convey all substantial rights and, thus, HTC is a mere licensee without standing to assert the Google Patents.

III. STANDARDS OF LAW

Commission Rule 210.21(a) provides, *inter alia*, that “[a]ny party may move at any time prior to the issuance of the initial determination on violation ... to terminate an investigation in whole or in part ... for good cause....” 19 C.F.R. § 210.21(a).

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).

The question of whether a complainant lacks standing to assert a patent-in suit cannot be waived. *See Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1368 (Fed. Cir. 2003) (internal citation omitted) (“It is well-established that any party, and even the court *sua sponte*, can raise the issue of standing for the first time at any stage of the litigation, including on

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appeal.”); *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-641, Comm’n Op., 2010 ITC LEXIS 2715, at *49-57 (Dec. 2010) (addressing a standing defense raised for the first time on petition for review of an initial determination).

It is well-settled that “a patentee who holds all the exclusionary rights and suffers constitution injury in fact from infringement is one entitled to sue for infringement in its own name.” *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1339 (Fed. Cir. 2007) (“*Morrow*”). Moreover, an assignee also may acquire standing to assert a patent:

The patentee or his assigns may, by instrument in writing, assign, grant and convey, either, 1st, the whole patent, comprising the exclusive right to make, use, and vend the invention throughout the United States; or, 2d, an undivided part or share of that exclusive right; or, 3d, the exclusive right under the patent within and throughout a specified part of the United States. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers.... Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent and no right to sue at law in his own name for an infringement.

Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA, 944 F.2d 870, 873-874 (Fed. Cir. 1991) (“*Vaupel*”), citing *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891) (“*Waterman*”)(citations omitted). Analyzing *Waterman* and its progeny, the Federal Circuit stated that “[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. Circ. 2009) (internal quotations omitted), citing *Vaupel*, 944 F.2d at 874. 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

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calls itself, but upon the legal effect of its provisions.” *Waterman*, 138 U.S. at 256.

IV. ANALYSIS

HTC argues it holds formal legal title to the Google Patents, “which alone should end the standing analysis.” (Mot. Mem. at 17.) I disagree. As an initial matter, the Assignment clearly states:

Notwithstanding anything to the contrary herein, Assignor is executing and delivering this Assignment in accordance with and subject to all of the terms and provisions of the Agreement. In the event of any conflict between the terms of this Assignment and those of the Agreement, *the terms of the Agreement shall be controlling.*

(Mot. Ex. C at 10 (emphasis added).)

Possession of a recorded assignment is only the beginning of the analysis. “To determine whether an agreement to transfer rights to a patent at issue amounts to an assignment or a license, we must ascertain the intention of the parties and examine the substance of what was granted.” *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed. Cir. 2006); *id.* at 1342 (“[A]t bottom, the question is ‘who owns the patent’? Does the transfer or retention of certain rights amount to an assignment of the patent or not?”).

Indeed in *Certain Catalyst Components and Catalysts for the Polymerization of Olefins* (“*Catalyst Components*”), Inv. No. 337-TA-307, the Commission explicitly affirmed Order No. 23, which was an initial determination granting respondents’ motion to terminate. There the administrative law judge (“ALJ”) held that only the owner of “all substantial rights” in the patent-at-issue can satisfy the standing requirement and found that an assignment between a complainant and a foreign assignor did not transfer sufficient rights to complainant in that investigation to maintain standing.

Likewise, in *Certain Point of Sale Terminals and Components Thereof* (“*Point of Sale*

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Terminals”), 337-TA-524, the ALJ found that although there was a purported “patent assignment agreement” between complainant Verve and Omron Corporation (“Omron”), Omron retained substantial rights to the patent-at-issue such that the purported agreement assigning the patent rights to Verve constituted a mere non-exclusive license rather than an assignment. *Point of Sale Terminals*, Order No. 31 (Feb. 7, 2005).

I find the Agreement failed to transfer all substantial rights to HTC. First, HTC lacks the power to exclude others from practicing the inventions claimed in the Google Patents.

According to the Agreement:

[

]

[

]

The terms of the patent assignment agreement speak for themselves. HTC argues that[

] reinforces the parties’ intent that HTC is the title holder, [

] HTC’s argument is wholly unpersuasive. It is clear that [

]

[

] Google's retention of such a right is clearly indicative that HTC lacks "all substantial rights" to the Google patents.

In *Speedplay*, the Federal Circuit held that a right to sue was illusory when another party held the unfettered right to sublicense. *Speedplay, Inc. v. Bebob, Inc.*, 211 F.3d 1245, 1251 (Fed. Cir. 2000). In *Speedplay*, the grantor retained the right to sue, but granted to Speedplay an "exclusive worldwide, royalty-free, right and license under and to the Licensed Patents and the exclusive rights and license to manufacture, have manufactured, distribute, market, use and sell the Licensed Product and any other apparatus, instrument, device or product covered in whole or in part by the Licensed Patents." *Id.* at 1250. In addition, the agreement permitted Speedplay to exercise its granted rights through agents and sublicensees. *Id.* The Federal Circuit found the grantor's "right to sue an infringer if Speedplay does not is illusory, because Speedplay can render that right nugatory by granting the alleged infringer a royalty-free sublicense." *Id.* at 1251. The Court further found that "Speedplay thus controls enforcement of [the patent at issue] for all practical purposes." *Id.*

While the facts in *Speedplay* differ slightly from the facts presented in the instant motion, the principals underlying the Court's analysis in *Speedplay* are equally applicable here and dictate the same result. Here, the grantor, did not retain the right to sue, but did retain [

] and purported to transfer the right to sue to HTC, the outcome is the same. HTC's right to sue an infringer is illusory, because [

] Google thus controls enforcement of the Google Patents for all practical purposes.

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HTC's reliance on *Aspex* in support of its argument that "that a title holder can hold the rights needed to establish standing even though it had previously granted another party a 'virtually unfettered right to sublicense'" (Opp. at 19) is misplaced. In *Aspex*, the Federal Circuit explained that "*a virtually unrestricted authority to sublicense its rights under the agreement*" strongly favors a finding of an *assignment*, not a license. *Aspex*, 434 F.3d at 1342. However, the Federal Circuit found the transfer in *Aspex* to constitute a license because of a termination provision in the agreement at issue. *Id.* No such termination provision exists in the Agreement between HTC and Google.

Second, the ability to sue infringers is what gives the exclusionary right its power, and has been recognized as "particularly dispositive" in establishing standing. *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 875 (Fed. Cir. 1991). Even ignoring the impact of [] however, HTC's purported ability to sue is so sharply restricted by other terms in the Agreement that it cannot support enforcement of exclusionary rights. HTC also agreed [] Further, HTC can only enforce the patents []

[] The Agreement thus fails to transfer all substantial rights in the Google Patents to HTC.

Third, 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

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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*”).

The Agreement between Google and HTC significantly [

] Any such assignees also must

[

] Finally, if HTC nevertheless sells the Google Patents, HTC

then must [

]

These terms render illusory any right HTC may have to dispose of its interests related to the Google Patents. Not only would HTC [

] it would also [

] As in *Propat* and *Sicom*, these restrictions on transfer are fatal. The Agreement thus fails to transfer all substantial rights in the Google Patents to HTC.

Fourth, HTC’s covenant and agreement that [

] is inconsistent with

HTC’s ownership of the patents. [

] Indeed, the [

] If

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Google truly intended to transfer ownership of the Google Patents to HTC, then Google would not be harmed, much less irreparably, by any of HTC's preexisting licensing relationships.

Further, if HTC licenses any of the Google Patents to a third party, it must then [

]

Given these conditions, HTC's right to freely license is illusory.

Finally, I am not persuaded by HTC's arguments regarding the intent of the parties. As noted by Apple, HTC offers no evidence that the parties considered [

] Indeed, HTC has prevented Apple, the Staff, and me from testing its arguments through discovery into the parties' negotiations over the Agreement by asserting [

] with Google and producing only heavily redacted emails excising any discussion of the parties' intent.² (*Id.* at 5-6.)

Moreover, I find HTC's assertion of[] to be at odds with HTC's characterization of Google [] (Opp. at 7-8.) As noted by Apple, the first entry of HTC's privilege log describes [

] I decline to address the question of Google's standing, as that issue is not ripe.

² The common interest privilege is not a privilege; rather it is an exception to the waiver rule.

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For the forgoing reasons, Motion Docket No. 808-035 is hereby GRANTED. U.S. Patent Nos. 6,708,214, 6,473,006, 7,020,849, 6,868,283, and 7,289,772 are hereby terminated from this Investigation. Nothing in this Order, however, shall be construed as a stay of discovery.

This Initial Determination is hereby certified to the Commission. Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review of the Initial Determination pursuant to 19 C.F.R. § 210.43(a), or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the Initial Determination or certain issues herein.

Within seven (7) days of the date of this Order, each party shall submit to the Office of the Administrative Law Judges a statement as to whether or not it seeks to have any portion of this document deleted from the public version. The parties' submissions may be made by facsimile and/or hard copy by the aforementioned date.

Any party seeking to have any portion of this document deleted from the public version thereof must submit to this office a copy of this document with red brackets indicating any portion asserted to contain confidential business information. The parties' submissions concerning the public version of this document need not be filed with the Commission Secretary.

SO ORDERED.



Thomas B. Pender
Administrative Law Judge

**IN THE MATTER OF CERTAIN ELECTRONIC DEVICES WITH 337-TA-808
COMMUNICATION CAPABILITIES, COMPONENTS THEREOF AND RELATED
SOFTWARE**

CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **PUBLIC ORDER NO. 15 / INITIAL DETERMINATION** has been served upon, **R. Whitney Winston, Esq.**, Commission Investigative Attorney, and the following parties via first class mail and air mail where necessary on June 29, 2012.



Lisa R. Barton, Acting Secretary
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