

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

**CERTAIN WIRELESS COMMUNICATION
DEVICES, PORTABLE MUSIC AND DATA
PROCESSING DEVICES, COMPUTERS AND
COMPONENTS THEREOF**

Inv. No. 337-TA-745

RECOMMENDED DETERMINATION ON REMEDY AND BOND

Administrative Law Judge Thomas B. Pender

(May 9, 2012)

List of Abbreviations

CDX	Complainant's Demonstrative Exhibit
CIB	Complainant's Initial Post-Hearing Brief
CRB	Complainant's Reply Post-Hearing Brief
CX	Complainant's Exhibit
Depo.	Deposition
JX	Joint Exhibit
RDX	Respondent's Demonstrative Exhibit
RIB	Respondent's Initial Post-Hearing Brief
RRB	Respondent's Reply Post-Hearing Brief
RX	Respondent's Exhibit
Tr.	Transcript
DWS	Direct Witness Statement (Including Revised Direct Witness Statements)
RWS	Rebuttal Witness Statement

I. Remedy and Bonding

The Commission's Rules provide that subsequent to 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 that 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(G). *See* 19 C.F.R. § 210.42(a)(1)(ii). In this investigation, complainant Motorola Mobility, Inc. (“Motorola”) seeks both a limited exclusion order and a cease and desist order. Additionally, Motorola requests that the Commission impose a 100% bond during the presidential review period.

A. Limited Exclusion Order

Under Section 337(d), the Commission may issue either a limited or a general exclusion order. *See* 19 U.S.C. § 1337(d). A limited exclusion order instructs the U.S. Customs Service to exclude from entry all articles that are covered by the patent at issue and that originate from a named respondent in the investigation. A general exclusion order instructs the U.S. Customs Service to exclude from entry all articles that are covered by the patent at issue, without regard to source. Here, Motorola seeks only a limited exclusion order.

Motorola requests that a limited exclusion order issue that prohibits the importation of all infringing products. (CIB at 220-21.) Motorola argues that consistent with Commission practice and Rule 210.50(c), the exclusion order “should cover all apple products and components thereof that infringe one or more claims of the asserted patents.” (*Id.* at 221.) Motorola argues that in order to avoid circumvention of the Commission’s order, the limited exclusion order should apply to both respondent Apple, Inc. (“Apple”) and to its affiliated companies, parents, subsidiaries, or other related business entities, and their successors or assigns. (*Id.* at 222.)

PUBLIC VERSION

Apple argues that in the event a violation is found, “the facts dictate that no remedy should issue due to the significant adverse harm to the legitimate business interests of third parties Verizon and AT&T.” (RIB at 235-36.) Apple argues that the adverse financial impact an exclusion order would have on these entities and their customers warrants an exemption from any remedy. (*Id.* at 236.) Apple argues, however, that should the Commission decide to issue a limited exclusion order it should be limited to the accused product models imported prior to the close of the evidentiary record. (*Id.*) Apple argues that replacement parts and future models should be specifically exempt from any limited exclusion order to minimize the harm to third parties such as Verizon, AT&T, and Apple’s customers. (*Id.*) Further, Apple argues that enforcement of any limited exclusion order should be delayed a year to minimize the disruption to the U.S. economy and to Apple’s domestic industry. (*Id.*)

Motorola responds that by statute if a violation is found an exclusion order “shall” issue. (CRB at 112.) Motorola argues that Apple’s only defense for why an exclusion order should not issue is based on conclusory allegations and is premised on “public interest factors” that are not to be addressed by me in the Recommended Determination. (CRB at 112-13.)

Analysis

The ALJ finds that the appropriate remedy is a limited exclusion order directed at the accused products found to infringe the asserted claims of the asserted patents. 19 U.S.C. § 1337(d)(1). Apple’s only argument as to why an exclusion order should not issue and why if one issues it should exempt replacement parts and future models is that such actions would cause harm to third parties such as Verizon and AT&T. Apple provides no evidentiary support for its argument. Moreover, Apple’s arguments are public interest considerations that are more

appropriately directed to the Commission. *See* 19 C.F.R. § 210.50(b)(1) (“[A]n administrative law judge shall not address the issue of the public interest. ...”).

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 violation of section 337. *See* 19 U.S.C. § 1337(f)(1). The Commission generally issues a cease and desist order directed to a domestic respondent when there is a “commercially significant” amount of infringing, imported product in the United States that could be sold so as to undercut the remedy provided by an exclusion order. *See Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, USITC Pub. 2391, Comm’n Op. on Remedy, the Public Interest and Bonding at 37-42 (June 1991); *Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles*, Inv. No. 337-TA-334, Comm’n Op. at 26-28 (Aug. 27, 1997).

Motorola argues that there is evidence of commercially significant inventories of infringing articles. (CIB at 222.) Apple argues that no cease and desist order should issue because of the resulting harm to Apple’s customers and other third parties. (RIB at 237.) Apple argues, however, that should a cease and desist order issue, it should not prohibit Apple from providing necessary support to its U.S. customers for models within the scope of any exclusion order. (*Id.*)

Analysis

I find that the evidence shows Apple maintains a commercially significant inventory of accused products. (CX-2690C (Mulhern, DWS) at Q&A 252-53; CX-0039C; CX-0041C; CX-0396C; CDX-5.16.) The evidence shows this inventory is located throughout the United States, including Apple’s warehouse locations in [

] (CX-2690C (Mulhern, DWS) at Q&A 258.) Additionally, Apple maintains inventory in its retail locations across the

United States. (*Id.* at Q&A 258-59.) Therefore, I recommend that the Commission issue a cease and desist order against Apple to ensure complete relief to Motorola. I also recommend that the cease and desist order extend to Apple's subsidiaries, agents, and affiliated companies.

Apple's argument for not issuing a cease and desist order is based on alleged harm to third parties, but Apple provides no evidentiary support for its argument. Moreover, Apple's argument is based on a public interest consideration that is more appropriately directed to the Commission. *See* 19 C.F.R. § 210.50(b)(1).

C. Bond During Presidential Review Period

The Administrative Law Judge and the Commission must determine the amount of bond to be required of a respondent, pursuant to section 3370(3), 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 C.F.R. § 210.42(a)(1)(ii); 19 C.F.R. § 210.50(a)(3).

When reliable price information is available, the Commission has often set the bond by eliminating the differential between the domestic product and the imported, infringing product. *See Certain Microsphere Adhesives, Processes for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op. at 24 (1995) (The Commission "typically has considered the differential in sales price between the patented product made by the domestic industry and the lower price of the infringing imported product, and has set a bond amount sufficient to eliminate that difference."). In other cases, the Commission has turned to alternative approaches, especially when the level of a reasonable royalty rate could be ascertained. *See, e.g., 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. *See, e.g., Certain*

PUBLIC VERSION

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).

Motorola argues that a 100% bond on all of the products is appropriate because the wide range of prices across Apple's infringing products would make it impractical and inappropriate to use the price differential between Apple's infringing products and Motorola's products to set the bond during the Presidential review period. (CIB at 226.) Motorola further argues that any bond based on a reasonable royalty for licensing each of the infringing asserted patents would unjustly reward Apple for its infringement to the detriment of Motorola. (*Id.* at 227.)

Apple argues that Motorola is not entitled to any bond because Motorola has failed to identify any injury it will suffer as a result of Apple's importation of the accused products. (RIB at 238.) Apple argues that contrary to the testimony of Motorola's expert, Ms. Mulhern, Motorola does not sell products that compete with the iPod Touch, Apple TV, or the various Mac computers accused in this investigation. (*Id.*) Thus, Apple argues that Motorola cannot suffer any direct injury from Apple's sale of these products. (*Id.*) Apple also argues that should a bond be required, that a reasonable royalty rate is the most commercially reasonable approach. (*Id.* at 239.) Apple argues, however, that the royalty rate should be largely discounted because the asserted patents constitute only a small fraction of the technologies incorporated into the accused products. (*Id.*)

PUBLIC VERSION

Analysis

The evidence shows that Motorola's smartphone and tablet products compete directly with Apple's iPhone and iPad products. (CX-2690C (Mulhern, DWS) at Q&A 261.) The evidence does not show, however, that Motorola competes directly with Apple's accused iPod Touch, AppleTV, or Mac products. With regard to smartphones and tablets, Motorola has presented some pricing information, but the information is not of the type or quality necessary to determine a suitable price differential between Motorola's domestic products and Apple's accused products. Moreover, the pricing information that was provided tends to show that the Apple iPhone products sell for more than Motorola's competing products. (*See id.* at Q&A 274.) Thus, price differential would not be an accurate measure on which to base the bond rate. It is my opinion that the better approach in this instance is to use the reasonable royalty rate of [] previously offered by Motorola to Apple to license its standard-essential patents. (CX-2693C (Daily, DWS) at Q&A 61, 117.) I find that a bond rate of [] will adequately protect Motorola from injury during the Presidential review period. Accordingly, I recommend that the Commission set the bond rate at no more than [] per entered accused product.

Apple's argument that the royalty rate should be significantly adjusted downward because the asserted patents constitute only a small fraction of the technologies incorporated into the accused products is without any cited support thus is found unavailing. Likewise, Motorola's argument that the reasonable royalty rate should not be used because it would reward Apple's "intentional, unlicensed infringement" is equally unavailing, because it is not the purpose of the bond to punish Apple, but to protect Motorola from economic harm during the Presidential review period.

II. Conclusion

In accordance with the discussion of the issues contained hereinabove, it is my Recommended Determination (“RD”) that should the Commission find a violation of Section 337, it should issue a limited exclusion order directed at Apple’s products found to infringe the ‘223 patent, the ‘697 patent, the ‘333 patent, and the ‘862 patent. It is also my recommendation that the Commission issue a cease and desist order directed toward Apple that prohibits the sale of any commercially significant quantities of the accused products. Further, it is my recommendation that Motorola be required to post a bond set at no more than [] of the entered value of the accused products during the Presidential review period.

Within seven days of the date of this document, each party shall submit to the office of the Administrative Law Judge a statement as to whether or not it seeks to have any portion of this document deleted from the public version. The parties’ submissions must be made by hard copy by the aforementioned date.

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

SO ORDERED.



Thomas B. Pender
Administrative Law Judge

**IN THE MATTER OF CERTAIN WIRELESS COMMUNICATION 337-TA-745
DEVICES, PORTABLE MUSIC AND DATA PROCESSING DEVICES, COMPUTERS AND
COMPONENTS THEREOF**

CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **PUBLIC NOTICE** has been served upon, **The Office of Unfair Imports Investigations** and the following parties via first class mail and air mail where necessary on May 21, 2012.



Lisa R. Barton, Acting Secretary
U.S. International Trade Commission
500 E Street, SW, Room 112A
Washington, DC 20436

FOR COMPLAINANT MOTOROLA, INC. & MOTOROLA MOBILITY, INC.:

Charles F. Schill, Esq.
STEPTOE & JOHNSON LLP
1330 Connecticut Avenue, NW
Washington, DC 20036

() Via Hand Delivery
() Via Overnight Mail
() Via First Class Mail
() Other: _____

FOR RESPONDENT APPLE:

Mark G. Davis, Esq.
Weil Gotshal & Manges LLP
1300 Eye Street NW., Suite 900
Washington, DC 20005

() Via Hand Delivery
() Via Overnight Mail
() Via First Class Mail
() Other: _____

PUBLIC MAILING LIST

Heather Hall
LEXIS - NEXIS
9443 Springboro Pike
Miamisburg, OH 45342

() Via Hand Delivery
() Via Overnight Mail
() Via First Class Mail
() Other: _____

Kenneth Clair
THOMSON WEST
1100 - 13th Street NW
Suite 200
Washington, DC 20005

() Via Hand Delivery
() Via Overnight Mail
() Via First Class Mail
() Other: _____