

*In the Matter of*  
**Certain Plastic Encapsulated  
Integrated Circuits**

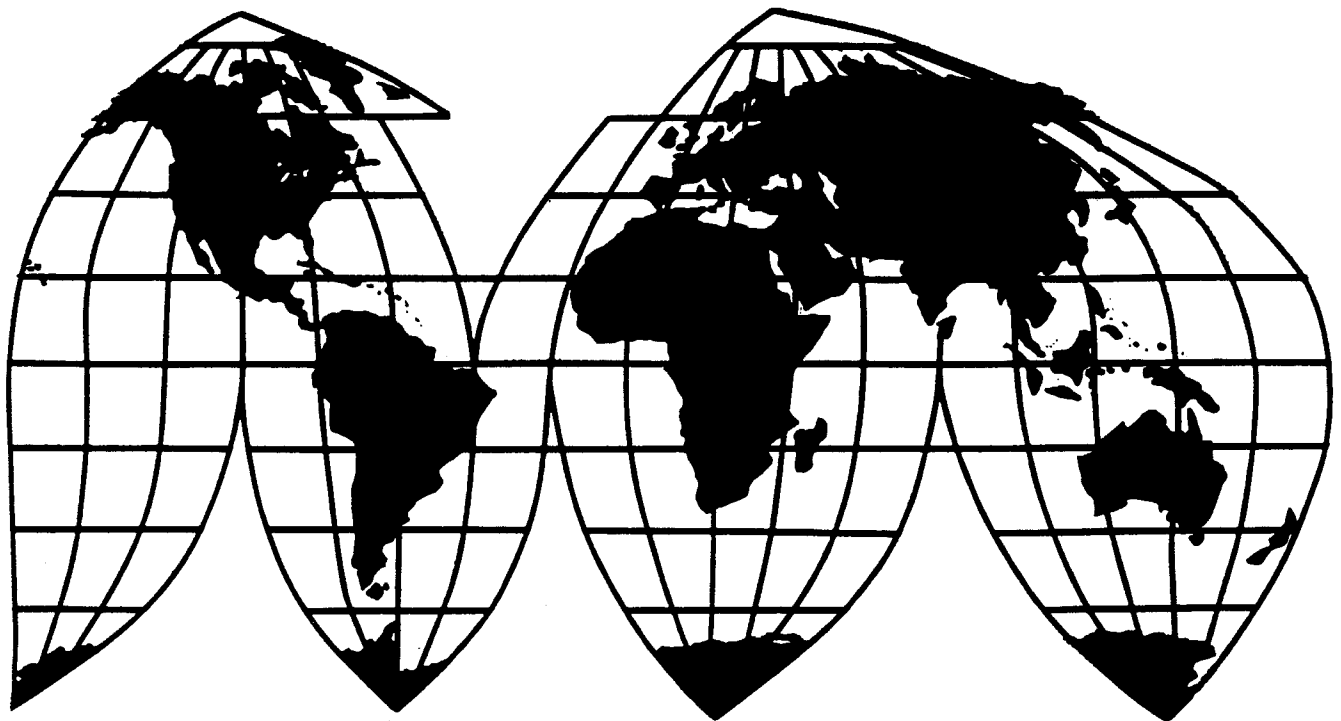
Modified Order to Cease and Desist

Investigation No. 337-TA-315

Publication 2710

December 1993

**U.S. International Trade Commission**



# **U.S. International Trade Commission**

## **COMMISSIONERS**

**Don E. Newquist, Chairman**  
**Peter S. Watson, Vice Chairman**  
**David B. Rohr**  
**Anne E. Brunsdale**  
**Carol T. Crawford**  
**Janet A. Nuzum**

**Address all communications to  
Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436

*In the Matter of*  
**Certain Plastic Encapsulated  
Integrated Circuits**



Publication 2710

December 1993



11/18/92

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

In the Matter of )  
)  
)  
CERTAIN PLASTIC ENCAPSULATED )  
INTEGRATED CIRCUITS )  
)

Investigation No. 337-TA-315

RECEIVED  
OFC OF THE SECRETARY  
U.S. INTL TRADE COMMISSION  
93 NOV 17 AM 11:35

ORDER AND OPINION

I. Background

On February 18, 1992, the Commission issued its final determination in the above-referenced investigation.<sup>1</sup> The Commission determined that there was a violation of section 337 in the unlicensed importation and sale of certain plastic encapsulated integrated circuits manufactured by a process that infringed certain claims of U.S. Letters Patent 4,043,027 (the '027 patent) owned by complainant Texas Instruments, Inc. (TI). The Commission issued a limited exclusion order and cease and desist orders to each of the five respondents. The orders explicitly did not cover licensed products, and the limited exclusion order allowed entry of products which the manufacturer or importer certified were covered by a license. The cease and desist orders contained quarterly reporting requirements. The President took no action to disapprove the Commission's determination and orders, and they therefore became final by operation of law on April 20, 1992. See 19 U.S.C. § 1337(j) (4).

<sup>1</sup> Vice Chairman Watson and Commissioner Nuzum did not participate in that final determination.

PUBLIC VERSION

On March 10, 1993, the U.S. Court of Appeals for the Federal Circuit affirmed the Commission's determination in all aspects, including the Commission's findings concerning the existence of a limited license agreement between TI and one of the respondents, Analog Devices, Inc. (Analog). Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n, No. 92-1168-1218 (March 13, 1993). Specifically, the Commission had adopted the finding of the presiding administrative law judge (ALJ) that Analog had obtained a limited license under the '027 patent when Analog acquired Precision Monolithics, Inc. (PMI), a company which had a cross-license agreement with TI. This cross-license agreement covered numerous TI patents, including the '027 patent. Under the terms of the agreement, the transferred licenses would extend to Analog \* \* \*. Analog argued that, under this provision, it is licensed to sell plastic encapsulated integrated circuits manufactured by the '027 process up to the dollar amount of PMI's sales of all licensed products at the time Analog acquired PMI (\$94 million). TI argued that Analog may sell such plastic encapsulated integrated circuits only up to the amount of PMI's sales of licensed plastic encapsulated integrated circuits at the time of acquisition (\$15 million).

The Commission's remedial orders did not specify the dollar amount above which Analog's sales of the plastic encapsulated integrated circuits would exceed the scope of the license. Nor did the Commission address this issue in its Opinion on Issues Under Review and on Remedy, the Public Interest and Bonding (Opinion) (March 3, 1992). Addressing a related question concerning the appropriateness of Commission monitoring of Analog's sales of licensed products, the Commission stated as follows:

PUBLIC VERSION

It has been the Commission's practice in the past not to interfere with private licenses between parties, and we see no reason to deviate from that practice here. We note that this is not a case in which enforcement is impossible without Commission monitoring. Given our finding that TI and Analog are cross-licensees to a limited license agreement, there are presumably mechanisms in place for Analog and TI to keep track of each others' sales under the license agreement, and consequently with the limited exclusion order and cease and desist orders, which only become operative as to Analog when the scope of the limited license is exceeded.

Opinion at 41.

On September 23, 1992, TI filed a "Petition for Modification" essentially asking the Commission to decide the dollar amount of the license ceiling. TI stated that "due to an ambiguity in the Commission's Opinion. . . , the final Commission action with respect to Analog cannot be implemented and therefore must be modified." According to TI, the Commission's Opinion "is based on the erroneous assumption that the license agreement has a mechanism for keeping track of licensed sales, and, consequently, the parties would be able to determine when the scope of the limited license is exceeded. . . . However, the license agreement has no such mechanism."

In its petition, TI reiterated its argument that the license ceiling is \$15 million, the amount of PMI's sales of licensed plastic encapsulated integrated circuits at the time PMI was acquired by Analog. Alternatively, TI argued that, if the license ceiling is interpreted to include the dollar amount of PMI's sales of all licensed products at the time of acquisition (\$94 million), then the reporting requirement of the cease and desist order should be modified to require Analog to report its sales of all licensed products, not just its sales of plastic encapsulated integrated circuits. TI stated that changed circumstances, *viz.*, the parties inability to agree on the

PUBLIC VERSION

appropriate amount of the license ceiling, on means for calculating the licensed products to be applied against the license ceiling, and on reporting mechanisms, prevent implementation of the remedial orders and impede TI from obtaining the relief granted to it by the Commission.

TI requested that the Commission establish a license ceiling equal to the amount of PMI's sales of licensed plastic encapsulated circuits at the time of acquisition by Analog (\$15 million); impose a reporting requirement sufficient to enable TI to determine when this ceiling, or whatever ceiling the Commission establishes, has been reached; and issue such further relief as the Commission deems just and proper.

Pursuant to Commission interim rule 211.57 (19 C.F.R. § 211.57(b)), the Commission provisionally accepted TI's petition, and published a notice in the Federal Register to that effect. In its notice, the Commission set a schedule for the parties in the original investigation to file responses. The two parties, other than TI, that have an interest in the issues raised in the petition -- Analog and the Commission's Office of Unfair Imports (OUII) -- subsequently filed responses to the petition. In addition, TI filed a motion for leave to file a proffered supplemental submission. In the proffered supplemental submission, TI requested that the Commission hold a hearing to determine the appropriate amount of the limited license, and to determine the proper reporting requirements and accounting methodology to assure compliance with the Commission's remedial orders.



PUBLIC VERSION

II. Terms of the Order

Upon consideration of all submissions and other relevant information in the record, we hereby:

- (1) grant TI's motion for leave to file its supplemental submission;
- (2) deny TI's request for a hearing;
- (3) determine on the existing record that the license ceiling is \$94 million per annum;
- (4) modify the cease and desist order issued to Analog to require that Analog report its sales of all covered products in terms of dollar values rather than in unit volumes and to require that Analog report sales of all licensed products up to \$94 million; after that ceiling is reached, it will be required to continue reporting sales, if any, only of covered plastic encapsulated circuits; and
- (5) deny TI's outstanding request for access to the confidential compliance reports submitted by Analog and the other respondents.

III. Discussion

Both Analog and OUII argue that the Commission, by virtue of its adoption of certain portions of the ID, has already determined that Analog is licensed up to \$94 million in sales. Both parties are correct that the presiding ALJ found that PMI's entire product line was covered by the license, and that the license ceiling, based upon PMI's annual sales of all licensed products at the time it was acquired, is \$94 million. ID at 101-102, Findings

PUBLIC VERSION

of Fact F 9-10. They are also correct in noting that the Commission determined not to review the portions of the ID discussing the license.

Nonetheless, we disagree with OUII and Analog that the Commission, by not reviewing those portions of the ID, adopted the ALJ's interpretation of the license ceiling. The license ceiling determines the point at which Analog should be prohibited from importing or selling integrated circuits encapsulated by the '027 process. As such, the license ceiling is a question concerning remedy, not a question concerning patent validity or infringement. Questions concerning remedy fall within the purview of the Commission, not the ALJ. See 19 U.S.C. § 1337(d), (e), (f); 19 C.F.R. § 210.58. As the ALJ stated in the ID, "[i]n the event a violation is found, a decision as to whether, how, and on what basis the Commission will fashion a remedy in view of the fact that Analog is now licensed under the '027 patent is not under the jurisdiction of the administrative law judge." ID at 105. Moreover, the ALJ determined that Analog had imported the infringing devices before it acquired PMI's license. ID at 82. Thus, infringement by Analog was already established. Accordingly, the Commission's decision not to review the portions of the ID discussing facts relevant to remedy issues did not amount to adoption by the Commission of the ALJ's findings on this matter. We explicitly recognized as much in our Opinion, in which we indicated that we were taking no position as to the dollar amount of the license ceiling. Opinion at 41. We explained that our position was based on the assumption that the parties had some mechanism in place to monitor compliance with the license agreement.

PUBLIC VERSION

TI has argued in its petition that the parties are unable to agree about the terms of the license, let alone monitor compliance with it. The continuing disagreement between TI and Analog as to the meaning of the license, as demonstrated by the papers submitted here, has convinced us that there are changed circumstances warranting the unusual step of modifying our order to establish explicitly the license ceiling above which the remedial orders would become effective with respect to Analog.

Although we disagree that the Commission has previously adopted the ALJ's findings as to the amount of the license ceiling, we agree with his interpretation of the agreement, i.e., that the agreement sets the ceiling at the amount of PMI's annual sales of all licensed products. As noted above, under the terms of the agreement, the transferred licenses would extend to Analog "only to the extent of the annual sales of licensed products being made by the licensed party hereunder so acquired at the time said licensed party is acquired." This language unequivocally establishes that the license limit applicable to Analog should be equivalent to the dollar amount of PMI's sales not only of products licensed under the '027 patent, but of all products covered by the PMI-TI license at the time of acquisition. TI does not dispute that this amount equals \$94 million. Given the unequivocal language of the agreement, we do not believe a hearing is required, and therefore deny TI's request for such hearing.<sup>2</sup> We find, on the basis of the existing record, that the license limit is \$94 million.

---

<sup>2</sup> We also note that the parties have had several opportunities, of which they availed themselves, to present facts and arguments concerning this issue, viz., before the ALJ, to the Commission during the remedy phase of the proceedings, and to the Commission in the documents concerning the instant petition for modification.

PUBLIC VERSION

One additional issue not specifically addressed in the briefs concerning the petition for modification is the question of whether the license agreement runs in one-year cycles or is cumulative from the date of Analog's acquisition of PMI. The parties did not devote extensive argument to this question, although they did briefly comment on it. In their briefs filed during the remedy phase of the investigation, OUII and Analog stated that the license limit is set on an annual basis.<sup>3</sup> TI simply urged that all products exceeding the license limit be excluded from entry into the United States.<sup>4</sup>

The operative language of the agreement extends PMI's license to Analog \* \* \* (Emphasis added.) This provision plainly was included to prevent a company with sales of integrated circuits that far exceed those of PMI from taking over PMI and gaining unlimited rights to royalty-free sales of products that use TI's patents. The most reasonable interpretation of this language supports the view put forth by OUII and Analog, *i.e.*, that the "annual sales" language is intended to address this concern by allowing the acquiring party (here Analog) licensed annual sales that do not exceed the annual sales of the original licensee (PMI).

TI requests that, even if the Commission finds the license ceiling to be \$94 million, the reporting requirement of the cease and desist order should be modified to require Analog to report its sales of all licensed products, not

---

<sup>3</sup> OUII's brief on review of the ID at 39, Analog's brief on remedy, public interest, and bonding at 16.

<sup>4</sup> TI's Brief on Review of the ID at 52.

PUBLIC VERSION

just sales of plastic encapsulated integrated circuits.<sup>5</sup> We agree that there is a need to modify the cease and desist in a manner that will enable the Commission to determine whether Analog is complying with the remedial orders. To be effective, such modification should require Analog to report information sufficient to establish whether its sales of covered plastic encapsulated integrated circuits exceed the license ceiling. To meet this goal, we hereby modify the reporting requirements to require that Analog report its sales in dollars and its sales of all licensed products up to \$94 million; after that ceiling is reached, it will be required to report sales, if any, only of covered plastic encapsulated circuits, as follows:

Respondent shall report to the Commission its importation into the United States of covered products, including licensed products, measured in units, if any, during the reporting period in question.<sup>6</sup>

Respondent shall report to the Commission its sales in the United States, including licensed sales, measured in sales values, of all covered products, if any, during the reporting period in question.

Respondent shall report to the Commission its sales of all licensed products in the United States, if any, measured in sales values up to the license ceiling.

In drafting the proposed reporting modification, we are aware that the Commission cannot regulate imports of products not covered by the patents in

---

<sup>5</sup> TI has previously sought access to the confidential compliance reports of the respondents, including Analog. Release of these reports would be contrary to the Commission's consistent practice of treating such reports as post-investigation confidential materials not subject to release to complainants or the public. TI has not shown any compelling need for this information that would warrant departure from this practice. TI's request is therefore denied.

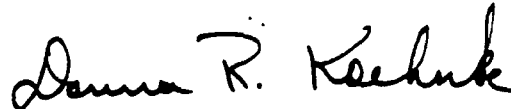
<sup>6</sup> This is consistent with the current reporting provisions for any importation of covered products. Since the license ceiling is measured in sales value, there is nothing to be gained by requiring Analog to report some unrelated dollar value of imported products prior to their sale.

PUBLIC VERSION

issue. Although we have imposed a reporting requirement that may extend to products not covered by this investigation, the proposed modified order does not in any way affect the importation and sales of such products. The imposition of the broader-than-usual reporting requirement is necessary for the Commission to determine whether the license ceiling has been reached, and hence, whether any additional sales of covered products violate the cease and desist order. Once the annual license ceiling has been met, the modified order does not require Analog to continue reporting sales of products not covered by the patent in issue, but does require it to continue reporting sales of covered products. While the Commission may prevent Analog from selling covered products in excess of \$94 million, the order does not prevent Analog from selling other products in violation of the license.

A modified Cease and Desist Order is appended hereto.

By order of the Commission.



Donna R. Koshnke  
Secretary

Issued: July 2, 1993

Public Version Issued: December 1993

RECEIVED  
OFFICE OF THE SECRETARY  
U.S. INTL TRADE COMMISSION

93 NOV 17 AM 1:35

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

\_\_\_\_\_  
In the Matter of )  
 )  
CERTAIN PLASTIC ENCAPSULATED )  
INTEGRATED CIRCUITS )  
\_\_\_\_\_

Investigation No. 337-TA-315

MODIFIED ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Analog Devices, Inc., One Technology Way, Norwood, Massachusetts, 02062-4700, cease and desist from any unlicensed importing, selling for importation, assembling, testing, marketing, distributing, offering for sale, selling, or otherwise transferring (except for exportation) in the United States of imported plastic encapsulated integrated circuits made by a process covered by claims 12, 14, or 17 of U.S. Letters Patent 4,043,027, in violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

I.

(Definitions)

As used in this Order:

- (A) "Commission" shall mean the United States International Trade Commission.
- (B) "Complainant" shall mean Texas Instruments, Inc., P.O. Box 225474, 13500 North Central Expressway, Dallas, Texas 75265.
- (C) "Respondent" shall mean Analog Devices, Inc., One Technology Way, Norwood, Massachusetts, 02062-4700.
- (D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity

other than the above Respondent or its majority owned and/or controlled subsidiaries, their successors, or assigns.

(E) "United States" shall mean the fifty States, the District of Columbia, and Puerto Rico;

(F) "Covered product" shall mean any "opposite-side gated" plastic encapsulated integrated circuit manufactured abroad according to a process which, if practiced in the United States, would infringe claims 12, 14, or 17 of U.S. Letters Patent 4,043,027.

## II

### (Applicability)

The provisions of this Cease and Desist Order shall apply to Respondent and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors and assigns, and to each of them, in accordance with Section VII hereof.

## III

### (Conduct Prohibited)

The following conduct of Respondent in the United States is prohibited by this Order: Respondent shall not, except to the extent that it is licensed to do so, import or sell for importation into the United States, assemble, test, market, distribute, offer for sale, sell, or otherwise transfer (except for exportation) in the United States covered products, for the remaining term of U.S. Letters Patent 4,043,027.



IV

(Conduct Permitted)

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, Complainant licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered products by or for the United States.

V

(Reporting)

Respondent shall submit quarterly reports during the period commencing on February 18, 1992, and extending through the remaining term of U.S. Letter Patent 4,043,027. Within 60 days of issuance of this Order, respondent shall submit an amended report for the quarterly periods beginning on February 18, 1992, consistent with the modified reporting requirements of this provision. Thereafter, reports shall be submitted within 21 days of the close of each quarter. This reporting requirement shall continue in force until the expiration of U.S. Letters Patent 4,043,027 on August 23, 1994.

Respondent shall report to the Commission its importation into the United States of covered products, including licensed products, measured in units, if any, during the reporting period in question.

Respondent shall report to the Commission its sales in the United States, including licensed sales, measured in sales values, of all covered products, if any, during the reporting period in question.

Respondent shall report to the Commission its sales of all licensed products in the United States, if any, measured in sales values up to the license ceiling.

Any failure to report shall constitute a violation of this Order.

## VI

### (Recordkeeping and Inspection)

(A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of two years from the close of the fiscal year to which they pertain. Respondent shall also retain any and all records regarding licensed importation or sale of covered products.

(B) For the purposes of determining or securing compliance with this Order and for no other purpose, and subject to any privilege recognized by the Federal Courts of the United States, duly authorized representatives of the Commission shall, upon reasonable written notice by the Commission or its staff, be permitted access and the right to inspect and copy in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, financial reports, and other records and documents, both in detail and in summary form, for the purpose of verifying any matter or statement contained in the reports required to be retained under subparagraph VI(A) of this Order.

## VII

### (Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within thirty (30) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents and employees who have any responsibility for the marketing, distribution, or sale of covered products in the United States;

(B) Serve, within thirty (30) days after the succession of any persons referred to in subparagraph VII(A) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the date of expiration of U.S. Letters Patent 4,043,027.

#### VIII

##### (Confidentiality)

Information obtained by means provided for in Sections V and VI of this Order will be made available only to the Commission and its authorized representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than duly authorized representatives of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without ten (10) days prior notice in writing to Respondent.

##### (Enforcement)

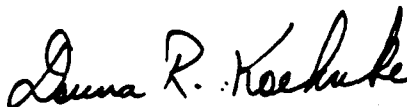
Violation of this Order may result in any of the actions specified in section 211.56 of the Commission's Interim Rules of Practice and Procedure, 19 C.F.R. § 211.56, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

X

(Modification)

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 211.57 of the Commission's Interim Rules of Practice and Procedure, 19 C.F.R. § 211.57.

By order of the Commission.



Donna R. Koehnke  
Secretary

Issued: July 2, 1993

Public Version Issued: December 1993

