

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

CERTAIN VIDEO GAME SYSTEMS
AND WIRELESS CONTROLLERS AND
COMPONENTS THEREOF

Investigation No. 337-TA-770

NOTICE OF COMMISSION DETERMINATION TO REVIEW-IN-PART A REMAND
INITIAL DETERMINATION; SCHEDULE FOR FILING WRITTEN SUBMISSIONS
ON REVIEW FOR REMAND INITIAL DETERMINATION AND FINAL INITIAL
DETERMINATION

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review certain portions of the remand initial determination ("ID") issued by the presiding administrative law judge ("ALJ") on May 7, 2013 in the above-captioned investigation.

FOR FURTHER INFORMATION CONTACT: Jia Chen, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-4737. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: On April 27, 2011, the Commission instituted the subject investigation based on a complaint filed by Creative Kingdoms, LLC of Wakefield, Rhode Island and New Kingdoms, LLC of Nehalem, Oregon (collectively, "CK"). 76 *Fed. Reg.* 23624 (Apr. 27, 2011). The complaint alleged violations of Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 ("Section 337") by reason of infringement of certain claims of United States Patent Nos. 7,896,742 ("the '742 patent"); 7,500,917 ("the '917 patent"); and 7,850,527 ("the '527 patent"). The named respondents are Nintendo Co., Ltd., of Kyoto, Japan and Nintendo America, Inc. of Redmond, Washington (collectively, "Nintendo").

The products accused of infringing the asserted patents are gaming systems and related components and software, including the Wii Remote, Wii MotionPlus, Wii Remote Plus, Nunchuk, Wii console (versions RVL and RVK), and Wii U console (collectively, the “accused products”).

On August 31, 2012, the ALJ issued a final ID finding no violation of section 337 by Nintendo. The ALJ found that the accused products infringe sole asserted claim 24 of the ‘742 patent, but that the claim is invalid for failing to satisfy the enablement requirement and the written description requirement under 35 U.S.C. § 112. The ALJ found that no accused products infringe the asserted claims of the ‘917 patent and ‘527 patents. The ALJ also found that the asserted claims of the ‘917 and ‘527 patents are invalid for failing to satisfy the enablement requirement and the written description requirement. The ALJ concluded that complainant has failed to show that a domestic industry exists in the United States that exploits the asserted patents as required by 19 U.S.C. § 1337(a)(2). The ALJ did not make a finding regarding the technical prong of the domestic industry requirement with respect to the asserted patents. The ALJ also did not making a finding with respect to anticipation and obviousness of the asserted patents.

On September 17, 2012, CK filed a petition for review challenging the ALJ’s findings with respect to claim construction, infringement, enablement and written description for the ‘917 patent, the ALJ’s findings with respect to enablement and written description of the ‘742 patent, as well as the ALJ’s findings with respect to the domestic industry requirement for the ‘917 and ‘742 patents. On the same day, Nintendo filed a petition for review challenging the ALJ’s finding with respect to claim construction and infringement for the ‘742 patent. Nintendo also challenged the ALJ’s failure to address anticipation and obviousness with respect to the ‘917 and ‘742 patents. The IA filed a petition for review challenging the ALJ’s finding with respect to the domestic industry requirement for the ‘917 and ‘742 patents. None of the parties challenged the ALJ’s final ID with respect to the ‘527 patent.

On November 6, 2012, the Commission determined to review the following issues: (1) claim construction of the limitation “toy wand” of the asserted claim of the ‘917 patent; (2) non-infringement of the asserted claim of the ‘917 patent; (3) infringement of the asserted claim of the ‘742 patent; (4) validity of the asserted claims of the ‘917 and ‘742 patents under the enablement requirement; (5) validity of the asserted claims of the ‘917 and ‘742 patents under the written description requirement; and (6) whether the domestic industry requirement is met with respect to the ‘917 and ‘742 patents. On the same day, the Commission issued an opinion with respect to the proper claim construction of the term “toy wand” of the asserted claim of the ‘917 patent. Specifically, the Commission disagreed with the ALJ that the term “toy wand” should be construed as “an elongated hollow pipe or tube consistent with a wand associated with magic or illusion.” The Commission found that the term “toy wand” should be construed as “an elongated hollow pipe or tube used for play.” The Commission determined to remand this case to the ALJ to determine the following issues: (a) direct infringement of the asserted claim of the ‘917 patent in light of the proper construction of the term “wand” as set forth in the Commission opinion; (b) whether the independently sold Wii MotionPlus and Nunchuck accessories contributorily infringe the asserted claims of the ‘917 and ‘742 patents; (c) anticipation and

obviousness with respect to the asserted claim of the '917 patent; (d) obviousness with respect to the asserted claim of the '742 patent; and (e) whether CK has satisfied the technical prong of the domestic industry requirement with respect to the '917 and '742 patents, and if necessary, whether CK has satisfied the economic prong of the domestic industry requirement with respect to the '917 and '742 patents in light of the ALJ's technical prong determination.

On May 7, 2013, the ALJ issued a remand ID finding no violation of section 337. The ALJ found that (i) the accused products do not infringe claim 7 of the '917 patent; (ii) Nintendo does not contribute to the infringement of claim 24 of the '742 patent through its sale of the Wii Nunchuk and the Wii MotionPlus accessories; (iii) the asserted claim of the '917 patent is not invalid for anticipation; (iv) the asserted claim of the '917 patent is not invalid for obviousness; (v) the asserted claim of the '742 patent is not invalid for obviousness; (vi) complainant has satisfied the technical prong of the domestic industry requirement for the '917 patent; and (vii) complainant has satisfied the technical prong of the domestic industry requirement for the '742 patent. The ALJ determined that it was unnecessary to revisit his previous finding in his final ID that complainant has not satisfied the economic prong of the domestic industry requirement for the '742 and '917 patents.

On May 21, 2013, CK filed a petition for review of the remand ID, challenging the ALJ's finding that complainant has not satisfied the economic prong of the domestic industry requirement for the '742 and '917 patents. CK also challenges the ALJ's finding that the accused products do not directly infringe the '917 patent and that the separately sold Wii Nunchuk or the Wii MotionPlus accessories do not contributorily infringe the asserted claim of the '742 patent. On the same day, Nintendo filed a petition for review of the remand ID, challenging the ALJ's finding with respect to obviousness of the asserted claim of the '742 patent. The IA did not submit a petition for review. On June 3, 2013, CK, Nintendo, and the IA each filed reply briefs.

Having examined the record of this investigation, the Commission has determined to review the following issues from the remand ID: (1) whether the accused products directly infringe the asserted claim of the '917 patent; (2) whether the independently sold Wii MotionPlus and Nunchuck accessories contributorily infringe the asserted claim of the '742 patent; (3) non-obviousness of the asserted claim of the '742 patent; and (4) whether the technical prong of the domestic industry requirement is met with respect to the '917 and '742 patents. In addition, the following issues from the final ID are currently under review: (a) whether the accused products directly infringe the asserted claim of the '742 patent; (b) validity of the asserted claims of the '917 and '742 patent under the enablement requirement; (c) validity of the asserted claims of the '917 and '742 patent under the written description requirement; and (d) whether the economic prong of the domestic industry requirement is met with respect to the '917 and '742 patents.

The parties should brief their positions on the issues under review with reference to the applicable law and the evidentiary record. In connection with its review, the Commission is particularly interested in responses to the following questions:

Question 1: Please explain whether the accused products meet the following limitations of the asserted claim of the '917 patent: (a) "a toy wand," *i.e.*, "an

elongated hollow pipe or tube used for play”; (b) “an elongated body having a first end and a second end”; (c) “a pair of first motion sensors configured to generate a first signal in response to a first motion of the elongated body”; (d) “a second motion sensor configured to generate a second signal in response to a second motion of the elongated body, wherein the second motion is different from the first motion, and wherein the second motion sensor is different than either of the pair of first motion sensors”; (e) “a transmitter disposed within the elongated body and capable of wireless communication with at least one receiver”; and (f) “the transmitter configured to send to the at least one receiver a first command to control a first play effect based on the first signal, the transmitter further configured to send a second command to the at least one receiver to control a second play effect based on the second signal.”

Question 2: With respect to CK’s contributory infringement claim for the independently sold Nunchuk and MotionPlus accessories, please cite to and discuss all evidence indicating (1) whether there is an act of direct infringement; and (2) whether Nintendo had knowledge that the combination of the Nunchuk or MotionPlus accessories with the Wii Remote controller was covered by the ‘742 patent.

Question 3: What are the novel aspects of the invention of claim 7 of the ‘917 patent, and are those novel aspects supplied by the specification of the ‘917 patent? *See Automotive Technologies v. BMW of North America Inc.*, 501 F.3d 1274, 1283 (Fed. Cir. 2007) (“It is the specification, not the knowledge of one skilled in the art, that must supply the novel aspects of an invention in order to constitute adequate enablement.”).

Question 4: Would it have been known to a person of ordinary skill in the art in light of the ‘917 patent specification to configure the disclosed accelerometers or other motion sensors to sense motion as required by claim 7?

Question 5: What are the novel aspects of the invention of claim 24 of the ‘742 patent, and are those novel aspects supplied by the specification of the ‘742 patent?

Question 6: Please discuss whether claim 24 of the ‘742 patent is rendered obvious by the combination of Silber, Han, and Nitta.

Question 7: Please discuss whether claim 24 of the ‘742 patent is rendered obvious by the combination of Willner, Silber, and Goschy.

Question 8: Assuming that the technical prong of the domestic industry requirement is met and assuming that the patented article is the toy wand (as opposed to the entire MagiQuest attraction including the toy wand), do the “realities of the marketplace” dictate that the entire MagiQuest attraction (including the physical space, themes, props, other peripheral items, and sales and

training staff) is the article of commerce in competition? *See e.g., Certain Double-Sided Floppy Disk Drives and Components Thereof*, Inv. No. 337-TA-215, USITC Pub. 1860, Comm'n Op., at 55-56 (Oct. 15, 1985) ("The patented article in this investigation may be in and of itself an article of commerce, but . . . [the patented] head assemblies are not the actual articles of commerce at issue when viewed according to the competitive realities of the marketplace."). Are CK's operational activities with respect to the entire attraction facility essential to practicing the claimed wand?

Question 9: Please cite to and discuss evidence pertaining to whether the economic prong of the domestic industry requirement is shown with respect to the electronics and software used in the MagiQuest attraction that interacts with the MagiQuest wand, and discuss whether the electronics and software are designed, developed, and/or manufactured in the United States?

Question 10: Please cite to and discuss evidence relating to the strength of the nexus between the asserted patents and CK's alleged licensing activities, including evidence showing that the activities are particularly focused on the asserted patents. What are the relative importance or value of the asserted patents within the overall intellectual property portfolio in CK's agreements with its customers to operate the MagiQuest attraction?

In connection with the final disposition of this investigation, the Commission may (1) issue an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) issue one or more cease and desist orders that could result in a respondent being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, *see Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843, Comm'n Op. at 9 (December 1994).

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or cease and desist orders would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the United States Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See Presidential Memorandum of July 21, 2005, 70 Fed. Reg. 43251 (July 26, 2005)*. During this period, the subject articles would be entitled to enter the United States under bond, in an amount

determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

WRITTEN SUBMISSIONS: The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the recommended determination by the ALJ on remedy and bonding. Complainant and the Commission investigative attorney are also requested to submit proposed remedial orders for the Commission's consideration. Complainant is also requested to state the date that the patent expires and the HTSUS subheadings under which the accused products are imported. The written submissions and proposed remedial orders must be filed no later than close of business on Thursday, July 18, 2013. Reply submissions must be filed no later than the close of business on Thursday, July 25, 2013. The written submissions must be no longer than 50 pages and the reply submissions must be no longer than 25 pages. No further submissions on these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must do so in accordance with Commission rule 210.4(f), 19 C.F.R. § 210.4(f), which requires electronic filing. The original document and 8 true copies thereof must also be filed on or before the deadlines stated above with the Office of the Secretary. Any person desiring to submit a document to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 C.F.R. § 210.6. Documents for which confidential treatment by the Commission is sought will be treated accordingly. All non-confidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in sections 210.42-46 and 210.50 of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.42-46 and 210.50).

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton
Acting Secretary to the Commission

Issued: July 8, 2013