

Federal Circuit Patent Bulletin: *uPI Semiconductor Corp. v. Int'l Trade Comm'n*

September 25, 2014

"[T]he Commission [is not prohibited] from enforcing the Consent Order in accordance with its terms, although the Commission did not impose an exclusion order."

On September 25, 2014, in *uPI Semiconductor Corp. v. Int'l Trade Comm'n*, the U.S. Court of Appeals for the Federal Circuit (Newman,* Moore, Chen) affirmed-in-part, reversed-in-part, and remanded the U.S. International Trade Commission's (Commission) rulings in an action to enforce a Consent Order concerning U.S. Patents No. 7,315,190, No. 6,414,470, and No. 7,132,717, which related to DC-DC controllers, and the assessed civil penalty of \$620,000. The Federal Circuit stated:

The Commission has authority to terminate a Section 337 investigation by consent order, and to investigate and impose a penalty for violation of a consent order. . . . uPI does not now challenge the Commission's determination that uPI's formerly accused DC-DC controllers were produced using Richtek trade secrets. Nor does uPI contest the Commission's finding that downstream products containing the formerly accused products were imported into the United States after the Consent Order issued or that uPI made post-Consent Order upstream sales of formerly accused products. However, uPI objects to any bar under the Consent Order against importation by uPI's customers of products containing infringing DCDC controllers. . . . uPI states that because this case was terminated by Consent Order, with no general exclusion order, no penalty can be based on importations by non-respondents, whether or not they were knowingly aided or abetted by uPI. . . .

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The Commission's reliance on evidence of uPI upstream post-Consent Order sales of the formerly accused products, evidence of post-Consent Order downstream United States imports or sales of the same model number formerly accused products, the lag time between upstream sale and United States entry, and testimony by uPI executives, reasonably supports the Commission's finding that uPI violated the knowingly aiding or abetting provision of the Consent Order. The Commission's conclusion is supported by substantial evidence, that is, "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." We discern no error in the Commission's ruling on this aspect.

[T]he Commission [is not prohibited] from enforcing the Consent Order in accordance with its terms, although the Commission did not impose an exclusion order. The Consent Order prohibits uPI from knowingly aiding or abetting the importation of DC-DC controllers produced using or containing Richtek trade secrets or infringing Richtek patents, "or products containing same." The Commission had statutory authority to assess a civil penalty against uPI for its violation of the Consent Order's knowingly aiding or abetting provision. . . .

Richtek challenges the Commission's finding that uPI's post-Consent Order controllers do not contain or are not produced using Richtek trade secrets. . . . Richtek defined its trade secrets as the computer files used to design circuits and circuit schematics, not as the circuits themselves. The Consent Order prohibits selling or importing, and aiding or abetting the sale or importation, of products that are produced using Richtek trade secrets, or products containing same. uPI does not challenge the Commission's finding that its formerly accused products were produced using or contain Richtek trade secrets, but argued to the Commission that its post-Consent Order products were independently developed through "clean room" procedures, and did not use the Richtek trade secrets. . . .

uPI stated that it engaged outside design firms to create new layouts and schematics to produce a new line of DC-DC controller chips, and that it did not provide the outside design firms with Richtek trade secrets or uPI's former schematics or layouts. However, the evidence was grossly inadequate. . . . The Commission found that "uPI took steps to insulate its new product lines from any misconduct that took place in the past . . . regardless of any similarities that its post-consent order designs may bear to Richtek's products." However, that the post-Consent Order products could have been independently developed is not evidence of independent development itself. The record as a whole does not contain substantial evidence to support a finding of uPI's independent development. It is undisputed that 23 lines of code in the ECS.ini file, covered by Richtek's trade secrets, appear verbatim in the ECS.ini file uPI used for its post-Consent Order products. The ALJ considered this duplication in finding uPI's violative use of Richtek trade secrets for its formerly accused products, but disregarded the continued duplication for the post-Consent Order products. . . . The reproduction of design errors, notations and extraneous markings is not consistent with independent development. On the record

provided, substantial evidence does not support the Commission's conclusion that uPI's post-Consent Order products were independently developed. The determination that uPI did not violate the Consent Order with respect to post-Consent Order products is reversed. We remand for further proceedings with respect to violation of the Consent Order.