

**UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.**

In the Matter of

**CERTAIN VIDEO CAPABLE
ELECTRONIC DEVICES, INCLUDING
COMPUTERS, STREAMING DEVICES,
TELEVISIONS, AND COMPONENTS
AND MODULES THEREOF**

Inv. No. 337-TA-1380

**AMAZON RESPONDENTS' PETITION FOR REVIEW OF INITIAL
DETERMINATION FINDING VIOLATION OF SECTION 337**

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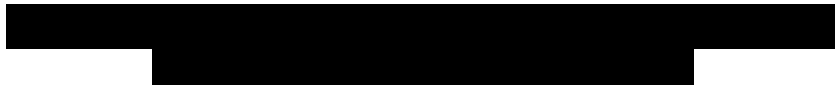
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TABLE OF ABBREVIATIONS

Term	Abbreviation/Shorthand
Complainants Nokia Technologies Oy and Nokia Corporation	Nokia or Complainants
Respondents Amazon.com, Inc. and Amazon.com Services LLC	Amazon
Respondent HP Inc.	HP
Amazon and HP collectively	Respondents
Office of Unfair Import Investigations	Staff
U.S. Patent No. 7,724,818	'818 patent
U.S. Patent No. 10,536,714	'714 patent
U.S. Patent No. 11,805,267	'267 patent
U.S. Patent No. 8,077,991	'991 patent
U.S. Patent No. 8,050,321	'321 patent
The '818, '714, '267, '991, and '321 patents, collectively	Asserted Patents
Claims 6, 7, 8, 9, and 15 of the '818 patent Claims 8 and 10 of the '321 patent Claims 15 and 23 of the '714 patent Claims 7, 8, 9, 25, 26, and 27 of the '267 patent Claims 22, 29, 31, and 38 of the '991 patent	Asserted Claims (collectively or individually by patent, some now for technical domestic industry only as discussed below)
Surface Go 2, Surface Pro 7+, Surface Pro 8, Surface Pro 9, Surface Pro 10, Surface Go 3, Surface Studio 2+, Surface Laptop 3, Surface Laptop 4, Surface Laptop 5, Surface Laptop 6, Surface Laptop SE, Surface Laptop Studio, and Surface Laptop Studio 2+	Microsoft Surface DI Products
Xbox X and S Series gaming consoles	Microsoft Xbox DI Products
Microsoft Surface Domestic Industry Products and Microsoft Xbox Domestic Industry Products	Microsoft DI Products
Galaxy S20, Galaxy S20 5G, Galaxy S20 FE, Galaxy S20 FE 5G, Galaxy S20+, Galaxy S20+ 5G, Galaxy S20 Ultra, Galaxy S20 Ultra 5G, Galaxy S21, Galaxy S21 5G, Galaxy S21+, Galaxy S21+ 5G, Galaxy S21 Ultra, Galaxy S21 Ultra 5G, Galaxy S21 FE, Galaxy S21 FE 5G, Galaxy S22, Galaxy S22+, Galaxy S22 Ultra, Galaxy S23, Galaxy S23+, Galaxy S23 Ultra, Galaxy S23 FE, Galaxy S24, Galaxy S24+, Galaxy S24 Ultra, Galaxy Z Fold 5, Galaxy Z Fold 4, Galaxy Z Fold 3, Galaxy Z Fold 3 5G, Galaxy Z Flip 5, Galaxy Z Flip 4, Galaxy Z Flip 4 5G, Galaxy Z Flip 4 Bespoke Edition, Galaxy Z Flip 3 5G, Galaxy Z Flip 3 5G Bespoke Edition	Samsung DI Products
Microsoft Domestic Industry Products and Samsung Domestic Industry Products	Domestic Industry Products
Nokia's Verified Complaint Under Section 337 of the Tariff Act of 1930, as amended	Compl.

Patent Trial and Appeal Board	PTAB
<i>Inter Partes</i> Review	IPR
Administrative Law Judge	ALJ
U.S. International Trade Commission	Commission
Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337	Section 337
Person of Ordinary Skill in the Art	POSITA
Standard Setting Organization	SSO
Standard Essential Patent	SEP
(Fair) Reasonable and Non-Discriminatory	(F)RAND
International Telecommunications Union	ITU
Non-Practicing Entity	NPE
Federal Trade Commission	FTC
United States Trade Representative	USTR
Joint Video Team	JVT
Joint Collaborative Team on Video Coding	JCTVC
Video Coding Experts Group	VCEG
Complainants' Pre-Hearing Brief, EDIS No. 828897	CPHB
Respondents' Pre-Hearing Brief, EDIS No. 828904	RPHB
Staff's Pre-Hearing Brief, EDIS No. 829489	SPHB
Complainants' Initial Post-Hearing Brief, EDIS No. 833740	CIB or Nokia's Initial Brief
Respondents' Initial Post-Hearing Brief, EDIS No. 833718	RIB or Respondents' Initial Brief
Staff's Initial Post-Hearing Brief, EDIS No. 834177	SIB or Staff's Initial Brief
Complainants' Post-Hearing Reply Brief, EDIS No. 834791	CRB
Respondents' Post-Hearing Reply Brief, EDIS No. 834774	RRB
Staff's Post-Hearing Reply Brief, EDIS No. 835281	SRB
Hearing Transcript	Tr.
Initial Determination on Violation of Section 337	ID
Recommended Determination of Remedy and Bond	RD

[REDACTED]

Pursuant to 19 C.F.R. § 210.43, Amazon petitions for review of the December 20, 2024 ID, which incorrectly found a violation of Section 337 at the request of Nokia. Upon determination to review, the Commission should also extend the target date, as set forth in Amazon’s motion for extension filed concurrently herewith, until a quorum is available to perform the review and take any action on the reviewed ID.

I. INTRODUCTION

The ID suffers from fundamental legal, factual, and procedural errors that must be reviewed and corrected because no violation has occurred. Excluding U.S. Respondent Amazon from importing its feature-rich downstream products into the United States at the request of Finnish Complainants based on narrow, weak, and supposedly standard essential patents is contrary to the law, factual record, public interest, and purpose of Section 337.

To begin, the ID purported to find a violation on two patent claims that were *not even asserted against Amazon*, but rather only against a different respondent. And the ID impermissibly substituted new, bespoke arguments where it found Nokia fell short, including on domestic industry, technical, and public policy issues. The ID also omitted unrebutted, contradictory facts supporting Amazon, including that Amazon is a willing licensee. Amazon has unquestionably and unconditionally agreed to license Nokia’s purported essential patents at a RAND rate set in a co-pending U.K. proceeding while Nokia has so far refused to accept that rate. These facts alone should preclude the issuance of an exclusion order on SEPs.

The ID’s problems go deeper than the examples above. Another threshold issue impacting Commission policy is the ID diluting the domestic industry requirement as none has done before. Based on scant evidence and a legally erroneous, truncated application of only one of three factors of the realities of the marketplace test, the ID found a “custom” AMD chipset sold to Microsoft is

[REDACTED]

not an article of commerce. The ID therefore allowed Nokia to claim all of Microsoft's investments—none of which are tied to the patented technology—in the Xbox DI products. This portion of the ID is not only erroneous, but also directly contradicts another recent initial determination. *See Certain AMOLED Display Panels and Modules for Mobile Devices, and Components Thereof*, Inv. No. 337-TA-1351, Initial Deter. (Nov. 15, 2024) (“*AMOLED Display Panels*”) (analyzing all factors of realities of the marketplace test on similar facts and coming to opposite conclusion that customized Samsung AMOLED DI screens are articles of commerce and looking to investments in downstream products not allowed). After deciding Nokia could count all Xbox investments, the ID continued to improperly fill holes in Nokia's proof regarding significance, raising arguments Nokia never itself suggested. But an ID creating its own independent arguments to bolster Nokia's failure of proof improperly deprived Amazon of an opportunity to respond and improperly removed the burden on Nokia. *See Certain Marine Air Conditioning Systems, Components Thereof, and Prods. Containing Same*, Inv. No. 337-TA-1346, Comm'n Op. (Mar. 11, 2024) (“*Marine Air Conditioning Sys.*”) (vacating ID's independent findings based on *sua sponte* analysis of evidence).

The ID's pattern of fixing and augmenting Nokia's failures of proof even where arguments and issues were waived under the Ground Rules¹ did not stop there: four of the five Asserted Patents suffer from similar problems. For the '267 patent, the ID concluded that Amazon infringes claims that were not even asserted against Amazon. Although Amazon devoted seven full pages of post-hearing briefing to detailing holes in Nokia's superficial source code “analysis,” Nokia's purported “representative” products analysis, and the reasons Nokia's testing was inapplicable, the

¹ Under Ground Rule 9.2, “[a]ny contentions not set forth in detail . . . shall be deemed abandoned or withdrawn,” while Ground Rule 13.1 mandates that “[t]he post-trial brief shall discuss the issues and evidence . . . [and a]ll other issues shall be deemed waived.”

[REDACTED]

ID sidestepped all those issues in a single sentence. On invalidity, the ID saved a claim from obviousness based on allegedly insufficient evidence on the “level of ordinary skill in the art” for one limitation when that issue was *undisputed* by the parties and waived. Similarly, after agreeing Nokia failed to rebut Amazon’s expert on an element missing on infringement, the ID substituted its own reasoning to find a violation. Finally, on patent ineligibility, the ID wholly ignored Federal Circuit precedent that an abstract idea cannot be saved by “limiting [it] to a particular existing technological environment.” *Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1259 (Fed. Cir. 2016). Each of these issues taints the ID and requires review and reversal.

On the ’321 patent, although the ID agreed the prior art MPEG-1 standard rendered virtually all aspects of the Asserted Claims obvious, it faulted Amazon for not showing a particular variable in MPEG-1 was reset by the video decoder rather than the encoder. To reach this conclusion, the ID set aside that MPEG-1 taught to reset the variable the same way as the ’321 patent, and that Amazon presented un rebutted testimony showing MPEG-1 disclosed or rendered this limitation obvious. Nokia failed to even address MPEG-1, a reference on which the PTAB has instituted IPR.

The ID’s treatment of the ’714 patent continued this pattern. Deciding an admittedly “close question” of claim construction against Amazon, the ID ignored antecedent basis to broaden the patent and find infringement. On invalidity, the ID rejected all of Nokia’s own arguments only to create a new one of its own—to which Amazon had no opportunity to respond—to overcome Nakamura, another reference on which the PTAB has instituted IPR.

On the ’818 patent, the ID completely failed to address Amazon’s defense that Sony engineers—not the named inventors—invented a significant part of the claimed subject matter, invalidating the entire patent. Moreover, although the ID agreed with all of Amazon’s facts, it

[REDACTED]

expanded the law of inurement to credit Nokia for the work of volunteers at other companies. That error afforded the '818 patent the wrong priority date, allowing Nokia to overcome clear prior art.

The ID made similar mistakes and omissions regarding Amazon's non-technical defenses. For example, in addressing implied waiver, the ID directly contradicted Federal Circuit precedent holding standards-body participants like Nokia have a duty to disclose their patents prior to standard approval, something Nokia does not dispute it failed to do. Most egregiously, in addressing breach of good faith and RAND, the ID ignored that Amazon sought rate-setting in the U.K.—something Nokia has not requested in the 13 legal proceedings it brought against Amazon on its patents around the world—and that Amazon has consistently reiterated its unconditional willingness to accept whatever rate will be set by the U.K. High Court. The ID similarly overlooked both Nokia's expert's concessions about patent pool rates and the unrebutted testimony of Amazon expert Tim Simcoe about Nokia's efforts to hold up the industry with its patents.

The Commission ordered the ALJ to take evidence with respect to the public interest. Yet, the ALJ only dismissively addressed even the most fundamental concepts of public interest, for example, stating that the fact that Section 337 exists to protect U.S. industry is both “true and unhelpful.” The ID decided “public health and welfare” do not include considerations of employment, economic growth, or U.S. investments and activities and ignored them on that basis. And the ID wholly failed to address the fact that Nokia is a foreign patent-assertion entity seeking to assert SEPs on narrow features against the downstream products of a U.S. company—a company that has unconditionally committed to pay whatever RAND rate the U.K. court sets. Nokia has openly conceded it does not sell or develop relevant products and has only come to the ITC to “force” a license, exerting leverage for supra-RAND licensing terms. EDIS Doc. ID 827089 at 9:5–17 (1379 Hearing Nokia Opening Statement). Nokia itself argued for years against exactly

[REDACTED]

the exclusionary relief for SEPs it now seeks. *E.g., Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868, Nokia’s Comments Relating to the Public Interest at 4 (Jan. 15, 2013) (“[W]here a potential licensee agrees to pay FRAND compensation . . . an exclusion order is not a proper remedy. . . .”). The ITC does not exist to provide licensing leverage to entities who are not protecting a domestic industry. In the end, Nokia should fail in its effort to abuse the ITC for such leverage due to the flaws in its case, and the mistaken logic and flawed conclusions in the ID.

Amazon petitions for review of multiple issues on which the ID clearly erred, several of which are dispositive of no violation by Amazon, with others dispositive on each of the four patents for which a violation was found. The challenged conclusions are based on clearly erroneous findings of fact and erroneous legal conclusions. The quorum, domestic industry, and affirmative defense issues are further important because they affect Commission policy. Amazon also requests that the Commission not adopt the RD concerning public interest and remedy. Accordingly, Amazon asks the Commission to review the ID and correct its errors of fact and law, which will lead to a finding of no violation by Amazon. Through its co-pending motion, Amazon also requests the Commission extend the target date for its review given the Commission’s current lack of a quorum.

II. STATEMENT OF ISSUES FOR WHICH AMAZON REQUESTS REVIEW

Pursuant to 19 C.F.R. § 210.43, Amazon seeks review of the following issues based on erroneous factual findings, legal conclusions, and/or important policy implications:

- A. Whether the Commission lacks a quorum with only two Commissioners participating and the ID deferred the issue to the Commission;
- B. Whether Nokia satisfied the domestic industry requirement’s economic prong because:



- The ID erred in applying the realities of the marketplace test to the Xbox DI Products, and
- The ID erred in determining that investments related to the Xbox DI products were significant;

C. Whether the ID erred in finding a violation on the '267 patent because:

- Claims 7–9, found infringed, were not even asserted against Amazon;
- The ID disregarded holes in Nokia's deficient source code analysis, bitstream testing, and representativeness analysis related to the infringement case;
- The ID raised an objection *sua sponte* to the undisputed level of ordinary skill in the art to find claim 27 non-obvious;
- The ID substituted its own reasoning to find claims 25–27 infringed, which contradicts the ID's position on claim 27's validity; and
- The ID found claims 25–27 patent eligible, contrary to Federal Circuit law;

D. Whether the ID erred in finding a violation on the '321 patent because:

- The MPEG-1 prior art reference renders the Asserted Claims obvious and Nokia did not offer any rebuttal evidence;
- The ID found the '321 patent eligible, contrary to Federal Circuit law; and
- Nokia failed to prove Amazon infringes based on the "other variables" identified in the ID;

E. Whether the ID erred in finding a violation on the '714 patent because:

- The ID ignored antecedent basis principles and misconstrued the claim phrase "based on the location of the block" to find claim 23 infringed;
- The ID rejected all of Nokia's arguments against obviousness, but then substituted its own, novel argument Nokia never raised; and
- The ID found claim 23 patent eligible, contrary to Federal Circuit law;

F. Whether the ID erred in finding a violation on the '818 patent because:

- The ID never addressed Amazon's defense that the named inventors did not invent claim 7, which invalidates the entire patent;

- The ID contradicts decades of inurement law to credit the work of others to Nokia's inventors, who abandoned the patent before reduction to practice;
- A POSITA would have been motivated to combine the VCEG-N52 and Sriram prior art references, rendering the patent obvious; and
- The ID found the '818 patent eligible, contrary to Federal Circuit law;

G. Whether the ID erred in rejecting Amazon's non-technical defenses because:

- The ID's findings on implied waiver are based on erroneous legal conclusions contradicting Federal Circuit authority and clearly erroneous factual conclusions;
- The ID erred in concluding that Amazon had not shown that Nokia breached its duty to negotiate in good faith,
- The ID ignored material evidence demonstrating Nokia's licensing "program rates" are unreasonable, and
- The ID erred in not finding that Nokia's licensing offers were discriminatory.

In addition, the Commission must make its own determination on remedy and public interest and should decline to adopt the erroneous legal and factual conclusions of the RD.

III. LEGAL STANDARD FOR COMMISSION REVIEW

The Commission may review an ID for one or more of the following reasons: (i) a finding or conclusion of material fact is clearly erroneous; (ii) a legal conclusion is erroneous, without governing precedent, rule or law, or constitutes an abuse of discretion; or (iii) the determination is one affecting Commission policy. 19 C.F.R. § 210.43(b)(1). A petition for review will be granted "if it appears that an error or abuse of the type described in paragraph (b)(1) of [section 210.43] is present or if the petition raises a policy matter connected with the initial determination, which the Commission thinks it necessary or appropriate to address." *Id.* § 210.43(d)(2).

Once a petition is granted, the Commission's review is conducted de novo. *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices, and*

Prods. Containing Same, Inv. No. 337-TA-395, Comm’n Notice, 2000 ITC LEXIS 318, at *8–9 (Oct. 16, 2000); *Certain Earpiece Devices and Components Thereof*, Inv. No. 337-TA-1121, Comm’n Op. at 11 (Nov. 8, 2019). The Commission “may affirm, reverse, modify, set aside or remand for further proceedings, in whole or in part, the initial determination of the administrative law judge . . . [and] also may make any findings or conclusions that in its judgment are proper based on the record in the proceeding.” 19 C.F.R. § 210.45(c).

IV. STATEMENT OF FACTS RELEVANT TO AMAZON’S PETITION

A. The Parties

1. Complainants Nokia Technologies Oy and Nokia Corporation

Nokia is Finnish. Compl. ¶¶10, 13; RX-1981C (Gray) 219:8–10. Nokia’s history in cellular and wireless technology, touted in its briefs to the ALJ, is irrelevant here. For the purposes of this Investigation, Nokia is an NPE with no relevant U.S. presence, domestic industry, patent-practicing products, or products competing with those it seeks to exclude. RX-1982C.0044–45 (Martikainen); JX-1489C² (Braun) 166:18–167:2, (Mody) 1250:1–12, 1251:9–25. Nokia seeks to leverage threat of an exclusion order to coerce supra-RAND royalties from Amazon who is a willing licensee on RAND terms. EDIS Doc. ID 827089 1379 Tr. at 9:5–17 (Nokia admitting it is at the Commission to “force” Respondents to take a license).

2. Respondents Amazon.com, Inc. and Amazon.com Services LLC

Amazon.com, Inc. and Amazon.com Services LLC are Delaware corporations with principal places of business in Washington and Virginia. JX-1489C (Hayden) 993:11–16; RX-2217. Amazon is a customer-centric U.S. company, renowned for transforming online retail and

² JX-1489C is excerpts of the Inv. No. 337-TA-1379 Hearing transcript that were admitted in this Investigation. *See* Stipulation (EDIS Doc. ID 830742). As such, the page and line numbers do not correlate to the PDF page numbers. An index to assist navigation is on page one of JX-1489C.

[REDACTED]

device innovation. JX-1489C (Hayden) 987:17–988:1, 989:1–5. Founded in a Bellevue garage, Amazon now employs 1.1 million workers nationwide, supports over 1.5 million additional jobs, and has created more jobs than any U.S. company over the last decade. *Id.*; RX-2217; RX-1440. Amazon’s investments have yielded countless innovations, including household name e-readers (Kindle), tablets (Fire), and voice-controlled speakers (Alexa). JX-1489C (Hayden) 988:2–17, 989:6–11, 993:3–25; RX-2217; RX-1437.0002; RX-1438.0007; RX-1439.0006; RX-1440.0002.

B. Procedural Background

Nokia’s October 31, 2023 Complaint alleged that Amazon is violating Section 337 by infringing the Asserted Patents. The Commission instituted on November 30. 88 Fed. Reg. 84830. Over 90 claims have been terminated by withdrawal. Order Nos. 19, 42 (both unreviewed). Amazon sought summary determination of ineligibility pursuant to 35 U.S.C. § 101 and no domestic industry. Motion 1380-035. Summary determination of no domestic industry under subsection (C) was granted. Order No. 41 (unreviewed). The parties agreed to submit certain fact and expert witness testimony from Investigation 337-TA-1379’s hearing³ into this Investigation’s record. EDIS Doc. ID 830742. This Investigation’s evidentiary hearing was held from September 9–13, 2024.

C. The Asserted Patents

Nokia asserted five patents, each directed to a trivial aspect of video encoding/decoding. Four of the patents are relevant to this review request, and they are individually addressed below.

³ In addition to this Investigation, Nokia has launched Investigation 337-TA-1379, federal district court cases in Delaware and Virginia, and proceedings in the U.K., Germany, India, Brazil, and the Unified Patent Court against Amazon. Amazon has filed IPRs against the patents in this Investigation; the PTAB has instituted against the four patents on which a violation was found, and a final institution decision on ’991 patent for which no violation was found is due on February 27, 2025. IPR2024-00572; IPR2024-00604; IPR2024-00605; IPR2024-00626; IPR2024-00627; IPR2024-00691.

D. The Accused Products

The Amazon Accused Products represent a broad range of pioneering, innovative products. In 2014, Amazon launched Echo, a voice-controlled speaker and an intelligent personal assistant, Alexa, with groundbreaking technology: using voice control in an ambient environment to ask questions or control devices. Nokia accused Echo Show devices containing Amlogic and MediaTek chipsets, as well as Fire OS and Vega OS. Fire OS is based off Android OS. Amazon does not modify the video codec in stock Android OS. The Amazon Fire Tablets are the leading tablet in the value segment, with a deep set of features at a price point making them affordable and accessible. CX-8700C (Bansal Tr.) 77:16–22; 98:5–8. Nokia accuses Fire Tablet devices containing MediaTek chipsets and various versions of Fire OS. The Amazon Fire TV is a television with a flat-panel LED screen. Nokia accuses Fire TV devices containing MediaTek chipsets and various versions of Fire OS. The Amazon Fire TV Stick and Fire TV Cubes are streaming media devices that can plug into a television’s HDMI port. Nokia accuses Fire TV Sticks and Fire TV Cubes containing Amlogic and MediaTek chipsets and various versions of Fire OS. With respect to the Echo Show products, Nokia confirmed it accused Echo Show of infringing all asserted patents. The ID (at 10) correctly found Nokia failed to address—and thus waived—any infringement argument as to the Echo Show in its pre- and post-hearing briefs. Having failed its burden of proof, Nokia failed to prove infringement of the Echo Show products and no such finding was made.

V. COMMISSION REVIEW SHOULD BE GRANTED ON CERTAIN ISSUES

Amazon requests that the Commission review the issues as set forth below.

A. Review on Quorum is Necessary Because the ID Deferred the Issue to the Commission and It Affects Commission Policy

The Commission must review at least the issue of quorum because the ID fully deferred

[REDACTED]

that issue without making any findings. ID at 24 (“Amazon’s arguments about a lack of quorum are best considered in the first instance by the Commission itself.”). As set forth in Amazon’s concurrently filed motion to extend the target date, the Commission currently lacks a quorum to substantively review the ID, address the public interest, or issue any remedy.

“A majority of the commissioners in office shall constitute a quorum.” 19 U.S.C. § 1330(c)(6); 19 C.F.R. § 201.4. With four Commissioners in office, “a majority” requires at least three to constitute a quorum. USITC GC-G-198, 1983 WL 206945, at *1 (Aug. 9, 1983) (“[W]hen there are only four Commissioners the presence of three of the four Commissioners is required for a meeting quorum, [and] three of four votes are generally needed to take an action.”); USITC GC-H-116, 1984 WL 273516, at *7 (Apr. 20, 1984) (“[T]he quorum requirement . . . prevent[s] an unduly small number of persons from taking totally unrepresentative action . . .”). Any affirmative action to either substantively review and make findings on the record, to address the public interest, or to issue any remedial orders requires a majority of a quorum. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 254 (C.C.P.A. Apr. 10, 1930), *cert denied* 282 U.S. 852 (1930) (majority of quorum necessary to act in decision arising from unfair import investigation). *Advance Notice of Proposed Rulemaking Concerning Comm’n Voting Procs. In Investigations & Related Proc. On Unfair Practices, in Import Trade*, 60 F.R. 3785-01 (Jan. 11, 1995) (“[A] majority of a Commission quorum would be required to take some affirmative action with respect to the reviewed ID” and “a majority of a quorum is necessary to act for the agency.”).

Only two of the four Commissioners currently in office are participating in this Investigation.⁴ A quorum is therefore not present. While a single Commissioner’s vote can trigger

⁴ Commissioner Johanson recused himself on November 21, 2023 (EDIS Doc. ID 809321). Commissioner Schmidlein recused herself on December 12, 2023 (EDIS Doc. ID 810364).

whether to review an ID, the review itself and any affirmative action thereon must be taken by a quorum. The Commission must also reach its own determination on remedy, bond, and public interest. 19 C.F.R. § 210.42(h)(2). The Commission can and should, therefore, determine to review and then extend the target date to complete such review and take any action on remedy and the public interest until a quorum is reconstituted.

Nokia’s arguments that the statutory quorum requirement is rendered “obsolete” should be rejected. First, 19 U.S.C. § 1330(c)(6)’s vacancy clause is to be read in conjunction with—not as overriding—the quorum requirement. *See New Process Steel, L.P. v. N.L.R.B.*, 560 U.S. 674, 681 (2010) (“The vacancy clause still operates to provide that vacancies do not impair the ability of the Board to take action, so long as the quorum is satisfied.”). Second, a vote of “Recused” does not count as a vote towards a quorum, let alone towards action by a quorum, contrary to Nokia’s assertions. *See* USITC GC-H-116, 1984 WL 273516, at *7 (“[A] Commissioner who has failed, declined, or refused to act . . . for voting is properly considered as not participating” and “[a] Commissioner cannot be forced to vote.”). Nor do previous determinations in this Investigation *not to review* non-Final IDs—which are not affirmative actions—indicate that two Commissioners have been acting as a quorum. Finally, Nokia’s argument that the Commission is obligated to act under the “Rule of Necessity,” should be rejected because Commissioners Schmidlein and Johanson should not be forced to act and it is not the case that “the case cannot be heard otherwise” where the target date can be extended until a quorum is re-established.⁵

B. The ID Erred in Finding that Nokia Satisfied the Economic Prong of the Domestic Industry Requirement

The ID committed two independent errors with respect to domestic industry. First, the ID

⁵ The Senate Finance Committee held hearings on two candidates to the Commission on December 18, 2024, with a third reportedly withdrawing his candidacy.

[REDACTED]

misapplied the realities of the marketplace test to a subset of Domestic Industry Products, reaching a legally and factually unsupportable conclusion as to the first factor (article of commerce), and failing to apply the second and third factors at all. Second, the ID incorrectly determined that investments in that subset of the Domestic Industry Products were significant. Both errors must be reviewed, and either is sufficient to reverse the violation finding against Amazon.

1. The ID Erred Applying the Realities of the Marketplace Test to the Xbox DI Products

Nokia's theories in this Investigation represent an unprecedented and wrongful dilution of the domestic industry requirement. That requirement "prevent[s] the ITC from becoming a forum for resolving disputes brought by foreign complainants whose only connection with the United States is ownership of a U.S. patent." *Certain Battery-Powered Ride-On Toy Vehicles*, Inv. No. 337-TA-314, USITC Pub. No. 2420, Initial Deter. at 21 (Aug. 1991). Nokia—a Finnish company with no domestic operations related to video compression—has no domestic industry investments of its own. For its technical domestic industry, Nokia points to chipsets and Android OS as practicing the Asserted Claims—the same chipsets and Android OS Nokia relies on for infringement. Nokia sums all its licensees' investments in feature-rich downstream products because those products include these third-party components. By doing so, Nokia attempts to divorce the economic prong from the technical prong to sweep in investments unrelated to the patented technology, including the larger investments that Nokia relies on to supposedly prove domestic industry. Such an approach is unsupportable under the statute itself—the investments were not made "with respect to the articles protected by" the Asserted Patents, which the ID correctly determined are the third-party chipsets and Android OS incorporated into the downstream products. And the realities of the marketplace do not support such an expansion.

The three-part realities of the marketplace test used to determine whether the domestic

[REDACTED]

industry can extend beyond the patent-practicing articles asks: (1) whether the patent-practicing article is a separate article of commerce; (2) whether the patent-practicing article is essential to the downstream product; *and* (3) whether the domestic activities have a direct relationship to the exploitation of the patented technology. *Certain Magnetic Tape Cartridges and Components Thereof*, Inv. No. 337-TA-1058, Comm’n Op. at 48–50 (Apr. 9, 2019) (“*Magnetic Tape Cartridges*”). Commission precedent expanding the domestic industry involves circumstances under which the patented technology can only be exploited through sales of the particular downstream product. *Id.* at 56; *Certain Sleep-Disordered Breathing Treatment Sys. and Components Thereof*, Inv. No. 337-TA-890, Initial Deter. at 149 (Sept. 16, 2014) (“*Breathing Treatment Sys.*”); *Certain Personal Computers and Components Thereof*, Inv. No. 337-TA-140, USTIC Pub. 1504, Comm’n Op. at 41 (Mar. 9, 1984). There are no such circumstances here.

For two of the three product lines Nokia relied upon as Domestic Industry Products—the Microsoft Surface products and the Samsung Galaxy products—the ID correctly applied the entire realities of the marketplace test. For the third product line—Microsoft Xbox—the ID latched onto scant mention of “customization” of chipsets and misapplied the test. The ID made unsupported assumptions and ignored expert testimony to determine that the AMD chipsets used in the Xbox DI products were not articles of commerce under the first factor. The ID then treated this factor as dispositive and declined to address the remaining two factors. This contradicts Commission precedent and is inconsistent with another recent ID applying the same test. *AMOLED Display Panels*, Inv. No. 337-TA-1351, Initial Deter.

a. The ID’s Realities of the Marketplace Analysis

The ID correctly concluded that the patent-practicing articles for purposes the of domestic industry analysis were third-party chipsets and Android OS, not downstream consumer products.

[REDACTED]

ID at 157. The ID based its determination on Nokia’s own contentions, where Nokia pointed *exclusively* to CPUs, GPUs, and Android OS to satisfy every Asserted Claim limitation:

Although Nokia disputes that the patent-practicing article is the chipset as opposed to the whole DI Product, its approach to technical prong domestic industry belies that assertion. Nokia clearly states and commits to an approach where the DI Products meet the limitations of the asserted claims of all Asserted Patents because they have the same “chips” or “Android (OS)” as the Accused Products... [I]f Nokia’s technical prong case is to be accepted, then it is fair to find that actual practice of the asserted claims is done by the chipsets and (in the case of Samsung DI Products) Android OS.

Id. at 157. Having determined that the chipsets and Android OS are the patent-practicing articles, the ID proceeded to analyze whether the realities of the marketplace supported counting investments in the downstream products that incorporate those components. *Id.* at 158.

As to the Samsung Galaxy and Microsoft Surface devices, the ID correctly determined that the domestic industry should not be expanded to include investments in the consumer devices. *Id.* at 164. Under the first factor, the ID found that the Galaxy and Surface devices use “pre-designed and commercially available patent-practicing chipsets from non-parties Intel, AMD, NVIDIA, and Qualcomm.” *Id.* at 159. The ID further found that, even though Samsung modified Android OS for use in Galaxy smartphones, those modifications “are not related to the encoding/decoding techniques of the Asserted Claims” and “Samsung makes its versions of Android OS freely available to the public for download.” *Id.* at 162. For the second factor, the ID found the chipsets and Android OS are analogous to the masks in *Breathing Treatment Systems* because they are not designed for exclusive use with the Domestic Industry Products, are not part of a closed, proprietary system, and are not the exclusive means to exploit the patented technology. *Id.* at 163. Finally, the ID appropriately found the third factor entirely supported limiting the domestic industry to chipsets and Android OS because “Nokia [did] not even allege that Microsoft or Samsung perform R&D or other work into [the patented] functionality.” *Id.* at 163. Accordingly,

[REDACTED]

the ID concluded that the realities of the marketplace did not support counting investments in Galaxy and Surface devices.

The ID misapplied the minimal evidence Nokia presented regarding “customization” of AMD chipsets used in the Microsoft Xbox DI products. Based on scant evidence, the ID *inferred* that the AMD chipsets were sold exclusively to Microsoft and that it was “akin to a ‘have-made’ status.” *Id.* at 167. The ID ended its analysis there, finding the AMD chipsets in the Xbox DI products were not “separate article[s] of commerce.” *Id.* at 168. As shown below, the ID ignored (1) the fact that AMD designed, developed, manufactured, and *sold* the chipsets to Microsoft; and (2) testimony from Nokia’s technical expert that there was *no distinction* between the custom AMD chipsets and the off-the-shelf chipsets, Tr. (Kia) 243:24–244:8, 270:6–271:5. The ID erred in finding these chipsets were not articles of commerce. *Id.* at 168. The ID then declined to analyze the remaining two factors, which constitutes both legal and factual error.

b. The ID Erred When Concluding the AMD Chipsets Are Not “Articles of Commerce” Under the First Factor

The ID misapprehended customization and exclusivity as dispositive of the article of commerce analysis. ID at 164–68. This placed undue emphasis on these considerations, particularly since exclusivity is considered under the second factor. The ID also failed to weigh that the patent-practicing articles are sold in an arms-length transaction from AMD to Microsoft, *id.*, which should be the single most important consideration in determining whether a component is an article of commerce. The ID erred by making unsupported inferences and ignoring record evidence demonstrating the AMD chipsets are articles of commerce.

(i) The ID Failed to Address All Relevant Evidence

The ID erred by failing to address evidence undermining its conclusion, such as AMD’s role related to the chipsets and the fact that Microsoft purchases the chipsets from AMD, a third

[REDACTED]

party. The ID did not address that, irrespective of any role Microsoft plays in customization, AMD was involved in the design and development of the chipset, was responsible for the manufacture of the chipsets, and sold the chipsets to Microsoft. ID at 167–68; *see also* RIB at 171; RRB at 81. The ID further did not address the testimony from Amazon’s economic expert that, consequently, the AMD chipsets are articles of commerce. ID at 167–68; *see also* Tr. (Mody) 1402:17–21. Finally, despite considering whether the customization related to the patented technology when analyzing Android OS, ID at 162, the ID included no such analysis related to the AMD chipsets. ID at 164–68. As with the Android OS, any customization of the AMD chipsets has nothing to do with the patented technology, per Nokia’s own technical experts. Tr. (Kia) 243:24–244:8, 270:6–271:5 (confirming AMD chipset used in the Xbox products worked the same way as the non-Xbox AMD chipsets). Failure to consider these facts constitutes clear error.

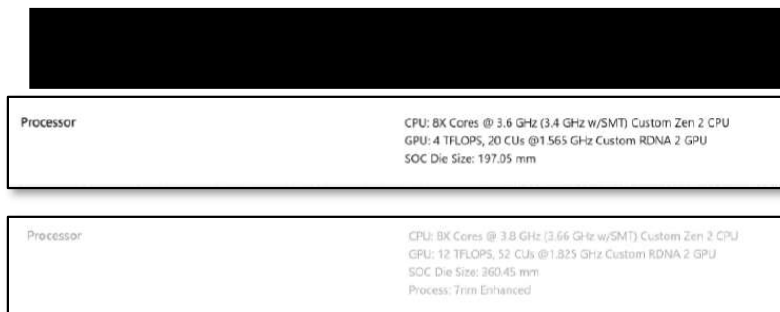
(ii) The ID’s Erroneous Inferences in Nokia’s Favor Improperly Shifted the Burden to Amazon

The ID erred by finding that the AMD chipset is “exclusive” and “akin to a ‘have-made’ status” based on nothing but conjecture. ID at 164–68. At most, the scant evidence supports a much narrower conclusion, *i.e.*, that AMD chipsets used in Xbox DI products are customized somehow, the details of which Nokia failed to demonstrate, and Microsoft may have had some, undetermined input in developing the chipset for the Xbox Series X. *Id.* The record is clear, however, that any such customization is unrelated to the patented technology. Tr. (Kia) 243:24–244:8, 270:6–271:5.

Amazon acknowledged throughout this Investigation that the AMD chipsets are customized in some way, but Nokia—who bore the burden on this issue—never sought evidence about what is customized in the AMD chipsets used in the Xbox DI products or who performs the customization. In fact, Nokia’s position on technical domestic industry undermines any relevance of the alleged customization: Nokia’s experts testified *all* AMD chipsets, whether off-the-shelf or

customized, operate in the exact same manner. *See, e.g.*, Tr. (Kia) 270:18–25.

The entirety of the record regarding “customization” of the AMD chipsets consists of just three documents. *See* ID at 164–168. First, the ID considered an AMD declaration and public product documentation that merely lists the AMD chipsets as “custom” in their description:



Processor	CPU: 8X Cores @ 3.6 GHz (3.4 GHz w/SMT) Custom Zen 2 CPU GPU: 4 TFLOPS, 20 CUs @ 1.565 GHz Custom RDNA 2 GPU SOC Die Size: 197.05 mm
Processor	CPU: 8X Cores @ 3.8 GHz (3.6 GHz w/SMT) Custom Zen 2 CPU GPU: 12 TFLOPS, 52 CUs @ 1.825 GHz Custom RDNA 2 GPU SOC Die Size: 360.45 mm Process: 7nm Enhanced

ID at 165 (excerpting CX-2924, CX-2157, CX-2158). Notably, beyond the passing reference to the chipsets as “custom,” neither the AMD declaration nor product specification provide any technical detail about what is “customized” or whether the chipsets are sold exclusively to Microsoft. CX-2924; CX-2157; CX-2158.

The ID also relied on a presentation and online article describing the AMD chipset used in the Xbox Series X. ID at 166–67 (excerpting CX-0988 and CX-1597). No technical expert analyzed these documents, and no fact witness or technical expert testified about them.⁶ Rather, Nokia merely introduced these documents during the cross-examination of Amazon’s economic expert—who knew nothing about them—as a means for Nokia’s counsel to testify regarding their supposed relevance. Tr. (Mody) 1419:14–1421:17. The ID reflects the complete absence of relevant testimony in the record, as it cites none in support of its conclusions. ID at 164–68. Rather, the ID relies exclusively on its own, *sua sponte* analysis and unsupported inferences about the two

⁶ Nokia’s own economic expert asserted the AMD chipsets are “custom and exclusive,” but was forced to admit on cross-examination that his knowledge was limited to the chipsets being “custom” based on the use of that word in the documents. Tr. (Herrington) 565:23–567:25.

[REDACTED]

documents. *See Marine Air Conditioning Sys.*, Inv. No. 337-TA-1346, Comm’n Op. at 59, 70 (vacating ID’s independent findings).

At most, these documents show that the AMD chipset is “custom” and that Microsoft had some involvement in the development of the chipset. *See ID* at 164–168. From that, the ID inferred that because the AMD chipset was customized in some unspecified way, it was necessarily exclusive to Microsoft. *Id.* at 165.⁷ The ID took it a step further and concluded that this is “akin to a ‘have-made’ status.” *Id.* at 167. The record is devoid of evidence to support this leap, yet the unsupported inference is the foundation for the ID’s conclusion. *Id.* at 167–68.

The ID’s analysis further reflects improper burden shifting. As complainants, it was Nokia’s burden to demonstrate that the domestic industry requirement was satisfied. *See Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694 Corrected Comm’n Op. at 5 (Aug. 8, 2011). This is particularly true when analyzing the realities of the marketplace because extending the domestic industry to downstream products “is the exception to the rule,” and is “not automatic.” *AMOLED Display Panels*, 337-TA-1351, Initial Deter. at 172 (citing *Certain Video Game Systems and Wireless Controller and Components Thereof*, Inv. No. 337-TA-770, Comm’n Op. at 66 (Oct. 28, 2013) (“*Video Game Sys.*”). Nokia did not meet its burden. Although Nokia served a subpoena on Microsoft, it did not ask about customization or exclusivity. Although Nokia served a subpoena

⁷ Other inferences are equally likely. For example, AMD chipsets used in Xbox products may be available to third-party repair companies. *See AMOLED Displays*, 337-TA-1351, ID at 172 (custom-made screens available from device repair retailers). No evidence suggests that, if the relationship was ever exclusive, it continues to be so. The presentation and article are over four years old—a lifetime in the semiconductor field. CX-0988, CX-1597. AMD supplies chipsets for other gaming consoles, including Sony PlayStation. RX-0955 at 17–21. Accordingly, one cannot conclude that an exclusive relationship between the AMD chipsets in Xbox DI products exists as the test requires. *Magnetic Tape Cartridges*, Inv. No. 337-TA-1058, Comm’n Op. at 48–50.

[REDACTED]

on AMD, it did not ask about customization or exclusivity. Nokia did not seek to have Microsoft or AMD participate in the evidentiary hearing, nor did it bring forth any contractual agreements or other evidence regarding Microsoft’s relationship with AMD.

In sum, the ID erred by not holding Nokia to its burden of proof, and by improperly inferring and concluding that the AMD chipsets are not articles of commerce—despite that it is undisputed that they are sold in an arms-length transaction and any customization has nothing to do with the patented technology —with no evidentiary support.

(iii) The ID’s Conclusion Directly Conflicts with Another Recent ID

Even *if* the AMD chipsets are custom and used exclusively in Xbox products, the ID nevertheless erred in concluding that they are not articles of commerce. The ID directly contradicts another recent ID from ALJ Moore in *AMOLED Display Panels*, 337-TA-1351, Initial Deter. (Nov. 15, 2024). ALJ Moore considered whether an unquestionably customized product was a “separate article of commerce” for purposes of the *Magnetic Tapes* test (*Magnetic Tape Cartridges*, Inv. No. 337-TA-1058, Comm’n Op.). The patent-practicing articles were AMOLED screens that were manufactured by Samsung Display Company (“SDC”) for its parent Samsung Electronics Co., Ltd. (“SEC”). *AMOLED Display Panels*, 337-TA-1351, Initial Deter. at 160. The AMOLED screens were “sold only from SDC to SEC as components for incorporation into the corresponding Galaxy DI Products, or as replacement parts for those Galaxy DI Products; they have no other use.” *Id.* at 160. ALJ Moore concluded that the AMOLED DI screens were nevertheless separate articles of commerce because they were sold by a subsidiary SDC to the parent SEC in an arms-length transaction. *Id.* at 161.

The relevant facts of these two Investigations are indistinguishable and should lead to the same conclusion. Microsoft purchased AMD chipsets from AMD in an arms-length transaction

[REDACTED]

and there is no evidence that they were not sold to others. It was error for the ID to determine that the AMD chipsets are not articles of commerce.

c. The ID Erred by Failing to Apply the Second or Third Factors

After incorrectly concluding that the Xbox chipsets are not separate articles of commerce, the ID treated that factor as dispositive by declining to analyze the second and third *Magnetic Tape* realities of the marketplace factors:

As for the second and third factors, there is no assertion that some other sub-component, downstream of the chipset but upstream of the overall Xbox, is an article of commerce. So the first available article of commerce incorporating the patent-practicing chipset is the Xbox Microsoft DI Product itself—exactly as alleged by Nokia. There is no intervening, low-level and separate article of commerce that accomplishes practice of the Asserted Claims of the Asserted Patents. And Microsoft’s R&D included designing a custom chipset, so its domestic activities directly relate to the Xbox.

ID at 168. The ID committed clear legal error by cutting short its analysis of the realities of the marketplace and failing to consider factors two and three.

Commission precedent is clear that the analysis does not end with a determination that the patent-practicing article is not a separate article of commerce. *See, e.g., Video Game Sys., Comm’n Op.* at 66 (“It may happen that the patented article ***is not itself an actual article of commerce***, but is physically incorporated as a component in a downstream article of commerce. . . . In such circumstances, the Commission ***may, depending on the facts of each particular investigation***, extend the relevant ‘industry’ to a downstream article of commerce incorporating the patented component.”) (emphasis added) (internal citations omitted).

For example, in *AMOLED Display Panels*, even though the AMOLED DI screens were customized for the specific Galaxy phones, ALJ Moore analyzed *Magnetic Tape* factors two and three. *AMOLED Display Panels*, Inv. No. 337-TA-1351, Initial Deter. at 162–69. In fact, ALJ

Moore recognized that Commission precedent “suggests that factor three is the most important” because “[a] domestic industry may not extend to activities that are ‘far removed from the technology protected by the patent.’” *Id.* at 170 (citing *Video Game Sys.*, Comm’n Op. at 67).

By considering the first factor alone to be dispositive of the three-factor analysis from *Magnetic Tapes*, the ID erred in failing to apply the remaining factors. This error alone is sufficient to reverse. And, if it had properly considered the second and third factors, the ID would have also had to conclude—as it did for the Samsung Galaxy and Microsoft Surface products—that the realities of the marketplace test does not support expanding the domestic industry.

(i) The Patent-Practicing Articles and Downstream Products Do Not Have an Exclusive Operational Relationship

The second *Magnetic Tape* factor requires an exclusive operational relationship between the patent-practicing article and the downstream product. *Magnetic Tape Cartridges*, Inv. No. 337-TA-1058, Comm’n Op. at 51. The question under Commission precedent is whether the patent-practicing article and downstream product are part of a proprietary and exclusive system such that the patented technology could not and would not be exploited without the latter. *Personal Computers*, Inv. No. 337-TA-140, Comm’n Op. at 41; *Breathing Treatment Sys.*, Inv. No. 337-TA-890, Initial Deter. at 149–50; *Magnetic Tape Cartridges*, Inv. No. 337-TA-1058, Comm’n Op. at 56. The required exclusive operational relationship between the AMD chipset and the Xbox is missing because: (1) there is no evidence the custom chipset is exclusive to Microsoft; and (2) the custom chipset is not the exclusive means to exploit the patented technology.

Nokia relied on the off-the-shelf AMD chipsets to prove technical domestic industry with its experts relying on commoditized functionality and testifying that [REDACTED]

[REDACTED]. See, e.g., Tr. (Kia) 270:18–25; see also

[REDACTED]

Tr. (Orchard) 75:6–76:12, (Kia) 241:5–242:24, (Moulin) 439:12–21. This does not support an exclusive operational relationship with the Xbox products. Nor is the AMD chipset’s incorporation into the Xbox DI products the exclusive means for exploitation of the patented technology. Tr. (Mody) 1402:22–4; JX-1489C (Mody) 1225:3–21. The technology that Nokia points to for purposes of technical domestic industry will be exploited and brought to the consumer market regardless of the Xbox DI products. *See, e.g.*, Tr. (Mody) 1401:13–22, 1402:22–1403:4; ID at 163.

(ii) The Alleged Domestic Investments Are Not Directly Related to Exploitation of the Patented Technology

The ID’s analysis related to this factor for the Microsoft Surface and Samsung Galaxy products applies equally to the Xbox DI products. ID at 163. As the ID found, this factor “entirely supports limiting the domestic industry to the chipsets and Android OS.” *Id.* This is because Nokia failed to demonstrate *any* relationship—let alone a “direct” one—between domestic activities for which it calculates investments and exploitation of the patented technology, which relates to minor aspects of the H.264 and H.265 standards. Nokia and Mr. Herrington made no effort to allocate investments in the alleged Xbox DI Products at all, including admitting that there is no evidence regarding investments relating to (1) integration of the patent-practicing articles into the downstream products, or (2) implementation of these minor features. Tr. (Herrington) 569:22–570:12; JX-1489C (Herrington) 381:19–382:1, 383:5–384:18. Instead, Mr. Herrington stretched to count *all* research and development expenditures necessary to make the *downstream* products “sellable,” flipping the realities of the marketplace test on its head. Tr. (Herrington) 555:5–17.

Microsoft’s only witness, in deposition, described its domestic activities for Xbox products as [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] RX-1979C (Romero) 23:22–24:15. As Dr. Mody testified, [REDACTED] and no evidence demonstrates that Microsoft’s domestic activities are related to exploiting the patented technology. Tr. (Mody) 1227:4–1228:22.

As ALJ Moore recognized, Commission precedent “suggests that factor three is the most important” because “[a] domestic industry may not extend to activities that are ‘far removed from the technology protected by the patent.’” *AMOLED Display Panels*, Inv. No. 337-TA-1351, Initial Deter. at 170 (*citing Video Game Sys.*, Comm’n Op. at 67). Here, the activities relied on for domestic industry investments have *no relation* to the patented technology. This factor weighs heavily against extending the domestic industry to include the Xbox DI products.

* * *

The ID erred by determining that customization of the AMD chipset necessarily meant it was sold exclusively to Microsoft and that the AMD chipset was not an article of commerce and by failing to apply the second and third factors of the realities of the marketplace test. Commission precedent necessitates a different result. The ID should be reviewed and reversed.

2. The ID Erred in Determining that Investments Related to Xbox Were Significant

The ID erred by accepting Nokia’s proffered investments, which included investments directed to non-domestic industry products and expenses that should not be recognized as cognizable. The ID further erred by failing to consider qualitative significance.

a. The ID Erred by Accepting Nokia’s Inflated Investment Numbers

The ID ignored Nokia’s election to rely on R&D as the basis for counting investments in the Xbox DI products and erred in treating the alleged investments as general investments in a Domestic Industry Product. Of course, [REDACTED]

[REDACTED]

[REDACTED]. Despite the fact the Xbox products launched many years ago, Nokia offered no means to separate [REDACTED]. Microsoft's witness further indicated that [REDACTED]

[REDACTED]. RX-1979C (Romero) 35:9–36:19. The record lacks any testimony regarding the extent the R&D investments relate to the Xbox DI products, rather than other non-DI Xbox products. There is only generalized testimony suggesting that R&D relates to [REDACTED] (*id.* 23:22–24:15), which presumably would not apply to the already launched Xbox DI product. Dr. Mody testified that at least some of the current Xbox activities relate to p [REDACTED] [REDACTED], yet Nokia never removed such unrelated investments, overstating the totals. JX-1489C (Mody) 1231:15–19. The ID erred by dismissing Dr. Mody's testimony and Amazon's argument on this point and adopting Nokia's calculations. The burden is on Nokia to demonstrate the domestic industry requirement is met, including that the investments are reliably directed to Domestic Industry Products. Nokia failed to meet its burden.

The ID further erred by including noncognizable expenses related to both plant and equipment, and labor and capital. Nokia's proffered investments from Microsoft in plant and equipment [REDACTED]. RX-1980C (Oberoi) 21:21–23:5. But Mr. Herrington did not receive—nor did he request—information as to [REDACTED]

[REDACTED]

[REDACTED]. JX-1489C (Herrington) 388:22–389:10, (Mody) 1233:17–1234:2. The ID disregarded this failure, improperly shifting the burden of proof away from Nokia by speculating that “[a] lack of information could equally mean Nokia has understated the investment amount.” ID at 171. The ID admits the information is not in the record

[REDACTED]

and then improperly gives Nokia the benefit of the doubt. The burden of proving the investments and the reliability of the investments is on Nokia. It should not be permitted to include investments related to depreciation without demonstrating such depreciation is related to the Xbox DI products.

Similarly, the “People” category relied on for labor investments reflects t [REDACTED] [REDACTED], RX-1980C (Oberoi) 18:12–18, and likely included [REDACTED] severance expenses. JX-1489C (Mody) 1234:10–1235:6; RX-0986; RDX-0013C.20. As Dr. Mody testified, the ITC is charged with protecting domestic industries and jobs. JX-1489C (Mody) 1234:10–1235:6. Severance, which relates to cutting U.S. jobs, is counter to the purpose of Section 337. *Id.* The ID claimed Dr. Mody provided no testimony as to this issue while citing Dr. Mody’s testimony on this point. ID at 172. Expenses associated with cutting domestic jobs should not be included in domestic industry labor investments. They are further no different from other investments found noncognizable, such as sales and marketing. JX-1489C (Mody) 1234:10–1235:6. The ID erred by accepting severance expenses as cognizable investments for the domestic industry.

b. The ID Erred in Determining Investments in the Xbox Products Were Significant

Even if Nokia were permitted to *identify* investments in the downstream products, the ID improperly disregarded that only minor functionality in those products is even arguably protected by the patents. The domestic industry investments must be *qualitatively* and quantitatively significant. *Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm’n Op. at 26 (Feb. 17, 2011) (internal citation omitted). As it relates to significance, “[t]he Commission has [] examined the nature of complainant’s activities to determine whether they are directed to the practice of one or more claims of the asserted patent.” *Id.* at 28 (no evidence of “whether complainant’s undertakings had a direct bearing on the practice of the patent”); *Certain Concealed Cabinet Hinges and Mounting Plates*, Inv. No. 337-TA-289, Comm’n Op.

[REDACTED]

1990 ITC LEXIS 3, (Jan. 8, 1990) at 23 (giving less weight to investments relating to optional dowel “[b]ecause of [the] indirect bearing on the patented features of the [product]”). The ID ignored qualitative significance altogether. ID at 172–74. As discussed above, Nokia did not show *any* alleged domestic industry investments directed to any aspect of the Asserted Patents, much less qualitatively significant investments. Tr. (Herrington) 569:20–570:12. The ID erred by ignoring that Nokia’s proffered R&D investments were completely unrelated to the patented technology. Because the ID erred in determining these investments were significant, this is an independent basis to reverse the finding of violation.

C. The ID Erred in Finding a Violation as to the ’267 Patent

The ID’s finding of violation on the ’267 patent should be reviewed and reversed for five independent reasons.

1. The ID Erred in Finding Amazon Infringed ’267 Claims 7–9, Which Were Only Asserted Against Another Respondent

The ID must be reviewed and reversed because it found a violation based on claims not asserted against Amazon, the only remaining respondent. In its Conclusion of Law, the ID stated that “Nokia has proven infringement of claims 7–9 and 25–27 of U.S. Patent No. 11,805,267.” ID at 175. The ID found claims 8–9 to not be invalid, and apparently based its violation finding on those claims (and claim 27). ID at 175, 184. This infringement finding was plainly in error.

Nokia asserted claims 7–9 only against HP, an unrelated respondent terminated before the ID issued. ID at 3, 110 (“Specifically, [Nokia] contends that claims 7–9 are encoding claims and infringed only by HP.”). Although the ID suggested that it addressed claims 7–9 merely due to those claims being the basis of technical domestic industry, ID at 111, and expressly noted that “there is no infringement [of claims 7–9] due to HP’s termination from the investigation,” ID at 117, those statements are directly contradicted by the ID’s conclusions of law. There, the ID stated

[REDACTED]

both that claims 7–9 meet the technical domestic industry requirement, *and* that claims 7–9 are infringed. *Compare* ID at 175, item 5, *with* item 15. This infringement finding cannot be true, by the ID’s own admission, and therefore it must be reviewed and reversed.

2. The ID Erred in Disregarding the Holes in Nokia’s Source Code, Testing, and Representativeness Analyses

The ID dismissed the significant holes in Nokia’s infringement case based on Nokia’s deficient source code analysis, bitstream testing, and representativeness analysis. ID at 27, 29, 45, 46, 97, 98, 128, 129. Nokia did not include source code pincites in its briefing, instead citing to all 23,000 pages of printed source code. RIB at 12–14; RRB at 8. In this way, Nokia rendered it impossible to follow or corroborate its experts’ purported analysis. *Id.* Even that analysis was, at best, conclusory as Nokia’s experts did not substantively address the source code identified in their demonstratives. RIB at 14–15; *see, e.g.*, Tr. (Moulin) 465:16–466:19, 480:9–481:5. Nokia’s reliance on testing was similarly deficient—Nokia never explained what “testing” was performed, how the purported “testing” supported its allegations, how products were selected for “testing,” or how those products were reliably representative of other, untested products. RIB at 17–18; RRB at 8; *see, e.g.*, Tr. (Moulin) 438:3–9, 439:3–8. And the limited testimony on representativeness was conclusory—merely Nokia’s experts stating without further explanation that all products or all source code operate the same. RIB at 14–15; *see, e.g.*, Tr. (Moulin) 435:22–436:22. None of the emails or chip vendor declarations relied on by Nokia’s experts, however, supported this statement. None confirmed that the cited source code was loaded in the products, that the versions of source code were materially identical, or that a single code version was representative of all chips from that vendor. RIB at 15–17.

As an example, one of Nokia’s experts discussed a section of Intel’s source code. Nokia then concluded that *all* source code for *all* chipsets, including other chip vendors, functioned

[REDACTED]

similarly. CIB at 174; RRB at 8. In this instance, Nokia bootstrapped a single, inadequate “analysis” as evidence of practice by three different standards for multiple chip vendors with multiple versions of source code. RRB at 8. This is not sufficient to meet Nokia’s burden and the ID erred in finding otherwise.

The ID claimed the shortcomings Amazon flagged in Nokia’s source code analysis and bitstream testing did not affect the determination that the Accused Products practice the standards, ID at 27–28. But this deficient analysis and testing is how Nokia chose to attempt to prove infringement. There is no way to determine practice of the standards without addressing these issues, and the ID erred by dismissing them without analysis. The ID criticized Amazon for failing to reliably demonstrate that the Accused Products did not practice the relevant standards. *Id.* But this improperly shifted the burden to Amazon—it was not Amazon’s responsibility to identify where in the thousands of printed source code pages the information relevant to Nokia’s allegations were located. Nokia bore the burden and should have detailed the purported support for its theories.

The ID further failed to address Nokia’s deficient showing of representativeness—Nokia’s deficient allegations are addressed just once in the ID related to the Domestic Industry Products in the context of the ’267 patent. ID at 130–31. As addressed above, representativeness was an issue that infected all aspects of Nokia’s infringement assertions.

The ID erred by not addressing the overarching deficiencies in Nokia’s allegations. Reversal on the findings of infringement for claims 7–9 and 25–27 is warranted.

3. The ID Erred by Raising Its Own Objection to the Undisputed Level of Ordinary Skill to Find Claim 27 Non-Obvious

The ID’s finding of non-obviousness for claim 27 must be reviewed and reversed. Not only did Nokia itself waive this issue, but when the ID improperly raised this ground *sua sponte*, it did so in a way that would require a logically-impossible level of certainty.

a. Amazon’s Obviousness Ground for Claim 27

At the hearing, Amazon presented a single-reference obviousness ground based on the Walker reference against claims 25, 26, and 27, which are serially dependent on one another. ID at 133–39. The ID agreed Amazon demonstrated the obviousness of claims 25 and 26. ID at 139.

Claim 27’s addition to the claims on which it depends is: “right shifting a sum of a P-tap filter using values of said first reference block.” JX-0007.0028. At the hearing, Nokia did not contest that Walker explicitly discloses generating “a sum of a P-tap filter using values of said first reference block,” based on its disclosure of “a 2-tap FIR filter with weight [0.5 0.5].” RDX-0096C.0115; JX-1274.0009 at ¶114; Tr. (Schonfeld) 1345:6–16. In fact, the ID concurred “the difference between the claim and the prior art is *minimal*.” ID at 139 (emphasis added).

Thus, the only remaining issue for claim 27 was whether it was obvious to modify Walker to add a “right shifting” of the result of the 2-tap FIR filter. Tr. (Schonfeld) 1345:15–16. Amazon’s expert Dr. Schonfeld explained that it was. Tr. (Schonfeld) 1346:17–1347:7. First, he explained how Walker’s FIR filter with [0.5 0.5] weights was mathematically equivalent to a FIR filter with [1 1] weights followed by a right shift by 1:

But the POSITA would know that a 2-tap filter with coefficients half/half is the same as a 2-tap filter with coefficients 1/1, followed by a right shift. It gives the exact same result. It’s no different at all.

Tr. (Schonfeld) 1346:17–21.

$$\text{FIR [0.5 0.5]} = \text{FIR [1 1]} \gg 1$$

RDX-0096C.0115. Notably, neither Nokia nor the ID disputed this “basic math.” ID at 138.

Second, Dr. Schonfeld explained that a POSITA would have been motivated to change Walker’s FIR[0.5 0.5] filter for the FIR[1 1] >> 1 filter because the latter is simpler to implement in hardware/software. Tr. (Schonfeld) 1346:22–1347:4. Walker’s FIR[0.5 0.5] filter requires two

[REDACTED]

multiplication operations (multiplying each of two pixel values by each of two 0.5 filter weights) and an addition operation (summing the resulting products). Tr. (Schonfeld) 1346:22–1347:4. Conversely, a FIR[1 1] filter requires only a single addition operation (no need to multiply by 1, only adding the two pixel values), and then a “very simple” right shift. Tr. (Schonfeld) 1346:22–1347:4. Thus, modifying Walker would yield a mathematically equivalent result that was “much less costly” to implement. Tr. (Schonfeld) 1346:22–1347:4. Dr. Schonfeld further explained that Walker itself teaches how right shifting (the shift operation in the right-hand operation above) is equivalent to multiplying by a scaling factor (the 0.5 filter weights in the left-hand operation above). RDX-0096C.115; JX-1274.0009 at ¶46; Tr. (Schonfeld) 1347:5–7. Again, neither Nokia nor the ID disputed this motivation; the ID concluded “a motivation is present,” and the ID noted that “Nokia cites no evidence of indicia of non-obviousness.” ID at 139.

b. The ID’s Flawed Obviousness Analysis

Despite the ID’s apparent agreement with Amazon’s obviousness arguments, the ID inexplicably found that Amazon failed to invalidate claim 27 due to a “lack of evidence on the level of ordinary skill.” ID at 140. This conclusion was made of the ID’s own accord, because Nokia did not challenge this issue, or even separately challenge the obviousness analysis for dependent claim 27. The parties did not contest the level of ordinary skill in the art, RDX-0096C.0006; Tr. (Schonfeld) 1253:19–1254:7; CDX-0012C.0013; Tr. (Moulin) 419:5–21, and Nokia’s expert did not even mention the level of skill in his invalidity testimony. Tr. (Moulin) 1626:2–1645:7. Indeed, Nokia’s expert did not separately discuss claim 27, other than to note its dependency on claims 25 and 26. Tr. (Moulin) 1641:20–1642:12.

As for the ID’s *sua sponte* objection on the level of ordinary skill, the ID spoke only in generalities without specifying what it believes is missing. For example, the ID stated that the level

[REDACTED]

of ordinary skill in the art can impact whether expert testimony is needed. ID at 139 (citing *Perfect Web Techs., Inc. v. InfoUSA, Inc.*, 587 F.3d 1324, 1330 (Fed. Cir. 2009)). But Amazon’s expert, Dr. Schonfeld testified on the obviousness of claim 27, and Nokia’s Dr. Moulin did not respond. Tr. (Schonfeld) 1346:17–1347:7; Tr. (Moulin) 1641:20–1642:12. The ID also stated that the level of ordinary skill in the art can impact what qualifies as analogous art. ID at 139 (citing *LKQ Corp. v. GM Global Tech. Operations LLC*, 102 F.4th 1280, 1296 (Fed. Cir. 2024)). But neither Nokia nor the ID raised any issue as to analogous art. *See generally* ID at 133–40; Tr. (Moulin) 1627:8–1645:7. Finally, the ID contended that the level of ordinary skill in the art is “part of the store of public knowledge that must be consulted.” ID at 139–40 (citing *Randall Mfg. v. Rea*, 733 F. 3d 1355, 1362 (Fed. Cir. 2013)). But the only “knowledge” implicated in Amazon’s obviousness ground is the mathematical equivalence of two filter operations (Tr. (Schonfeld) 1346:17–1347:7), an issue of “basic math” that neither Nokia nor the ID disputed. ID at 138, 139.

To the extent the ID’s complaint can be divined, it seems to suggest evidence was insufficient on the level of skill as a stepping stone to finding reasonable expectation of success in modifying Walker. ID at 140 (“But Dr. Schonfeld did not opine regarding any expectation of success . . .”). If this purported lack of reasonable expectation of success is the basis for the finding non-obviousness, the ID’s finding is legally erroneous.

First, testimony on reasonable expectation of success is not required to recite those words *in haec verba*: “A party does not need to use the phrase ‘reasonable expectation of success,’ ‘likelihood of success,’ or some other set of magic words, to establish a reasonable expectation of success.” *Juniper Networks, Inc. v. Correct Transmission, LLC*, No. 23-1046, 2024 WL 3517862, *4 (Fed. Cir. July 24, 2024). “Unlike a motivation to combine determination, which requires an explicit analysis, a finding of reasonable expectation of success can be implicit.” *Elektro Ltd. v.*

ZAP Surgical Sys., Inc., 81 F.4th 1368, 1376 (Fed. Cir. 2023) (internal citations omitted). “If a party has made the substance of the expectation of success argument, that is sufficient.” *Juniper Networks*, 2024 WL 3517862, *4. Accordingly, Dr. Schonfeld’s testimony on reasonable expectation of success should have been deemed sufficient.

Second, Dr. Schonfeld indisputably *did* testify about the reasonable expectation of success. He expressly explained how the modified 2-tap filter was mathematically equivalent to what it was replacing: “But the person of ordinary skill would know that a 2-tap filter with coefficients half/half *is the same as* a 2-tap filter with coefficients 1/1, followed by a right shift. *It gives the exact same result. It’s no different at all.*” Tr. (Schonfeld) 1346:17–21 (emphasis added). Neither Nokia nor the ID challenged this testimony.

Thus, the only record evidence demonstrates not just a reasonable expectation of success in modifying Walker, but a ***mathematical certainty of success*** in modifying Walker. The law of obviousness requires far less. *Almirall, LLC v. Amneal Pharms. LLC*, 28 F.4th 265, 275 (Fed. Cir. 2022) (“A finding of a reasonable expectation of success does not require absolute predictability of success.”). Here, though, there was indeed absolute predictability of success given that Dr. Schonfeld’s proposed replacement of Walker’s FIR[0.5 0.5] filter with the FIR[1 1] >> 1 filter necessarily yields the ***exact same result***. Tr. (Schonfeld) 1346:17–21 (emphasis added). The ID’s demand for more is wholly inconsistent with the caselaw, and requires review and reversal.

c. The ID Should Never Have Raised a Non-Obviousness Argument that Nokia Never Asserted

Beyond being factually and legally erroneous, the ID’s non-obviousness finding on claim 27 should be reversed because Nokia never raised it, and therefore it was waived. Indeed, Nokia never made *any* argument regarding claim 27’s validity in its pre-hearing briefing, at the hearing, or in post-hearing briefing, let alone a specific claim that the level of ordinary skill or the

reasonable expectation of success was insufficient. *See generally* CPHB at 151–53; Tr. (Moulin) 1641:20–1642:12; CIB at 49–52; CRB at 19–20. Any such argument was accordingly abandoned under Ground Rule 9.2 (“Any contentions not set forth in detail as required herein shall be deemed abandoned or withdrawn”), waived under Ground Rule 13.1 (“The post-trial brief shall discuss the issues and evidence . . . All other issues shall be deemed waived.”), and is otherwise improper. *See Marine Air Conditioning Sys.*, Inv. No. 337-TA-1346, Comm’n Op. (vacating ID’s independent findings based on *sua sponte* analysis of evidence). Amazon was thus denied notice of this argument at the hearing such that Amazon could have presented responsive evidence through its expert or fact witnesses.⁸

4. The ID Erred by Substituting Its Own Reasoning to Find Infringement, Contradicting Its Own Invalidity Position in the Process

Despite finding insufficient evidence on the level of ordinary skill in the art for invalidity, the ID of its own accord, without any support by Nokia’s expert, interpreted a highly-technical binary arithmetic issue from the perspective of a POSITA in order to find infringement. If there was insufficient evidence of the level of skill in the art to interpret “basic math” for invalidity, then the ID’s finding of infringement should be equally untenable. Thus, the ID’s finding of infringement on claims 25–27 cannot stand alongside its failure to find invalidity on claim 27.

a. Amazon’s Non-Infringement Position for Claim 25

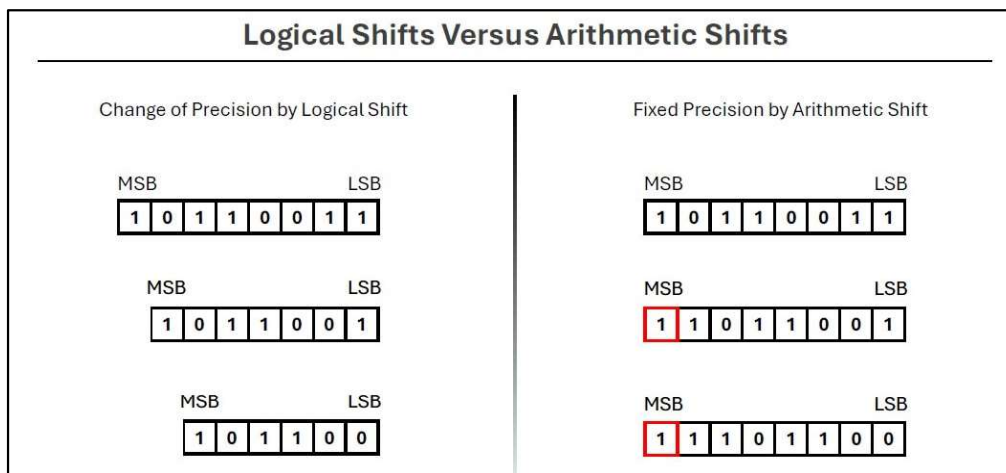
Claim 25, on which both claims 26 and 27 depend, requires that an apparatus “*decrease a precision* of said combined prediction *by shifting bits of the combined prediction to the right.*”

ID at 119 (element [25g]); JX-0007.0028. Thus, element [25g] requires a decrease in precision

⁸ The ID found claims 8 and 9 non-obvious for the same reason as claim 27. ID at 139–140. The non-obviousness findings for those claims should be reversed for the same reasons, to the extent claims 8 and 9 are implicated for technical domestic industry purposes.

when shifting bits to the right.

At the hearing, Amazon’s expert Dr. Schonfeld explained that two types of right shift operations are known in the art, one of which decreases precision of the shifted value, and one of which does not. RDX-0096C.0080; Tr. (Schonfeld) 1299:18–1300:1; 1301:17–1303:25. He further explained that the number of bits needed to represent the pixel value, *i.e.*, the number of pixels between the most-significant bit (“MSB”) and the least-significant bit (“LSB”), determines the precision of the representation. Tr. (Schonfeld) 1302:17–20. Dr. Schonfeld explained that with a “logical shift”—shown twice in the left-side below—the bits are shifted to the right, and one bit is removed, resulting in fewer bits in the pixel value and thus lower precision. Tr. (Schonfeld) 1302:21–1303:4.



RDX-0096C.0080.

However, an “arithmetic shift”—shown twice in the right-side above—does *not* change precision of the numerical representation. An arithmetic shift is designed to be used with signed numbers (negative or positive). Tr. (Schonfeld) 1303:5–6. The sign value (one for negative or zero for positive) is always stored in the most-significant bit. *Id.* at 1303:7–10. When an arithmetic shift is performed, the most-significant bit cannot move, because otherwise the computer will not know

[REDACTED]

where to find the sign bit. *Id.* at 1303:11–25. Given that the most-significant bit has a fixed position—eighth bit from the right, above—the arithmetic shift does *not* change the number of bits used to represent the pixel value, and thus does *not* change the precision. *Id.*

Dr. Schonfeld testified that the accused standards utilize an arithmetic shift. RDX-0096C.0074, 79; Tr. (Schonfeld) 1299:24–1300:1, 1301:19–25, 1394:22–1395:12. Nokia did not contest this issue, and the ID agreed: “Amazon has presented persuasive evidence, and the parties generally agree, that the shift in the cited H.265 equations is an ‘arithmetic’ shift.” ID at 124; *see also* ID at 127 (discussing AV1). Consequently, as Dr. Schonfeld explained, the arithmetic right shift described in the accused standards does not change the precision of the pixel representation, and it cannot possibly meet element [25g]. Tr. (Schonfeld) 1299:18–1300:1; 1301:17–1303:25.

Nokia’s expert, Dr. Moulin, provided no testimony on whether the accused standards even use an arithmetic right shift—as opposed to a logical shift—and no testimony on how an arithmetic right shift could possibly be capable of changing the precision of binary number. CDX-0012C.0055, .0066; Tr. (Moulin) 445:25–447:3, 455:16–458:2. When describing the right shift in one standard, Dr. Moulin clearly described a logical shift operation rather than an arithmetic shift operation. Tr. (Moulin) 457:6–10. Moreover, Nokia never addressed this issue in its pre-hearing briefing, (CPHB at 136–37), and abandoned any argument on this issue under Ground Rule 9.2.

b. The ID’s De Novo Infringement Analysis Is Premised on a Technical Misunderstanding

The ID, despite no supporting testimony from Nokia’s expert, nonetheless delved into the details of binary arithmetic operations, concluded that some of the bits in an arithmetically-shifted binary number are mere “filler,” and thus rejected Dr. Schonfeld’s explanation of the arithmetic shift operation. Incredibly, despite finding inadequate information on the knowledge of a POSITA to tackle “basic math” for purposes of invalidity, *see supra* n.6, the ID found no problem in

performing a de novo analysis of how a POSITA would have understood the result of an arithmetic shift operation on signed binary numbers. In performing this analysis without any evidence, the ID misunderstood the underlying technology and reached the wrong conclusion.

To reject Dr. Schonfeld's explanation of the arithmetic shift result, the ID relied heavily on examples discussed with Dr. Schonfeld on cross-examination. ID at 124–25. In particular, Nokia's counsel discussed various binary representations with Dr. Schonfeld that were *not* the result of arithmetic shifts. CDX-0035C.0038; Tr. (Schonfeld) 1388:2–1389:6. The ID then mistakenly relied on this testimony for its purported understanding. ID at 125. However, Dr. Schonfeld explained that the binary representation used in these examples was not correct and *not* “how the computers usually operate.” Tr. (Schonfeld) 1388:15–16 (“You do it differently from the way I normally do it, but I follow what you’re saying.”), 1388:21–25 (explaining the correct way to represent the binary number, not as shown on this slide), 1389:1–6 (agreeing the incorrect approach shown on the slide resulted in the same value), 1389:1–6 (explaining that the correct representation used by Dr. Schonfeld is “how the computers usually operate”).

The ID also relied on a version of Dr. Schonfeld's demonstrative, marked up by Nokia, that showed logical shift and arithmetic shift operations. CDX-0035C.0042; Tr. (Schonfeld) 1391:8–1392:3; ID at 124. With respect to this example, Dr. Schonfeld testified that Nokia's counsel had committed a fundamental error by using a logical shift where a skilled artisan would never do so. Tr. (Schonfeld) 1391:21–1393:1 (the marked-up representation on CDX-0035C.0042 was “not exactly the right thing to do” and “would be a mistake”).

Based solely on these two, misinformed examples, the ID developed an incorrect understanding of the arithmetic shift operation and used that misunderstanding to reach its infringement finding. Relying on the cross-examination excerpts discussed above, the ID

[REDACTED]

explained that an arithmetic shift does reduce precision because the binary value does not change “even when two extra 1’s are placed in front,” ID at 124, and in fact “regardless of the number of 1s added on the front of the value.” ID at 125. Cobbling together examples $101100 = -20$ and $11101100 = -20$, the ID provided its understanding of a right shift operation: “111111111101100 = -20”. ID at 125. The ID thus demonstrated its belief that an arithmetic shift adds “1” values to the “front” of a binary number, and those “1” values are “effectively filler” that do not communicate pixel value information. ID at 124–25.

Unfortunately, the ID’s understanding is completely wrong, and is not supported by any evidence. First, the only evidence in the record shows that an arithmetic shift neither adds nor deletes bit positions to a number. RDX-0096C.0080; Tr. (Schonfeld) 1303:5–25. This was elucidated during both Dr. Schonfeld’s direct testimony and his cross-examination. RDX-0096C.0080; Tr. (Schonfeld) 1303:5–25; CDX-0035C.4002; Tr. (Schonfeld) 1391:8–1392:3. Thus, the ID’s discussion of “1s added on the front” has no relation to how a POSITA would understand an arithmetic shift to operate.

Second, one of the accused standards itself directly refutes the ID’s theory that the “1s added on the front” are “effectively filler.” The H.265 standard explains the critical importance of the MSB, or the “front”-most bit: “Bits shifted into the most significant bits (MSBs) as a result of the right shift have a value equal to the MSB of x prior to the shift operation.” RX-5146.0187; RDX-0096C.0079. Consistent with that, Dr. Schonfeld explained that a POSITA would understand the computer always looks to the leftmost bit, the MSB, to determine the sign of the number. Tr. (Schonfeld) 1303:7–10. Accordingly, the bits in the “front” of the binary number are hardly “effectively filler”; the “front”-most bit determines whether the number is positive or negative and is therefore absolutely critical to the correct representation of the binary number.

[REDACTED]

The ID’s attempt to analyze infringement from its own perspective rather than that of a POSITA demonstrates the danger of such a de novo review. *Marine Air Conditioning Sys., Inv.* No. 337-TA-1346, Comm’n Op. With no support from Nokia—who never even suggested this argument—the ID fundamentally misunderstood arithmetic shift operations, reached the wrong infringement conclusion, and then substituted that conclusion into the case even though the entire argument should have been deemed waived. This violated both Amazon’s rights and the ITC’s own Ground Rules. For all these reasons, the ID’s infringement finding on claims 25–27 must be reviewed and reversed.

c. The ID’s Infringement Finding Rests on a New, Unexplained Construction of the Claim Term “Precision” that is Legally Erroneous

For much of its analysis, the ID appeared to apply the same meaning of the claim term “precision” as the parties. Namely, Dr. Schonfeld explained that the ’267 patent uses “precision” to mean “the number of bits needed to represent possible values.” Tr. (Schonfeld) 1295:6–21. He noted that the ’267 patent used a similar term, bit depth, which was the number of bits used to represent a pixel value. Tr. (Schonfeld) 1290:24–1291:16 (discussing ’267 patent, Fig. 10), 1292:19–1293:2 (discussing ’267 patent, Fig. 11). The ID recognized that Amazon was using the number of bits used to represent the pixel value as a construction for pixel. ID at 123. The ID also favorably referred to bit depth as a type of precision for purposes of finding infringement. ID at 121 (“Amazon does not dispute that bit depth corresponds to ‘precision’ as it is used in the claim.”).

However, when trying to justify its (incorrect) analysis of arithmetic shift operations, the ID introduced a new construction that neither party advanced at the hearing. Namely, the ID stated as a conclusion: “And, again, if *the total range of possible values* diminishes, the available precision diminishes.” ID at 125 (emphasis added). Based on that statement, the ID found

[REDACTED]

infringement by the H.265 standard. ID at 125–26. But the ID provided no citation to the record for this understanding, or for any similar statement regarding “range” in that paragraph. ID at 125–26. Indeed, the reference to “And, again . . .” does not appear to actually refer back to any prior discussion in the ID, because the “range” of values is not discussed anywhere except concerning bitstream evidence for a claim not asserted against Amazon. The ID improperly basing its findings on a wholly new—and unexplained—construction of “precision” is another reason this finding must be reviewed and reversed.

d. The ID Dismissed Evidence of the Actual, Non-Infringing Implementation in the Accused Products

The ID’s infringement finding is further undermined by its failure to address shortcomings in Nokia’s analysis. At the hearing, Dr. Schonfeld explained how, based on his review of source code for each of the Accused Products, some did not perform a right shift at all, while others did not reduce precision with the right shift. RDX-0096C.0083–86; Tr. (Schonfeld) 1321:3–1325:25. As a result, none of the Accused Products practiced the ’267 patent under Nokia’s theory. *Id.* Dr. Schonfeld not only discussed the source code, he presented relevant excerpts from the code for some of the Amazon Accused Products to demonstrate his point. RDX-0096C.0086. That code showed how precision increased rather than decreased in the operation Nokia had identified as purportedly infringing. RDX-0096C.0086; Tr. (Schonfeld) 1324:17–1325:8.

Despite that record, the ID sidestepped Nokia’s shortcomings in a single sentence:

This [infringement] finding is unaffected by Amazon’s general complaints over deficient source code and bitstream testing evidence. *See* RIB at 12–18, 97–98; RRB at 8–11, 40–41.

ID at 128. But this was no “general complaint” by Amazon; Amazon and its expert demonstrated that its products did not perform the precision-reducing shift operation required by the claims, including identifying the relevant code and displaying it in court. RDX-0096C.0083–.0086; Tr.

[REDACTED]

(Schonfeld) 1321:3–1325:25. The ID’s cursory dismissal of this substantial evidence refuting its analysis was legally erroneous and merits review and reversal.

5. The ID Erred in Finding Claims 25–27 Patent Eligible Contrary to Federal Circuit Precedent

The ID erred by finding claims 25–27 patent eligible in a situation that the Supreme Court has repeatedly stated should reach the opposite result. The evidentiary record—including testimony from the inventors and both sides’ experts—shows that delaying a rounding operation is the only possible new feature in claim 25. RIB at 102–104. Delaying a rounding operation is a fundamental mathematical principle applicable generally to any field where rounding of numerical values is used. RIB at 104. The claims are therefore directed to an abstract idea at *Alice* Step 1, RIB at 104–106 (citing *Alice Corp. Pty., Ltd. v. CLS Bank Int’l.*, 573 U.S. 208 (2014)), and the ID did not find that any aspect of *Alice* Step 2 was relevant. ID at 132–133.

The ID did not even dispute that the mathematical concept of delaying a rounding operation is the only alleged novelty underlying the claims. ID at 132–133 (“Both sides’ experts agreed the only ‘new’ material in the asserted ’267 claims concerns rounding at the end of the calculation that combines two predictions to increase precision.”). Rather, the ID found the claims patent eligible because that mathematical concept is “grounded in the video coding context.” ID at 133. The ID found that this application of the mathematical concept to the video coding field renders the claims not directed to an abstract idea at *Alice* Step 1, and thus patent eligible under *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).

That conclusion misapplied the unambiguous governing caselaw on patent eligibility. “An abstract idea does not become nonabstract by limiting the invention to a particular field of use or technological environment[.]” *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1366 (Fed. Cir. 2015) (citing *Alice Corp. v. CLS Bank Int’l.*, 573 U.S. 208, 222 (2014)). That

[REDACTED]

prohibition on patent eligibility is exactly the basis that the ID uses to find the claim patent eligible, saying that the use of the mathematical principle of delaying rounding is used to improve video coding. ID at 133. *Enfish* does not hold otherwise. In that case, there was no fundamental mathematical principle underlying the claims, but rather an entirely new and “specific type of data structure” that purportedly improved the operation of a computer.

On the other hand, any improvement in the operation of a computer resulting from claims 25–27 is the normal result of applying the fundamental mathematical principle to the video coding field of use, which is not patent eligible. “*Flook* established that limiting an abstract idea to one field of use or adding token postsolution components did not make the concept patentable.” *Mayo Collective Servs. v. Prometheus Labs., Inc.* 566 U.S. 66, 84 (2012) (quoting *Bilski v. Kappos*, 561 U.S. 593, 611 (2010)) (discussing *Parker v. Flook*, 437 U.S. 584 (1978)). Indeed, similar to the rounding of binary numbers recited in claims 25–27, the Supreme Court found in *Benson* that a “mathematical process” for converting binary numbers was not made patent eligible simply by limiting it to application in digital computers. *See Mayo*, 561 U.S. at 84–85 (discussing *Gottschalk v. Benson*, 409 U.S. 63 (1972)).

Ultimately, the ID’s reasoning would allow any abstract idea to be patentable so long as the claims contain sufficient buzzwords linking it to a technical context. That is exactly the opposite of what the Federal Circuit has instructed, so the ID’s finding of eligibility must be reviewed and reversed for clear legal error.

D. The ID Erred in Finding a Violation as to the ’321 Patent

The ID’s finding of violation on the ’321 patent should be reviewed and reversed for three independent reasons.

1. The ID Erred in Finding that MPEG-1, for Which Nokia's Expert Offered No Rebuttal, Does Not Render the Asserted Claims Obvious

The ID's finding of non-obviousness for claims 8 and 10 must be reviewed and reversed. ID at 42–43. Not only did Amazon present un rebutted testimony that MPEG-1 invalidates the asserted claims, but when rejecting Amazon's undisputed evidence, the ID found MPEG-1's disclosure "matches" that of the '321 patent. All the evidence supports a finding that MPEG-1 invalidates the asserted claims.

a. Amazon's MPEG-1 Obviousness Ground for Claims 8 and 10

The ID correctly found that the MPEG-1 video decoding standard is prior art to the '321 patent and teaches limitations [a]–[d] of the claims. ID at 47–52. Amazon's expert, Dr. Saber, testified how each of those limitations is taught in MPEG-1. *Id.*; Tr. (Saber) 598:8–600:22.

With respect to limitation [e], Dr. Saber confirmed it was taught by or would have been obvious to a POSITA in view of MPEG-1. Tr. (Saber) 600:23–603:18. Limitations [8e] and [10e] recite "reset[ting] the identifier value for the indicated first image frame of the independent sequence." ID at 43; '321 patent at 24:9–10, 24:31–32. In other words, when there is a new independent sequence of video frames, the identifier value for the first frame is reset. Dr. Saber testified the "temporal_reference" in MPEG-1 is an identifier value that is reset for the first image frame of an independent sequence and that MPEG-1 therefore teaches limitations [8e] and [10e]. Tr. (Saber) 600:23–602:10. Specifically, Dr. Saber explained that, because the decoder reads the value from the bitstream and saves it as a local variable, the decoder is resetting that local variable of the temporal_reference. *Id.* at 601:11–17. Dr. Saber further testified that this is the same thing that is disclosed in the '321 patent regarding resetting the identifier value. *Id.* at 601:18–602:10. As the ID noted, "[t]he 321 patent includes only a terse explanation of 'identifier values' and how they relate to the invention" and the specification "implies that the encoder—and not the decoder—

does the resetting of identifier values.” ID at 55–56. Moreover, both the encoder and decoder claims of the ’321 patent recite the exact same “resetting” step. *Id.* at 56. Finally, Dr. Saber explained that, even assuming MPEG-1 did not teach the decoder doing the resetting, such a limitation would have been obvious to a POSITA because the first frame of an independent sequence (*i.e.*, the frame following a closed_gop flag set to 1) always has a temporal_reference of 0. Tr (Saber) at 602:11–23. It would therefore have been obvious that an MPEG-1 decoder could reset the temporal_reference following receipt of that flag. *Id.*

Because Nokia’s expert never addressed MPEG-1 at all, the entirety of Dr. Saber’s testimony—even the testimony about limitation [e]—was completely un rebutted.

b. The ID’s Flawed Obviousness Analysis

The ID agreed MPEG-1 teaches the same thing as the ’321 patent specification regarding resetting the identifier value. ID at 54 (“With that said, Amazon rightly points out that the MPEG-1 document matches how the ’321 patent discusses resetting the identifier value.”). That un rebutted testimony should have been sufficient to invalidate the Asserted Claims. Nevertheless, the ID erroneously concluded that the limitation [e] was not disclosed by MPEG-1. In reaching that conclusion, the ID found that the temporal_reference in MPEG-1 is reset by the encoder, not the decoder (ID at 52), but the ID failed to address Dr. Saber’s un rebutted testimony that the decoder would reset a local copy of the variable by saving the value on the decoder.

The ID further erred in concluding that limitations [8e] and [10e] would not have been obvious to a POSITA based on the erroneous belief that Dr. Saber’s testimony was “conclusory.” ID at 56. To the contrary, Dr. Saber explained, and the ID found, that MPEG-1 teaches that the bitstream provides a decoder an indication of which frame in an independent sequence is the first frame in decoding order by way of a closed_gop_flag. Tr. (Saber) 598:11–599:15; ID at 50–51.

[REDACTED]

Dr. Saber further explained that MPEG-1 teaches an embodiment where the first frame in decoding order of each independent sequence has a temporal_reference of 0. Tr. (Saber) 596:9–16. When asked why it would have been obvious for the decoder to reset the temporal_reference, Dr. Saber testified that, when the decoder would see the closed_gop_flag set to 1, that would mean that the next frame received would be the first frame of an independent sequence. In that embodiment of MPEG-1 the first frame of an independent sequence always has a temporal reference of 0, so a POSITA would have found it obvious for the decoder to reset the temporal_reference:

Q. Let's go to slide 48. Let's say the claims require the decoder to do more than read the reset value as stored in the bitstream. In that situation would MPEG-1 still disclose the resetting limitation?

A. Yes, it would.

Q. Can you explain your opinion?

A. Yes. It would be obvious for the decoder, when it decodes the closed_gop flag which is set to 1, it would recognize that the next frame in decoding order is the first frame. It will set the temporal_reference at that point to 0 and would start incrementing as it's decoding the frames and putting it out in display order.

Tr. (Saber) 602:16–23. Thus, rather than a conclusory assertion, Dr. Saber provided a logical explanation of why it would be obvious for a decoder to reset the temporal_reference whenever it receives an indication (*i.e.*, a closed_gop_flag set to 1) that the next frame is the first frame in decoding order of an independent sequence.

In analyzing this issue, the ID erred by requiring MPEG-1 to teach more than the '321 patent teaches. ID at 54–55 (acknowledging MPEG-1 “matches how the 321 patent discusses resetting the identifier value” and that '321 specification implies encoder, not decoder, resets identifier value). The ID further erred by dismissing Dr. Saber's un rebutted testimony on obviousness.

2. The ID Erred in Finding the '321 Patent Eligible, as the Improvements to Computer Functionality of the MPEG-1 Prior Art Cannot Be Attributed to the Alleged Invention of the Asserted Claims

The '321 Asserted Claims are directed to the well-known abstract idea of using a numbering scheme for image frames that resets at the start of each independent sequence of image frames. Compl. ¶158; *see also id.*, ¶¶159–63.

As the '321 patent's named inventor acknowledged, such a numbering scheme is “simple” and “straightforward.” RX-0031; RDX-0098C.0027; Tr. (Saber) 588:3–25. Indeed, the concept of returning to the start for each iteration is a familiar and abstract mental process found in numerous applications not limited to video decoding. Consider multi-movement exercises, like the Army's eight-count push-up; when performed in a group, each soldier calls out “one-two-three-four-five-six-seven-one” for the first push-up, then “one-two-three-four-five-six-seven-two” for the second, etc. Musicians and dancers also track beats as they repeat across measures, counting “one, two, three, four”; “two, two, three, four”; and “three, two, three, four.” Bank tellers similarly count \$200 worth of \$20 bills by counting “one, two, three, four, one hundred, one, two, three, four, two hundred.” Each of these examples—along with countless others—use the same abstract concept of a numbering scheme that resets at the beginning of a new sequence.

Claims directed to mental processes like counting and assigning numerical identifiers have repeatedly been rejected as abstract. For example, the Federal Circuit rejected data processing patents that assigned content-based identifiers to particular computer files because such a process was akin to a library call system. *PersonalWeb Techs. LLC, v. Google LLC*, 8 F.4th 1310, 1316 (Fed. Cir. 2021). The reiterative “numbering scheme” here is akin to the abstract mental steps held ineligible in *PersonalWeb*, but the '321 claims are arguably even more ineligible because the '321 counting is merely sequential rather than based on the content of what is being counted.

[REDACTED]

Just like the '267 patent discussed above, the '321 claims cannot be saved by *Enfish* merely because they are performed in the context of video coding. *Intellectual Ventures I LLC* at 1366 (“An abstract idea does not become nonabstract by limiting the invention to a particular field of use or technological environment[.]”). The ID’s conclusion on the '321 patent therefore stands contrary to the same line of case law analyzed above, including *Flook*, *Mayo*, and *Benson*. See also *PersonalWeb Techs.*, 8 F.4th at 1316 (merely performing a method in a computer environment does not save a concept from the realm of abstraction where the “functions are mental processes that ‘can be performed in the human mind’ or ‘using a pencil and paper.’”) (quoting *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1371–72 (Fed. Cir. 2011)).

Moreover, when analyzing claims 8 and 10 under § 101, the ID made a second fundamental error in concluding that, because the extensive disclosures of the prior art MPEG-1 standard improve computer functionality, the Asserted Claims must also improve computer functionality. ID at 48. That conclusion is not only unsupported, it is contrary to the evidence and contradicts the ID’s own nonobviousness finding.

Significantly, the ID found MPEG-1 discloses all the limitations of the Asserted Claims except the decoder resetting the identifier value for the indicated first image frame of the independent sequence. ID at 49–52. While Amazon disagrees with this conclusion for the reasons stated above, this alleged difference is the *only* possible improvement over the prior art, and it is that resetting of a numerical count, *i.e.*, a numbering scheme, which is abstract. *PersonalWeb Techs.*, 8 F.4th at 1316. Instead of analyzing that alleged improvement, the ID improperly focused on the broad context of the '321 patent – video compression through encoding and decoding.

The ID cited two portions of the '321 patent as alleged evidence the claims are not directed to an abstract idea. ID at 48. The first citation, '321 patent at 2:5–15, comes from the “Background

[REDACTED]

of the Invention” that discusses preexisting technology. Therefore, the references in that section to improving video compression are attributable to the preexisting technology, not the claimed invention. The second citation, ’321 patent at 4:16–38, only discusses using independent image sequences, including receiving an indication of the first image frame of the independent sequence, all of which the ID found disclosed in MPEG-1. ID at 50–52. Therefore, nothing in that section of the specification identifies any improvement over the MPEG-1 prior art. Significantly, that section of the specification does not discuss resetting any numbering scheme or how such a resetting improves video compression or any other computer functionality.

As to other proclamations in the ’321 specification of alleged benefits of the invention, Dr. Saber explained that the majority of the ’321 specification addresses scalability, including the use of hierarchical layers and numbering schemes, none of which are recited in the Asserted Claims. Tr. (Saber) 575:20–576:7, 580:18–581:3. Therefore, none of the alleged benefits of the scalability, layers, and subsequences discussed in the specification can be attributed to the claimed inventions. Additionally, Dr. Saber explained that claims 8 and 10 do not require or enable random access (*i.e.*, starting playback at a random point in the video stream), nor do the claims improve on MPEG-1’s disclosure on starting playback at the beginning of the next independent sequence following the point at which random access is requested. *Id.* at 582:16–583:14, 584:10–15. Therefore, any alleged improvements in computer functionality professed to be achieved by the specification cannot be attributed to the Asserted Claims.

The ID also relied on the fact that MPEG-1 improves video compression and computer functionality to conclude that the Asserted Claims must also improve computer functionality. The error in that logic is that MPEG-1 is a 109-page prior art document that sets forth many aspects of a video encoding/decoding scheme. *See, e.g.*, RX-0540.0004–.0005 (discussing how MPEG-1

[REDACTED]

improves video compression while preserving picture quality and providing random access through use of a number of techniques including motion compensation). Those improvements include, for example, the use of I, P, and B frames, groups of pictures, and independently decodable sequences to provide random access. *See, e.g.*, RX-0540.0005, .0024, .0063. That those features improve video compression/computer functionality provides absolutely no evidence that the resetting of the numbering scheme by the decoder—the *only* difference the ID found between the claims and the prior art—also improves computer functionality. And there is no record evidence that it does so.

Finally, the ID stated that, in its post-hearing briefs, Amazon cited no expert opinion from Dr. Saber that the Asserted Claims do not improve computer functionality. ID at 49. That is incorrect. RIB at 153 (“Dr. Saber confirmed that none of the claim limitations offered any improvement to the functionality of computers, either alone or in combination. Tr. (Saber) 583:10–584:3.”). Indeed, Dr. Saber repeatedly testified that the Asserted Claims do not provide any functionality beyond what was known in the art, such as random access for the video sequence. Tr. (Saber) at 581:16–19, 582:16–583:13, 583:16–584:9, 586:17–20, 587:12–588:3, 592:14–20. While the ID found that the prior art did not teach the claim limitation of the decoder resetting the identifier value, no evidence suggests the resetting improves the functionality of computers. Instead, it is an abstract numbering scheme that is ineligible for patenting.

Accordingly, the ID’s finding on eligibility must be reviewed and reversed.

3. The ID Erred in Finding Infringement of the ’321 Patent, as Nokia Failed to Prove the “Other Variables” Were Decoded and Reset Across As Required by the Claims for the Accused Standards

Limitations [8d] and [10d] of the ’321 patent recite “decod[ing] *identifier values* for the image frames according to a numbering scheme.” ’321 patent at 24:7–8, 24:29–30. Limitations

[8e] and [10e] then recite “reset[ting] the *identifier value* for the indicated first image frame of the independent sequence.” *Id.* at 24:9–10, 24:31–32. The ID assessed four variables that Nokia accused of being the “identifier value” for limitations [8d], [8e], [10d], and [10e] – “frame_num” and “prevPicOrderCntLsb” for the H.264 standard, “PicOrderCntVal” for the H.265 standard, and “OrderHints[]” for the AV1 specification. ID at 44–45. The ID rejected frame_num as an identifier value but found infringement on the “other variables.” ID at 44–45. But the ID is incorrect that Nokia proved infringement on the other variables for multiple reasons.

First, the ID found that frame_num, does not meet limitations [8e] and [10e] because that value is read from the bitstream and is therefore reset by the encoder, not the decoder. *Id.* at 44. The ID disregarded testimony from both Nokia’s and Amazon’s experts that the same is true of AV1. The ID further disregarded the testimony of Amazon’s expert, Dr. Saber, that Picture Order Count for the H.264 and H.265 standards is derived from the bitstream (as set by the encoder) and is similar to frame_num and OrderHints[], where the encoder sends a value or flag that causes a local variable on the decoder to be reset.

Second, as addressed above in Section V.C.2, the ID dismissed Amazon’s arguments regarding Nokia’s deficient source code analysis and bitstream testing. This merits reversal of the infringement finding on the Asserted claims. Nokia’s reliance on a single example from one vendor on one standard to demonstrate practice of three standards by multiple vendors with multiple versions of chips is insufficient to meet Nokia’s burden of proof. RRB at 8 (citing CIB at 174); Tr. (Kia) at 232:5–233:23. Nokia’s allegations regarding AV1 further underscore the problematic nature of Nokia’s source code analysis. RIB at 15–16; RRB at 9–10. Nokia accused chipsets and Android OS that evidence indicated did not support AV1. *Id.* Nokia also accused chipsets (MediaTek) that its expert disclaimed during the hearing. RRB at 9–10; Tr. (Kia) 295:15–17.

Despite recognizing multiple disputes regarding AV1, the ID never resolved them. ID at 9.

Third, the ID erred regarding AV1 by concluding that Amazon failed to show the decoder did not perform the resetting. ID at 44–45. The undisputed evidence is that “OrderHints[]” in AV1 is read from the bitstream and stored by the decoder, the same as “frame_num” in the H.264 standard. Nokia’s own expert Dr. Kia testified that “OrderHints[]” is decoded from the AV1 stream. Tr. (Kia) 228:14–18; *see also* Tr. (Saber) 1043:1–14. Because that value is read from the bitstream, it is reset by the encoder in the same way as “frame_num” in the H.264 standard and “temporal_reference” in the prior art MPEG-1. Tr. (Saber) 1043:12–14 (“Q. How does this compare to the resetting disclosed in MPEG-1? A. It’s exactly the same.”). Thus, to the extent that “OrderHints[]” is reset, it is reset by the encoder and not the decoder. The ID therefore erred in finding that “OrderHints[]” meets limitations [8e] and [10e] and that products implementing the AV1 specification infringe the Asserted Claims. ID at 45.

Lastly, regarding the remaining variables, the ID improperly shifts the burden to Amazon to prove noninfringement rather than properly holding Nokia to its burden of proof. ID at 44–45. At the hearing, in response to a question directed to Amazon’s position that the decoders were not performing the resetting, Nokia’s expert, Dr. Kia, testified that a snippet of source code related to the H.264 standard demonstrated that the pic_order_count variables were all set to zero. Tr. (Kia) 232:5–233:23; CDX-0005C.0078. Dr. Kia provided no explicit testimony directed to H.265 or AV1 and instead grouped the standards together, claiming they all operate in the same manner. *Id.* This is not sufficient to meet Nokia’s burden of proof with respect to infringement, particularly given the explicit finding in the ID that “frame_num” in the H.264 standard is not reset by the decoder, and the ID erred by accepting Nokia’s testimony while not addressing Amazon’s contrary evidence. ID at 44. Moreover, while the ID identified “prevPicOrderCntLsb” as the relevant

variable for the H.264 standard, none of the variables on the slide that Dr. Kia testified were reset are “prevPicOrderCntLsb.” CDX-0005C.0078. This conflation of variables is an issue throughout the ID’s analysis of the ’321 patent and underscores Nokia’s failure to meet its burden.

For example, the second H.264 variable the ID identifies as satisfying the requirements of “the identifier value” in limitations [8e] and [10e] is “prevPicOrderCntLsb.” ID at 45. But limitations [8e] and [10e] are not the first recitation in the claims of an identifier value. The term is first introduced in limitations [8d] and [10d], and for those limitations Dr. Kia testified that different variables, “pic_order_cnt_lsb” or “picture_order_count,” are the identifier values in H.264. *See, e.g.*, Tr. (Kia) 226:5–18, 227:5–12; ’321 patent at 24:7–10, 24:29–32. Rather than assessing whether either of those variables satisfy the limitation of the “identifier value” in limitations [8e] and [10e], the ID improperly considered a different variable, “prevPicOrderCntLsb,” that Dr. Kia and Nokia improperly identified. ID at 45; Tr. (Kia) 230:21–231:4; *compare* CDX-0005C at 0072 (addressing “pic_order_cnt_lsb” in the H.264 standard for limitations [8d] and [10d]) *with id.* at 0076 (addressing “prevPicOrderCntLsb” in the H.264 standard for limitations [8e] and [10e]). The ID therefore clearly erred in finding that Nokia proved that the H.264 standard’s “prevPicOrderCntLsb” is an identifier value as recited in the claims and that products implementing the H.264 standard infringe the Asserted Claims.

As a further example, the ID identified “PicOrderCntVal” from the H.265 standard as allegedly satisfying limitations [8e] and [10e]. ID at 45. But Dr. Kia identified a different variable, “pic_order_count_lsb” from the H.265 standard. Tr. (Kia) 227:17–228:3, 231:5–9. The ID therefore erred in finding that “PicOrderCntVal,” a variable not addressed at the hearing, meets limitations [8e] and [10e] and that products implementing the H.265 standard infringe.

The ID erred in finding Nokia met its burden of proving infringement of the ’321 patent.

E. The ID Erred in Finding a Violation as to the '714 Patent

The ID's finding of violation on the '714 patent should be reversed for three independent reasons.

1. The ID Erred by Misconstruing the Phrase "Based on the Location of the Block" to Find Claim 23 Infringed

The ID found claim 23 infringed in part based on a construction of the claim language "based on the location of the block." Because the ID misconstrues that claim language by misapplying antecedent basis principles, its infringement finding must be reviewed and reversed.

a. Amazon's Non-Infringement Position for Claim 23

Nokia only presented claim 23 of the '714 patent at the hearing. That claim recites, in part:

[23b] select a first spatial motion vector prediction candidate from a set of spatial motion vector prediction candidates for *an encoded block of pixels* as a potential spatial motion vector prediction candidate to be included in a motion vector prediction list for a prediction unit of the encoded block of pixels, where the motion vector prediction list comprises motion information of the spatial motion vector prediction candidates;

[23c] determine a subset of spatial motion vector prediction candidates *based on the location of the block* associated with the first spatial motion vector prediction candidate;

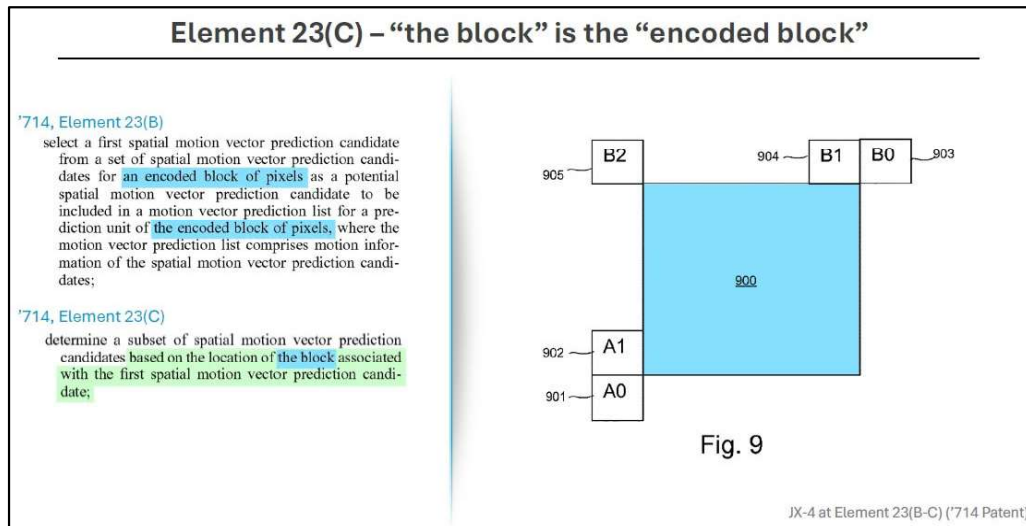
ID at 85–86; JX-0004.0037. At the hearing, Amazon's expert Dr. Schonfeld noted that element [23c] included two parts, (1) the determination of a subset of spatial motion vector prediction candidates (the "subset determination" feature, highlighted yellow below), and (2) that the determination be made based on the location of the block associated with the first spatial motion vector prediction candidate (the "based on the location" feature, highlighted green). Tr. (Schonfeld) 1265:7–18.

determine a subset of spatial motion vector prediction candidates based on the location of the block associated with the first spatial motion vector prediction candidate;

JX-4 at Element 23(C) ('714 Patent)

RDX-0096C.0029.

Dr. Schonfeld explained how “the block” in the second feature of element [23c] necessarily referred back to the only previously-recited block in claim 23, i.e., element [23b]’s “encoded block of pixels,” shown in blue below. RDX-0096C.0031; Tr. (Schonfeld) 1267:2–11. The encoded block of pixels is the only possible antecedent basis for “the block.” Tr. (Schonfeld) 1267:2–11.



RDX-0096C.0031.

With “the block” referring to the encoded block of pixels, Dr. Schonfeld testified that H.265 does not determine a subset based on the location of the encoded block of pixels. Tr. (Schonfeld) 1266:21–1268:5. As he explained, the subset determined for the encoded block of pixels never changes based on the block’s location; instead, the same set of subset rules are used no matter where the encoded block of pixels is located. *Id.* Nokia did not directly dispute this construction at the hearing, but only provided its infringement theory using the construction ultimately adopted by the ID. Tr. (Moulin) 492:16–18 (describing “the location of the block” as the neighbor A0), 493:24–494:10 (same).

b. The ID Misconstrued “the Block”

The ID considered construction of “the block” “a close question,” but ultimately chose a

[REDACTED]

different interpretation than Amazon advocated. ID at 91. Instead of the correct construction where “the block” refers to the encoded block of pixels, the ID construes “the block” as a block for one of the neighbors of the encoded block of pixels.

In adopting its alternative construction, the ID found that “antecedent basis would not seem to apply” because the claim term is not only “the block” but also “the block associated with the first spatial motion vector prediction candidate.” ID at 91. In rejecting the “encoded block of pixels” as the antecedent basis, however, the ID does not explain what other antecedent basis exists for “the block” of element [23c]. ID at 91. In fact, under the ID’s analysis, “the block” of element [23c] is apparently ungrounded anywhere else in the claim. The ID turns to the intrinsic record to support its construction, but the ID’s analysis in that regard is incorrect.

First, the ID found that the plain meaning of “the block associated with the first spatial motion vector prediction candidate” would refer to a neighboring block. ID at 91. Implicitly, the ID suggests that the encoded block of pixels is not also “associated with the first spatial motion vector prediction candidate.” But the encoded block of pixels of course is associated with the first spatial motion vector prediction candidate. Namely, the available neighbors are determined based on the encoded block of pixels being decoded. JX-0004.0029 at 22:16–41 (determining motion vector prediction candidates based on encoded block of pixels and neighbor availability); JX-0004.0014 (elements 800, 804). Hence, both Amazon’s proposed construction and the construction adopted by the ID satisfy the plain meaning, while only Amazon’s proposed construction satisfies antecedent basis.

Second, the ID found that the purpose of the invention is to determine whether known motion vectors for neighbors should be applied to the encoded block of pixels. ID at 91–92. But this reasoning is inapposite of what “the block” references. If anything, the fact that the motion

[REDACTED]

vector is to be applied to the encoded block of pixels (element [23f]), it suggests “the block” would refer to that encoded block of pixels.

Third, the ID found that the specification does not support the encoded block of pixels as “the block,” because no embodiment in the patent is consistent with that construction. ID at 92–93. But that is not correct. The encoded block of pixels is used to determine the spatial motion vector prediction candidates at the very beginning of the process of Figures 8a and 8b that the ID itself relies on. JX-0004.0029 at 22:16–41 (determining motion vector prediction candidates based on encoded block of pixels and neighbor availability), JX-0004.0014 (elements 800, 804). Thus, of all the spatial motion vector prediction candidates available in the frame, the location of the encoded block of pixels is used to select the subset of five spatial neighbors. JX-0004.0029 at 22:16–41, JX-0004.0014.

The construction explained by Dr. Schonfeld is the only one that provides antecedent basis support for “the block,” and it is the correct construction. Nokia presented no infringement theory under that construction, and therefore the ID should be reversed as to infringement of claim 23.

2. The ID Erred in Finding Claim 23 Non-Obvious

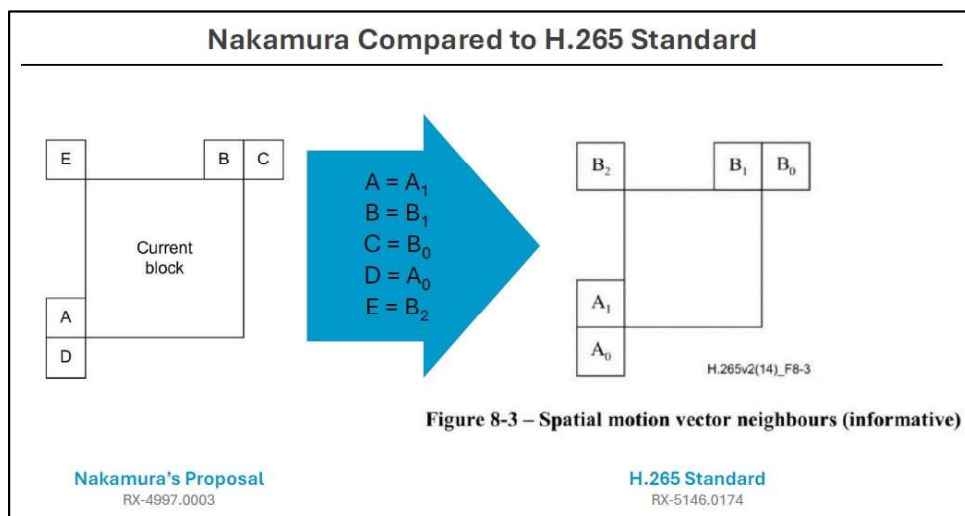
The ID’s finding of non-obviousness for claim 23 should be reversed both because it is premised on an incorrect construction of “the block” (as discussed above), and because, under either construction, it is based on an incorrect interpretation of the Nakamura prior art reference. Nokia did not even dispute the Nakamura obviousness ground on the “based on the location of the block” claim feature which the ID found to be non-obvious. That alone is a reason for reversal.

a. Amazon’s Obviousness Ground for Claim 23

Amazon demonstrated at the hearing that Nakamura determines a subset based on the location of “the block,” regardless of whether “the block” refers to the encoded block of pixels or

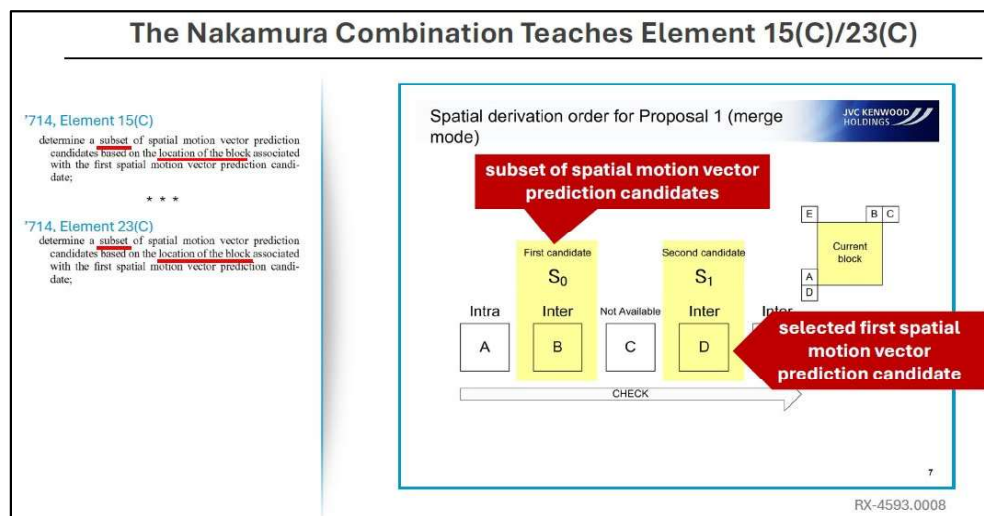
a neighbor. Therefore, Nakamura discloses the “based on a location” feature of element [23c] under either construction.

Nakamura was a proposal to the working group that created the H.265 standard. RDX-0096C.0040; Tr. (Schonfeld) 1274:9–15. Nakamura proposed the use of five spatial neighbors (A, B, C, D, E), the same five spatial neighbors that were eventually adopted by the H.265 standard under different names (A1, B1, B0, A0, B2). RDX-0096C.0041–.0042; Tr. (Schonfeld) 1274:16–1275:13.



RDX-0096C.0042. Nakamura also proposed a technique for selecting a subset of the spatial neighbors for comparison. RDX-0096C.0041–.0042; Tr. (Schonfeld) 1275:14–1276:4.

For the first feature of element [23c], “determine a subset of spatial motion vector prediction candidates,” Dr. Schonfeld explained that Nakamura determines a subset of the five spatial neighbors (*e.g.*, neighbor B previously selected as “S0”) for comparison to a selected spatial neighbor (*e.g.*, neighbor D selected as “S1”). Tr. (Schonfeld) 1280:13–1281:8, 1282:9–1283:12.



RDX-0096C.0052.

For the second feature of element [23c], “based on a location of the block associated with the first spatial motion vector prediction candidate,” Dr. Schonfeld explained that the subset (neighbor B as S0) is determined based on the location of “the block” recited in element [23c], both under the construction of “the block” as the encoded block of pixels and as a neighboring block. Tr. (Schonfeld) 1282:25–1283:12.

For its part, Nokia only disputed the first feature in element [23c], arguing that Nakamura does not determine a subset at all. ID at 103. The ID rejected Nokia’s argument, finding it “completely at odds with Nokia’s infringement theory over the same group of five candidates.” ID at 103. Nokia did not dispute that Nakamura taught the second feature in element [23c], “based on a location of the block . . .” Tr. (Moulin) 1651:16–19, 1651:25–1; CIB at 78; CRB at 32–34.

Thus, for the second feature of element [23c], the only evidence of record demonstrated that this claim feature was met under either construction of “the block.”

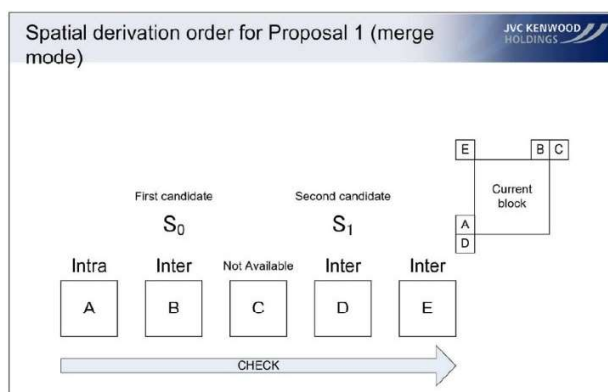
b. The ID’s Flawed Obviousness Analysis

The ID’s finding of non-obvious should be reversed both because it applied the wrong construction of “the block,” and because it misinterpreted Nakamura’s disclosure.

As an initial matter, the ID relied on its construction of “the block” as a neighbor block in order to find claim 23 non-obvious. ID at 104. Because that construction is incorrect (as discussed above), the ID’s non-obviousness finding must be reviewed and reversed.

Furthermore, even under the construction of “the block” as a neighbor block, the ID incorrectly concluded that Nakamura fails to disclose this feature. The ID stated that there are two reasons that Nakamura fails to disclose “based on the location” of a neighboring block. ID at 104. Both reasons, formulated by the ID in the first instance and not presented by Nokia at the hearing, and thus waived, are flawed.

First, the ID incorrectly concluded that Nakamura does not determine the subset (*e.g.*, neighbor B as S_0) based on the location of the selected first spatial motion vector prediction candidate (*e.g.*, neighbor D as S_1). ID at 104–106. Dr. Schonfeld explained that indeed Nakamura does determine neighbor B (S_0) based on the location of D (S_1). Tr. (Schonfeld) 1282:25–1283:12. In particular, Nakamura always processes the neighbors in the same order A through E (see “check” arrow below), based on their predefined locations around the current block (see inset spatial constellation in top-right below). RX-4593.0008.



RX-4593.0008. As Dr. Schonfeld explained, the subset of neighbors determined for comparison (neighbor B as S_0 in the example above) is determined as a function of the selected first spatial

[REDACTED]

motion vector prediction candidate (neighbor D as S1 in the example above), because that subset is limited to those spatial neighbors that are ordered before S1 based on their location in the predefined check sequence. RX-4593.0008; Tr. (Schonfeld) 1282:25–1283:12. To the extent the ID demands some more specific location-based relationship, that is incorrect. The claim language only requires determination of the subset “based on the location” of the block, not based on a location of the block in any particular fashion. Therefore, Dr. Schonfeld’s testimony provided substantial evidence that Nakamura’s subset is determined based on the location of the first spatial motion vector prediction candidate block. Tr. (Schonfeld) 1282:25–1283:12. Because Dr. Moulin did not testify on this claim feature, that substantial evidence stands uncontroverted.

Second, the ID incorrectly concluded that Nakamura chooses the candidate “S0” as the “first” spatial motion vector prediction candidate, and not the candidate “S1.” ID at 106–108. In so doing, the ID appears to confuse “first” in claim 23 to refer to the order in which the spatial motion vector prediction candidates are added to the merge list: “Nakamura discloses that S0—not S1—is the first candidate identified within the set.” ID at 106. In claim 23, the “first” term is clearly an enumerative term, and not a temporal ordering term, and Nokia has never suggested otherwise.

If “first” were limited to the first neighbor selected among the five neighbors, then Amazon would be incapable of infringing the claim. In the H.265 standard, the neighbor “A1” is always selected first among the five spatial neighbors. CX-7651.0167.

8.5.3.2.2 Derivation process for luma motion vectors for merge mode

5. The merging candidate list, mergeCandList, is constructed as follows:

```

i = 0
if( availableFlagA1 )
    mergeCandList[ i++ ] = A1
if( availableFlagB1 )
    mergeCandList[ i++ ] = B1
if( availableFlagB0 )
    mergeCandList[ i++ ] = B0
if( availableFlagA0 )
    mergeCandList[ i++ ] = A0
if( availableFlagB2 )
    mergeCandList[ i++ ] = B2
if( availableFlagCol )
    mergeCandList[ i++ ] = Col

```

CX-7651.0167 (H.265 Standard)

CDX-0012C.0103. But when A₁ is selected, it is not compared to any spatial neighbors (as required for elements [25c] and [25d]). CX-7651.0168–.0070. As a result, Nokia does not rely on A₁ as satisfying the selected “first spatial motion vector prediction candidate” (see “block location” column below).

'714 Patent Claim [23b]

Limitation	Language
[23b]	determine a subset of spatial motion vector prediction candidates based on the location of the block associated with the first spatial motion vector prediction candidate;

H.265v2(14)_F8-3

Block Location	Subset
A ₀	A ₁
B ₀	B ₁
B ₁	A ₁
B ₂	A ₁ , B ₁

See CX-7651.0168-70 (H.265 Standard)

CX-7651.0174 (H.265 Standard)

CDX-0012C.0105. Therefore, in the accused H.265 standard, the spatial neighbor that is selected first in time (A₁) is **not** the “first spatial motion vector prediction candidate” of claim 23. Accordingly, if the ID’s second reason for rejecting the Nakamura teaching for element [23c] were correct, then Amazon would not infringe claim 23 for the same reason. To the extent the

[REDACTED]

Commission adopts this temporal interpretation of “first” describe in the ID, the Commission should therefore reverse the finding of infringement.

Because Nakamura discloses this feature under either construction of “the block,” the ID’s finding that claim 23 is non-obvious should be reversed.

c. The ID’s Obviousness Analysis Was Not Raised by Nokia and Should Not Have Been Taken Up in the First Instance in the ID

Beyond being factually and legally erroneous, the ID’s non-obviousness finding with respect to claim 23 should be reversed because it is based on an argument Nokia never raised. Nokia never made a challenge specific to “based on a location . . .” portion of element [23c] at the hearing or in post-hearing briefing. Tr. (Moulin) 1651:16–19, 1651:25–1; CIB at 78; CRB at 32–34. Any such argument was accordingly waived under Ground Rule 13.1 (“Initial Post-trial Briefs . . . The post-trial brief shall discuss the issues and evidence . . . All other issues shall be deemed waived.”). Amazon was thus not on notice of this argument at the hearing such that Amazon could have presented responsive evidence through its expert or fact witnesses.

3. The ID Erred in Finding Claim 23 Patent Eligible Contrary to Federal Circuit Precedent

The ID states claim 23 is directed to “narrowing [a] list” and “performing fewer comparisons” of the list. ID at 99–100. Despite both being abstract ideas, the ID found claim 23 patent eligible based on application of an abstract idea to a specific field of use just like the ’267 patent. For the same reasons discussed above, claim 23 cannot be saved by *Enfish* merely because it is performed in the context of video coding, and the ID’s finding should be reversed.

F. The ID Clearly Erred in Finding the ’818 Patent Not Invalid

The ID’s finding of violation on the ’818 patent should be reviewed and reversed for four independent reasons.

1. The ID Erroneously Failed to Address Amazon’s Defense that Sony Engineers—Not the Named Inventors—Invented Claim 7, Invalidating the Entire Patent

Although Amazon presented compelling, un rebutted evidence that two Sony engineers (Toby Walker and Ali Tabatabai) invented claim 7’s subject matter, invalidating the entire ’818 patent, the ID completely failed to address that defense. *See generally* ID at 41–42. That error plainly warrants review. 5 U.S.C. § 557(c)(3)(A) (all decisions shall include findings and conclusions on all the material issues presented).

Once Nokia understood it could not show its own engineers invented claim 7, Nokia dropped its assertion of that claim.⁹ At the hearing, Amazon presented un rebutted evidence that Sony’s Walker and Tabatabai, not the named inventors, invented the subject matter in claim 7, namely, “the slice header is included with a reference to a picture parameter set.” Amazon presented un rebutted evidence that:

1. Sony’s Walker and Tabatabai submitted JVT-D087 to the JVT before the application for the ’818 patent was filed;
2. JVT-D087 proposed a slice header that included a reference to a “slice parameter set,” which is the claimed “picture parameter set”; and
3. After Walker and Tabatabai submitted JVT-D087, they collaborated with the named inventors during a July 2001 meeting (many months before the ’818 application was filed).

See RIB at 62–64 (citing evidence). Amazon presented this defense in both their initial and reply post-hearing briefs. *See* RIB at 62–65; RRB at 25.

⁹ Nokia originally asserted that Amazon infringed claims 6–9 and 15. CPHB at 25. Amazon countered that the patent was invalid for improper inventorship because Sony’s Walker and Tabatabai made significant contributions to the claimed invention, including claim 7. RPHB at 42–43. After Amazon highlighted Nokia’s failures on claim 7, Nokia dropped it the day before the evidentiary hearing. *See* Complainants’ September 16, 2024 Motion for Partial Termination. Amazon nonetheless reserved the right to present—and did present—their inventorship defense.

Even though Amazon presented the defense in briefing and the hearing, the ID completely fails to address it. *See generally* ID at 41–42. Indeed, the ID’s entire “analysis” of Amazon’s inventorship defense consists of a meager four sentences that miss the issue:

The contention is rejected. First, Amazon failed to even present the legal grounds on which improper inventorship renders a patent claim invalid or an entire patent unenforceable. Second, there is no assertion that JVT-C078, determined above as establishing conception, lacks any of the elements of asserted claims 6, 8, 9, and 15. And because JVT-C078 predates JVT-D087, there can be no improper inventorship based on that document.

ID at 42. Not only does this sparse text fail to address the substance of Walker and Tabatabai’s contribution to claim 7, it is inaccurate.

To begin, Amazon *did* provide the legal standard—with case cites—for an inventorship defense. *See* RIB at 62. Moreover, although “inventorship is evaluated on a claim-by-claim basis, the failure to join an inventor of any claim invalidates the entire patent.” *Plastipak Packaging, Inc. v. Premium Waters, Inc.*, 55 F.4th 1332, 1340 (Fed. Cir. 2022); *Certain Excimer Laser Sys. for Vision Correction Surgery & Components Thereof & Methods for Performing Such Surgery*, Inv. No. 337-TA-419, Order No. 57, 1999 WL 689245 (Aug. 16, 1999) (“Instead, improper inventorship can render the patent as a whole invalid, although a patent challenger may make reference to specific claims or features as the alleged contributions of the alleged actual inventor or co-inventor.”). At a minimum, the patent is unenforceable until inventorship is corrected. *Certain Methods of Making Carbonated Candy Products*, Inv. No. 337-TA-292, USITC Pub. No. 2390, Comm’n Op. at 24, 1991 WL 790063 (June 1991) (“A patent with incorrect inventorship is unenforceable until the inventorship is corrected.”). Given these stakes, the ID’s complete failure to consider Walker and Tabatabai’s contribution to claim 7—and its clear error in misstating the legal standard—are errors that significantly prejudice Amazon.

Thus, at a minimum, the Commission should remand for the ALJ to consider Amazon’s

[REDACTED]

inventorship defense based on Walker and Tabatabai's contribution reflected in claim 7. If, alternatively, the Commission wishes to consider the merits of Amazon's defense, then it should find Walker and Tabatabai are co-inventors of the '818 patent. Joint inventors need only make a not-insignificant contribution to the conception or reduction to practice of the invention. *See, e.g., Pannu v. Iolab Corp.*, 155 F.3d 1344, 1351 (Fed. Cir. 1998); *Egenera, Inc. v. Cisco Sys., Inc.*, 972 F.3d 1367, 1376 (Fed. Cir. 2020).

Here, the record showed that Sony's Walker and Tabatabai invented "the slice header is included with a reference to a picture parameter set" recited in claim 7. Walker and Tabatabai proposed a "slice parameter set" in JVT-D087, months before the '818 patent was filed. Dr. Storer explained that parameter set is the "picture parameter set" that was adopted into the H.264 standard and is the claimed "picture parameter set." Tr. (Storer) 1147:19–1148:23, 1144:17–1145:11; RX-4900.00015 ("Received slice parameter sets with a given parameter set identifier shall come into effect just prior to the first slice of the next picture . . ."). Dr. Storer also explained how the slice header in JVT-D087 referenced the slice parameter set ("picture parameter set"). Tr. (Storer) 1144:17–1145:11, 1147:23–1148:1, 1148:24–1149:6; RX-4900.0008. Thus, Walker and Tabatabai proposed the entirety of dependent claim 7, which clearly satisfies the not-insignificant contribution requirement.

After their proposal, Walker and Tabatabai collaborated with at least one named inventor, Hannuksela, during a July 2001 JVT breakout group where they shared their ideas with him. RX-4622; RDX-0097C.0075; Tr. (Storer) 1147:14–18; RX-4078. After that meeting, the breakout group's output document memorialized the group's discussions. RDX-0097C.0077; RX-0036; CX-8729C (Wenger) 199:11–206:11. As Dr. Storer testified, JVT-D145 reflected the proposal in JVT-D087. Tr. (Storer) 1147:19–1149:6. Thus, Walker and Tabatabai collaborated with

[REDACTED]

Hannuksela on the claimed invention, and Walker and Tabatabai are joint inventors on the '818 patent.

Nokia did not rebut this evidence at the hearing. *See generally* Tr. (Storer) 1190:4–1248:11 (Dr. Storer's cross-examination); Tr. (Kia) 1713:12–1749:2 (Dr. Kia's rebuttal on invalidity)). In post-hearing briefing, the only testimony Nokia cited from its expert, Dr. Kia, came from his opening examination—before Amazon even presented their invalidity case. CIB at 155; CRB at 61. Moreover, the cited testimony does not even support the argument for which Nokia identified it, namely, Sony did not invent a picture parameter set. *See* Tr. (Kia) 263:3–12. Ultimately, Nokia dropped its assertion of claim 7 before and during the hearing, while its post-hearing brief is nothing more than post-hoc attorney argument. But that is not enough to overcome the unambiguous written record demonstrating the '818 patent is invalid and/or unenforceable for improper inventorship.

2. The ID Improperly Credits Nokia for the Work of Volunteers from Other Companies in an Unprecedented Expansion of Law that Undermines a Century of Precedent

As with other issues, the ID erred by effectively overruling well-established precedent with respect to priority and the reduction to practice. Specifically, a central dispute for the '818 patent was whether the named inventors properly reduced the invention to practice, thereby allowing the patent to antedate indisputably invalidating prior art. Although it was undisputed that the '818 inventors did not reduce their alleged invention to practice themselves—in fact, even the ID acknowledged that they abandoned it, ID at 33 (inventors “refus[ed] to personally perform the implementation . . .”)—the ID nevertheless found that work by volunteers from other, unrelated companies should inure to the named inventors merely because the group had a “shared goal.” ID at 33 (“The context of a standard-setting working group and the circumstances of this particular

[REDACTED]

JVT relationship are one of collaboration and a shared goal—even if the participants are from different companies, and even if individuals of the group decline to perform certain roles.”) (emphasis added). The ID’s novel legal theory upends the doctrine of inurement and is clear legal error.

“Inurement involves a claim by an inventor that, as a matter of law, the acts of another person should accrue to the benefit of the inventor.” *Cooper v. Goldfarb*, 154 F.3d 1321, 1331–32 (Fed. Cir. 1998). Inurement requires “that the other person was working either explicitly or implicitly at the inventor’s request.” *Id.* at 1332. The most common situation for inurement is an employment relationship. 3A Chisum on Patents § 10.06 (2024). No court has ever found inurement between an inventor who abandoned their invention and someone from another company who volunteered to pick-up the slack solely because the pair participated in a group with a “shared goal.” That is, until now. This error alone is sufficient basis to review and reverse the ID on the ’818 patent’s validity determination.

a. The Named Inventors Actively Refused to Reduce the Invention to Practice, Forcing a Months-Long Search Among the JVT for Volunteers to Help

Nokia contends the ’818 patent’s invention was conceived around April 27 or May 1, 2002, coinciding with their submission of JVT-C078 to the JVT. *Id.* JVT-C078 proposed using four parameter sets, which the JVT rejected. Tr. (Storer) 1142:10–1143:11; RX-5200; RX-0044; RX-5237 (Hannuksela) 391:14–17; Tr. (Kia) 257:16–259:15. Afterward, several other JVT members—including JVT chair Gary Sullivan and Sony’s Walker and Tabatabai—made proposals that involved two parameter sets (the number of parameter sets used in the H.264 standard). Tr. (Storer) 1143:13–1145:14; RX-3510; RX-4900. Recognizing their four-parameter-set proposal in JVT-C078 had been rejected, the named inventors submitted another proposal (JVT-D094) that

[REDACTED]

adopted Sullivan’s and Sony’s use of two parameter sets. RX-0037; Tr. (Storer) 1145:16–1147:13. Given the competing proposals from Sony (JVT-D87) and Nokia (JVT-D094), the JVT formed a breakout group to decide how to proceed. RX-4622.0019–.0020. Ultimately, the JVT adopted Sony’s proposal. CX-8729C (Wenger) 201:1–202:14; Tr. (Storer) 1147:14–1149:6; RX-4078; RX-0036. The breakout group generated output document JVT-D145 to memorialize its decision. RX-0036.

Nokia’s inventors abandoned the work and refused to reduce the alleged invention to practice. Hannuksela was originally selected to implement the breakout group’s JVT-D145 into the JVT’s reference code—software for testing features. RX-3522; CX-7143; Tr. (Suehring) 116:5–7, 119:14–18. In his own words, he was chosen “because [he] acted as the chair of the breakout group,” not because the document reflected his contribution. RX-3524. Shortly thereafter, Hannuksela emailed the JVT noting he “lack[ed] the time, the skills, and the knowledge how to implement JVT-D145 into the software.” RX-3524; Tr. (Kia) 267:7–268:12; Tr. (Suehring) 132:4–133:13.

Aug. 14, 2002: Hannuksela Lacked “Time, Skills, and Knowledge” to Implement JVT-D145

From: <miska.hannuksela@nokia.com>
 Date: August 14, 2002 4:02:00 AM (-05)
 To: <suehring@hhi.de>
 Cc: <jvt-experts@mail.imtc.org>
 Subject: **RE: [jvt-experts] RE: Software implementation schedule**

Attachments:

Karsten, experts,

Sorry for commenting late, I just returned from my vacation.

I've been marked as the implementor of "high-level syntax" (JVT-D145) obviously because I acted as the chair of the breakout group that produced the document. Unfortunately, I lack the time, the skills, and the knowledge how to implement JVT-D145 into the software. Thus, I wish somebody else volunteered to take the position of implementing JVT-D145.

Best Regards,
 Miska

RX-3524

RDX-0097C.58

RDX-0097C.0058

Hannuksela's "involvement" ended there. Tr. (Suehring) 133:14–134:4; Tr. (Storer) 1130:10–1131:15. Meanwhile, the other named inventor, Wang, was too busy to help. Tr. (Suehring) 134:5–8, 135:17–136:5; Tr. (Storer) 1131:17–1132:5.

Aug. 19, 2002: Wang “Too Busy” to Implement JVT-D145

Inv. No. 337-TA-1380
CX-7136

Timeline for the implementation of parameter sets into the JVC reference software

2002-08-13	Discuss JVC4.1 bug fix
2002-08-14	Discuss JVC4.1 bug fix
2002-08-15	Discuss JVC4.1 bug fix
2002-08-16	Discuss JVC4.1 bug fix
2002-08-17	Discuss JVC4.1 bug fix
2002-08-18	Discuss JVC4.1 bug fix
2002-08-19	Discuss JVC4.1 bug fix
2002-08-20	Discuss JVC4.1 bug fix
2002-08-21	Discuss JVC4.1 bug fix
2002-08-22	Discuss JVC4.1 bug fix
2002-08-23	Discuss JVC4.1 bug fix
2002-08-24	Discuss JVC4.1 bug fix
2002-08-25	Discuss JVC4.1 bug fix
2002-08-26	Discuss JVC4.1 bug fix
2002-08-27	Discuss JVC4.1 bug fix
2002-08-28	Discuss JVC4.1 bug fix
2002-08-29	Discuss JVC4.1 bug fix
2002-08-30	Discuss JVC4.1 bug fix
2002-08-31	Discuss JVC4.1 bug fix
2002-09-01	Discuss JVC4.1 bug fix
2002-09-02	Discuss JVC4.1 bug fix
2002-09-03	Discuss JVC4.1 bug fix
2002-09-04	Discuss JVC4.1 bug fix
2002-09-05	Discuss JVC4.1 bug fix
2002-09-06	Discuss JVC4.1 bug fix
2002-09-07	Discuss JVC4.1 bug fix
2002-09-08	Discuss JVC4.1 bug fix
2002-09-09	Discuss JVC4.1 bug fix
2002-09-10	Discuss JVC4.1 bug fix
2002-09-11	Discuss JVC4.1 bug fix
2002-09-12	Discuss JVC4.1 bug fix
2002-09-13	Discuss JVC4.1 bug fix
2002-09-14	Discuss JVC4.1 bug fix
2002-09-15	Discuss JVC4.1 bug fix
2002-09-16	Discuss JVC4.1 bug fix
2002-09-17	Discuss JVC4.1 bug fix
2002-09-18	Discuss JVC4.1 bug fix
2002-09-19	Discuss JVC4.1 bug fix
2002-09-20	Discuss JVC4.1 bug fix
2002-09-21	Discuss JVC4.1 bug fix
2002-09-22	Discuss JVC4.1 bug fix
2002-09-23	Discuss JVC4.1 bug fix
2002-09-24	Discuss JVC4.1 bug fix
2002-09-25	Discuss JVC4.1 bug fix
2002-09-26	Discuss JVC4.1 bug fix
2002-09-27	Discuss JVC4.1 bug fix
2002-09-28	Discuss JVC4.1 bug fix
2002-09-29	Discuss JVC4.1 bug fix
2002-09-30	Discuss JVC4.1 bug fix

2002-08-19 Discuss implementation schedule, possible ABT problems
 Send out JM4.1 for direct mode implementation
 Ye-Kui Wang reports he is too busy to implement himself and also did not find another implementor for JVT-D145
 jm41.zip uploaded to web site

CX-7136

RDX-0097C.59

RDX-0097C.0059

CX-7136. Despite being too busy to implement JVT-D145, Hannuksela and Wang had time to work on their own “stuffs,” including *six* other JVT proposals.

From: Ye-Kui Wang <wyk@ieee.org>
 Date: August 18, 2002 5:54:12 AM (-05)
 To: Detlev Marpe <marpe@hhi.de>; Karsten Suehring <suehring@hhi.de>
 Cc: JVT <jvt-experts@mail.imtc.org>
 Subject: **[jvt-experts] RE: Software implementation schedule**

Attachments:

Detlev and Karsten,

We (me, Dong Tian and Miska Hannuksela) would like to implement our stuffs, JVT-D095, 097, 098, 099, 100, 101, either after or before Stephan's JVT-D065. Would that be OK?

Best Regards,
 Ye-Kui

CX-7169; Tr. (Suehring) 134:9–12. The rest of the JVT then undertook a months-long search for anyone to implement JVT-D145. Tr. (Suehring) 136:19–20.

Aug. 20-Sept. 27, 2002: JVT Cannot Find *Anyone* To Implement JVT-D145

From: Karsten Suehring <suehring@hhi.de>
 Date: August 20, 2002 5:17:21 AM (-05)
 To: JVT experts <jvt-experts@mail.imtc.org>; Gary Sullivan <garysull@microsoft.com>; Thomas Wiegand <wiegand@hhi.de>
 Subject: New JM Software / Schedule / Implementor needed

* * *

3. We need an implementor for JVT-D145 (Output of the High Level Syntax breakout group). Please contact me, if you want to volunteer.

Best regards,
 Karsten

RX-3528

From: Thomas Wiegand <wiegand@hhi.de>
 Date: September 18, 2002 11:09:12 AM (-05)
 To: JVT experts <jvt-experts@mail.imtc.org>
 Subject: [jvt-experts] RE: Software Implementation Status / New JM Reference Software

Attachments:

Experts,

let me add that Karsten informed me that there is no volunteer to implement the NAL JVT-D145 as specified in the FCD! I think that it will be very difficult to reach a stable specification without any software implementation verifying it.

HELP !!!

Best Regards,
 Thomas

RX-5218

From: Karsten Suehring <suehring@hhi.de>
 Date: September 27, 2002 6:31:34 AM (-05)
 To: LIXiang <lixiang01@mails.tsinghua.edu.cn>
 Cc: JVT-Experts <jvt-experts@mail.imtc.org>
 Subject: Re: [jvt-experts] syntax described in jvt-e022d7 and implementation in JM4.0d

Attachments:

Hi,

we currently have no up-to-date high level syntax implementation in the reference software. We also still need an implementor for the output of the high level syntax breakout group at the Klagenfurt Meeting. Any volunteering will be highly appreciated.

Best regards,
 Karsten

RX-5219

RDX-0097C.60

RX-3528; RX-5218 (expressly pleading for “HELP!!!”); RX-5219; Tr. (Storer) 1132:6–18. Finally, on September 27, 2002, Wenger—a JVT member who worked for AG Teles/Technical University Berlin (CX-8729C (Wenger) 207:15–18; RX-0020), having no affiliation with Nokia—volunteered to implement JVT-D145 into the code.

Sept. 27, 2002: Stephen Wenger Volunteers To Implement JVT-D145

Timeline for the implementation of parameter sets into the JM reference software

Inv. No. 337-TA-1380
 CX-7136

2002-09-27 Stephan Wenger acknowledges that he plans to implement not only his proposal, but most of the outcome of a “break-out” group (BoG), which discussed his document JVT-D065 along with others. He suggests that HHI, TU Munich or Ye-Kui Wang could help.

Note: The result of the BoG is documented in JVT-D145, authored my Miska M. Hannuksela

CX-7136

1380_NOK_AMHP...ITC00002088
 CX-7136.0001

TECHNISCHE UNIVERSITÄT BERLIN

RDX-0097C.61

CX-7136; Tr. (Suehring) 119:20–120:5, 138:19–21; Tr. (Storer) 1132:22–1133:12. No evidence

suggests Wenger thought he was working at the inventors' request or on their alleged invention.

These basically undisputed facts doom the '818 patent under settled law. Nonetheless, the ID undertook an unprecedented, erroneous expansion of inurement law to save the '818 patent.

b. The ID Attributed Acts of Volunteers from Other Companies to Inure to Nokia's Inventors Who Abandoned the Work

The ID did not dispute that the named inventors actively refused to participate in reducing their alleged invention to practice. ID at 33 ("Dr. Hannuksela's and Dr. Wang's refusal to personally perform the implementation in August 2002 (RX-3524; CX-7169) was not going to defeat the project (CX-7136)."). Nor did the ID dispute that Dr. Wenger—who did not work for Nokia—volunteered to save the project despite the named inventors' abdication. *Id.* ("The record shows that Mr. Suehring, and the eventual implementer Dr. Wenger, worked diligently to achieve this and did so around December 16–18, 2002."). The ID did not analyze whether Suehring and/or Dr. Wenger were the named inventors' agents. Yet, despite these facts, the ID nonetheless concluded Dr. Wenger's work inured to the named inventors because—and only because—they both participated in a group with a "shared goal":

The context of a standard-setting working group and the circumstances of this particular JVT relationship are one of collaboration and a shared goal—even if the participants are from different companies, and even if individuals of the group decline to perform certain roles. *Id.*; see generally CX-7136. There can be no doubt that JVT-D145, containing the invention of the 818 patent, was going to be implemented into the standard (i.e., reduced to practice) and that **Dr. Hannuksela's and Dr. Wang's refusal to personally perform the implementation in August 2002 (RX-3524; CX-7169) was not going to defeat the project (CX-7136).**

ID at 32–33 (emphases added). In other words, the ID found that nothing an inventor does in a group—even abandoning their invention—can defeat an inurement claim. Practically speaking, this sets a dangerous precedent because inurement can be found even where (1) the parties work for *different* companies, (2) the inventors abandon their own invention, and/or (3) the reducing

[REDACTED]

party *volunteers* to help without knowledge their work is for the named inventors. Finding inurement under such circumstances—and in other arenas, like academia or joint development arrangements—disincentivizes collaboration and results in the award of monopoly rights to those who did not follow the requirements of our patent laws.

Not surprisingly, the ID’s unprecedented view of inurement has no basis in law and, in fact, contradicts a century of settled precedent.

c. The ID’s Unprecedented Expansion of Inurement Law Contradicts Established Precedent

The ID’s expansion of inurement has no basis in law. While the ID cited several cases to support its ruling, upon review those cases are inapposite. Worse, the ID’s ruling squarely conflicts with existing inurement principles and caselaw.

The ID primarily relied on *Solvay S.A. v. Honeywell Int’l Inc.*, 742 F.3d 998 (Fed. Cir. 2014). ID at 33. But *Solvay* contained one critical fact not present here: an agreement between the inventing company and the company that reduced the invention to practice. *Solvay*, 742 F.3d at 1006 (“Rather, inurement exists if the inventor authorizes another to reduce his invention to practice. Here, the **research agreement between the RSCAC and Honeywell** confirms that the RSCAC authorized Honeywell to practice its invention in the United States and contemplated that Honeywell would do so.”) (emphasis added). Here, the ID could not cite any agreement between the named inventors and Dr. Wenger because none existed. *See generally* ID at 32–34. Nor did the ID cite any evidence that the named inventors requested the work, or that Wenger thought he was working at their request. Perhaps recognizing that gap, the ID tried to fill it with unsupported assumptions that the inventors “surely” believed *someone* in the JVT would implement the proposal. *See* ID at 33 (“**Surely**, Dr. Hannuksela and Dr. Wang contemplated that their submissions, JVT-C078 and JVT-D094, if adopted, **would eventually be reduced to practice by**

[REDACTED]

someone within the collaborative breakout group. [] (Suehring) at 118:1–8. **That is seemingly how collaborative standards setting works . . .**)” (emphases added). But that was pure speculation—Hannuksela and Wang did not testify at the hearing, and this is yet another example of the ID coming up with facts and theories Nokia did not present, and Amazon had no opportunity to rebut, to its great prejudice. *Solvay* cannot serve as the basis to expand inurement in this fashion.

The ID also cited *Hogue v. Cowling*, 101 F.2d 541 (C.C.P.A. 1939). ID at 33. There, however, the inventor (Cowling) sent a letter to the person who reduced the invention to practice (Cariffe). *Hogue*, 101 F.2d at 550. The letter disclosed the invention and suggested that Cariffe prepare a sketch. *Id.* Cariffe then reduced the invention to practice “evidently being of the opinion that, in so doing, **he was acting in accordance with the wishes of the party Cowling.**” *Id.* (emphasis added). Here, there is *no* correspondence between the named inventors and Wenger, no suggestion to work on the implementation, and no evidence that Wenger thought he “was acting in according with the wishes” of the named inventors.

Next, the ID cited *Learned v. Thompson*, 191 F.2d 409 (1951). ID at 33. That decision does not help, either. There, the named inventor exchanged several letters with the U.S. Government. *Learned*, 191 F.2d at 410–11. In one exchange, the U.S. Government inquired if the named inventor might make his invention available, and the named inventor responded positively. *Id.* at 415. Because of those exchanges, the court found an agency relationship. *Id.* (“We conclude, therefore, that an agency relationship was established between the Government and Learned at least as early as January 1944.”). Here, the ID cites no evidence of any such exchanges between the named inventors and Wenger. Nor did the ID find an agency relationship between the named inventors, Suehring, and/or Dr. Wenger.

Finally, the ID cites *Cooper v. Goldfarb*, 240 F.3d 1378 (Fed. Cir. 2001). ID at 33–34.

[REDACTED]

There, the alleged inventor (Cooper) provided test tubes to researchers, including Goldfarb. *Cooper*, 240 F.3d at 1381. Cooper also sent a letter accompanying a certain lot of test tubes indicating that he expected the tubes to be suitable as a vascular graft. *Id.* at 1384. The Federal Circuit found Goldfarb’s recognition that the material worked as a vascular graft inured to Cooper because Cooper asked that they be tested for that purpose. *Id.* But, the Federal Circuit found inurement did not apply to Goldfarb’s recognition that the tubes had a certain fibril length because Cooper had not asked that they be tested for that purpose. *Id.* Here, there was no such communication nor did the named inventors provide anything for Wenger to test.

None of these cases come close to the factual situation here, so they do not support the ID’s expansion of inurement. Worse, the ID’s expansion is contrary to several key cases the ID omitted.

First, the ID contradicted well-established law that inurement does not apply simply because employees work for the same company. *Hartley v. Joyce*, 96 F.2d 296, 300 (C.C.P.A. 1938) (finding “no sound reason why the activity of one inventor should inure to the benefit of another **merely because they are employed by the same company.**”); *Robinson v. McCormick*, 29 App. D.C. 98, 111 (D.C. Cir. 1907) (finding inurement does not apply “merely because the ownership of the claims of both may afterwards become vested in the same person or persons” and “[i]t is not enough to entitle an applicant to a patent that someone else, not his agent, has shown the practicability of the invention by reducing it to practice.”) (emphasis added). The ID upended this century-old caselaw by finding participation in the same group—not even the same company—is sufficient for the acts of one party to inure to another. ID at 32.

Second, the ID vitiated the test for whether a non-inventor’s recognition of the utility of an invention can inure to the benefit of the inventor. *See Genentech, Inc. v. Chiron Corp.*, 220 F.3d 1345 (Fed. Cir. 2000). In *Genentech*, the Federal Circuit explained that three requirements must

[REDACTED]

be met for an inventor to benefit from a non-inventor's recognition of an invention's utility. *Id.* at 1354. Relevant here, one requirement is that "the inventor must have submitted the embodiment for testing for the intended purpose of the invention." *Id.* Under *Genentech's* facts, the Federal Circuit found no inurement because the inventors had not submitted their sample for testing for the intended purpose of the invention (promoting growth); they submitted it for detecting presence of a particular substance. *Id.* Consequently, the agent's recognition that the sample worked in a manner the inventors had not anticipated did not inure to their benefit. *Id.* The ID upheld this law by finding that working towards a shared goal is sufficient for inurement.

Finally, the ID contradicted caselaw finding no inurement because the inventor had no supervisory authority over the other party. *See, e.g., Anderson v. Anderson*, 403 F. Supp. 834, 847 (D.D.C. 1975) (no inurement "[s]ince neither the L. B. Foster Company nor William K. Wilson had any supervisory authority over the wharf bulkhead tests, and William K. Wilson's function there was only to maintain and advise with respect to proper use of the Vibro-Driver furnished by L. B. Foster Company, the tests were not conducted by plaintiffs and, therefore, cannot constitute their reduction to practice."); *Guthrie v. Espiau*, Patent Interference 105,393, 2008 WL 780716, at *19 (B.P.A.I. Mar. 24, 2008) (party's provisional application did not inure to other party—even where that party contracted, paid for, and collaborated on work—because first party filed provisional "on its own accord"); *DevTech Mktg., Inc. v. Westfalia-Surge, Inc.*, No. ED CV 02-672 RT (SGLx), 2005 WL 6287929, at *15 (C.D. Cal. Apr. 19, 2005) (no inurement where party provided only "consultation," "technical information," and "engineering aspects" but was not "in a lead role of any sort"). Under the ID's logic, these cases would come out differently: the parties in each case were working toward a shared goal. Yet, because there was no supervision or direction, courts found no inurement.

Given that the ID's finding contradicts or ignores virtually every case on the issue, the Commission must review the ID's ruling and reverse it.

3. The ID Finding No Motivation to Combine VCEG-N52 and Sriram Misunderstands Amazon's Theory

The ID concluded a POSITA would not combine VCEG-N52 (RX-0020) and U.S. Patent No. 6,539,059 ("Sriram") (RX-5188) because the ID found no express teaching or suggestion in Sriram about breaking up parameter sets. ID at 39–41.

So at least one difference between the prior art VCEG-N52 and independent claims 6 and 15 of the 818 patent is that VCEG-N52 lacks both a "sequence parameter set" and a "picture parameter set"—there is only one set. Amazon, however, contends that a POSITA would have been motivated to break up this single set into multiple sets "using Sriram's teachings of smaller data structures for parameters." RIB at 55 (citing RX-5188 at 12:64-13:1), 56 ("A POSITA would have found it obvious to split VCEG-N52's parameter set into smaller parameter sets based on Sriram's teachings."). Central to this theory, according to Dr. Storer, is that Sriram discloses "this notion of breaking up of parameter sets." Hr'g Tr. (Storer) at 1159:17-18.

This is where Amazon's theory fails to find support in the record. Amazon repeatedly cites the same passage in Sriram for a teaching or suggestion of breaking up parameter sets:

In addition, there are several parameters which were extracted from the picture, sequence and GOP headers which are needed for processing an individual MB. Several smaller data structures are defined and a pointer to these data structures is included in the Slice and MB data structures. For example, parameters like Picture Horizontal Size and so on are extracted from Picture headers and extensively used for MB processing (Motion Compensation). Instead of having a copy of this parameter in every Slice and Macroblock structure, parameters like Horizontal and Vertical Size are grouped together into another data structure (for example, PicParameters) and a pointer to this structure is included in every Slice and MB structure. Such an idea is also used to minimize the number of fields in the Slice and MB structures. The number of fields in a MB structure is an issue because a big MB structure will significantly increase the data bandwidth.

RX-5188 (Sriram 12:64-13:12)

RDY-0097C:91 (citing RX-5188 at 12:64-13:12); see RIB at 53-54 (citing RX-5188 at 12:64-13:13); Hr'g Tr. (Storer) at 1158:22-1159:22. But while the paragraph mentions parameters at the picture, sequence, and GOP levels, it does not disclose the concept of breaking them apart so as to avoid any sort of redundant transmissions. Rather, it teaches swapping out instances of the

ID at 39–40 (highlighting added). But Amazon never argued Sriram disclosed breaking a single parameter set into multiple parameter sets. *See generally* RIB at 60–62; RRB at 23–24.

Rather, Amazon consistently argued that a POSITA would have split VCEG-N52's single parameter set into multiple parameter sets based on Sriram's teachings of using smaller data structures. *See* RIB at 60. Specifically, a POSITA would have been motivated to take VCEG-N52's single-parameter-set structure and split it into smaller parameter sets based on Sriram's teachings about using smaller, efficient data structures. Tr. (Storer) 1139:14–1140:19, 1157:21–1160:6. Both VCEG-N52 and Sriram operate within the same field—processing parameters for video decoding. Tr. (Storer) 1167:14–15. Thus, both references disclose (1) the same video hierarchy of sequence, GOP, picture, slice, and macroblock, RX-0020.0004, .0008; RX-5188 at 3:14–18, 6:4–5, 9:29–30; (2) how to efficiently process parameters for these levels within a bitstream, RX-0020.0008; RX-5188 at 1:43–44; (3) storing parameters together, in a “parameter set” in VCEG-N52 and in data structures in Sriram, RX-0020.0003; RX-5188 at 12:64–13:13, 14:35–54; and (4) identifying the parameters to use for each slice, RX-0020.0006; RX-5188 at 15:56–67. *See* Tr. (Storer) 1139:14–1140:19, 1157:21–1160:6; Tr. (Kia) 1720:10–17. Moreover, Dr. Storer explained how VCEG-N52 and Sriram share the common design goal of efficiently handling shared parameters. Tr. (Storer) 1159:25–1160:6; 1167:13–21, 1140:9–19; RX-5188 at 6:29–33; RX-0020.0008. VCEG-N52 achieves that goal using “parameter sets” and Sriram achieves it using “several smaller data structures.” Tr. (Storer) 1158:22–1159:22; RX-5188 at 12:64–13:13. Also, Dr. Kia admitted VCEG-N52 already envisioned (1) not having “to constantly send parameters,” and (2) transmitting parameter sets only when needed. Tr. (Kia) 1717:7–13.

Given these teachings, a POSITA would naturally split VCEG-N52's single parameter set into multiple, smaller parameter sets (as taught by Sriram) to improve their handling (e.g., if parameters change between a picture but not a sequence, the encoder would only transmit the new picture parameter set and would not need to transmit a sequence-level parameter set). Thus, the

[REDACTED]

record confirms there was a motivation to combine VCEG-N52 and Sriram. *KSR Int'l. Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2006); *see also DyStar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co.*, 464 F.3d 1356, 1368 (Fed. Cir. 2006) (implicit motivation when “improvement” makes product stronger, cheaper, faster, or more efficient).

Amazon’s position is clear from how both Nokia and the PTAB have characterized it. Nokia, for example, has never characterized Amazon’s argument as Sriram disclosing breaking up parameter sets. *See generally* CIB at 150–53; CRB at 58–60. In the co-pending IPR proceedings, the PTAB also did not characterize Amazon’s argument that way—notably, the PTAB ultimately found a motivation to combine VCEG-N52 and Sriram. *See generally* October 30, 2024 Notice of Parallel Proceeding, 79–83;¹⁰ *see, e.g., id.*, 80–81 (“Regarding a reason to combine Sriram’s teachings with VCEG-N52’s teachings, Sriram explains that ‘it is important to efficiently process shared parameters’ in a video bitstream, *e.g.*, a video bitstream that ‘has been split into independent parts.’ To efficiently process shared parameters in a video bitstream, Sriram discloses using a ‘hierarchy of data structures including a sequence data structure, a picture data structure, [and] a slice data structure’ when encoding and decoding video data.”) (cleaned up). Indeed, the theory presented in the ID would make little sense because, as Nokia recognizes, parameter sets do not exist in Sriram. CRB at 59 (“Sriram never discloses creating structures at an *encoder* from *parameter sets* (which did not exist in Sriram) . . .”).

Notably, the ID did not cite Amazon’s pre- or post-hearing briefs as the source of the theory. Instead, it cited two lines from Amazon’s expert’s testimony. But that testimony, when read in context, is consistent with Amazon’s theory rather than the ID’s:

Q. Turning to slide 91, what does Sriram teach.

¹⁰ These page numbers refer to the PDF pagination.

A. . . .

So now you have this idea of hierarchical arrangement of having one set pointing up to a higher level. “For example, parameters like picture horizontal slice and so on are extracted from picture headers and extensively used for macroblock processing (motion compensation). Instead of having a copy of this parameter in every slice and macroblock structure, parameters like horizontal and vertical size are grouped together into another data structure (for example, picParameters) and a pointer to this structure is implemented in every slice.”

So here you have this notion of breaking up of parameter sets. We saw VCEG-N52 laid it on all out but it didn’t expressly say break it up. It is really obvious how to do it, but it didn’t expressly say it. **Now you can get support of this combination that describes this notion of having a smaller level pointing to a higher level.**

Q. Turning to slide 92, **do Sriram’s teachings of smaller data structures provide any benefits?**

A. Yeah. Similar to what saw in VCEG-N52, it say one design goal is efficiency. **It’s important to efficiently process shared parameters.** So there is a common design goal. It is very natural to combine Sriram with VCEG-N52.

Tr. (Storer) 1158:22–1160:4 (emphases added). Dr. Storer’s testimony addressed Sriram’s hierarchical data structures from a POSITA’s perspective; he did not testify that Sriram disclosed taking a single parameter set and splitting it into smaller parameter sets as the ID suggested.

Given that the ID’s obviousness analysis is based on an incorrect theory, it is clearly erroneous and therefore must be reviewed and reversed.

4. The ID Erred in Finding Claims 6, 8, 9, and 15 Patent Eligible Contrary to Federal Circuit Precedent

The ID’s § 101 analysis suffers from the same errors discussed for the other patents. *See, supra*, Sections V.C.5; V.D.2; V.E.3. For the same reasons, this analysis warrants review.

G. The ID Erred in Rejecting Amazon’s Non-Technical Defenses

To the extent the Commission upholds any findings that Nokia’s patents are essential to the H.264 and H.265 standards, the Commission should review the ID’s conclusions on Amazon’s defenses of implied waiver, breach of the duty of good faith, and breach of RAND. Nokia’s

gamesmanship in failing to timely disclose its allegedly essential patents to the ITU, along with its negotiating tactics against Amazon and non-RAND offers, should preclude exclusionary relief.

1. The ID’s Findings on Implied Waiver Directly Contradict Governing Precedent and Are Based on Clearly Erroneous Conclusions of Fact

a. The ID’s Finding of No Duty of Disclosure Directly Contradicts the Federal Circuit’s Holding in *Qualcomm*

The ID absolved Nokia of implied waiver by concluding that, under the relevant standard-setting organization ITU’s disclosure policies, “there would seem to be no need to identify specific patents or claims so long as the patent holder agrees to license its patents on RAND terms.” ID at 150. But that interpretation directly contradicts the Federal Circuit holding in *Qualcomm* that the ITU Patent Policy “unambiguously” required JVT participants “to disclose patents [that reasonably might be necessary to practice the H.264 standard] prior to final approval of [that] standard.” *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1015, 1018–19 (Fed. Cir. 2008). The Federal Circuit found Qualcomm breached that disclosure duty because it failed to disclose patents before final approval of H.264, even though Qualcomm ultimately submitted an IPR licensing declaration, committing to license on RAND terms.¹¹ *Id.* at 1018; *see also Certain UMTS and LTE Cellular Commc’n Modules and Prods. Containing the Same* (“UMTS Modules”), Inv. No. 337-TA-1240, Initial Deter. at 281 (Apr. 28, 2022) (“deliberate non-disclosure, like Nokia’s in

¹¹ The ID’s conflation and confusion of the ITU’s disclosure obligations and IPR declarations is doubly problematic because those are separate requirements serving different objectives. JX-1489C (Simcoe) 1548:5–25, 1551:3–15, 1567:12–1570:17, 1573:7–20; Tr. (Simcoe) 1454:7–1455:17. As Dr. Simcoe explained, disclosure obligations allow the standards body to be informed about patenting activity on a standard under development and thus to exert oversight into its development. Tr. (Simcoe) 1455:9–17; *Qualcomm*, 548 F.3d at 1013 (“identification of IPR by JVT participants is critical to the development of an effective industry standard”). The ID’s conclusion that IPR declarations can satisfy disclosure obligations—including declarations made after a standard’s approval—would not only nullify the ITU’s express provisions regarding disclosure, but it would completely undermine the purposes served by those provisions.

[REDACTED]

Conversant, demonstrates inequitable benefit”)¹² (affirmed on other grounds with statement that “Commissioner Kearns would affirm the ID’s finding that the ’271 patent is unenforceable under the doctrine of implied waiver”). Inexplicably, the ID forgives this exact same behavior from Nokia, setting itself in direct conflict with the Federal Circuit. Accordingly, the ID’s rejection of Amazon’s implied waiver defense is premised on legal error and must be reviewed and reversed.

b. Having Mischaracterized Nokia’s Duty, the ID Also Clearly Erred in Assessing Nokia’s Lack of Compliance

As a result of misapplying *Qualcomm* and mischaracterizing Nokia’s duty of disclosure, the ID further erred when it found no lack of best efforts by Nokia. Notably, the ID did not disagree with the uncontroverted evidence regarding disclosure presented by Dr. Simcoe, including that

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Tr.

(Simcoe) 1455:18–1460:1; RIB 208–14. *UMTS Modules*, Initial Deter. at 248 (Apr. 1, 2022) (“Submitting a technical proposal to [the SSO] and filing a patent application on the same day, yet waiting for years after that to inform [the SSO], is evidence of ‘intentional nondisclosure.’”). In many cases, the disclosures happened years after the original patent applications were filed and years after the standards were approved. RDX-0100.0028–.0029, .0031–.0032 (citing RX-4835–RX-4837, RX-4839). Nevertheless, the ID found Nokia’s IPR declarations sufficient, and blamed

¹² Prior Nokia breaches of disclosure obligations have rendered its SEPs unenforceable. *Core Wireless Licensing S.A.R.L. v. Apple, Inc.*, 899 F.3d 1356, 1365–69 (Fed. Cir. 2018) (affirming Nokia breached duty of disclosure); *Conversant Wireless Licensing S.A.R.L. v. Apple, Inc.*, No.15-cv-05008-NC, 2019 WL 4038419, at *6 (N.D. Cal. May 10, 2019) (on remand rendering patents unenforceable due to “Nokia’s failure to disclose its IPR [which] allowed Nokia and Conversant to inequitably benefit from that misconduct”).

Amazon for failing to provide “direct evidence of why Nokia filed [the declarations] when it did, or how the decisions on when to file them were made.” ID at 152–53. This flipped *Qualcomm* on its head: if the duty requires patent disclosure *prior* to final standard adoption—as *Qualcomm* expressly holds—Nokia’s conduct cannot constitute best efforts. This erroneous result followed directly from the ID’s misapplication of Federal Circuit law and must be reviewed and reversed.

2. The ID Erred in Concluding Amazon Had Not Shown Nokia Breached Its Duty to Negotiate in Good Faith

The duty of good faith requires conduct “comport[ing] with the implied duty of good faith and fair dealing” and “honesty in fact.” *Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023, 1038–39 (W.D. Wash. 2012). Nokia’s negotiations with Amazon breached that duty, and the ID erred in concluding otherwise.

Nokia made [REDACTED], while refusing to [REDACTED].¹³ Nokia’s offers [REDACTED]. [REDACTED] JX-1489C (Hayden) 1015:16–1016:4. And, contrary to the ID’s findings, Nokia [REDACTED]. JX-1489C (Hayden) 1019:18–1020:4, 1029:22–1030:7, 1078:9–16, (Braun) 184:21–186:7 ([REDACTED]); RX-0411C.0001 [REDACTED], .0002;

¹³ Nokia [REDACTED] JX-1489C (Hayden) 1016:9–1018:13, 1032:1–8; CX-8710C.101–102 (Hayden); JX-0530C, RX-3607; RX-0105C.0003—0006; RX-1686C.0001; RX-1986C.0118–.0127, .0235–.0237 (Braun). Nokia’s obfuscation continued when it withheld its agreement with now-terminated Respondent HP, despite being having been ordered to produce all licenses for its H.264/H.265 program.

[REDACTED]

RX-0405.0006 ([REDACTED]); *see also, e.g.*, RX-0164C ([REDACTED]); RX-4491C.0006 ([REDACTED]). Amazon, a company involved in over 650 licenses, found [REDACTED] JX-1489C (Hayden) 986:10–12, 1015:7–15.

Nokia then sued Amazon around the world in October 2023 seeking exclusionary relief.

[REDACTED]

[REDACTED] JX-1489C (Hayden) 1031:1–16. Amazon attempted to resolve Nokia’s global campaign by committing unconditionally to take a RAND license as set by the U.K. High Court, RX-1698C, and Amazon has even sought to expedite the rate-setting proceedings while Nokia opposed those efforts. JX-1489C (Hayden) 1031:14–19, (Braun) 196:6–197:5. Based on this conduct, the U.K. Court found Nokia had acted “*prima facie* in conflict with its RAND obligations” and agreed to expedite proceedings. RX-5320C.0025, ¶¶139, 151–52. The ID, however, glaringly omits these facts and any mention of the U.K. decision. The ID’s conclusions on breach of good faith should be reviewed and reversed.

3. The ID Clearly Erred by Ignoring Material Evidence Demonstrating Nokia’s “Program Rates” Are Unreasonable

Although the ID correctly noted that Nokia’s ITU declarations “constitute[] a binding agreement ‘to license [Nokia’s] essential patents on RAND terms,’” ID at 141 (citing *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2012 WL 4827743, at *6 (W.D. Wash. Oct. 10, 2012)), the ID made multiple errors regarding the unreasonableness of Nokia’s offers.

First, the ID concluded, based on the mere existence of Nokia’s H.264 and H.265 licenses, that Nokia’s “program rates” were “not unreasonable.” ID at 141–42, 145–46. The ID stated Amazon put forward no evidence regarding how Nokia originally formulated its “program rates” to demonstrate that those rates lacked objective basis, ID at 144, [REDACTED]

[REDACTED] . *E.g.*,
 RX-1981C (Gray Dep.) 52:15–54:2; RX-1982C (Martikainen Dep.) 66:15–67:4 [REDACTED]
 [REDACTED] . As described below, the ID’s conclusions,
 overlook the great weight of evidence showing Nokia’s “program rates” are excessive and that its
 license agreements were [REDACTED]

Nokia’s early monetization efforts strategically manufactured a set of licenses that Nokia
 could use to misrepresent the strength of its H.264 portfolio, bolster its claim to exclusionary relief
 in venues like Germany, and force larger companies to take licenses at its so-called “program
 rates.” JX-1489C (Lopez) 1680:25–1683:5, (Braun) 184:21–186:7; RX-1986C.0172, .0230
 (Braun). Nokia also used [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED] JX-1489C (Lopez) 1676:21–1680:1; RX-1986C.0230 (Braun);
 RIB 192 (citations omitted). [REDACTED]
 [REDACTED]
 [REDACTED] JX-1489C (Braun) 172:13–174:2.

Nokia’s [REDACTED] cannot support its “program rates” either.
 Amazon’s expert, Dr. Tim Simcoe, explained that large companies face a greater threat of hold-
 up from exclusionary relief than the small companies forming the bulk of Nokia’s licenses.
 Tr. (Simcoe) 1449:14–1450:11. Moreover, [REDACTED]
 [REDACTED] . RDX-0015C.0036 (RPX-
 0026C; RPX-0214C; RPX-0216C–RPX-0232C; RPX-0485C–RPX-0561C; RX-1223C–RX-
 1224C (admitted as RX-4833C and RX-4834C in 1380 Investigation); RDX-0101C.0022–.0023.

[REDACTED]

[REDACTED] RDX-0015C.0026–.0028 (citations omitted). The ID clearly erred in concluding that because “[REDACTED] companies, [REDACTED], have agreed to Nokia’s program rates since 2016,” Nokia’s rates were “not unreasonable” *See, e.g.*, JX-1489C (Lopez) 1686:10–15.¹⁴

Notably, before Nokia sold its phone business, became an NPE, and set about to “maximize” royalties notwithstanding RAND commitments, Nokia helped establish MPEG LA’s H.264 royalty structure at rates no higher than \$0.20/unit and Nokia supported an aggregate royalty for *all H.264 patents* of \$0.50/unit. RIB 187. Now, despite holding less than 10% of all H.264 SEPs, Nokia seeks *more than* [REDACTED]. RIB 186–87.

The ID also erred in concluding that while [REDACTED]

[REDACTED]

[REDACTED] ID at 145 (citing RX-0218C). This finding is wrong: [REDACTED]. JX-1489 (Braun) 174:5–175:9 [REDACTED], 177:3–11, 178:16–22; *see also, e.g.*, RX-4348C.0075–.0076. [REDACTED] “program” rates [REDACTED]. *See* RX-1091C; *infra* Section V.G.4.

Second, the ID erred by failing to assess whether Nokia’s “program” rates comport with

¹⁴ [REDACTED]

[REDACTED] JX-1489C (Lopez) 1678:12–1679:3, 1683:8–1686:9; CX-3058C [REDACTED] CX-3077C [REDACTED]

[REDACTED]

the apportionment principles in *Ericsson, Inc. v. D-Link Systems, Inc.* and the economic consensus that SEPs royalties should be predicated on the *ex ante* value of the patented technology. *Ericsson*, 773 F.3d 1201, 1232 (Fed. Cir. 2014) (“When dealing with SEPs there are two special apportionment issues that arise. . . .”); Tr. (Simcoe) 1434:5–1435:20, 1442:2–1446:16; JX-1489C (Simcoe) 1553:12–1556:22. For example, Nokia’s expert never attempted to ensure that a RAND royalty for Nokia’s portfolio did not improperly include value from the standard’s adoption of the patented technology. JX-1489C (Akemann) 828:2–829:5, 831:18–837:17; Tr. (Akemann) 371:19–372:22. Amazon did, and its analysis showed Nokia’s “program” rates far exceed the apportioned, *ex ante* value of Nokia’s patented technology. *E.g.*, Tr. (Lopez) 1488:6–1500:24.

The errors in the ID’s conclusions regarding “reasonableness” are compounded in looking at Nokia’s H.265 portfolio. The undisputed evidence shows [REDACTED] “program” rates

[REDACTED]

[REDACTED]

[REDACTED]. Tr. (Akemann) 374:16–376:25, 390:1–9, (Lopez) 1490:11–25. Assuming [REDACTED]

[REDACTED] is arbitrary and flawed. [REDACTED]

[REDACTED]

[REDACTED] Tr. (Lopez) 1503:11–1505:25; RDX-0101.22 (citing RX-4833C).

The ID also concludes that evidence of “lock-in” is “belied by” the fact that Nokia’s [REDACTED] H.264 rate stayed the same [REDACTED], even though H.264’s adoption has fluctuated somewhat over time. ID at 144 (citing RDX-0101C.0021). This conclusion is erroneous and logically flawed. The industry was “locked in” to the H.264 standard by 2010. JX-1489C

15

[REDACTED]. Compare RDX-0015C.18 (citing RX-0481; RX-0512C; RX-0513C), with JX-1489C (Brunelle) 263:23–264:2, 264:13–17, (Akemann) 838:8–11.

[REDACTED]

(Lopez) 1629:15–1630:8; *Microsoft Corp. v. Motorola, Inc.*, No. C10–1823JLR, 2013 WL 2111217, at *82 (W.D. Wash. Apr. 25 2013). That the rate of adoption later fluctuated *above* 2010 levels does nothing to negate that lock in.

The ID further erred in rejecting evidence of patent pool rates and licenses. The ID first erred by presuming that the relevant pools only have “weak” patents. ID at 145. The ID’s sole support is a citation to a case dealing with a different standard (*In re Innovatio*). The ID’s conclusion also directly contradicts *Microsoft v. Motorola*, which held that the MPEG LA H.264 pool “*is* a strong indicator of a RAND royalty rate for” an H.264 portfolio, and that this pool contains “immense and significant technology.” 2013 WL 2111217, at *64, 83 (emphasis added). Additionally, the evidence demonstrated that the relevant pools contain significant technology from a broad and diverse set of licensors. Even Nokia’s own expert, Dr. Orchard, has testified that the MPEG LA H.264 patents are “broad, covering all fundamental aspects [of the standard], and rich.” *Id.* at *82–83. Meanwhile, Nokia’s patents—less than 9% of H.264 patents and less than 4% of H.265 patents—are of marginal technological value, having been described as “bug fixes” or “minor.” Tr. (Lopez) 1492–95, 1502; RX-0430; JX-1489C (Lopez) 1635, 1640–41, 1643, 1699; Tr (Napper) 1535–37, (Schonfeld) 1358–59; RDX-0096C.0131–.0132; RX-5347 to RX-5350; JX-1489C (Akemann) 854–55. Moreover, Nokia recently told the marketplace that “[p]ublic announcements on royalties by . . . patent pools” provide “guidance on whether a license offer is FRAND.” RX-1688.0010.

Nokia’s “program rates” are [REDACTED] what MPEG LA and Access Advance charge for the vast majority of H.264 and H.265 SEPs. Nokia’s offers to Amazon are [REDACTED]

[REDACTED]

[REDACTED]. Tr. (Lopez) 1495, 1498–1501. To justify this disparity, Nokia’s patents would

[REDACTED]

have to be vastly more valuable than the pools’, but the evidence in the record was that Nokia’s patents are of marginal value, at best. Tr. (Lopez) 1501–04; JX-1489 (Lopez) 1642–44.

For all these reasons, the Commission should review and reverse the ID on the reasonableness aspect of RAND.

4. The ID Clearly Erred in Not Finding Nokia’s Offers Were Discriminatory

The non-discrimination requirement forbids Nokia from providing similarly-situated companies with more favorable terms than those offered to Amazon. *See, e.g., TCL Commc’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. SACV 14-341, 2018 WL 4488286, at *29 (C.D. Cal. Sept. 14, 2018), *rev’d on other grounds* 943 F.3d 1360 (Fed. Cir. 2019). Amazon showed discrimination based on [REDACTED], which have [REDACTED]. The ID erred in finding no discrimination.

First, the ID clearly erred in finding “Amazon has offered neither proof nor argument” that “Amazon, [REDACTED] were similarly situated for RAND purposes.” ID at 143. The issue was undisputed with both sides agreeing these companies are similarly situated. JX-1489C (Akemann) 864:18–24, (Lopez) 1686:3–9, (Braun) 118:11–13, 122:21–123:8; RIB 198; CRB 99; Ground Rule 13.1 (issues not raised in initial post-trial brief waived).

Second, the ID erred in finding that discrimination was not shown because “nothing about Nokia’s current offer precludes Amazon from negotiating provisions similar to [REDACTED] licenses. ID at 143. The ID cited no support for this conclusion. And, under the ID’s reasoning, no party could ever show discrimination as further “negotiation” is always possible.

Finally, the ID erroneously concluded Dr. Lopez’s calculations [REDACTED]

[REDACTED]

[REDACTED]. RX-4822C; RX-4284C; RX-4825C; JX-1489C (Lopez) 1683:6–1686:15;

Tr. (Lopez) 1508:1–17; RDX-0015C.0034–.0035.¹⁶

VI. THE COMMISSION MUST MAKE ITS OWN REMEDY AND PUBLIC INTEREST DETERMINATIONS AND SHOULD NOT ADOPT THE RD'S ERRONEOUS RECOMMENDATIONS

The Commission ordered the ALJ to take evidence regarding public interest and to “provide the Commission with findings of fact and a recommended determination on this issue.” Notice of Investigation, 88 Fed. Reg. 84831 (Dec. 6, 2023). The RD, however, did not even address Amazon’s main arguments—set out in over twenty-five pages of post-hearing briefing—that the public interest is harmed by exclusionary relief against a willing licensee on SEPs. Harm to the public interest was shown *inter alia* by nearly four hours of testimony from Amazon’s expert, Dr. Simcoe, who remained fully unrebutted. The ID and RD nowhere even acknowledge that testimony or the most important fact underscoring Amazon’s arguments: Amazon is a willing licensee that has committed to be bound by a RAND rate set in expedited proceedings of the U.K. High Court. RX-5320 (setting expedited action at Amazon’s request); RX-1698C (Amazon undertaking to accept rate unconditionally). The RD was charged with making findings and issuing recommendations, but it erred in wholly ignoring critical evidence and argument and in crediting testimony that is demonstrably erroneous.

The Commission must ultimately make its own determination on remedy and the public interest. 19 C.F.R. § 210.42(h)(2). It should do so with a full review of the record and not adopt the RD’s result-driven and cursory conclusions. Indeed, in disapproving an exclusion order based on “the effect on competitive conditions in the U.S. economy and the effect on U.S. consumers,”

¹⁶ The ID also erroneously relied on [REDACTED]
[REDACTED]
[REDACTED]. JX-1489C (Lopez) 1723:2–3, 1724:20–1725:10.

[REDACTED]

the USTR has “underscore[d] that in any future cases involving SEPs that are subject to voluntary FRAND commitments, the Commission should be certain to (1) examine thoroughly and carefully on its own initiative the public interest issues presented both at the outset of its proceeding and when determining whether a particular remedy is in the public interest; and (2) seek proactively to have the parties develop a comprehensive factual record related to these issues in the proceedings before the [ALJ] and during the formal remedy phase of the investigation before the Commission.” RX-1684 (USTR Disapproval in *Certain Electronic Devices, Including Wireless Commc’n Devices, Portable Music and Data Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794 (Aug. 5, 2013)). “In addition, the Commission should make explicit findings on these issues to the maximum extent possible.” *Id.* Three public interest factors counsel against a remedy, yet the RD misapplies legal standards and fails to properly consider record evidence such that its recommendations should not be adopted, and the Commission should make its own determinations on the record evidence.

A. Nokia Threatens Harm to Competitive Conditions in the U.S. Economy

With respect to this first factor, the RD does not acknowledge—let alone address—the most significant concerns, while its factual findings on the concerns it did address are erroneous.

1. Nokia’s Requested Relief on RAND-Encumbered SEPs Would Harm Competitive Conditions

The USTR, FTC, FTC commissioners, and even *Nokia itself* have all cautioned against harm to competitive conditions from exclusion orders for SEPs. Analyzing economic research and consensus principles, Amazon’s expert Dr. Simcoe demonstrated the economic and competition principles underlying these concerns. Dr. Simcoe, an economist engaged with the economics of innovation, focuses his research on the impacts of standards and standard setting. Tr. (Simcoe) 1428:9–1429:18. His testimony—the only testimony to address competitive conditions—was

[REDACTED]

unrebutted and unchallenged. The RD failed to address it or even acknowledge it.

The USTR previously vetoed an exclusion order against F/RAND-encumbered SEPs, recognizing “the potential harms that can result from owners . . . who have made a voluntary commitment to offer to license SEPs on terms that are [RAND] gaining undue leverage and engaging in ‘patent hold-up.’” RX-1684 (USTR Disapproval Letter) at 2. Injunctive relief on RAND-encumbered patents undermines the public interest by reducing investment in standard-compliant products, raising prices, reducing choice, and decreasing investment. *See id.*; *Certain Wireless Commc’n Devices, Portable Music and Data Processing Devices, Computers and Components Thereof*, Inv. No. 337-TA-745, Third Party United States FTC’s Statement on Public Interest at 1 (June 6, 2012). FTC members urged the ITC not to exclude standardized products on FRAND-encumbered SEPs due to public interest concerns, particularly where the respondent is willing to accept a neutral adjudication of a RAND rate. *UMTS Modules*, FTC Khan and Slaughter’s Written Submission on Public Interest at 6 (May 16, 2022) (“1240 FTC Commissioner Statement”).

Nokia itself repeatedly argued that allowing RAND-encumbered SEP owners to seek exclusion would “irreparably undermine the enforceability of RAND commitments and allow holders of essential patents to repudiate RAND commitments at will when it suits their purpose to utilize the leverage of an ITC action.” *Certain Gaming and Ent. Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, Nokia Public Interest Statement at 1 (June 8, 2012). Nokia also argued to the Commission, Federal Circuit, and the Supreme Court that SEPs “raise particular risks and threaten critical harm to important U.S. markets” and “FRAND commitments [are] antithetical to a patent holder . . . attempt[ing] to leverage an exclusion order based on its declared-essential patents.” 868 Nokia PI Statement at 2; RX-1393; RX-1696; RX-1396.0004;

[REDACTED]

RX-1298.0002; RX-1295, *Nokia Corp. v. Qualcomm Inc.*, C.A.-2330, Nokia Opening Pre-Trial Brief (Del. Ch. 2008) (attached as Dkt. 86-1 to *Apple Inc.*, 1:05-cv-00791 (D. Del. Aug. 16, 2020)).

Dr. Simcoe demonstrated that RAND obligations are critical to the creation and proliferation of standards to promote competition and innovation. Tr. (Simcoe) 1430:13–1431:24; 1560:2–1462:6. Exclusionary relief here would undermine those benefits on which innovators like Amazon rely. *Id.*; JX-1489C (Hayden) 997:8–25; 1240 FTC Commissioner Statement at 3; 868 Nokia PI Statement at 3. Nokia’s requested relief creates anticompetitive risks and would harm competitive conditions in view of the economic rationale for standardization, the purpose of SSO intellectual property policies, and the economic role of disclosure rules and RAND obligations, all of which enhance competitive conditions and benefit consumers. Tr. (Simcoe) 1427:15–1485:15; JX-1489C (Simcoe) 1535:3–1618:25; RIB 230–36.

2. Amazon is a Willing Licensee, Making an Exclusion Order Improper

The harm to competitive conditions is especially acute against Amazon because it is a willing licensee and has committed to a judicial rate-setting. When rate-setting litigation is pending, “under no circumstances should Section 337 remedies . . . take effect before . . . the Court has had the opportunity to render a decision.” 1240 FTC Commissioner Statement at 6. This is because the consensus economic view of what RAND means confirms that the appropriate way to ensure RAND commitments are met is to have a neutral third party determine what the rate would be before exclusionary relief can be used. JX-1489C (Simcoe) 1566:20–1567:11.

Nokia conceded in its Complaint that it can only obtain relief if Amazon is an unwilling licensee. Compl. ¶¶ 398, 400. This is consistent with Nokia’s repeated position that exclusion orders are not available against willing licensees. RX-1632 (“A RAND Commitment Preludes a Party from Seeking an Exclusion Order Against Willing Licensees”); Tr. (Simcoe) 1452:16–25.

[REDACTED]

Yet, Amazon is a *willing* licensee. At Amazon’s request, the U.K. High Court has expedited proceedings to set a rate, to which Amazon has agreed unconditionally to be bound. RX-5320C (expediting action); RX-1698C (undertaking unconditionally to accept rate). Amazon is indisputably willing to commit to a RAND license, which is the only thing Nokia is entitled to. In contrast, Nokia has not agreed to a RAND rate-setting anywhere in the world and has attempted to thwart these efforts. JX-1489C (Braun) 196:12–197:2, Simcoe 1565:18–18, (Hayden) 1005:20–23. This critical fact was *never* addressed or even acknowledged in the ID or RD. The public interest is harmed by seeking remedies against a willing licensee. Tr. (Simcoe) 1429:19–1430:5, 1452:1–1453:16; JX-1489C (Simcoe) 1550:16–1551:2, 1564:25–1567:11.

Rather than address Amazon’s willingness, the RD improperly conflated the public interest with the RAND-related affirmative defenses. RD at 181 (“Amazon has not shown that Nokia violated its RAND obligations”). Such a test—that Amazon needed to have prevailed on its RAND defense in order to demonstrate public interest harm—has no support. Whether remedy harms the public interest depends on the statutory public interest factors and is not conditioned on success of an affirmative defense. Indeed, success on a defense would result in a finding of no violation and moot the need to address public interest at all.

3. Nokia Threatens Non-SEP Harm to Competitive Conditions

Even setting aside concerns regarding SEPs, the RD erred in finding that evidence of “suitable alternatives” is enough to conclude that there is no harm to competitive conditions. RD at 179. The RD collapsed this factor to whether reasonable substitutes exist rather than acknowledging the statute’s language requiring consideration of the impact on “competitive conditions in the U.S. economy” and Section 337’s purpose “to enhance the competitiveness of *American industry*.” H.R. Conf. Rep. 100-576, 1988 WL 170253, 100th Cong. 2nd. Sess. (1988).

[REDACTED]

And even then, the RD's factual findings contradicted the record evidence.

First, the RD acknowledged that Nokia's expert did not provide a holistic analysis of whether potential substitutes are reasonable but nevertheless found that Amazon shares unidentified suppliers with unidentified other companies that can be diverted in an unidentified timeframe to manufacture unidentified products for unidentified companies "as needed." RD at 179. This is gross speculation. That Nokia *never* identified competitive articles that Nokia, its licensees, or third parties make which could replace Amazon's products is dispositive. JX-1489C (Mody) 1252:16–1256:4; RDX-0013C.0039–.0045; Tr. (Mody) 1406:18–1407:1408:3; RDX-0099C.0010. It is undisputed that Nokia does not make competitive products and Samsung and Microsoft do not supply the relevant markets or have adequate products to fulfill consumer demand. JX-1489C (Mody) 1249:24–1250:12; 1251:6–25.

Second, the RD concluded that "Amazon's market share of tablets and streaming devices is 15% and 13%" RD at 179. But that finding was erroneous and on Nokia's expert who provided economically unsound and unreliable analysis. JX-1489C (Mody) 1246:7–18; RDX-0013C.0025; RX-0972.0019; RX-0958.0011. Mr. Dastmalchi admitted his alleged "market share" data was not market share data at all, but was data based on internet usage and advertising spend. JX-1489C (Dastmalchi) 953:9–20; Tr. (Mody) 1243:3–1244:8, 1245:11–21; RDX-0013C.0029, .31; CX-0416; CX-0420. Amazon's Accused Products are *first* in the market segments for smart displays (65%), value-priced tablets (45%) and digital media streaming devices (45%). RPX-0243C; RX-1969C.0086–0087, .0149–.0150; RX-1470C.0001; CX-8700C.0079–.0080, .0097–.0098; RX-1469C.0001; RPX-0030C. Amazon's products are the most-preferred of U.S. consumers because of their unique offerings in terms of features and price points, and no suitable alternatives were shown. JX-1489C (Dastmalchi) 953:5–8 (admitting he provides no opinions as to whether

[REDACTED]

competing products are reasonable substitutes).

Third, the RD did not even acknowledge Amazon's argument that excluding complex, multi-function consumer-leading and innovative products of U.S. companies based on minor non-party components practicing a standard harms the public interest. "When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, an injunction may not serve the public interest." *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396–97 (2006). The FTC agrees the statutory public interest factors should consider whether an exclusion order based on a minor patented component of a complex product can unduly harm consumers by causing hold-up, distorting competition, raising prices, and deterring innovation. RX-0389.0029–.0030, RX-3287. This concern is exacerbated because Nokia relies on the same non-party chips (which Nokia refuses to license, RX-1982C.0076–.0077, .0080–.0081) for domestic industry and infringement.

The Commission should reject the RD's conclusion of suitable substitutes that was based on testimony of Nokia's expert who admits he did not consider reasonable substitutes and that his supposed market share data was not market share data at all. And the Commission should heed the Supreme Court and FTC's warnings and find that exclusion of products based on a small standardized components of non-parties is against the public interest.

B. Nokia Threatens Harm to U.S. Consumers

The USTR disapproval of the exclusion order in *Electronic Devices* was also based on harm to U.S. consumers. RX-1684.0003. The RD did not acknowledge or address these issues. Amazon presented evidence that enforcement of RAND-encumbered SEPs harms U.S. consumers by denying the advantages of greater competition and innovation associated with industry standards backed by enforceable RAND obligations. RX-1683; Tr. (Simcoe) 1461:14–1462:6.

Consumers face losing access to products and services that rely on standardized technology. *Id.*

Even apart from the impact on consumers based on SEPs, Nokia's requested remedy would harm U.S. consumers because of the products themselves. The RD properly found that consumers with products subject to warranty would be harmed and correctly recommended a warranty exemption. But the RD dismissed the impact of excluding the leading products among consumers. First, it found the products do not have "important uses and unique features," despite Amazon identifying dozens of unique features that make the Accused Products leaders in their respective market segments and the most-preferred products among consumers. RIB at 6, 8, 221–29, 239. Second, the RD found "Amazon's market share in each product category is not enough to conclude that demand in those categories cannot be met, or that shortages would occur." RD at 180. As shown above, Amazon is *first* in each market segment and the relied-upon data were not about market share at all, but revenue and internet usage. *Supra* at § B.

C. Nokia Threatens Harm to the Public Health & Welfare

With respect to the public health and welfare factor, the RD correctly found that "[t]he Accused Products are computerized devices that are used in health applications, telemedicine, hospitals, senior living centers, and various other clinical settings (among many other contexts), and that have vision, hearing, and speech accessibility features (among many other features and applications)." RD at 178. But then the RD concluded that, because the Accused Products "are not themselves medical devices" and "some" of the relevant applications can be downloaded for use by any Android device, their uses for health and welfare would somehow remain unharmed. *Id.* (citing SIB supporting only *one* of dozens of critical health and welfare applications is available). The relevant test is not whether products are themselves medical devices.

Even more egregiously, the RD also found Amazon's arguments about U.S. employment,

[REDACTED]

economic growth, and welfare “are inapplicable” because no case has previously used them to decline relief. RD at 178. By that rationale, the public interest analysis would be mooted in all cases except those assessing crankpin grinders, atomic research, and hospital burn beds (*i.e.*, the only three instances where public interest precluded a remedy). But previous disapproval on the same grounds is not required, and the Commission cannot skirt its statutory responsibility just because Nokia seeks unprecedented relief causing unprecedented harm. Public welfare, of course, also encompasses employment and economic growth. *Certain Microprocessors, Components Thereof and Prods. Containing Same*, Inv. No. 337-TA-781, Initial Deter. at 366–69 (Dec. 14, 2012). Amazon showed that exclusion would have a direct impact on U.S. investments, jobs, and innovation. RIB at 223–25. Based in Washington and Arlington, Virginia, Amazon employs nearly one million Americans, making it the largest job creator and second largest private employer in the United States. *Id.* Amazon has invested more than any other company in the U.S. economy for at least four consecutive years. *Id.* In contrast, Nokia is a foreign patent assertion entity that would receive no benefit from an exclusion order. RIB at 220. Nokia’s alleged work on the Asserted Patents occurred in Finland. Nokia does not sell or develop relevant products and admits it comes to the ITC only to “force” a license, exerting leverage for supra-RAND licensing terms. EDIS Doc. ID 827089 at 9:5–17 (1379 Hearing Nokia Opening Statement).

* * *

Amazon demonstrated that exclusionary relief against it on RAND-encumbered SEPs—particularly regarding trivial functionality in feature-rich consumer products, where Amazon is indisputably a willing licensee and rate-setting is imminent—harms U.S. consumers, competitive conditions, and the public health and welfare.

The RD takes surprising umbrage at Amazon’s citation to the USTR, legislative history,

[REDACTED]

economic principles, forceful advocacy of other U.S. government agencies (charged with competition and consumer protection), and Nokia’s own prior admissions about U.S. competitive conditions and harm to consumers, characterizing the arguments as “miscellaneous,” “unhelpful,” and “non-authoritative.” RD at 181–82. Amazon respectfully disagrees that the purpose, intent, and history of Section 337 is “unhelpful” or “non-authoritative.” “[P]ublic health and welfare and the assurance of competitive conditions in the U.S. economy must be the *overriding considerations* in the administration of this statute.” *Trade Reform Act of 1974*, Report of the Committee on Finance U.S. Senate Together With Additional Views on H.R. 10710, Nov. 26, 1974, at 197; *see also* S. Rep. 93-1298, 1974 WL 11696 (1974) (“[T]he public interest must be paramount in administration of this statute”). Section 337 protects U.S. industries. H. Rep. No. 100-40, pt 1 at 157. The intent is to protect “U.S. productive capacity and jobs” and avoid using the ITC “merely as an expedient alternative forum to the courts for enforcement of intellectual property rights.” Statement of the Honorable Lloyd M. Bentsen at a Hrg. on Intellectual Prop. Protection in Int’l Trade, May 14, 1986. The requested remedy must have an “appreciable benefit” to U.S. industry and may not simply protect “holders of U.S. intellectual property rights who have no contact with the United States other than owning such . . . rights.” *Id.* If an exclusion order would cause greater adverse impact on the public interest than would be gained by protecting the patent holder, no remedy should issue. *Id.* As demonstrated above, Amazon has exactly the U.S. industry Section 337 should protect, while Nokia is merely a foreign patent holder.

VII. CONCLUSION

For the reasons stated herein, Amazon requests that the Commission review the issues

[REDACTED]

identified in the ID and RD in Section II and find no violation.¹⁷ Reversal on any of the domestic industry or non-technical defense issues results in reversal of the finding of violation. Reversal on any issue on each patent results in reversal of the finding of violation as to that patent. The ID's conclusions are based on clearly erroneous findings of fact and erroneous conclusions and application of the law, with many negatively affecting Commission policy that will cause the Commission to issue relief contrary to Section 337.

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Respectfully submitted,

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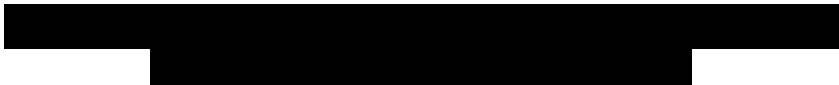
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¹⁷ Amazon does not concede the ID's other conclusions are correct, but chooses here to focus its petition on discrete, critical issues that impact Commission policy and that comprise the most egregious errors of law and fact sufficient to defeat the finding of violation.



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CERTIFICATE OF SERVICE

I hereby certify that a copy of **AMAZON RESPONDENTS' PETITION FOR REVIEW OF INITIAL DETERMINATION FINDING OF VIOLATION OF SECTION 337 – PUBLIC VERSION** has been served on January 15, 2025, as indicated, on the following:

The Honorable Lisa R. Barton Secretary to the Commission U.S. International Trade Commission 500 E. Street, S.W., Room 112A Washington, DC 20436	☐ First Class Mail ☐ Overnight Delivery ☒ EDIS ☐ Email
Honorable Cameron R. Elliot Administrative Law Judge U.S. International Trade Commission 500 E Street, SW Washington, DC 20436 Michael Turner (Attorney Advisor)	☐ First Class Mail ☐ Overnight Delivery ☒ EDIS ☒ Email <i>Michael.turner@usitc.gov</i>
Marissa Ducca, Esq. Jeffrey Hsu, Esq. Office of Unfair Import Investigations U.S. International Trade Commission 500 E. Street, S.W., Suite 401 Washington, DC 20436 Phone: (202) 205-2044	☐ First Class Mail ☐ Overnight Delivery ☒ Email ☒ Upload to Box account <i>Marissa.Ducca@usitc.gov</i> <i>Jeffrey.Hsu@usitc.gov</i>

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