

ITC To Review Mondis, Innolux Video Display Patent Dispute

By **Zach Winnick**

Law360, Los Angeles (October 18, 2012, 4:07 PM ET) -- The U.S. International Trade Commission said Tuesday it will review an administrative law judge's August decision to end patent-licensing company Mondis Technology Ltd.'s efforts to win an import ban on Chimei Innolux Corp.'s video displays over purported patent infringement.

The federal agency issued a notice Tuesday saying it will review in its entirety the initial determination by Administrative Law Judge Theodore R. Essex rejecting Mondis' ITC complaint, a move that will give the company a second chance to argue that Chimei Innolux has violated Section 337 of the Tariff Act of 1930 despite paying court-ordered royalties to Mondis.

The pending review traces back to an ITC complaint filed by Mondis in January, claiming Chimei Innolux's imported video displays violate two of its patents for plug-and-play video display technology.

In October 2011, a Texas judge in a separate federal court lawsuit by Mondis ordered Chimei Innolux — a Hon Hai Precision Industry Co. Ltd. subsidiary — to pay ongoing royalties on sales of certain televisions and computer monitors after a federal jury found the products infringed Mondis' two patents.

Mondis argued in its ITC complaint that the royalties were a kind of damages, rather than a court-negotiated licensing arrangement that granted Chimei Innolux the right to use the patents if it paid the fees.

But Judge Essex flatly rejected that argument in August, ruling that the payment of mandatory ongoing royalties, as a matter of law, prevents infringement. Since Chimei Innolux could not have infringed the patents, Mondis had no basis for its parallel suit seeking an exclusion order, the judge said.

"When one looks at the actual statutory basis for ongoing royalties and the theory under which courts have awarded them, it becomes apparent that Mondis's theory is incorrect and that it is improper to characterize the adjudged infringer's use under the ongoing royalty as an ongoing violation," Judge Essex said.

The judge ruled that Chimei Innolux is an authorized licensee of Mondis' patents and terminated the ITC investigation, pending approval from the full commission.

In its notice Tuesday, the ITC said it would review Judge Essex's initial determination in its entirety, asking the parties to brief the commission on whether the Texas district court's order constituted legal

authorization to use the patented inventions, among other issues.

Mondis originally filed its federal district court suit in December 2007, claiming LG Electronics Inc., Hon Hai and Chimei Innolux infringed ten patents, including the two patents in the current case, U.S. Patent Numbers 6,247,090 and 7,089,342.

Representatives for the parties were not immediately available for comment Thursday.

Mondis is represented by James B. Altman of Foster Murphy Altman & Nickel PC.

Chimei Innolux is represented by Stephen R. Smith of Cooley LLP.

The case is In re: Certain Video Displays and Products Using and Containing Same, case number 337-TA-828, in the U.S. International Trade Commission.

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