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Tessera Patents Affirmed In US Appeals Court Ruling

By Corrie Driebusch and Shara Tibken

A U.S. appeals court ruled in favor of Tessera Technologies Inc. (TSRA) in a closely watched case involving patents associated with packaging computer chips.

The ruling from the U.S. Court of Appeals for the Federal Circuit affirmed a U.S. International Trade Commission decision from early 2009 that determined defendants Qualcomm Inc. (QCOM), Spansion Inc. (SPSNQ), STMicroelectronics NV (STM, STM.MI), Freescale Semiconductor Inc. and ATI Technologies, now owned by Advanced Micro Devices Inc. (AMD), violated Tessera's patents related to how certain chips were packaged.

The technology at issue enables a semiconductor manufacturer to shrink the size of the package that contains and protects a chip from damage. The court's decision Tuesday was supported by "substantial evidence," the ruling said.

Spokespeople from AMD, Qualcomm and Spansion said they don't see the decision having an impact on their businesses. The Qualcomm spokesperson noted the patents at issue in the case are expired, as are the ITC's limited exclusion and cease and desist orders.

"Today's decision by the Federal Circuit will have no impact on our ability to continue to ship product," the Qualcomm spokesperson said. "Tessera has the option of pursuing a district court action for any back damages that may be relevant to the expired patents."

A spokesperson from Spansion added that a separate case still needs to go to trial in the District Court of Northern California, where Tessera will need to prove that infringement and damages occurred.

"The [Federal Circuit's] decision today has no legally binding effect on the California case," the Spansion spokesperson said. "Spansion still maintains our position that the patents are invalid, just as the U.S. Patent and Trademark Office has found on numerous occasions during its reexamination of the Tessera patents in question."

None of the other defendants immediately responded to requests for comment.

Shares of Tessera rose 6.9% to \$22.07 in recent trading.

Tessera plans to seek damages through pending district court litigation if the defendants don't appeal the case, said Barney Cassidy, Tessera general counsel. Its district court cases have been delayed until the appellate proceedings are finished.

The defendants have 45 days to petition the panel or the full Court of Appeals to rehear the case. If that is denied, they have an additional 90 days to petition the U.S. Supreme Court to hear an appeal.

Tessera originally filed the complaint in April 2007. Motorola Inc. (MOT) was included in the original suit, but the handset maker signed a licensing agreement last year to settle the litigation. Under that agreement, Motorola pays royalties on shipments of certain electronic products, including cellphones, set-top boxes and radio equipment.

The company offered similar licensing agreements to all the defendants, and Cassidy, Tessera's counsel, said those offers still stand. Although the specific patents addressed in the complaint expired in the fall, the agreements would include an initial payment and then ongoing royalty payments with respect to the patents Tessera holds that have not yet expired. The initial payment is negotiable, Cassidy said.

<http://online.wsj.com/article/BT-CO-20101221-711679.html>