

The Commission, having determined to adopt the presiding ALJ's ID concluding that there is a violation of section 337 in the importation, sale for importation, or sale in the United States after importation of the accused hardware logic emulation systems, subassemblies thereof, and components thereof, and having determined that relief is warranted, considered the issues of the appropriate form of such relief, whether the public interest precludes issuance of such relief, and respondents' bond during the 60-day Presidential review period. The Commission has determined that a permanent limited exclusion order and a permanent cease and desist order (issued as a separate order) are the appropriate form of relief. The Commission has further determined that the statutory public interest factors do not preclude the issuance of such relief, and that respondents' bond during the period of temporary relief shall be in the amount of 43 percent of the entered value of infringing imported hardware logic emulators and components thereof if the entered value is based on transaction value, as defined by the U.S. Customs Service, and 180 percent of the entered value of such articles if the entered value is based on other than transaction value.

Accordingly, it is hereby ORDERED THAT --

1. Hardware logic emulation systems, subassemblies thereof, and components thereof for use therein, including logic boards and hardware logic emulation software embodied in a tangible medium (whether the software is in the form of source code, object code, or any other form), manufactured by Meta Systems of Saclay, France, or any of its affiliated companies, parents, subsidiaries, licensees, contractors, or other related entities, or their successors or assigns, that infringe one or more of claims 2-5, 15, 17-21, and 27 of U.S. Letters Patent 5,109,353, claims 1, 3-5, 7, 10-18, 22, 24, 26, and 28 of U.S. Letters Patent 5,329,470, claim 8 of U.S. Letters Patent 5,036,473, claims 1-3, 6, 8, 15, 20, and 21 of U.S. Letters Patent 5,448,496, and claims 1 and 2 of U.S. Letters Patent 5,452,231 are excluded from entry for consumption into the United States for the remaining term of those patents, except under license of the patent owner or as provided by law.
2. The hardware logic emulation systems, subassemblies thereof, and components thereof that are excluded by this Order are entitled to entry for consumption into the United States under bond in the amount of 43 percent of their entered value, if that value is based on transaction value, or 180 percent of their entered value, if that value is based on other than transaction value, pursuant to subsection (j) of section 337 of the Tariff Act of 1930, as amended 19 U.S.C. §1337(j), from the day after this Order is received by the President until such time as the President notifies the Commission that he approves or disapproves this action but, in any event, not later than sixty (60) days after the date of receipt of this action.

monetary sanctions. The Commission has not yet acted on Order No. 96.

3. In accordance with subsection (l) of section 337, the provisions of this Order do not apply to hardware logic emulators, subassemblies thereof, and components thereof imported by or for the United States.
4. The Commission may amend this Order in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.
5. The Secretary shall serve copies of this Order upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the U.S. Customs Service.
6. Notice of this Order shall be published in the *Federal Register*.

By order of the Commission.

Donna R. Koehnke
Secretary

Issued: December 3, 1997

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

_____)
In the Matter of)
)
CERTAIN HARDWARE LOGIC) **Inv. No. 337-TA-383**
EMULATION SYSTEMS AND)
COMPONENTS THEREOF)
_____)

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Mentor Graphics Corporation, 8005 SW Boeckman Road, Wilsonville, Oregon, 97070, cease and desist from importing (including through electronic transmissions), selling, marketing, advertising, duplicating, distributing, offering for sale, advertising, soliciting U.S. agents or distributors for, or otherwise transferring (including through electronic transmissions) in the United States, hardware logic emulation systems, subassemblies thereof, and components thereof (including logic boards and hardware logic emulation software, whether the software is in the form of source code, object code, or some other form) that directly or contributorily infringe one or more of claims 2-5, 15, 17-21, or 27 of U.S. Letters Patent 5,109,353, claims 1, 3-5, 7, 10-18, 22, 24, 26, or 28 of U.S. Letters Patent 5,329,470, claim 8 of U.S. Letters Patent 5,036,473, claims 1-3, 6, 8, 15, 20, or 21 of U.S. Letters Patent 5,448,496, or claims 1 or 2 of U.S. Letters Patent 5,452,231 in violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

**I
(Definitions)**

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Complainant" shall mean Quicktum Design Systems, Inc., 440 Clyde Avenue, Mountain View, California, 94043.

(C) "Respondent" and "Mentor" shall mean Mentor Graphics Corporation, 8005 SW Boeckman Road, Wilsonville, Oregon, 97070.

(D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than the above Respondent or its majority owned

and/or controlled subsidiaries, their successors, or assigns.

(E) "United States" shall mean the fifty states, the District of Columbia, and Puerto Rico.

(F) "Covered product" shall mean imported hardware logic emulation systems, subassemblies thereof, and components thereof (including logic boards and hardware logic emulation software, whether the software is in the form of source code, object code, or some other form), that directly or contributorily infringe one or more of claims 2-5, 15, 17-21, or 27 of U.S. Letters Patent 5,109,353, claims 1, 3-5, 7, 10-18, 22, 24, 26, or 28 of U.S. Letters Patent 5,329,470, claim 8 of U.S. Letters Patent 5,036,473, claims 1-3, 6, 8, 15, 20, or 21 of U.S. Letters Patent 5,448,496, or claims I or 2 of U.S. Letters Patent 5,452,231 during their remaining terms.

(G) The terms "import" and "importation" refer to importation for entry for consumption under the Customs laws of the United States; the terms also refer to the electronic transmission of software, in whatever form, into the United States.

II **(Applicability)**

The provisions of this Cease and Desist Order shall apply to Respondent and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors and assigns, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with Section VI[E] hereof, insofar as they are engaging in conduct prohibited by Section III, infra, for, with, or otherwise on behalf of Respondent.

III **(Conduct Prohibited)**

The following conduct in the United States is prohibited by this Order. Respondent and its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities and their employees and agents, successors and assigns shall not:

(A) import or sell for importation into the United States covered product except under license of the patent owner;

(B) offer for sale, sell, lease, loan, distribute or otherwise transfer (including electronically) in the United States (except for exportation) imported covered product except under license of the patent

owner;

(C) advertise covered product;

(D) solicit U.S. agents or distributors for imported covered product;

(E) aid or abet other entities in the importation, sale for importation, sale after importation, lease, loan, duplication, transfer, or distribution of covered product;

(F) import (including electronically) into the United States, or use, duplicate, transfer, or distribute by electronic means or otherwise, within the United States, hardware logic emulation software that constitutes covered product; or

(G) furnish services to its customers, including software technical support, relating to covered product.

IV (Conduct Permitted)

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, the owner of U.S. Letters Patent 5,109,353, U.S. Letters Patent 5,329,470, U.S. Letters Patent 5,036,473, U.S. Letters Patent 5,448,496, and U.S. Letters Patent 5,452,231 licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered product by or for the United States.

V (Reporting)

For purposes of this reporting requirement, the reporting periods shall commence on January 1 and July 1 of each year, and shall end on the subsequent June 30 and December 31, respectively. The first report required under this section shall cover the period December 3, 1997, to June 30, 1998. This reporting requirement shall continue in force until the expiration date of the last to expire of the patents at issue in this investigation (*i.e.*, until April 28, 2009, the expiration date of U.S. Letters Patent 5,109,353), unless, pursuant to subsection (j) of section 337 of the Tariff Act of 1930, the President notifies the Commission within sixty (60) days after the date he receives this Order, that he disapproves this Order. Respondent shall submit the final report required by this Section within thirty (30) days of the expiration date of the last to expire of the patents at issue in this investigation (*i.e.*, by April 28, 2009, the expiration date of U.S. Letters Patent 5,109,353).

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission:

(A) The quantity in units and the value in dollars of covered product that Respondent has imported (including importations by electronic transmission) or sold or otherwise transferred (including electronically) in the United States during the reporting period and the quantity in units and value of covered product that remains in inventory at the end of the reporting period.

(B) All contracts, whether written or oral, entered into during the reporting period in question, to sell or otherwise transfer covered product during the reporting period.

In connection with the importation and sales or other transfers referred to in paragraphs (A) and (B) above, Respondent shall provide the Commission with two copies of all invoices, delivery orders, bills of lading, and other documents concerning the importation, sale, or transfer in question, including computer records of electronic transmissions. Such copies shall be attached to the reports required by paragraphs (A) and (B) above.

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this Order and may be referred to the U.S. Department of Justice as a possible violation of 18 U.S.C. § 1001.

VI (Recordkeeping and Inspection)

(A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, or distribution in the United States of covered product made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of two (2) years from the close of the fiscal year to which they pertain.

(B) For the purposes of determining or securing compliance with this Order and for no other purpose, and subject to any privilege recognized by the federal courts of the United States, duly authorized representatives of the Commission, upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary form as are required to be retained by paragraph VI(A) of this Order.

VII (Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the issuance of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the marketing, distribution, or sale of covered product in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in paragraph VII(A) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in paragraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

(D) The obligations set forth in paragraphs VII (B) and VII(C) above shall remain in force until the expiration date of the last to expire of the patents at -issue in this investigation (i.e., until April 28, 2009, the expiration date of U.S. Letters Patent 5,109,353), unless, pursuant to subsection 0) of section 337 of the Tariff Act of 1930, the President notifies the Commission within 60 days after the date he receives this Order, that he disapproves this Order.

VIII (Confidentiality)

Any request for confidential treatment of information obtained by the Commission pursuant to Sections V and VI of the Order should be in accordance with section 210.6 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted at the same time that it provides the confidential report.

Information obtained by the means provided for in Sections V and VI of this Order will be made available only to the Commission and its authorized representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than duly authorized representatives of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without ten (10) days prior notice in writing to Respondent.

IX (Enforcement)

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil

penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S. C. § 1337(f), and any other action as the Commission may deem appropriate, including referral to the U.S. Department of Justice for possible action pursuant to 18 U.S. C. § 1001. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

X
(Modification)

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

XI
(Bonding)

With respect to covered product imported after December 3, 1997, the conduct prohibited by Section III of this Order may be continued during the 60day Presidential review period subject to Respondent posting a bond in the amount of forty-three (43) percent of the entered value of the covered product in question if entered value is based on transaction value, or one hundred eighty (180) percent of the entered value if entered value is based on other than transaction value. For imported covered product for which there is no entered value (i.e., electronically imported software), the bond amount shall be 43 percent of the U.S. sales price of the covered product.

This bond provision does not apply to conduct which is otherwise permitted by Section IV of this Order. Covered product imported on or after December 3, 1997, is subject to the entry bond as set forth in the permanent limited exclusion order issued by the Commission simultaneously herewith, and is not subject to this bond provision. Covered product for which a bond has been posted in accordance with paragraph 2 of the limited temporary exclusion order issued by the Commission on August 5, 1996, as modified on September 24, 1997, also is not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders (19 C.F.R. § 210.68).

The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order.

The bond is to be forfeited in the event that the President approves, or does not disapprove within the Presidential review period, the Commission's Orders of December 3, 1997, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or unless Respondent exports the products subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the President disapproves this Order, upon service on Respondent of an Order issued by the Commission based upon application therefor made by Respondent to the Commission.

By Order of the Commission

Donna R. Koehnke
Secretary

Issued: December 3, 1997