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10  
11 UNITED STATES DISTRICT COURT  
12 NORTHERN DISTRICT OF CALIFORNIA  
13  
14 SAN FRANCISCO DIVISION

15 UNITED STATES OF AMERICA ) No. CR-09-0110 SI  
16 )  
17 v. ) UNITED STATES' REPLY TO  
18 ) DEFENDANTS' SENTENCING  
AU OPTRONICS CORPORATION; ) MEMORANDA  
19 )  
20 HSUAN BIN CHEN, aka H.B. CHEN; ) Date: September 20, 2012  
HUI HSIUNG, aka KUMA; ) Time: 10:00 a.m.  
21 LAI-JUH CHEN, aka L.J. CHEN; ) Court: Hon. Susan Illston  
SHIU LUNG LEUNG, aka CHAO-LUNG ) Place: Courtroom 10, 19th Floor  
22 LIANG and STEVEN LEUNG; )  
BORLONG BAI, aka RICHARD BAI; )  
23 TSANNRONG LEE, aka TSAN-JUNG LEE and )  
HUBERT LEE; )  
24 CHENG YUAN LIN, aka C.Y. LIN; )  
WEN JUN CHENG, aka TONY CHENG; and )  
25 DUK MO KOO, )  
26 Defendants. )  
27 )  
28

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1 **I. INTRODUCTION**

2 The \$1 billion fine against AUO and the ten-year terms of imprisonment and \$1 million  
3 fines against its top executives recommended by the government are necessary, appropriate, and  
4 equitable sentences in this case. They are the maximum sentences for the offense. The  
5 defendants were central figures in a massive, five-year global price-fixing conspiracy that caused  
6 enormous and widespread harm affecting virtually every purchaser of products containing LCD  
7 panels. H.B. Chen and Hui Hsiung were top executives at AUO and AUOA and created a  
8 culture of criminal collusion at their companies. In its first month of existence, AUO began  
9 fixing prices and only stopped when the FBI raided AUOA's office. And the defendants, unlike  
10 their coconspirators, are remorseless, having refused to accept responsibility or to provide any  
11 assistance that would justify a reduction in their sentences.

12 At all times before trial, defendants faced a choice. They could have accepted  
13 responsibility and assisted the government in its ongoing investigation of their industry, a choice  
14 that would have entitled them to reduced sentences. Defendants' coconspirators did so. These  
15 defendants, however, chose to exercise their right to contest their guilt and go to trial. This  
16 choice, they knew, carried with it both the possibility of acquittal and the risk of a jury  
17 convicting them and a court sentencing them without the benefit of reductions for acceptance of  
18 responsibility, cooperation, and substantial assistance. Having made their choice, defendants  
19 cannot now complain that the sentences they face are "draconian."

20 Moreover, fundamental fairness demands that defendants' recalcitrance in accepting  
21 responsibility cannot be rewarded. Defendants cannot credibly ask this Court to treat them more  
22 favorably than their coconspirators who accepted responsibility and provided substantial  
23 assistance to the investigation. Defendants cannot ask this Court to disregard the Alternative  
24 Fine Statute, 18 U.S.C. § 3571(d), when coconspirators LG Display and CMO were subject to  
25 Section 3571(d). Nor can they ask this Court to calculate their corporate fine on something other  
26 than 20 percent of affected commerce, as prescribed by U.S.S.G. § 2R1.1, when all of their  
27 coconspirators were subject to that provision. Nor can they ask this Court to take into account  
28 foreign fines and civil settlements when the fines imposed on its pleading coconspirators were

1 not reduced because of foreign fines and civil settlements. And defendants cannot now ask this  
2 Court to disregard volumes of commerce after January 2006 when pleading coconspirators CPT  
3 and CMO, which accepted responsibility and started cooperating years ago, were required to pay  
4 fines based on commerce until December 2006.

5 The government's recommended sentences result not from vindictiveness, as defendants  
6 suggest. They are the product of the Sentencing Guidelines ("Guidelines")—which were applied  
7 to every other pleading coconspirator in this case and to every other case. The \$2.34 billion of  
8 affected commerce attributable to defendants is well supported, the application of the 20 percent  
9 figure of Section 2R1.1 is required and wholly appropriate, and the recommended fines and  
10 prison sentences are supported by the Guidelines. Precisely because defendants chose not to  
11 accept responsibility and provide substantial assistance, there are no factors available to them  
12 now that warrant a departure from the recommended fines and jail sentences. Indeed, while  
13 Samsung and LG reported their price fixing to the government and began assisting the  
14 government's investigation *months before that investigation became public*, AUOA responded to  
15 learning of the investigation by obstructing justice. Even after self-reporting and providing  
16 substantial assistance that helped the government gather evidence, understand the case, obtain  
17 guilty pleas from other coconspirators, and prosecute these defendants, LG still was required to  
18 pay a \$400 million criminal fine and some of its senior executives served time in prison. These  
19 defendants are in no position to seek more favorable treatment than LG received when it came in  
20 to cooperate over six years ago. Instead, it is fitting that the AUO defendants pay a higher price.

21 The government agrees with the Probation Office's recommendation that H.B. Chen and  
22 Hui Hsiung should receive the maximum sentence of ten years in prison. They were ringleaders  
23 of a massive conspiracy that caused extraordinary harm. They should be punished accordingly.  
24 Even these recommended sentences at the statutory maximum are below the bottom of the  
25 Guidelines sentencing range.

26 The government also agrees with the Probation Office's recommendation that AUO and  
27 its subsidiary, AUOA, need a corporate compliance program as suggested by the government  
28 and attached along with its Sentencing Memorandum.



1 The government, however, respectfully disagrees with the Probation Office's  
2 recommended fine for AUO. Despite recognizing that no factors warrant a departure from  
3 AUO's Guidelines fine range of \$936 million to \$1.872 billion, it recommends a fine of only  
4 \$500 million on the grounds that a fine within that range would be more than necessary to satisfy  
5 the goals of sentencing. But a \$500 million fine would simply not be sufficient to reflect the  
6 seriousness of this offense, promote respect for the law, or, most importantly, adequately deter  
7 future price fixing. A \$500 million fine would represent a nearly 50 percent discount off of  
8 AUO's minimum Guidelines fine. That would be nearly the same discount as what LG earned  
9 for self-reporting and providing substantial cooperation over six years ago. And it would not  
10 only be a perverse result for AUO to receive a nearly 50 percent discount when it has failed to  
11 accept responsibility and cooperate with the investigation, it would also harm the Division's  
12 ability to properly incentivize self-reporting and timely cooperation in future cases. Without the  
13 proper incentives, massive global cartels like this one will go undetected and unpunished.

14 Moreover, a \$500 million fine would be a cost-of-doing-business fine for a large scale,  
15 highly successful cartel like the one proven in this case. While \$500 million is a big number,  
16 experience teaches that Probation's recommended fine in this instance is not an adequate  
17 deterrent. When Judge Ruben Castillo of the Northern District of Illinois sentenced Archer  
18 Daniels Midland Company ("ADM") to a then-record fine of \$100 million for its role in the  
19 lysine and citric acid conspiracies in 1996, he said: "I believe that the [\$100 million] fine  
20 certainly serves as a deterrent to any company that might still be out there thinking that this type  
21 of behavior is acceptable. It simply is not acceptable. For any company to engage in price fixing  
22 is a sad day for corporate America because ultimately the consuming public are the victims of  
23 these type of conspiracies. I'm hopeful that the fine, and I know in my heart that the fine will  
24 deter other companies." Transcript of Sentencing Proceedings at 26, *United States v. Archer*  
25 *Daniels Midland Co.*, No. 96CR640 (N.D. Ill. Oct. 15, 1996). Judge Castillo was mistaken.  
26 Since he sentenced ADM to pay a \$100 million fine—ten times the then-statutory maximum—  
27 19 other companies have been sentenced to fines of more than \$100 million under Section  
28 3571(d). In 1999, F. Hoffmann-La Roche, Ltd. was sentenced to pay a record \$500 million fine

1 for participating in a criminal conspiracy in the vitamins industry. By 2000, the fines imposed  
2 on seven other vitamins cartel participants totaled nearly \$400 million more. These large fines  
3 that received widespread publicity throughout the world had no effect on the behavior of AUO  
4 and its coconspirators. Undeterred, they came together *just two years* after the \$500 million fine  
5 was imposed to form a cartel that was more pernicious than the vitamins cartel. Moreover,  
6 conspiracies in the DRAM, air cargo, and auto parts industries began after the \$500 million fine  
7 and have themselves yielded fines approaching that of Hoffmann-La Roche.<sup>1</sup>

8         In the past dozen years, new cartels have continued to spring up in spite of the many fines  
9 of more than \$100 million imposed in cartel cases. The continuing discovery of new cartels  
10 throughout the world is evidence that the fines imposed to date—as large as they are—have  
11 failed to provide adequate deterrence and that potential cartelists continue to see fines as an  
12 acceptable cost of doing business. Contrary to the Probation Office’s justification, a \$500  
13 million fine is, in fact, demonstrably insufficient to deter others from engaging in similar  
14 conduct. It is possible that even a \$1 billion fine will not deter the type of pernicious conduct  
15 before the Court, but it is the maximum deterrent message that can be sent in the most serious  
16 price-fixing cartel ever prosecuted by the government.

## 17 **II. EVIDENTIARY STANDARD**

18         A district court “typically uses a preponderance of the evidence standard when finding  
19 facts pertinent to sentencing.” *United States v. Berger*, 587 F.3d 1038, 1047 (9th Cir. 2009).  
20 “[T]here may be an exception to th[is] general rule . . . when a sentencing factor has an *extremely*  
21 *disproportionate* effect on the sentence *relative to the offense of conviction*.” *United States v.*  
22 *Restrepo*, 946 F.2d 654, 659-60 (9th Cir. 1991) (emphases added). In such cases, findings of fact  
23 at sentencing may have to be supported by clear and convincing evidence. *United States v.*  
24 *Felix*, 561 F.3d 1036, 1045 (9th Cir. 2009). This is not one of those cases. “The clear and  
25

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26 <sup>1</sup> For example, Yazaki Corporation was recently fined \$470 million in the auto parts  
27 investigation, Société Air France-KLM was fined \$350 million in the air cargo investigation, and  
28 Samsung Electronics Co., Ltd. was fined \$300 million in the DRAM investigation. These are  
just a few of the fines approaching that of F. Hoffmann-La Roche in these other industries. *See*  
<http://www.justice.gov/atr/public/criminal/sherman10.html>.

1 convincing standard has been reserved for ‘exceptional’ enhancements of the defendant’s offense  
2 level calculation.” *United States v. Collins*, 684 F.3d 873, 889 (9th Cir. 2012).

3 While the Ninth Circuit has “not been a model of clarity” regarding this exception,  
4 *Berger*, 587 F.3d at 1048, it has “repeatedly held that sentencing determinations relating to the  
5 extent of a criminal conspiracy need not be established by clear and convincing evidence.”  
6 *United States v. Treadwell*, 593 F.3d 990, 1001 (9th Cir. 2010) (citing *Berger*, 587 F.3d at 1047-  
7 49). Thus, for example, facts underlying loss enhancements in fraud cases are found by a  
8 preponderance of the evidence because the “sentencing enhancements for financial loss are based  
9 on the extent of the fraud conspiracy.” *Id.* (affirming application of the preponderance of the  
10 evidence standard to a 22-level enhancement for losses caused by fraud) (citing *United States v.*  
11 *Riley*, 335 F.3d 919, 926-27 (9th Cir. 2003)).

12 Just as sentencing enhancements for financial loss are based on the extent of a fraud  
13 conspiracy, sentencing enhancements based on the volume of affected commerce are logically  
14 related to the extent of an antitrust conspiracy. *See* U.S.S.G. § 2R1.1(b)(2) background (“Tying  
15 the offense level of the scale or scope of the offense is important in order to ensure that the  
16 sanction is in fact punitive and that there is an incentive to desist from a violation once it has  
17 begun.”). The affected volume of commerce in antitrust cases serves as “an acceptable and more  
18 readily measurable substitute” for loss. U.S.S.G. § 2R1.1 background; *see also* U.S.S.G. §  
19 2R1.1(d)(1). Accordingly, the government need only establish volume of commerce in an  
20 antitrust case by a preponderance of the evidence.

21 In addition, the Ninth Circuit has repeatedly held that the government need only prove a  
22 defendant’s role in the offense under U.S.S.G. Section 3B1.1 by a preponderance of the evidence  
23 because that adjustment does not have “an extremely disproportionate effect” on sentences. *See,*  
24 *e.g., United States v. Lopez-Arroyo*, 472 F. App’x 679, 679-80 (9th Cir. 2012); *United States v.*  
25 *Johansson*, 249 F.3d 848, 853-57 (9th Cir. 2001); *United States v. Valensia*, 222 F.3d 1173,  
26 1181-82 (9th Cir. 2000), *judgment vacated on other grounds*, 532 U.S. 901 (2001). Indeed, the  
27 four-level enhancement for leader or organizer applicable to the individual defendants here is  
28

1 “not an exceptional case that requires clear and convincing evidence.” *United States v. Hopper*,  
2 177 F.3d 824, 833 (9th Cir. 1999); *see also Valensia*, 222 F.3d at 1181-82.<sup>2</sup>

3 Finally, an analysis of the “totality of the circumstances” supports the preponderance of  
4 the evidence standard for both the volume of commerce and role in the offense enhancements.  
5 *Treadwell*, 593 F.3d at 1001. Neither enhancement “negates the presumption of innocence” or  
6 “alters the burden of proof” on the underlying offense. *Id.* Nor does either enhancement hold  
7 defendants “responsible for any offenses for which they have not been convicted by a jury.” *Id.*  
8 Indeed, “the only circumstance weighing in favor of a heightened standard of proof is the size of  
9 the [volume of commerce] enhancement.” *Id.* But even if an enhancement is large, “that alone  
10 does not raise the due process concerns that urge ‘clear and convincing’ proof,” *id.* at 1001-02,  
11 because the scope and extent of the conspiracy is defined by the volume of commerce it affected.

### 12 **III. APPLICATION OF THE SENTENCING GUIDELINES UNDER SECTION 2R1.1**

#### 13 **A. AUO’s Volume of Affected Commerce Is at Least \$2.34 Billion**

14  
15 AUO’s volume of affected commerce is at least \$2.34 billion. As the government  
16 explained in its Sentencing Memorandum, that figure is conservative for a variety of reasons.  
17 First, it excludes AUO’s sales of television panels, which accounted for seven percent of its  
18 worldwide sales of indictment panels during the conspiracy. Dkt. 948 at 14. Second, it includes  
19 only those sales of panels that made their way into the United States in finished products, and  
20 does not include sales of panels invoiced to U.S. companies like Apple that were incorporated  
21 into computers sold in other countries.<sup>3</sup> And third, it conservatively estimates AUO’s share of

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22  
23 <sup>2</sup> The Section 3B1.1 enhancement does not, as defendant Chen argues, “meet[] *Jordan*’s  
24 four-level threshold.” Defendant H.B. Chen’s Sentencing Memorandum and Motion for  
25 Departure at 8. In *United States v. Jordan*, the Ninth Circuit noted that the clear and convincing  
26 standard has been applied to enhancements “*greater than four levels.*” 256 F.3d 922, 934 (9th  
27 Cir. 2001) (emphasis added).

28 <sup>3</sup> During the conspiracy, Apple sold between approximately 50 to 60 percent of its personal  
computers in the United States. Dkt. 984-1 at tbl. 2C: Apple Data. Thus, roughly 40 to 50  
percent of its TFT-LCD panel purchases, although invoiced to the company here in the United  
States, are excluded from Dr. Leffler’s estimate.

1 the United States' PC market as significantly less than its worldwide market share. *See* Dkt. 984  
2 (Declaration of Dr. Keith Leffler Regarding AUO's U.S. Volume of Commerce for Sentencing  
3 Hearing ("Leffler Decl.") ¶ 26). Contrary to AUO's claims, the estimate is consistent with this  
4 Court's rulings, with the case law interpreting Section 2R1.1 of the Guidelines, and with the  
5 evidence presented at trial—including Dr. Leffler's testimony.

6 AUO halfheartedly requests an evidentiary hearing in a footnote at the end of its second  
7 brief. Dkt. 943 at 53 n.31. There is no need for an evidentiary hearing. Both sides' experts have  
8 provided thorough expert declarations addressing their positions on the affected volume of  
9 commerce—the principal disputed factual issue at sentencing. Yet, AUO's request for an  
10 evidentiary hearing is based on its desire to readdress overcharge issues, which were addressed  
11 by the experts at trial and in declarations attached to the sentencing memoranda. The parties  
12 exchanged draft expert declarations more than one month ago, the experts have responded to  
13 each other's opinions, the parties have provided those declarations to the Court along with the  
14 sentencing memoranda, and nothing more would be achieved by holding an evidentiary hearing.

15 AUO's arguments concerning its volume of affected commerce are addressed below.<sup>4</sup>

16 ///

17 ///

18 ///

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19  
20 <sup>4</sup> AUO incorporates a lengthy addendum apparently for the purpose of preserving two  
21 issues for appeal: (1) that the government failed to allege the FTAIA in the Superseding  
22 Indictment, and (2) that the evidence at trial was insufficient to prove the exclusions under the  
23 FTAIA. Dkt. 943 at 42. These arguments were previously refuted by the government and  
24 rejected by this Court. *See* Order Denying Defendants' Motion to Dismiss the Indictment (Dkt.  
25 287 at 7) ("[T]he Court concludes that the FTAIA does not require dismissal of the superseding  
26 indictment."); Order Denying Motions for Judgment of Acquittal and For a New Trial (Dkt. 923  
27 at 6) ("[T]he Court finds that, based on the evidence presented at trial a reasonable jury could  
28 have found that the price-fixing conspiracy involved import commerce and that the conspiracy,  
which extended to the United States, had a 'direct, substantial, and reasonably foreseeable effect'  
on that import commerce."). We incorporate by reference our previous responses. *See* Dkt. 281,  
895. To the extent that AUO is attempting to argue that volume of affected commerce under  
Section 2R1.1 is limited by the FTAIA, this is incorrect. *See* Dkt. 948 at 14 & n.5. In any event,  
such a limitation would have no impact here because the government's conservative affected  
commerce calculation, consistent with the Court's FTAIA rulings, includes only panels that were  
incorporated into finished products that made their way to the United States.

1                   **1.       AUO’s Sales During the Final Ten Months of the Conspiracy Should**  
2                   **Be Included**

3                   AUO asserts that the “government’s entire case at trial—and Dr. Leffler’s own  
4 testimony—focused on a cartel period ending January 31, 2006” (Dkt. 943 at 4) and that the  
5 government “used the January 2006 end-date to convict AUO.” *Id.* at 20. In particular, AUO  
6 believes it knows why the jury found it guilty: because in one of Dr. Leffler’s (many) empirical  
7 analyses he compared margins before and after the group meetings ended in January 2006. *Id.* at  
8 31-33. For those reasons, AUO argues that the government is estopped from counting sales after  
9 January 2006 for purposes of sentencing. AUO’s arguments about the final ten months of the  
10 conspiracy are wrong in every respect.

11                   *First*, the government consistently argued at trial that the conspiracy continued until  
12 December 1, 2006 and presented evidence supporting that fact. The superseding indictment in  
13 this case alleged that the conspiracy continued until December 1, 2006. Dkt. 8 at 2. One of the  
14 government’s first witnesses, J.Y. Ho, the former CMO president, testified that the conspiracy  
15 lasted until December 2006. Trial Tr. vol. 3 at 662-63. One of its last witnesses, Milton Kuan of  
16 CPT, testified that the conspirators provided the “same information” in the round-robin, one-on-  
17 one meetings that they had provided during the earlier group meetings, and that those round-  
18 robin meetings continued through November 2006. Trial Tr. vol. 21 at 3795-96. In closing  
19 arguments, the government summarized the evidence on those round-robin one-on-one meetings  
20 and argued that the conspiracy ended in December 2006, on the day that the FBI searched  
21 AUOA’s offices in Houston, Texas. Trial Tr. vol. 27 at 4771-72 (closing argument); Trial Tr.  
22 vol. 30 at 5329 (rebuttal argument).

23                   *Second*, the additional evidence presented at trial and in the United States’ Sentencing  
24 Memorandum corroborates that AUO continued to have individual bilateral contacts with its  
25 competitors throughout 2006 in order to align its pricing to specific customers pursuant to their  
26 long-running agreement to fix prices, and that AUO’s sales of indictment panels continued to be  
27 affected by the conspiracy through November 2006. Dkt. 948 at 15-18; Declaration of Dr. Keith  
28 Leffler (“Leffler Decl.”) Ex. D. In fact, as late as November 23, 2006, just one week before the



1 FBI's raid, AUO's Steven Leung forwarded a message about the importance of "market info.  
2 sharing" on AUO's December pricing. Dkt. 984 Declaration of Heather S. Tewksbury  
3 ("Tewksbury Decl.") Exhibit D at Trial Ex. 189. That same email proposed pricing offers that  
4 aligned with AUO's competitors. *Id.*

5 *Third*, Dr. Leffler's testimony at trial is consistent with his testimony now—which  
6 eliminates an element that AUO concedes is necessary to its judicial estoppel and due process  
7 claims. *See* Dkt. 943 at 30, 33. In Dr. Leffler's recent declaration, he testifies that "the evidence  
8 is clear that the conspiracy impacted prices from October 2001 through December 1, 2006."  
9 Dkt. 948 (Leffler Decl. ¶ 30). That is consistent with his trial testimony because he never  
10 testified at trial that the conspiracy ended in January 2006—or at any other time. And the jury  
11 was instructed that Dr. Leffler was not offering testimony on the ultimate issue of whether a  
12 conspiracy existed. Dkt. 817 at 5. In his empirical analyses, he used the January 2006 date  
13 because that marked the end of the group crystal meetings, not the conspiracy. The Court made  
14 this distinction clear when defense counsel tried to turn Dr. Leffler into a conspiracy expert:

15 Q. So at least, your opinion today is that the conspiracy period ended in January,  
16 2006. Correct?

17 MR. JACOBS: I'll object to mischaracterizing –

18 THE COURT: He's testifying about the Crystal Meeting period. Is that what you're  
19 asking him about?

20 MR. HEALY: Yes, Your Honor.

21 THE COURT: That would probably be better, if you used those words.

22 MR. HEALY: Sorry. Let me withdraw that.

23  
24 Trial Tr. vol. 19 at 3473. Later, Dr. Leffler himself corrected defense counsel:

25 Q All right. So, what I've done is -- one thing, there's been -- you agree with me  
26 that the indictment said the conspiracy ended in December of '06. Correct?

27 A. Yes.

1 Q. And, your initial disclosure talked about a conspiracy ending in July of '06.  
Correct?

2 A. Talked about *Crystal Meetings* ending in June of '06.

3 Trial Tr. vol. 20 at 3631 (emphasis added). Contrary to AUO's claim that Dr. Leffler offered an  
4 opinion that the cartel period ended on January 31, 2006 (Dkt. 943 at 4), he consistently resisted  
5 these invitations to opine on when the conspiracy ended.

6 Dr. Leffler focused on the effect of the group crystal meetings because those were the  
7 meetings that occurred during the vast majority of the conspiracy and the ones from which he  
8 could most reliably quantify overcharges. He made that clear more than a year ago, in his initial  
9 expert report: "[e]xtensive notes were taken at these [group] meetings by the participants. . . .  
10 The notes indicate that specific prices of specific products were discussed. These are meetings at  
11 which it is most likely that supra-competitive prices will result." Dkt. 948 (Leffler Decl. Ex. B ¶  
12 25 (Sept. 13, 2011 disclosure)). That is consistent with his testimony now:

13 In my trial testimony, I was concerned only with whether the impact on U.S. commerce  
14 was greater than \$500 million. To do this, I focused my analysis on the effect of the  
15 group crystal meetings because that period is the most susceptible to quantification of the  
16 overcharges by virtue of the thorough records kept by some of the participating  
companies that memorialized the price discussions on a monthly basis.

17 Dkt. 948 (Leffler Decl. ¶ 30 n.20).

18 Contrary to AUO's argument, Dr. Leffler never testified that overcharges ended in  
19 January 2006. Dkt. 943 at 9. In Dr. Leffler's own words, "I did not testify that the overcharges  
20 ended on January 31, 2006. Rather, I *calculated* overcharges over that period." Dkt. 948,  
21 Leffler Decl. Ex. B ¶ 29 (emphasis in original).<sup>5</sup> Dr. Leffler knew that the indictment alleged a  
22 conspiracy through December 1, 2006 and that there were other meetings and communications  
23 apart from the group crystal meetings.<sup>6</sup> But his focus was on the group meetings, not the  
24 bilateral meetings.<sup>7</sup>

25  
26  
27 <sup>5</sup> For that reason, his volume of commerce calculations at trial were similarly limited to a  
time period ending January 2006. Trial Tr. vol. 19 at 3313.

28 <sup>6</sup> *E.g.*, Trial Tr. vol. 19 at 3467-68 ("Q: All right. And you understand that in the  
indictment it indicated the conspiracy started in 2001, and ran all the way to December of 2006.



1 In short, Dr. Leffler never testified at trial about the effect of bilateral meetings in 2006,  
2 one way or the other. His use of a six-month period in 2006 as a control group in one of his  
3 many empirical analyses—where he compared margins just before and just after the group  
4 meetings ended—is not to the contrary. *See* Dkt. 943 at 25. That analysis, like all of his others,  
5 tested the effect of the group crystal meetings, not the bilateral meetings. Trial Tr. vol. 19 at  
6 3373. Dr. Leffler did not conduct an analysis of the effect of the bilateral meetings because it  
7 was unnecessary for his task of measuring overcharges from the crystal meetings.

8 AUO also points to this particular analysis and claims it was the “central evidence” on  
9 which the jury likely relied to satisfy the statute of limitations in convicting AUO. Dkt. 943 at  
10 31-33. But because Dr. Leffler was not opining on the existence of a conspiracy, it was very  
11 *unlikely* that the jury even considered this analysis when making its guilt determination.<sup>8</sup> It is  
12 also very unlikely that this analysis proved decisive to the jury’s determination of AUO’s guilt  
13 because Dr. Leffler was comparing margins of all six of the crystal meeting companies, not just  
14 AUO. Trial Tr. vol. 19 at 3371. Moreover, the discussion of this particular analysis takes up a  
15 mere four pages in the trial transcript (Trial Tr. vol. 19 at 3370-74), a transcript that spans 4,177  
16 pages before the government rested and a total of 5,348 pages through the final jury instructions.  
17 There was ample evidence on which the jury could have based a finding that AUO participated  
18 in the conspiracy after June 9, 2005, including AUO’s participation in the numerous group and  
19 one-on-one meetings occurring after that date.<sup>9</sup>

20  
21 Correct? A: Yes. I mean, in substance, yes. That there were meetings of different names that  
22 they were alleging were conspiracies over that period.”)

23 <sup>7</sup> That was clear from the outset of his trial testimony: “Q. Dr. Leffler, have you been  
24 asked by the Government in this case to study the effect of the Crystal Meetings on the revenues  
25 of the companies who went to those meetings? A. I have. Yes.” Trial Tr. vol. 19 at 3274.

26 <sup>8</sup> Indeed, at defendants’ insistence, the jury was instructed more than once that the experts  
27 were not opining on the existence of a conspiracy. Trial Tr. vol. 19 at 3383; Trial Tr. vol. 27 at  
28 4713. Juries are presumed to follow such instructions. *United States v. Stinson*, 647 F.3d 1196,  
1218 (9th Cir. 2011).

<sup>9</sup> *See, e.g.*, Trial Exs. 108, 172, 189, 326, 328, 339, 440, 442, 443, 444, 445, 446, 447, 448,  
and 515.

1 The jury could have relied on the testimony of CPT's Milton Kuan, whose testimony was  
2 offered expressly on the period after June 2005, when he attended his first crystal meeting (Trial  
3 Tr. vol. 20 at 3726), and ending in December 2006, when the last meeting was called off by his  
4 coconspirators, including AUO. Trial Tr. vol. 21 at 3792-93. Or they could have relied on the  
5 testimony of Michael Wong, the head of AUOA, who testified about ongoing U.S. competitor  
6 pricing contacts and that he instructed his subordinate to delete competitor contact information in  
7 December 2006 during the FBI's search of AUOA's offices. Trial Tr. vol. 5 at 879, 1031-36,  
8 1041-44. It is highly implausible that the jury relied on a few minutes of Dr. Leffler's testimony  
9 in deciding to convict AUO when it had abundant testimonial and documentary evidence on this  
10 issue. Thus, there is no basis for concluding that the jury was misled, as required for judicial  
11 estoppel (Dkt. 943 at 30-31), or that it found that the conspiracy ended at any time other than  
12 December 2006.

13 *Finally*, it does not matter that the jury's verdict did not specify an end date. *See* Dkt.  
14 943 at 28. Even if the jury, for whatever reason, believed that the evidence at trial did not prove  
15 beyond a reasonable doubt that the conspiracy was effective throughout 2006, the Court is  
16 permitted to include AUO's sales through November 2006 in its volume of affected commerce if  
17 the Court finds by a preponderance that they were affected by the conspiracy. Indeed, a  
18 sentencing court may take into consideration uncharged and even *acquitted* conduct if the  
19 government can prove that conduct under a preponderance standard.<sup>10</sup> Here, the evidence  
20 presented at trial and in the United States' Sentencing Memorandum (Dkt. 948 at 15-18 and  
21 Leffler Decl. Ex. D) clearly demonstrates that AUO continued to participate in the conspiracy  
22 until December 1, 2006 and that its pricing continued to be affected by that conspiracy.<sup>11</sup>

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24 <sup>10</sup> *United States v. Watts*, 519 U.S. 148, 157 (1997); *United States v. Van Alstyne*, 584 F.3d  
25 803, 816 (9th Cir. 2009); *United States v. Daychild*, 357 F.3d 1082, 1103 (9th Cir. 2004); *United*  
*States v. SKW Metals & Alloys, Inc.*, 195 F.3d 83, 92 (2d Cir. 1999).

26 <sup>11</sup> *See United States v. Andreas*, 216 F.3d 645, 678 (7th Cir. 2000) (holding that "the  
27 presumption must be that all sales during the period of the conspiracy have been affected by the  
28 illegal agreement"); *SKW Metals*, 195 F.3d at 90 (holding that "[w]hile a price-fixing conspiracy  
is operating and has *any* influence on sales, it is reasonable to conclude that all sales made by  
defendants during that period are 'affected' by the conspiracy") (emphasis in original); *United*

1                   **2. Dr. Leffler’s Methodology Is Consistent with the Court’s Rulings and**  
2                   **Sentences Imposed in this Case**

3                   Dr. Leffler’s methodology is consistent with the methodology used in determining the  
4 volumes of commerce for companies that pled guilty and were sentenced by this Court earlier in  
5 the investigation. The plea methodology included three categories of commerce: panels that  
6 were (1) invoiced to, (2) shipped to, or (3) incorporated into finished products that made their  
7 way to the United States. Dr. Leffler’s methodology focuses exclusively and rigorously on the  
8 third category by estimating only those panels that came to the United States in finished  
9 products. Accordingly, those panels in categories one and two that came into the United States  
10 in finished products are included in Dr. Leffler’s estimate. Dr. Leffler excluded from his  
11 estimate panels that were invoiced to the United States but were not ultimately shipped to the  
12 U.S. in finished products. In that way, he was more conservative in his approach than the plea  
13 methodology. AUO strangely complains that Dr. Leffler’s exclusion of these sales somehow  
14 inflates the estimated volume of commerce. But AUO’s real complaint, at bottom, is that with  
15 the data now available, Dr. Leffler’s estimate of the volume commerce is more accurate than  
16 when the pleas were taken. In any event, the vast majority of the commerce for the pleading  
17 companies fell into this third category. And the third category is the focus of Dr. Leffler’s  
18 analysis. Accordingly, his methodology and the plea methodology—both of which are focused  
19 on finished products in the U.S.—are entirely consistent.

20                   Dr. Leffler’s estimate does more accurately measure the volume of panels incorporated  
21 into finished products that made their way to the United States than did the data used as the basis  
22 for earlier pleas. Since the time of those pleas, as the government prepared for trial and this  
23 sentencing, it has obtained additional data from AUO’s coconspirators who had pled guilty and  
24 were cooperating and from victims of the conspiracy. It does not reflect a fundamental change in  
25 the methodology—the focus is, as it always has been, on counting price-fixed panels that made  
26 their way to the United States in finished products. The data available to the government now

27  
28 

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*States v. Hayter Oil*, 51 F.3d 1265, 1273 (6th Cir. 1995) (stating that “‘affected’ is very broad and would include all commerce that was influenced, directly or indirectly, by the price-fixing conspiracy”).

1 includes (1) AUO's sales of monitor panels to HP, and (2) the remaining 38 percent of the U.S.  
2 market for finished computer monitors and notebooks that were sold into the U.S. market by  
3 major PC manufactures, such as Acer, Toshiba, and Lenovo.<sup>12</sup>

4 Nothing precludes the government from using all data available to it at the time of  
5 sentencing, or the Court from considering it. This is the case even if the data is different or  
6 results in a higher calculation than asserted against coconspirators involved in the same scheme.  
7 In the fraud context, for example, the Guidelines do not require the government to make loss  
8 determinations with precision. Rather, the government's figures "need only be a reasonable  
9 estimate given the information available to the government." *United States v. Cabrera*, 172 F.3d  
10 1287, 1292 (11th Cir. 1999). Thus, even if the government stipulates to a loss figure in one case,  
11 it is not estopped from later attributing a different loss figure to a coconspirator in another case.  
12 *United States v. Pierce*, 409 F.3d 228, 233-34 (4th Cir. 2005). The government (and the Court)  
13 can attribute the volume of affected commerce, the central component of the loss surrogate, to  
14 different coconspirators on the basis of different data available at different times. *Id.* (holding  
15 that although the government stipulated to loss figures of less than \$200,000 for the defendant's  
16 coconspirators, the government was not estopped from attributing to the defendant losses in  
17 excess of \$200,000); *see also United States v. Montes*, 976 F.2d 235, 239 (5th Cir. 1992)  
18 (holding that a court is required to look at the evidence before it at the time of sentencing to  
19 determine the applicable sentencing guidelines range).

20 Moreover, "differences in evidence available at different sentencing hearings can mean  
21 there is no real inconsistency between findings" in different cases. *United States v. Valdez-Soto*,  
22 31 F.3d 1467, 1476 n.21 (9th Cir. 1994). For instance, where one defendant is sentenced  
23 pursuant to a plea agreement and another after a lengthy trial in which more information is  
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25 <sup>12</sup> AUO mischaracterizes the way in which Dr. Leffler estimated the remaining 38 percent  
26 of the market. He did not "simply scale up" using AUO's sales to Dell, HP, and IBM. Dkt. 943  
27 at 15 n.24. Rather, Dr. Leffler included the sales to all five manufacturers for which he had  
28 data—including IBM and Gateway, both of which purchased nothing from AUO—and then  
used that *lower* percentage to estimate AUO's sales to the remainder of the U.S. market. Dkt.  
948, Leffler Decl. ¶ 24.

1 developed, there may be no real inconsistency in the sentencing determinations in the two cases.  
2 *Id.*; *Montes*, 976 F.2d at 239; *see also United States v. Rodriguez*, 162 F.3d 135, 151-52 (1st Cir.  
3 1998) (holding that the law allows the government to use a different methodology for sentencing  
4 after trial than used for defendants who pled, even where it led to “enormous sentencing  
5 disparities for the defendants who chose to put the government to its burden of proving its  
6 case.”).

7 Finally, the fact that there is a disparity in the information used to sentence codefendants  
8 “is not, by itself, a sufficient ground for attacking an otherwise proper sentence under the  
9 guidelines. Rather, a defendant can only challenge his sentence by showing that it was the result  
10 of incorrect or inadmissible information or an incorrect application of the Sentencing  
11 Guidelines.” *United States v. Taylor*, 991 F.2d 533, 536 (9th Cir. 1993) (internal quotations and  
12 citations omitted).

13 There is no basis to challenge the application of the Guidelines here where Dr. Leffler’s  
14 methodology is entirely consistent with the Court’s instruction on the offense’s elements and its  
15 gain, which limited consideration to TFT-LCD panels either sold in or for delivery to the United  
16 States or incorporated into finished products sold in or for delivery to the United States. Dkt.  
17 817 at 10, 15; Trial Tr. vol. 27 at 4721, 4728-29. While the volume of affected commerce for  
18 Guidelines purposes is not necessarily subject to those limitations, *see* Dkt. 948 at 14 & n.5, Dr.  
19 Leffler takes a conservative approach, including in his estimate only those price-fixed panels that  
20 were incorporated into finished PC products that were sold into the United States. There is  
21 nothing improper about presenting the Court with the most complete information available at the  
22 time of sentencing. And it is not unusual for a defendant that proceeds to trial to face a more  
23 accurate, but higher, volume of commerce as the government develops more information.

24 **3. All AUO Sales of Indictment Panels Were “Affected” by the**  
25 **Conspiracy and Should Be Included**

26 All of AUO’s sales of indictment panels during the conspiracy should be included in its  
27 volume of affected commerce. The AUO panels subject to specific competitor discussions  
28 accounted for 98 percent of AUO’s sales at the beginning of the conspiracy, and that percentage

1 remained very high throughout the conspiracy. Dkt. 948 (Leffler Decl. ¶ 40). Dr. Leffler’s  
2 empirical analysis shows that all such panels were affected by the crystal meetings—even those  
3 not discussed every single month. *Id.* (showing “close fit” in price movements between panels  
4 discussed and those not discussed). The effect on non-discussed panels was due, in part, to the  
5 fact that the crystal meeting participants discussed the “general pricing relationships” among  
6 panels of different specifications. *Id.*

7 AUO has the burden of proving what courts have described as the “rare” or “odd” case  
8 where a sale is completely unaffected by the conspiracy. *Andreas*, 216 F.3d at 678-79. It has not  
9 done so. Instead, it has proposed a wholesale exclusion of all panel sales except in those months  
10 in which either AUO specified a price or a general industry price was listed. It also proposes  
11 excluding panels that were not discussed in a particular month even when they were discussed in  
12 both the month before and the month after. As Dr. Leffler explains in his declaration, these  
13 exclusions make no economic sense. Dkt. 948 (Leffler Decl. ¶ 35-41).<sup>13</sup>

#### 14 **4. AUO’s Sales to Coconspirators LG and Samsung Should Be Included**

15 AUO’s sales of panels to the affiliated display companies of its coconspirators LG and  
16 Samsung should also be included in AUO’s volume of affected commerce. AUO claims that LG  
17 and Samsung would not have paid overcharges because they could easily have supplied their  
18

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19 <sup>13</sup> Ignoring the jury’s verdict, AUO continues to argue that target price conspiracies, such as  
20 this one, cannot work. In support of this conclusion, AUO cites the lysine cartel as an example  
21 of a target price conspiracy that was largely ineffective. Dkt. 943 at 40 (“[S]cholars have  
22 recognized that the lysine cartel . . . was largely ineffective during the period in which the  
23 members of the cartel agreed solely to target prices, without setting quantity allocations or  
24 providing for formal and coordinated monitoring.”) The claim that the cartel was ineffective did  
25 not dissuade the sentencing court in its determination that all lysine sales during the scope of the  
26 conspiracy period constituted “affected” commerce under § 2R1.1. *Andreas*, 216 F.3d at 679  
27 (“[T]he trial court correctly determined the volume of commerce based on *all* sales within the  
28 scope of the conspiracy.”) (emphasis added) That same sentencing court imposed sentences at or  
approaching maximum prison terms for the executives who took the case to trial. *See Longer  
Sentences for Ex-Archer Officers*, N.Y. Times, Sept. 23, 2000, available at  
[http://www.nytimes.com/2000/09/23/business/longer-sentences-for-ex-archer-  
officers.html?ref=michaeldandreas](http://www.nytimes.com/2000/09/23/business/longer-sentences-for-ex-archer-officers.html?ref=michaeldandreas). Under the Guidelines, the fact that a cartel may have been  
“largely ineffective” at times does not affect the determination of the affected commerce. Dkt.  
948 at 8-9.



1 own needs internally without incurring overcharges. Dkt. 943 at 41. AUO thus implies that LG  
2 and Samsung must have paid lower prices than did other customers. In fact, they paid the same  
3 prices as everyone else. Dkt. 948 (Leffler Decl. ¶ 43). Dr. Hall concedes this. Leffler Decl.,  
4 citing to Hall August 10 Decl. ¶ 44 (“We found that both LG and Samsung purchased at  
5 essentially the same prices as other customers.”). AUO’s argument, then, rests entirely on its  
6 contention that it did not overcharge *anyone*, an argument clearly rejected by the jury. Dkt. 943  
7 at 59-60. AUO overcharged everyone, including LG and Samsung, and its sales to those  
8 companies should be included as well.

### 9 **5. AUO’s Sales to Dell Should Be Included**

10 AUO also contends that its sales to Dell after January 1, 2005 should be excluded, citing  
11 a multiple regression analysis by Dr. Mohan Rao, an expert retained by Dell in its related civil  
12 case. According to AUO, Dr. Rao failed to find “*any* persistent overcharges in AUO’s sales to  
13 Dell after January 1, 2005.” Dkt. 943 at 41-42 (emphasis in original).

14 But Dr. Rao did *not* analyze Dell’s purchases from AUO alone, which is what is relevant  
15 here. The defendants in Dell’s private action include many different TFT-LCD manufacturers,  
16 including Sharp, Hitachi, Epson, and Toshiba. M:07-1827 SI MDL 1827, Dkt. 3241. Dr. Rao  
17 analyzed Dell’s purchases from all of the conspirators of products for which he could obtain  
18 DisplaySearch cost data. Tewksbury Decl. Ex. B. In his Reply Expert Report, which AUO does  
19 not cite, Dr. Rao attributes the absence of persistent overcharges not to AUO but instead to the  
20 actions of Samsung and LG—Dell’s two largest panel suppliers. Tewksbury Decl. Ex. C.

21 Moreover, Dr. Rao did not find that the conspiracy—much less AUO’s continued  
22 participation in it, which is the relevant focus here—had no effect whatsoever in 2005 and 2006.  
23 In fact, in his deposition, he implied that he did find overcharges during certain periods in those  
24 years.<sup>14</sup> At sentencing, the issue is whether the conspiracy had any effect at all on the  
25 defendant’s sales. *See supra* note 10 and Dkt. 948 at 8-9. The fact that an economist hired by  
26 one of the defendant’s customers cannot find quantifiable damages from all of its purchases does  
27

28 <sup>14</sup> “I stop calculating overcharges in 2005 and ‘6; not that there aren’t overcharges in certain periods, but as I said, there aren’t systematic positive overcharges, and therefore I stop.”  
Tewksbury Decl. Ex. D.

1 not mean that customer's purchases from the defendant should be excluded from its volume of  
2 affected commerce.

3 It is striking that AUO has not offered its own multiple regression analysis on this or any  
4 other issue. AUO hired Mr. Deal and paid him and his team \$6 million. Trial Tr. vol. 24 at  
5 4201. It now relies on the declaration from Dr. Hall, a highly qualified and capable \$1,000 per  
6 hour economist. Trial Tr. vol. 24 at 4434. Yet for this point, AUO relies on snippets from the  
7 expert report of an economist hired by Dell.

8 Dr. Leffler is the only economist in this case who conducted a regression analysis. His  
9 regression focused on the only relevant issue here—the overcharge on AUO's sales alone.  
10 Including AUO's sales to Dell and its other customers, Dr. Leffler found a statistically  
11 significant estimate of the AUO overcharge on 12.1 to 30-inch panels of over 19 percent. Dkt.  
12 948, Leffler Decl. ¶ 45.

13 AUO presents no viable arguments that necessitate a reduction in the volume of affected  
14 commerce estimated by Dr. Leffler. \$2.34 billion is the appropriate and conservative estimate of  
15 AUO's affected volume of commerce.

16 **B. The 20 Percent Surrogate Is Appropriate in This Case**

17 **1. The Guidelines Fine Range Must Be Based on 20 Percent of Affected**  
18 **Commerce**

19 The Guidelines unequivocally direct courts to “use 20 percent of the volume of affected  
20 commerce,” U.S.S.G. § 2R1.1(d)(1), and do not authorize substitutes on a case-by-case basis.  
21 See Dkt. 948 at 25. Application Note 3 does not authorize making substitutions, nor does it state,  
22 as AUO's claims, that proof of an overcharge substantially less than 10 percent justifies a  
23 downward variance. The Note unambiguously states that where “the actual monopoly  
24 overcharge appears to be either substantially more or substantially less than 10 percent, this  
25 factor should be considered in setting the fine *within* the guideline range.” U.S.S.G. § 2R1.1  
26 cmt. n. 3 (emphasis added). Thus, it suggests sentencing toward one end of the range or the  
27 other based on this factor, not varying from the range. In this case, the actual overcharge appears  
28



1 to be substantially more than 10 percent, *see infra* Sec. III.B.2.(b)(1) If anything, it supports a  
2 Guidelines adjustment to the top of the range in this case.

3 Because the Guidelines ranges must be correctly calculated and carefully considered,  
4 *United States v. Carty*, 520 F.3d 984, 991 (9th Cir. 2008) (en banc), the Court would commit  
5 procedural error if it fails to use the 20 percent surrogate for loss to calculate the Sentencing  
6 Guidelines range.

7 **2. No Departure from a Fine Based on the 20 Percent Surrogate Can Be**  
8 **Justified**

9 Although the Court is bound to use 20 percent of affected commerce to calculate the  
10 Guidelines range, it is not bound to sentence within that now-advisory range. To vary from that  
11 range, however, the Court “must consider the extent of the deviation and ensure that the  
12 justification is sufficiently compelling to support the degree of the variance.” *Id.* at 991 (quoting  
13 *Gall v. United States*, 552 U.S. 38, 50 (2007)). And “a major departure should be supported by a  
14 more significant justification than a minor one.” *Gall*, 552 U.S. at 50. AUO has provided no  
15 sound justification for this Court to depart from a fine range calculated using the 20 percent  
16 surrogate for loss specified in the Guidelines.<sup>15</sup>

17 **a) There Is No Sound Policy Reason to Disagree with the**  
18 **Commission’s 20 Percent of Affected Commerce in Lieu of**  
19 **Pecuniary Loss**

20 To be sure, courts may deviate from the Sentencing Guidelines on the basis of a policy  
21 disagreement. *Kimbrough v. United States*, 552 U.S. 85 (2007). But the Ninth Circuit has not,  
22 as AUO claims, “particularly encouraged district courts to deviate downwards from the  
23 Guidelines when the Sentencing Commission has not exercised its ‘characteristic institutional  
24 role.’” Dkt. 943 at 44-45 (citing *United States v. Carper*, 659 F.3d 923 (9th Cir. 2011)). To the  
25 contrary, the court of appeals emphasized in *Carper* that there is “no obligation for a district  
26 court to do so” and concluded that the district court had not “abused its discretion by not

27 <sup>15</sup> The Probation Office recommended a substantial downward departure to \$500 million  
28 from the Guidelines fine range of \$936 million to \$1.872 million, but it, too, fails to provide  
sound justification. To the contrary, in the Probation Office’s analysis of the application of the  
Guidelines, it concludes that there are no “factors that may warrant departure.” Final AUO PSR  
at 15 (capitalization altered).

1 departing from the Guidelines on policy grounds.” 659 F.3d at 925. In any event, Section  
2 2R1.1(d)(1) exemplifies the Commission’s institutional strengths because it is based on empirical  
3 research and national experience. *See Kimbrough*, 552 U.S. at 109 (explaining that Sentencing  
4 Commission in filling its “important institutional role” has “the capacity courts lack to ‘base its  
5 determinations on empirical data and national experience, guided by a professional staff with  
6 appropriate expertise’”) (citation omitted); U.S.S.G. § 2R1.1 background (“The limited empirical  
7 data available as to pre-guidelines practice showed that fines increased with the volume of  
8 commerce and the term of imprisonment probably did as well.”); *cf. United States v.*  
9 *VandeBrake*, 679 F.3d 1030, 1046 (8th Cir. 2012) (Beam, J., dissenting) (“The history of and the  
10 amendments to § 2R1.1 exemplify the Commission’s institutional strengths. Indeed, in order to  
11 craft the original version of § 2R1.1, the Commission used empirical research as its baseline and  
12 then increased antitrust sentences in the interests of ‘greater rationality’ and to avoid  
13 ‘inconsistency’ between white-collar crimes and other property crimes.” (quoting *Rita v. United*  
14 *States*, 551 U.S. 338, 349 (2007))). Thus, the Commission’s judgment cannot be lightly  
15 disregarded. *See Kimbrough*, 552 U.S. at 109 (“[W]hile the Guidelines are no longer binding,  
16 closer review may be in order when the sentencing judge varies from the Guidelines solely on  
17 the judge’s view that the Guidelines range ‘fails to properly reflect § 3553(a) considerations’  
18 even in a mine-run case.” (quoting *Rita*, 551 U.S. at 351)).

19 **(1) 20 Percent Is a Well-Founded and Sensible Policy**  
20 **Choice by the Commission**

21 In the 1991 amendments to the Guidelines, the Sentencing Commission first introduced in  
22 Section 2R1.1 the use of 20 percent of affected commerce in lieu of pecuniary loss and observed  
23 in Application Note 3 that the estimated “average gain from price-fixing is 10 percent.”  
24 U.S.S.G. § 2R1.1 cmt. n. 3. The Commission never disclosed the empirical basis for the 10  
25 percent figure. A contemporaneous review, however, had found substantial success in cartel  
26 efforts to increase prices. James M. Griffin, *Previous Cartel Experience: Any Lessons for*  
27 *OPEC?*, in *Economics in Theory and Practice: An Eclectic Approach* 179 (Lawrence R. Klein &  
28 Jamie Marquez eds., 1989); *see also* Gregory J. Werden & Marilyn J. Simon, *Why Price Fixers*

1 *Should Go to Prison*, 32 Antitrust Bull. 917, 925 n.24 (1987) (road-building conspiracies  
2 “increased prices at least 10 percent”).

3         Attempting to undermine the Commission’s 1991 decision to use a 10 percent estimate,  
4 AUO cites an article stating that two particular cases “appear to have been particularly important  
5 in producing the Commission’s view that the markups arising from such conspiracies are large”  
6 and arguing that the latest research on those cases does not support that view. Mark A. Cohen &  
7 David T. Scheffman, *The Antitrust Sentencing Guideline: Is the Punishment Worth the Costs?*,  
8 27 Am. Crim. L. Rev. 331, 344-45 (1989); Dkt. 943 at 46-47. But the cited article was written  
9 while the Commission’s research remained ongoing and two years before it first stated its belief  
10 that estimated “average gain from price-fixing is 10 percent.” Likewise, AUO mistakenly  
11 suggests that these two cases were relied upon in the July 15, 1986 testimony before the  
12 Sentencing Commission by Assistant Attorney General Douglas H. Ginsburg (Dkt. 943 at 46).  
13 He did not cite either. Nor does the article itself provide any basis for its speculation that the  
14 Commission relied on those cases.

15         The Commission most recently revised Section 2R1.1 in 2005, deciding to retain 20 percent  
16 of affected commerce in lieu of pecuniary gain and the 10 percent estimated average gain from  
17 price fixing. That decision is fully supported by a wealth of evidence on the price effects of  
18 cartels available at the time. A 2003 review of recent, peer-reviewed studies of cartels  
19 prosecuted under the Sherman Act reported that most found price effects of more than 10  
20 percent. Gregory J. Werden, *The Effect of Antitrust Policy on Consumer Welfare: What*  
21 *Crandall and Winston Overlook* 1-2, available at <http://ssrn.com/abstract=384100>. The 2005 law  
22 review article cited by AUO (Dkt. 943 at 45-47) reports that the median cartel overcharge is at  
23 least 25 percent, with international cartels associated with greater overcharges. John M. Connor  
24 & Robert H. Lande, *How High Do Cartels Raise Prices? Implications for Optimal Cartel Fines*,  
25 80 Tul. L. Rev. 513.

26         The most recent reviews of the evidence on overcharges cited by defendants (Dkt. 943 at 51)  
27 also strongly support using 20 percent of affected commerce as a surrogate for pecuniary loss in  
28

1 Section 2R1.1.<sup>16</sup> The meta-analysis relied upon by Dr. Hall reported an average overcharge of  
2 28.9 percent, with a median of 19 percent, and it found that international cartels result in  
3 overcharges that average 14 percentage points higher than domestic cartels. John M. Connor &  
4 Yuliya Bolotova, *Cartel Overcharges: Survey and Meta-Analysis*, 24 Int'l J. Indus. Org. 1109,  
5 1128, 1134 (2006). The updated survey by Professor Connor found that most cartel overcharge  
6 estimates are 20 percent and the average overcharge estimate is 46.2 percent. John M. Connor,  
7 *Price-Fixing Overcharges: Revised 2<sup>nd</sup> Edition*, at 100 (Apr. 27, 2010), available at  
8 <http://ssrn.com/abstract=1610262>. And again, Professor Connor found that international cartels  
9 tended to produce much larger overcharges than domestic cartels. *Id.* at 42, 109. Professor  
10 Connor's own research on relatively recent international cartels in three industries found that all  
11 resulted in overcharges greater than 10 percent, and the average overcharge on vitamins was 30  
12 percent. John M. Connor, *Global Price Fixing: Our Customers Are the Enemies* 165, 235, 339  
13 (2d ed. 2008).

14 Because the 20 percent surrogate can be justified on the basis of the typical overcharge  
15 alone, the significance of additional components of pecuniary loss is not important, but they  
16 undoubtedly exist. One additional component is the loss on purchases not made as a result of  
17 higher prices. AUO argues that this component of loss is far less than that from the overcharge  
18 and could not possibly justify doubling the 10 percent overcharge figure to produce the 20  
19 percent surrogate for loss. Dkt. 943 at 53-57. But AUO ignores the Sentencing Commission's  
20 use of the phrase "among other things" to signal that the loss on purchases not made is just one  
21 thing it considered. U.S.S.G. § 2R1.1 cmt. 3. AUO's simple diagram cannot reflect several  
22 other components of loss.

23 Cartels need not, and often do not, include all producers of the cartelized products, but  
24 non-members raise their prices as well. These non-members cannot be charged with a Sherman  
25 Act violation, and their affected commerce is not included in that of any defendant that can be  
26 prosecuted. But their price increases—the so-called "umbrella effects"—cause pecuniary losses  
27

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28 <sup>16</sup> As AUO argues, these surveys find some overcharge estimates that are quite low or even  
zero in a small percentage of the cases. It would be appropriate to take the ineffectiveness of a  
cartel into account at sentencing. But this is not such a case.

1 as well. And because purchasers usually cannot recover damages for these losses, *see generally*  
2 *In re Coordinated Pretrial Proceedings in Petroleum Products Antitrust Litig.*, 691 F.2d 1335,  
3 1338-41 (9th Cir. 1982), considering these losses in criminal punishment is especially important.  
4 In addition, prices of close substitutes for the products of a cartel are apt to increase materially in  
5 response to the price increases from the cartel, which causes overcharges outside the cartelized  
6 market. Also relevant is the cost of detecting and prosecuting cartels, a cost society and  
7 consumers ultimately bear. Finally, the Commission’s approach allows for the fact that fines  
8 typically are paid long after the loss is inflicted. The deterrent effect of fines can be significantly  
9 lessened merely by fact that they are paid well after the price-fixing conspiracy has profited its  
10 participants and harmed its victims.

11 **(2) Use of the Specified 20 Percent Surrogate Saves Time**  
12 **and Expense**

13 AUO attacks the Sentencing Commission’s policy of using 20 percent of affected  
14 commerce rather than an individualized determination of overcharge in every case. Dkt. 943 at  
15 47-50. But AUO cannot dispute that the Commission’s approach avoids, as intended, the time  
16 and expense of a judicial determination of overcharge. Even in this case, where much work has  
17 been done, resolving the continuing dispute over the amount of the overcharge would consume  
18 substantial judicial resources. The Sentencing Commission filled “an important institutional  
19 role” (*Kimbrough*, 552 U.S. at 109) in eschewing a case-by-case determination of loss in  
20 antitrust cases, and its judgment cannot be lightly disregarded.

21 Moreover, a rule requiring the government to prove the overcharge in each case would be  
22 “an anomaly” because price fixing is “illegal per se” due to “its plainly anticompetitive effect.”  
23 *Hayter Oil*, 51 F.3d at 1274; U.S.S.G. § 2R1.1 background (“The agreements among competitors  
24 covered by this section are almost invariably covert conspiracies that . . . are so plainly  
25 anticompetitive that they have been recognized as illegal *per se*, *i.e.*, without any inquiry in  
26 individual cases as to their actual competitive effect.”). “Such a rule would result in the  
27 government being relieved of the burden of ascertaining a conspiracy’s effect and success for  
28 purposes of obtaining a conviction only to have to bear that very burden to establish the propriety

1 of any fine.” *Hayter Oil*, 51 F.3d at 1274. The Commission’s decision to use 20 percent of  
2 affected commerce in lieu of individualized pecuniary loss or overcharge determinations thus  
3 preserves the most basic of antitrust principles.

4 AUO extensively quotes antitrust defense bar self-serving arguments for abandoning the  
5 20 percent surrogate in favor of an individualized determination of overcharge on the grounds  
6 that plea agreements have recommended fines above the Sherman Act’s maximum fine based on  
7 the Alternative Fine Statute, 18 U.S.C. § 3571(d). Dkt. 943 at 47-50. But the occasional  
8 stipulation of gain or loss for purposes of Section 3571(d) does not undermine the Commission’s  
9 policy. As this Court keenly knows, this is the first antitrust case in which gain under Section  
10 3571(d) was subject to a jury determination, rather than a plea agreement stipulation. This case  
11 hardly demonstrates that cartel overcharge can be determined with ease and precision for  
12 Guidelines purposes. Section 3571(d) serves an important and different purpose by raising the  
13 statutory maximum fine to twice the gain from the price-fixing conspiracy to *all* the conspirators.  
14 This allows the government to allege and prove a certain amount of gain and thereby raise the  
15 maximum fine to an appropriate level, without having to precisely determine the overcharge.  
16 Here, for instance, the government alleged and proved beyond a reasonable doubt a gain of *at*  
17 *least* \$500 million without the necessity of determining the gain with greater precision or parsing  
18 it out to the individual coconspirators. In fact, Dr. Leffler testified that the gain from the  
19 conspiracy was likely several billion dollars, but the government conservatively charged gain of  
20 only \$500 million or more.

21 **(3) Use of 20 Percent of Affected Commerce Does Not**  
22 **Violate the Constitution**

23 AUO argues that the use of the 20 percent of affected commerce produces grossly  
24 disproportionate fines, in violation of the Excessive Fines Clause, and is arbitrary, in violation of  
25 the Due Process Clause. *See* Dkt. 943 at 57 & n.32. These constitutional arguments are  
26 meritless.

27 The Excessive Fines Clause applies to the actual fine imposed, not the fine range  
28 recommended by the Guidelines. *United States v. Mackby*, 339 F.3d 1013, 1017 (9th Cir. 2003).



1 A fine is only unconstitutional under this clause if it is “grossly disproportional to the gravity of  
2 the defendant’s offense.” *United States v. Bajakajian*, 524 U.S. 321, 334 (1998). A \$1 billion  
3 fine—the maximum corporate fine available in this case—is not grossly disproportional for an  
4 offense that had at least \$500 million in gains found by the jury. *See Mackby*, 339 F.3d at 1017-  
5 18 (holding that \$729,454.92 judgment does not violate Excessive Fines Clause on assumption  
6 that Sentencing Guidelines loss was \$58,151.46). Furthermore, the jury’s gain finding is a  
7 lower-bound one. In reality, the offense affected tens of billions of dollars of commerce and  
8 likely caused billions of dollars in losses.

9 Moreover, the gravity of this cartel offense is not gauged only by the loss actually  
10 inflicted. Without regard to the loss inflicted, price-fixing conspiracies “are all banned because  
11 of their actual or potential threat to the central nervous system of the economy.” *United States v.*  
12 *Socony-Vacuum Oil Co.*, 310 U.S. 150, 225-26 n.59 (1940). And the conspiracy itself is the  
13 offense. *Nash v. United States*, 229 U.S. 373, 378 (1913) (“the Sherman Act . . . does not make  
14 the doing of any act other than the act of conspiring a condition of liability”). Although a host of  
15 factors can be considered as part of the gravity of the offense, the scope of the conspiracy must  
16 be the prime factor. Volume of affected commerce itself is an important gauge of the gravity of  
17 any cartel offense, as that indicates the extent to which the central nervous system of the  
18 economy was threatened by the conspiracy.

19 Nor is the Due Process Clause violated by the Commission’s choice of 20 percent. As  
20 explained above, *see supra* III.B.2.(a)(1), 20 percent of affected commerce is a well-founded and  
21 reasonable surrogate for loss, so it was not arbitrary or capricious. Instead of being arbitrary, it  
22 serves the purposes of the Sentencing Guidelines by making criminal punishment more  
23 predictable and less subject to unwarranted variation.

24 **b) Nothing in This Case Puts It Outside the Guidelines’**  
25 **Heartland**

26 “A district court’s decision to vary from the advisory Guidelines may attract greatest  
27 respect when the sentencing judge finds a particular case outside the heartland to which the  
28 Commission intends individual Guidelines to apply.” *Kimbrough*, 552 U.S. at 109. This case

1 falls squarely within the heartland of the Sentencing Guidelines for corporate fines for antitrust  
2 offenses: Section 2R1.1 in conjunction with Sections 8C2.1-2.7. *See* Dkt. 948 at 23. Aspects of  
3 this conspiracy making it the most serious—its long duration, massive and pernicious effect on  
4 commerce, the participation of top executives, and these defendants’ lack of acceptance of  
5 responsibility—are all appropriately accounted for by the Guidelines. The Sentencing  
6 Commission designed Section 2R1.1 so it could apply to all cartels, including large scale, highly  
7 successful, international cartels, like this one, and it geared its Guidelines to provide an  
8 appropriate fine that is sufficient to reflect the seriousness of these cartel offenses, promote  
9 respect for the law, and, most importantly, provide adequate deterrence.<sup>17</sup> Contrary to AUO’s  
10 claims, no circumstance in this case removes it from Section 2R1.1’s heartland. While this is an  
11 extraordinary case, nothing about it makes it so in determining an appropriate sentence. Rather,  
12 this is an “ordinary” or “mine-run” case under the Guidelines, and thus the Sentencing  
13 Commission’s “recommendation of a sentencing range will ‘reflect a rough approximation of  
14 sentences that might achieve § 3553(a)’s objectives.’” *Kimbrough*, 552 U.S. at 109 (quoting  
15 *Rita*, 551 U.S. at 350). Accordingly, the Guidelines’ advisory fine range should not be  
16 disregarded based on the specific facts of this case.

17 **(1) AUO’s Actual Overcharges Do Not Take Its Offense**  
18 **Outside the Heartland**

19 Resurrecting arguments made by its economic expert at trial, AUO argues that its actual  
20 overcharges were far less than the average on which Section 2R1.1 was premised because its  
21 expert did “not find a measurable overcharge attributable to AUO.” Dkt. 943 at 60; *see id.* at 58-  
22 61. AUO’s expert Dr. Hall declares that he “worked extensively with [Bruce] Deal, who  
23 testified at trial, on the overcharge questions. . . .[and] agree[s] with his opinions as presented at  
24 trial.” *Id.* at 59. Dr. Hall’s opinions, which are nothing more than Mr. Deal’s opinions, should  
25 be rejected.

26  
27 <sup>17</sup> Prior to the 2005 amendments to Section 2R1.1, that section had a maximum volume of  
28 commerce enhancement of \$100 million, which the United States Sentencing Commission  
increased to \$1.5 billion so that ring-leaders whose volume of commerce was at that level would  
be subject to statutory maximum jail sentences.



1 Dr. Hall repeats several of Mr. Deal's opinions from trial here at sentencing: that there  
2 were no output effects (Dkt. 943 at 60-61 (Hall); Trial Tr. vol. 24 at 4324-34 (Deal)); that AUO  
3 did not earn a sufficient return on capital (Dkt. 943 at 58 (Hall); Trial Tr. vol. 24 at 4349-53  
4 (Deal)); and that AUO earned no measurable overcharge (Dkt. 943 at 59-60 (Hall); Trial Tr. vol.  
5 24 at 4412-14 (Deal)). Mr. Deal's opinions at trial were offered to show that AUO was not  
6 guilty of participating in a price-fixing conspiracy. Trial Tr. vol. 24 at 4406-07. The jury  
7 rejected those opinions because it convicted AUO. It also found that the AUO and its  
8 coconspirators gained \$500 million or more from the price fixing. Dkt. 851 at 3.

9 In contrast to AUO's expert, the jury apparently found the government's economic expert  
10 persuasive. Dr. Leffler's economic analysis directly contradicts AUO's contentions that it  
11 enjoyed no measurable overcharge. His empirical work demonstrates that this cartel was, in fact,  
12 highly successful. His margin analysis, including AUO-specific margins, found margins  
13 consistent with overcharges well above 10 percent. And his regression analysis found a  
14 statistically significant mean estimate of the AUO overcharge on 12.1 to 30-inch panels of over  
15 19 percent. Dkt. 948, Leffler Decl. ¶ 45. That 19 percent finding plainly refutes any argument  
16 that the actual overcharge in this case is so low that it takes this case outside the heartland of the  
17 Guidelines' surrogate for pecuniary loss.<sup>18</sup>

18 **(2) Overseas Conduct Does Not Take This Case Outside the**  
19 **Heartland**

20 AUO argues meritlessly that this case is outside Section 2R1.1's heartland because the  
21 conduct largely took place overseas. Dkt. 943 at 52. Where the conduct occurred is irrelevant.  
22 When the Commission adopted the 20 percent surrogate, it was clear that the Sherman Act  
23 applied to overseas conduct. *See Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993)

24 \_\_\_\_\_  
25 <sup>18</sup> Dr. Hall's opinion that the overcharge here is no more than 1.8%, based on his back-of-  
26 the-envelope estimate from the damages award in a tenuously related civil case against Toshiba,  
27 does not undercut Dr. Leffler's finding of a 19% overcharge. To calculate his overcharge  
28 estimate, Dr. Hall simply divided the Toshiba jury's damages award by the sales made to a  
limited class of plaintiffs. Dkt. 943 Hall Decl. ¶61. By contrast, Dr. Leffler conducted a  
rigorous multiple regression analysis.

1 (“[I]t is well established by now that the Sherman Act applies to foreign conduct that was meant  
2 to produce and did in fact produce some substantial effect in the United States.”) (citing, *inter*  
3 *alia*, *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 444 (2d Cir. 1945) (L. Hand, J.), and  
4 *United States v. Sisal Sales Corp.*, 274 U.S. 268, 275-76 (1927)). In any event, experience  
5 shows that, if anything, Section 2R1.1 is overly lenient when applied to international cartels  
6 because they tend to produce greater than average overcharges. *See supra* Section III.B.2(a)(1).

7 Lastly, citing *Metro Industries, Inc. v. Sammi Corp.*, 82 F.3d 839 (9th Cir. 1996), AUO  
8 also argues that its price-fixing conspiracy, as “foreign conduct,” is subject to the rule of reason,  
9 not the *per se* rule, and thus is outside the heartland of 2R1.1, which is limited to *per se* offenses.  
10 Dkt. 943 at 52. But this *Metro Industries* argument has been rejected by every judge that has  
11 heard it, including by this Court in this case. *See United States v. AU Optronics*, No. Cr. 09-  
12 0110 SI, 2012 WL 2120452 at \*5 (N.D. Cal. June 11, 2012); *United States v. Chen*, No. CR 09-  
13 0110, 2011 WL 332713 at \*3 (N.D. Cal. Jan. 29, 2011); *eMag Solutions, LLC v. Toda Kogyo*  
14 *Corp.*, 426 F. Supp. 2d 1050, 1061 (N.D. Cal. 2012); *United States v. Eagle Eyes Traffic*  
15 *Industrial Co.*, No. Cr. 11-00488 RS (N.D. Cal. Sept. 11, 2012). *Metro Industries* provides no  
16 reason that a classic price-fixing conspiracy, like the one proven here, is outside Section 2R1.1’s  
17 heartland.

18 **(3) That the Product Is an Input Does Not Take This Case**  
19 **Outside the Heartland**

20 AUO also argues meritlessly that this case is outside the Section 2R1.1 heartland because  
21 the products subject to the price-fixing conspiracy were “sold to consumers only after being  
22 incorporated into another product.” Dkt. 943 at 53. AUO contends that Section 2R1.1 was  
23 designed for cartels involving final consumer products and does not make sense for other  
24 products. Both contentions are wrongheaded. The only sort of cartel to which AUO contends  
25 Section 2R1.1 reasonably can be applied is, in fact, unusual, and the suggestion that the  
26 Sentencing Commission designed a guideline only for unusual cases is a nonstarter. Many price-  
27 fixing cases prosecuted by the government, including most international cartels, involve inputs.  
28 Notably, DRAM is a component of numerous electronic devices, and lysine and vitamins are

1 both primarily used in animal feed. And this Court has taken pleas and imposed sentences in at  
 2 least 13 criminal antitrust cases involving three different input products—monochloroacetic acid  
 3 (chemical used with other chemicals to form intermediate chemical compounds, then used to  
 4 make commercial and consumer products such as herbicides and pharmaceuticals);<sup>19</sup> organic  
 5 peroxides (chemical inputs used in the manufacture of certain polystyrene products, including  
 6 containers and packaging materials);<sup>20</sup> and sorbates (chemical preservatives used primarily as  
 7 mold inhibitors in high-moisture and high-sugar food products).<sup>21</sup> Whether the overcharge was  
 8 passed through for these products was irrelevant to their sentencings, and is equally irrelevant in  
 9 sentencing AUO.

10 AUO has provided no principled approach for reducing its affected volume of commerce  
 11 or using anything other than the 20 percent surrogate, which the Court has used in the sentencing  
 12 of every corporate defendant to date.

#### 13 **IV. SECTIONS 3553 AND 3572 DO NOT SUPPORT A FINE BELOW \$1 BILLION**

##### 14 **A. Section 3553 Does Not Support a Departure Below AUO's Guidelines Fine** 15 **Range**

16 AUO advances a number of arguments under 18 U.S.C. §§ 3553 and 3572 that are little  
 17 more than a reprise of the attacks in Parts I and II of its Sentencing Memorandum on 18 U.S.C. §  
 18 3571(d), U.S.S.G. Section 2R1.1's 20 percent figure, and the government's volume of commerce

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19 <sup>19</sup> *United States v. Hoechst*, CR 03-0035 SI (N.D. Cal. 2003); *United States v. Patrick*  
 20 *Stainton*, CR 02-0078 SI (N.D. Cal. 2002); *United States v. Elf Atochem S.A.*, CR 02-0079 SI  
 21 (N.D. Cal. 2002); and *United States v. Akzo Nobel Chemicals BV, et al.*, CR 01-0242 SI (N.D.  
 22 Cal. 2001).

23 <sup>20</sup> *United States v. Elf Atochem S.A.*, CR 02-0079 SI (N.D. Cal. 2004); and *United States v.*  
 24 *Degussa U.K. Holdings Ltd*, CR 04-0300 SI (N.D. Cal. 2004).

25 <sup>21</sup> *United States v. Hitoshi Hayashi*, CR 01-0019 SI (N.D. Cal. 2003); *United States v. Ueno*  
 26 *Fine Chemicals Industry, Ltd.*, CR 01-0018 SI (N.D. Cal. 2001); *United States v. Yumi Komatsu,*  
 27 *et al.*, CR 01-0019 SI (N.D. Cal. 2001); *United States v. Hirohisa Ikeda, et al.*, CR 00-0393 SI  
 28 (N.D. Cal. 2000); *United States v. Daicel Chemical Indus.*, CR 00-0329 SI (N.D. Cal. 2000);  
*United States v. Nippon Gohsei, et al.*, CR 99-0261 SI (N.D. Cal. 1999); *United States v. Hoechst,*  
*et al.*, CR 99-0144 SI (N.D. Cal. 1999); and *United States v. Eastman Chemical Co.*, CR 98-  
 00302 SI (N.D. Cal. 1998).

1 calculation. Those arguments were largely disposed of by the United States' Sentencing  
2 Memorandum and above.<sup>22</sup> AUO's additional argument—that the application of 18 U.S.C. §  
3 3571(d) in this case is inequitable—fundamentally misunderstands the function of that statute.  
4 *See* Dkt. 944 at 13. The Alternative Fine Statute merely provides an alternative maximum fine  
5 of twice the gain or loss from the offense. The recommended \$1 billion fine is not compelled by  
6 Section 3571(d). The Court need only look to Section 3571(d) in the sentencing context to  
7 determine the ceiling for the maximum fine. The fine imposed, within that maximum, is based  
8 on the factors in Sections 3553 and 3572, including the Guidelines fine range.

9 In this case, the recommended fine of \$1 billion is substantiated by the application of  
10 U.S.S.G. Section 2R1.1 to AUO's volume of affected commerce and reflects the statutory  
11 factors. A \$1 billion fine is not "twice the amount of the conspiracy-wide gains,"<sup>23</sup> as defendants  
12 allege. *See* Dkt. 944 at 13. Instead, the recommended fine is near the bottom of the range  
13 resulting from application of the Sentencing Guidelines to AUO's own affected volume of  
14 commerce. There is nothing inequitable about the government substantiating the recommended  
15

16  
17 <sup>22</sup> In addition to its substantive argument, AUO makes the unfounded accusation that the  
18 government leaked the Probation Office's sentencing recommendations for defendants Chen and  
19 Hsiung to the media. The Probation Office's sentencing recommendations were provided only in  
20 the final PSRs, which were sent to government counsel starting at 2:12 p.m. PDT, nearly four  
21 hours *after* the article referenced by AUO was published. The government did not leak this  
22 information and, unlike defendants—who liberally quote from the confidential PSRs throughout  
23 their sentencing memoranda—refrained from even referencing the sentencing recommendations  
24 in its opening brief.

25 <sup>23</sup> Defendants misrepresent the jury's verdict as a finding that the "conspiracy-wide gains"  
26 were limited to \$500 million. The jury made no such finding. The jury concluded that the gains  
27 to all conspirators were "\$500 million or more." The indictment alleged a gain to the  
28 conspirators of "at least \$500,000,000." Dkt. 8 at 13. This allegation was supported by the  
government's preliminary economic analysis and would permit a \$1 billion fine against AUO,  
which the government continues to believe represents a Guidelines range fine and the  
appropriate criminal punishment for AUO in this case. Had the government needed to allege the  
full gain to all conspirators from the conspiracy, the amount of gain alleged in the indictment  
would have been considerably larger than \$500 million. Indeed, as the Court noted in denying  
defendants' post-trial motions, "Dr. Leffler's multiple regression analysis estimated total  
overcharges in excess of \$2 billion, far more than \$500 million." Dkt. 920 at 7.

1 fine under Section 2R1.1 and seeking a fine at the ceiling permitted by Section 3571(d) in this  
2 case in order to adequately punish AUO and deter future collusion.

3 Nor does the application of Section 3571(d) and Section 2R1.1's 20 percent figure create  
4 any unwarranted sentencing disparities. Those sections have been applied to AUO's pleading  
5 corporate coconspirators. Section 3571(d) was applied to coconspirators LG and CMO to permit  
6 criminal fines above the Sherman Act's \$100 million statutory maximum corporate fine, and the  
7 20 percent figure mandated by Section 2R1.1 was applied to each of AUO's pleading corporate  
8 coconspirators. AUO thus cannot claim it is being treated disparately by the application of those  
9 sections. The fines of AUO's corporate coconspirators are lower than the \$1 billion  
10 recommended for AUO largely because the coconspirators accepted responsibility, cooperated  
11 with and substantially assisted the investigation, and pled guilty before the government had the  
12 benefit of the more thorough sales data upon which the current AUO volume of commerce  
13 calculation is based.<sup>24</sup> Sentencing disparities on those bases are not inequitable. *United States v.*  
14 *Carter*, 560 F.3d 1107, 1121 (9th Cir. 2009) (“[A] sentencing disparity based on cooperation is  
15 not unreasonable.”). The only inequity in this case would be to permit AUO to free ride on  
16 acceptance of responsibility and substantial assistance by its corporate coconspirators by  
17 departing from the Sentencing Guidelines fine range. *United States v. Caperna*, 251 F.3d 827,  
18 831-32 (9th Cir. 2001) (“In most cases, it will be inappropriate for a sentencing court to give a  
19 non-cooperating defendant the benefit of his co-defendant's cooperation.”).

20 AUO also erroneously argues that it has already been punished by virtue of having been  
21 fined in other jurisdictions and having settled related civil litigation. Dkt. 944 at 3-4. Fines  
22 imposed by the European Commission (“EC”) and the Korea Fair Trade Commission (“KFTC”)   
23 likely reflect punishment for conduct directed at and affecting those jurisdictions, not the United  
24

25  
26  
27 <sup>24</sup> Additionally, with the exception of LG, the pleading corporate coconspirators were  
28 smaller companies than AUO, had lower volumes of commerce than AUO even if their volumes  
of commerce were adjusted using the sales data currently available to the government, and would  
thus be subject to lower fines even at the present time.

1 States.<sup>25</sup> Moreover, AUO has appealed its EC fine and has publicly stated that it will appeal the  
2 KFTC fine, making the imposition and amount of those fines uncertain. Additionally, civil  
3 damages and settlements are not criminal punishment. They are a substitute for restitution,  
4 which would support a separate monetary exactment that the government could seek against  
5 AUO in this criminal proceeding but has not because of the parallel civil litigation. *United*  
6 *States v. Hayes*, 385 F.3d 1226, 1228 (9th Cir. 2004) (holding that fines are set by courts as  
7 punishment for a crime and restitution is a separate monetary penalty to compensate victims of a  
8 crime). Moreover, the fines imposed on AUO's coconspirators were not offset by the civil  
9 litigation or fines in other jurisdictions. True unfairness would result if AUO were credited with  
10 its civil settlements while its coconspirators—many of whom settled and cooperated early with  
11 the civil plaintiffs—received no such offset for their criminal fines. AUO erroneously believes  
12 that its recalcitrance should be rewarded, while those who came in early, cooperated with the  
13 government and the plaintiffs, and accepted responsibility years ago should be in a worse  
14 position. Departing from the Guidelines on this, or any other basis offered by AUO, would  
15 create perverse incentives for any future defendants facing similar choices.

16 Finally, AUO touts its otherwise spotless criminal history and good corporate citizenship  
17 to argue that the recommended fine is greater than necessary to fulfill the goals of Sections 3553  
18 and 3572. Dkt. 944 at 12. AUO could not have had a criminal history prior to participating in  
19 the LCD conspiracy because *AUO did not exist before the LCD conspiracy*. AUO's participation  
20 in the LCD conspiracy began at AUO's inception<sup>26</sup> and collusion is woven into the fabric of the  
21 company. The fact that the company did not engage in other criminal conduct while  
22 simultaneously pursuing a pervasive course of criminal conduct that spanned its entire existence

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23 <sup>25</sup> See Guidelines [of the EC] on the method of setting fines imposed pursuant to Article  
24 23(2)(a) of Regulation No. 1/2003 at ¶¶ 13, 18 (indicating that fine calculations will be based on  
25 a company's sales of relevant goods and services in Europe), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:210:0002:0005:EN:PDF>.

26 <sup>26</sup> Indeed the record at trial demonstrated that one of AUO's predecessor companies, Acer  
27 Display Technology—through defendants Chen and Hsiung—had collusive contacts with some  
28 of its crystal meeting coconspirators even prior to merging with Unipac Optoelectronics to form  
AUO. See, e.g., Trial Ex. 78, 471T.



1 is no saving grace. Likewise, a few modest examples of corporate largesse are not enough to  
2 atone for the hundreds of millions of dollars of harm that AUO inflicted on consumers through  
3 the conspiracy and for which it now must be adequately punished.

4 **B. AUO Has No Cognizable or Supported Ability-to-Pay Argument**

5 AUO also seeks a lower fine than that recommended by the Probation Office on the basis  
6 of inability to pay, suggesting that even that fine, half of what the government is recommending,  
7 “may cripple” AUO and make it an ineffective competitor against Samsung. Dkt. 944 at 10-12.  
8 The applicable Guidelines section—which AUO fails even to cite much less analyze—is  
9 U.S.S.G. Section 8C3.3, which requires the reduction of a corporate fine that either will unduly  
10 impair a company’s ability to pay restitution or substantially jeopardize its continued viability.  
11 U.S.S.G. § 8C3.3; *see also United States v. Eureka Labs, Inc.*, 103 F.3d 908, 912 (9th Cir. 1996)  
12 (holding that Section 8C3.3(a) “requires a court to reduce a fine to the extent needed to avoid  
13 interfering with a defendant organization’s ability to pay restitution to victims”). AUO bears the  
14 burden of establishing its inability to pay a Guidelines fine. *United States v. Bradley*, 644 F.3d  
15 1213, 1304 (11th Cir. 2011) (holding that a corporate defendant “offered nothing to demonstrate  
16 that it lacks sufficient assets to pay the fine it owes, much less that it would be unable to pay  
17 restitution to its victims”). AUO makes no effort to, and cannot, meet its burden.

18 According to its SEC filings, AUO had net sales in 2011 of over \$12.5 billion, total assets  
19 of over \$19.6 billion, current assets of over \$6.6 billion, and cash or cash equivalents of  
20 approximately \$3 billion.<sup>27</sup> AUO’s president, Paul Peng, confirmed the company’s 2011 year-  
21 end cash and cash equivalents during a deposition. Deposition of Paul Peng at 99:24-100:3.  
22 Peng also testified that AUO has set aside cash reserves for its criminal fine, has been informed  
23 about the “possible highest amount for the fine,” and has run financial simulations to confirm  
24 “how we should manage our cash flow so that [the criminal fine] would not affect our company’s  
25 operation” if it exceeds AUO’s cash reserve. Tewksbury Decl. Ex. E. There is thus little

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27 <sup>27</sup> The TFT-LCD business is cyclical in nature so AUO’s operating income, earnings, and  
28 net income vary year by year. While AUO was unprofitable in 2011, for the prior four years  
(2007 to 2010) it averaged net sales of over \$13.75 billion per year, operating income of over  
\$378 million per year, earnings before income tax of over \$310 million per year, and net income  
of over \$261 million per year.

1 question that AUO has the ability to pay the recommended fine, either in a lump sum or in  
2 installment payments. And if, in the interests of justice, the Court permits installment payments,  
3 it should also place AUO on probation, which would allow the Probation Office to monitor the  
4 company's financial condition relative to its fine and restitution obligations.

5 Nonetheless, AUO ignores the sworn testimony of its own President and relies solely on  
6 one of its expert economists, Dr. Hall, to argue that its fine should be reduced. Despite having  
7 served as AUO's expert for years and having been paid millions of dollars for his efforts, Dr.  
8 Hall turns to the internet to support his conclusion that AUO faces "serious financial challenges."  
9 Declaration of Dale Zuehls ("Zuehls Decl.") at ¶ 7 (stating that Dr. Hall's reliance "on 4 general  
10 items found on the internet . . . can be given little weight in determining a company's ability to  
11 pay a fine" without "any meaningful financial analysis"). Dr. Hall does not opine or even  
12 suggest that AUO's continued viability or ability to pay restitution would be jeopardized by the  
13 recommended fine, which is the relevant question under the Sentencing Guidelines. *Compare*  
14 U.S.S.G. § 8C3.3 with Hall August 27, 2012 Decl. at ¶¶ 79-85. His refusal to offer such an  
15 opinion is not surprising in light of AUO's President's sworn testimony that the company can  
16 manage its cash flow so that its operations would not be affected by a criminal fine.

17 Indeed, Dr. Hall apparently did not undertake even a cursory review of AUO's actual  
18 financial data, let alone the type of detailed financial analysis that would be required to offer an  
19 opinion regarding AUO's ability to pay the recommended criminal fine. Zuehls Decl. at ¶¶ 7-14.  
20 Dr. Dale Zuehls, a forensic accountant who has conducted ability-to-pay analyses on  
21 approximately 20 prior occasions, typically reviews detailed financial information and forecasts  
22 covering several years, conducts meetings with company financial officers and experts, gains an  
23 understanding of the past, current, and future financial performance, forecasts, and prospects of a  
24 company and its industry, and then processes the information through financial models to  
25 identify an appropriate payment range and options for the company. *Id.* Dr. Hall did no such  
26 analysis, and, based on the company's own admitted financial simulations, such an analysis  
27 would obviously confirm the company's ability to pay the recommended fine. AUO has billions  
28 of dollars in cash, which is available to pay the criminal fine that is imposed in this case.



1 **V. THE ALTERNATIVE FINE STATUTE AUTHORIZES A \$1 BILLION**  
2 **CORPORATE FINE IN THIS CASE**

3 **A. This Court Should Reject AUO’s Constitutional Challenge to Section 3571(d)**

4 AUO previously argued that the jury was required to find beyond a reasonable doubt the  
5 amount of pecuniary gain under the Alternative Fine Statute, 18 U.S.C § 3571(d). *See* Dkt. 339,  
6 at 10 (“Given the government’s determination to seek a fine in excess of [the statutory  
7 maximum] pursuant to the alternative fine statute, 18 U.S.C § 3571(d), the government is  
8 required by *Apprendi* to prove the purported gain or loss arising from any offense to the jury and  
9 beyond a reasonable doubt.”); *id.* at 15 (“If the government obtains a conviction at trial, the  
10 calculation of gain or loss must be made by the jury to a beyond a reasonable doubt standard.”).  
11 The Court accepted this argument (over the government’s objection), and the jury found that  
12 there was “\$500 million or more” of “gross gains derived from the conspiracy.” Dkt. 851 at 3.

13 Not getting the jury verdict it wanted, AUO now argues that Section 3571(d) is “facially  
14 unconstitutional” because (1) having the jury find the amount of gain is *constitutionally required*,  
15 but (2) that is not what Congress would have wanted had it known about this constitutional  
16 requirement. *See* Dkt. 942 at 3-7. The Court should reject this *post hoc* challenge to the  
17 procedure AUO itself urged on the Court.

18 **1. AUO Is Estopped from Challenging Section 3571(d)’s**  
19 **Constitutionality Based on Jury Finding the Gain**

20 AUO argues that “Section 3571(d) is facially unconstitutional under the remedial holding  
21 of *Booker*,” “[b]ecause Congress intended courts and not juries to make such findings [on loss or  
22 gain],” and Section 3571(d) cannot reasonably be construed otherwise. Dkt. 942, at 7. This is,  
23 in essence, an argument that this Court erred in submitting the issue of gain to the jury. Having  
24 successfully urged the Court to submit gain to the jury, AUO is estopped from challenging that  
25 now.

26 As AUO acknowledges (*see* Dkt. 943 at 29), “where a party assumes a certain position in  
27 a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply  
28 because his interests have changed, assume a contrary position.” *New Hampshire v. Maine*, 532

1 U.S. 742, 749 (2001). This rule “generally prevents a party from prevailing in one phase of a  
2 case on an argument and then relying on a contradictory argument to prevail in another phase.”  
3 *Id.* “It is an equitable doctrine invoked not only to prevent a party from gaining an advantage by  
4 taking inconsistent positions, but also because of general considerations of the orderly  
5 administration of justice and regard for the dignity of judicial proceedings, and to protect against  
6 a litigant playing fast and loose with the courts.” *Milton H. Greene Archives, Inc. v. Marilyn*  
7 *Monroe LLC*, \_\_\_ F.3d \_\_\_, 2012 WL 3743100, at \*6 (9th Cir. Aug. 30, 2012) (internal quotations  
8 and citations omitted); *see also id.* at \*13 (“Judicial estoppel is intended to protect the courts.”).

9 The Supreme Court has “identified three factors that courts should consider in  
10 determining whether the doctrine is applicable in a given case.” *Id.* at \*7. “First, a party’s later  
11 position must be clearly inconsistent with its earlier position.” *New Hampshire*, 532 U.S. at 750.  
12 The second factor is, “whether the party has succeeded in persuading a court to accept that  
13 party’s earlier position, so that judicial acceptance of an inconsistent position in a later  
14 proceeding would create the perception that either the first or the second court was misled.” *Id.*  
15 The third factor is, “whether the party seeking to assert an inconsistent position would derive an  
16 unfair advantage or impose an unfair detriment on the opposing party if not estopped.” *Id.*

17 All three factors support estoppel here. First, AUO’s current position is “clearly  
18 inconsistent” with its prior one, as it previously argued gain had to be submitted to the jury,  
19 which it is now claiming violates Section 3571(d).<sup>28</sup> Second, AUO succeeded in persuading this  
20 Court to accept its earlier position and submit gain to the jury. And third, AUO would receive an  
21 “unfair advantage” in reversing its position now, as its changed position reduces the maximum  
22 possible fine from \$1 billion to \$100 million—substantially less than the gain found by the jury  
23 here.

24 While the Supreme Court handed down *Southern Union Co. v. United States*, 132 S. Ct.  
25 2344 (2012), in the interim, that opinion—in AUO’s own words—confirms that this Court’s  
26

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27  
28 <sup>28</sup> When previously arguing that gain had to be submitted to the jury, defendants never  
claimed this would contravene congressional intent.

1 prior order submitting gain to the jury was “correct.” Dkt. 942 at 3. Thus, it does not provide a  
2 legitimate basis to allow AUO to switch its position on Section 3571(d) at sentencing.

### 3                   **2. Section 3571(d) Is Not Facially Unconstitutional**

4           Even if AUO was not estopped from challenging the constitutionality of Section 3571(d),  
5 its challenge would fail because the statute is not facially unconstitutional. For Section 3571(d)  
6 to be “facially unconstitutional,” it would have to be “unconstitutional in all its applications.”  
7 *United States v. Cassel*, 408 F.3d 622, 626 n.1 (9th Cir. 2005); *see also Foti v. City of Menlo*  
8 *Park*, 146 F.3d 629, 635 (9th Cir. 1998).<sup>29</sup> That standard is not satisfied when there is a  
9 “reasonable construction” of the statute that would “save [it] from unconstitutionality.”  
10 *United States v. Buckland*, 289 F.3d 558, 564 (9th Cir. 2002) (en banc) (quoting *Hooper v.*  
11 *California*, 155 U.S. 648, 657 (1895)). That is the case here, because it is reasonable to construe  
12 Section 3571(d) as permitting juries to determine the amount of gain—as AUO previously  
13 argued was required.

14           As AUO noted in its prior briefing (Dkt. 339 at 9-10), both the Second and Seventh  
15 Circuits have held that district courts must send Section 3571(d) loss or gain determinations that  
16 would increase the maximum fine to the jury. *See United States v. Pfaff*, 619 F.3d 172, 175 (2d  
17 Cir. 2010); *United States v. LaGrou Distrib. Sys.*, 466 F.3d 585, 594 (7th Cir. 2006). And the  
18 procedures followed in this case show precisely how this can be implemented in practice. It  
19 might not be the only way of construing and applying the statute, but it certainly is a “fairly  
20 possible” way that defeats AUO’s claim of facial unconstitutionality. *See Buckland*, 289 F.3d at  
21 564 (“[I]f an otherwise acceptable construction of a statute would raise serious constitutional  
22 problems, and where an alternative interpretation of the statute is fairly possible, we are  
23 obligated to construe the statute to avoid such problems.”) (internal quotation marks and citations  
24 omitted).

25           The “starting point for interpreting a statute is the language of the statute itself.” *Id.*  
26 (citations and internal quotation marks omitted). Here, the text of Section 3571(d) does not

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27  
28 <sup>29</sup> A statute also can be facially unconstitutional if it “seeks to prohibit such a broad range  
of protected conduct that it is unconstitutionally overbroad,” *Foti*, 146 F.3d at 635, but AUO  
does not argue that here.

1 address who should determine the amount of gain or loss—judge or jury—and there is nothing in  
2 the statute inconsistent with having the jury do it (as the Court required here). That such a  
3 construction is permissible, is “dispositive”. *Id.* at 565 (“Section 841 is most striking for what it  
4 does not say. The statute does not specify who shall determine drug quantity or identify the  
5 appropriate burden of proof for these determinations. . . . [T]he text of the statute is  
6 dispositive.”).

7 Although AUO (now) claims that Congress likely would have preferred to invalidate  
8 Section 3571(d) instead of submitting gain or loss to the jury, *see* Dkt. 942 at 3, AUO does not  
9 point to anything in the text of the statute supporting this conclusion. Instead, AUO cites a few  
10 snippets of legislative history and an amicus brief submitted in *Booker* that it claims clearly show  
11 that Congress wanted fines to be imposed by judges without any fact-finding regarding fines by  
12 juries. Dkt. 942 at 4-7. But the cited portions of the legislative history and the amicus brief do  
13 not, in fact, show what AUO says. None of the legislative history cited by AUO directly  
14 addresses—much less clearly speaks to—what Congress likely would have done had it known  
15 that juries must determine facts increasing the maximum fine.<sup>30</sup> Moreover, the cited portions of  
16 the amicus brief are about the Sentencing Act and the Sentencing Guidelines, not Section  
17 3571(d). Given Congress’s clear intention to increase the maximum fines to provide “a  
18 significant punishment[] for the offense involved,” H.R. Rep. 98-906, at 16, and to prevent  
19 offenders from profiting from their crime, *id.* at 17, it is highly unlikely that Congress would  
20 have preferred to scrap Section 3571(d) instead of having juries determine the amount of loss or  
21 gain.

22 AUO’s reliance on *Booker*’s remedial holding is misplaced. In *Booker*, the Supreme  
23 Court concluded that “Congress, had it been faced with the constitutional jury trial requirement,  
24 likely would not have passed the same Sentencing Act,” because it “likely would have found the  
25 requirement incompatible with the Act *as written*.” *United States v. Booker*, 543 U.S. 220, 258

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26 <sup>30</sup> For instance, AUO claims that a passage in the House Committee Report shows that  
27 “Section 3623(c) ‘authorizes a judge’ – not a judge, working together with a jury – ‘to impose a  
28 fine of up to twice the pecuniary gain derived by the defendant from the offense.’” Dkt. 942 at 5  
(citing H.R. Rep. 98-906, 1984 U.S.C.C.A.N. at 5445, 5449). But the middle part is AUO’s own  
addition. Whoever decides the amount of gain, the judge imposes the fine.

1 (2005) (emphasis added); *see also id.* at 249 (analyzing Congress’s express use of “the court” in  
2 18 U.S.C. § 3553(a)(1), and its removal of “typical ‘jury trial’ evidentiary limitations” in 18  
3 U.S.C. § 3661). There is no such textual incompatibility here. Moreover, in the Supreme  
4 Court’s view, “[t]o engraft the Court’s constitutional requirement onto the sentencing statutes . . .  
5 would destroy the system.” *Id.* at 252. That again is not the situation here, as this very case  
6 demonstrates how such a system could work.

7 AUO notes (Dkt. 942 at 7 n.2) that the dissent in *Southern Union* observed that juries  
8 could have difficulties determining the amount of loss, and having juries do so could create  
9 administrative problems. But that was not the view of the Supreme Court majority. More  
10 importantly, both the majority and the dissent in *Southern Union* clearly presuppose the survival  
11 of Section 3571(d). *See* 132 S. Ct. at 2351 & n.4 (citing Section 3571(d) as an example of a  
12 situation “requiring juries to find beyond a reasonable doubt facts that determine the fine’s  
13 maximum amount”); *id.* at 2370 (Breyer, J., dissenting) (discussing how juries will have to  
14 determine gain or loss under Section 3571(d) as a “consequence of the majority’s holding”).

15 The Ninth Circuit has repeatedly rejected similar arguments of facial unconstitutionality  
16 under *Apprendi*. *Apprendi v. New Jersey*, 530 U.S. 466 (2000). *See, e.g., United States v. Vela*,  
17 624 F.3d 1148, 1156-59 (9th Cir. 2010) (rejecting argument that 18 U.S.C. § 111 is facially  
18 unconstitutional under *Apprendi*); *Buckland*, 289 F.3d at 563-67 (rejecting argument that 21  
19 U.S.C. § 841 was facially unconstitutional under *Apprendi*); *United States v. Mendoza-Paz*, 286  
20 F.3d 1104, 1109-10 (9th Cir. 2002) (rejecting argument that 21 U.S.C. § 841(a)(1) and § 960 are  
21 facially unconstitutional under *Apprendi*); *see also United States v. Hernandez*, 322 F.3d 592,  
22 600-02 (9th Cir. 2002) (reaffirming *Buckland* and *Mendoza-Paz*). This Court should reject this  
23 one as well.

24 **B. The Jury’s \$500 Million Gain Finding Properly Included Gain to All the**  
25 **Conspirators Derived from the Price-Fixing Conspiracy**

26 AUO argues, as it did before trial (Dkt. 444 at 14-16), that Section 3571(d) only increases  
27 the maximum fine to twice the defendant’s own gain. This Court has already rejected that  
28 argument and correctly held that gain from the offense “must include the gains flowing to all

1 conspirators jointly.” Dkt. 631, at 3. The statutory language alone demands that result: “[I]f any  
2 person derives pecuniary gain from the offense . . . the defendant may be fined not more than . . .  
3 twice the gross gain.” 18 U.S.C. § 3571(d) (emphasis added). “‘Any person’ means exactly that,  
4 and may not be interpreted restrictively to mean only” the defendant. *Bonnichsen v. United*  
5 *States*, 367 F.3d 864, 874 (9th Cir. 2004). Thus, because the statute plainly contemplates  
6 persons besides the defendant deriving gain from the offense, the gain includes the gain derived  
7 by “any person” from the “offense.”

8 AUO relies on unpersuasive legislative history. Where the language of the statute is  
9 clear, as here, there is no need to resort to legislative history. *Boyle v. United States*, 556 U.S.  
10 938, 950 (2009). In any event, Section 3571(d)’s legislative history confirms this Court’s  
11 interpretation. In 1987, Congress replaced the old Section 3623(c), which provided “[i]f the  
12 defendant derives pecuniary gain from the offense . . . the defendant may be fined not more than  
13 . . . twice the gross gain,” 18 U.S.C. § 3623(c)(1) (Supp. III 1985) (emphasis supplied), with the  
14 current Section 3571(d) for the express purpose of authorizing a maximum fine that takes into  
15 account the gain that “any person” derives from the offense. *See* H.R. Rep. No. 100-390, at 4  
16 (1987), reprinted in 1987 U.S.C.C.A.N. 2137, 2142 (“New section 3571(d) amends this  
17 provision by authorizing the court to impose such an alternative fine *if a person other than the*  
18 *defendant* derives pecuniary gain from the offense.”) (emphasis added); *United States v.*  
19 *Andreas*, 1999 WL 116218, at \*2 (N.D. Ill. 1999). AUO’s interpretation of Section 3571(d)  
20 would nullify Congress’s 1987 change in statutory language. But this Court’s interpretation  
21 makes perfect sense, particularly in the conspiracy context. After all, “a conspiracy is a  
22 partnership in crime; and an overt act of one partner may be the act of all.” *Socony-Vacuum Oil*  
23 *Co.*, 310 U.S. at 253-54 (quotations omitted); *see also Salinas v. United States*, 522 U.S. 52, 64  
24 (1997).

25 AUO also relies on references to state law and the Model Penal Code in the legislative  
26 history of Section 3571(d)’s predecessor, the old Section 3623(c)(1). Dkt. 942 at 9. Even if that  
27 history were relevant to interpreting the later statute, it simply illustrates that “had Congress  
28



1 wished” to limit Section 3571(d) to defendant’s own gain, “it clearly knew how to draft language  
2 to that effect.” *E.E.O.C. v. Waffle House, Inc.*, 534 U.S. 279, 302 (2002).

3 AUO next resorts to the most tenuous evidence of Congressional intent, arguing that  
4 neither Congress nor the Congressional Budget Office announced that the new Section 3571(d)  
5 would result in a “huge increase in criminal fines.” Dkt. 942 at 11-12. But if Section 3571(d)  
6 had deterred crime as intended, neither Congress nor its budget office would have expected a  
7 deluge of new fine revenue. In any event, even assuming that the new statute would have  
8 increased fine revenue, such “ambiguous legislative history”—the absence of a CBO  
9 announcement—should not be used “to muddy clear statutory language.” *Hall v. United States*,  
10 132 S. Ct. 1882, 1892 (2012).

11 AUO’s reliance on the Guidelines definition of “pecuniary gain” and the Sentencing  
12 Commission’s supplementary report is similarly unavailing. The Supreme Court has “never held  
13 that, when interpreting a term in a criminal statute, deference is warranted to the Sentencing  
14 Commission’s definition of the same term in the Guidelines.” *DePierre v. United States*, 131 S.  
15 Ct. 2225, 2236 (2011). Nor should the Court use the Commission’s statements in a report “to  
16 manufacture ambiguity in the otherwise clear language of the statute.” *Miranda v. Anchondo*,  
17 684 F.3d 844, 849 (9th Cir. 2012).

18 Lastly, AUO points to dicta and out-of-context quotes from a few cases, claiming that  
19 “courts have consistently understood § 3571(d) as establishing a maximum fine equal to twice  
20 the defendant’s own gain.” Dkt. 942 at 12. But, as previously explained by the government, *see*  
21 Dkt. 465 at 9-10, and recognized by this Court, *see* Dkt. 631 at 3, none of these cases address the  
22 issue, let alone provide a persuasive analysis to support AUO’s argument. The one additional  
23 case now cited by AUO, *United States v. Sanford*, also does not address whether “gross gain”  
24 includes coconspirators’ gain, but rather “whether it includes only ‘net’ gains, i.e., profits, . . . all  
25 revenues derived from an offense without deducting costs and taxes, or . . . some other measure.”  
26 11-CR-352 BAH, 2012 WL 2930770 (D.D.C. July 19, 2012).

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28 ///



1           **C.     Section 3571(d) Does Not Impose a Collective Maximum Fine**

2           AUO also argues that Section 3571(d) requires that the “total fine received from the  
3 conspirators collectively” cannot exceed twice the gain from the conspiracy. Once again, its  
4 argument cannot be reconciled with the unambiguous statutory language. Section 3571(d) sets a  
5 maximum sentence for “the defendant”—in the singular—not a collective maximum sentence for  
6 all defendants who have or may be charged with an offense. If Congress had intended to set a  
7 collective maximum fine, it could have easily done so. But Congress did not make a single  
8 reference to apportionment of fines amongst criminal defendants in any of the relevant statutes.  
9 18 U.S.C. §§ 3571-74. In contrast, the restitution statute provides that if “more than 1 defendant  
10 has contributed to the loss of a victim, the court may make each defendant liable for payment of  
11 the full amount of restitution or may apportion liability among the defendants.” 18 U.S.C. §  
12 3664(h)(1). And while a few district courts have apparently imposed joint and several liability  
13 for criminal fines, the government is aware of no case addressing whether such imposition is  
14 proper. *See United States v. Pruett*, 681 F.3d 232, 249-50 (5th Cir. 2012) (assessing criminal  
15 sentence without addressing whether fines were properly imposed jointly and severally); *United*  
16 *States v. Radtke*, 415 F.3d 826, 836 (8th Cir. 2005) (same).

17           AUO cannot cite to any case imposing a collective maximum criminal *fine*, relying  
18 instead on cases in which courts imposed a joint ceiling in other contexts, such as criminal  
19 forfeiture orders. However, a joint ceiling for restitution or forfeiture orders makes some sense.  
20 The purpose of the restitution statute is to make a victim whole. *See Hughey v. United States*,  
21 495 U.S. 411, 416 (1990) (“[T]he ordinary meaning of ‘restitution’ is restoring someone to a  
22 position he occupied before a particular event...”). Restitution does not seek to bestow a  
23 windfall on victims by recovering more than the loss cause by an offense. *See* 18 U.S.C.  
24 §§ 3664(j)(1) (if a third party has compensated a victim, restitution shall be paid to that person),  
25 (j)(2) (restitution amount shall be reduced by any amount later recovered as compensatory  
26 damages). Similarly, the purpose of forfeiture is to force criminals to disgorge their ill-gotten  
27 gains. *United States v. Masters*, 924 F.2d 1362, 1369-70 (7th Cir. 1991) (discussing forfeiture  
28 provisions of RICO statute). Thus, forfeiture does not seek to punish offenders by recovering

1 more than the total gain from an offense. *See United States v. Hurley*, 63 F.3d 1, 23 (1st Cir.  
2 1999) (imposing collective cap for forfeiture order); *United States v. Candelaria-Silva*, 166 F.3d  
3 19, 44 (1st Cir. 1999) (same); *Masters*, 924 F.2d at 1370 (same).

4 But the purpose of a criminal fine is not just to make victims whole or to disgorge ill-  
5 gotten gains; the purpose is to punish offenders. *United States v. Mustafa*, 238 F.3d 485, 490 (3d  
6 Cir. 2001) (“A criminal fine is a form of punishment, whereas restitution is merely intended to  
7 compensate the victim.”); *see also* U.S.S.G. § 8C2.8(a)(1) (in determining amount of criminal  
8 fine, courts should consider need to “provide just punishment”). Thus, unlike restitution and  
9 forfeiture, criminal fines can exceed the gain or loss from the offense. *See* 18 U.S.C. § 3571(d)  
10 (authorizing fines up to twice the gain or loss from the offense). And unlike restitution and  
11 forfeiture, criminal fines are not bound by a collective cap.

12 Finally, AUO’s interpretation of section 3571(d) would lead to a bizarre result, setting a  
13 higher statutory maximum fine for those defendants who quickly accepted responsibility and  
14 assisted the government in its investigation than for a defendant that chooses not to accept  
15 responsibility and not to cooperate with the government. *Cf.* U.S.S.G. §§ 3E1.1 (authorizing  
16 downward departure for acceptance of responsibility); 5K1.1 (authorizing downward departure  
17 for substantial assistance to authorities). And even if several defendants go to trial, the order of  
18 the trials should not affect the maximum fine.

19 Section 3571(d) authorizes this Court to set a fine at the maximum amount of \$1 billion.  
20 The Court properly instructed the jury to consider the gains to all participants in the conspiracy  
21 in reaching its determination that the gross gains derived from the conspiracy were \$500 million  
22 or more. Section 3571(d) sets a maximum sentence for “the defendant,” not for the conspiracy.  
23 AUO is solely responsible for the entirety of the fine imposed upon it.

#### 24 **VI. A CRIMINAL FINE AGAINST AUOA IS UNNECESSARY**

25 AUOA argues it should not be subject to a substantial fine. The government, however,  
26 does not recommend a fine against it so long as AUO receives a substantial fine. Thus, the Court  
27 need not address AUOA’s separate arguments, and the government only briefly addresses them.  
28

1 AUOA advanced arguments based on an erroneous interpretation of the Supreme Court's  
2 ruling in *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752 (1984), that a wholly  
3 owned subsidiary is incapable of conspiring with its parent for purposes of Section 1 of the  
4 Sherman Act. *Copperweld* does not limit the government's ability to prosecute a parent and its  
5 subsidiary where, as here, both engaged in an antitrust conspiracy with their *competitors*.  
6 Consistent with that, *Copperweld* likewise has no application and places no limitation on the  
7 Court's ability to impose criminal fines on a parent and its subsidiary where both conspired with  
8 their competitors. In such cases, the parent and subsidiary are separate entities for purposes of  
9 prosecution and punishment.

10 Moreover, because in this case AUOA was AUO's agent for purposes of conspiracy-  
11 affected LCD sales in the United States, the volume of commerce resulting from those sales is  
12 properly attributable to AUOA under Section 2R1.1(b)(2) and would support a significant  
13 criminal fine. There is nothing illogical or unfair about attributing to AUOA the volume of  
14 affected commerce from the sales it was instrumental in making. As discussed in the United  
15 States' Sentencing Memorandum, however, the government believes that AUOA could not on its  
16 own pay anything remotely approaching a Guidelines range fine. If the Court imposes the  
17 recommended \$1 billion fine on AUO, places both companies on probation, and adopts the  
18 recommended corporate antitrust compliance program, the government does not recommend  
19 fining AUOA and the Court need not determine its Guidelines fine range. *See* U.S.S.G. §  
20 8C2.2(b) ("Where it is readily ascertainable through a preliminary determination of the minimum  
21 of the guideline fine range . . . that the organization cannot and is not likely to become able (even  
22 on an installment schedule) to pay such a minimum guideline fine, a further determination of the  
23 guideline fine range is unnecessary.").

24 **VII. CHEN AND HSIUNG SHOULD EACH BE SENTENCED TO 120 MONTHS**  
25 **INCARCERATION AND FINED \$1 MILLION**

26 Applying the Guidelines and the factors set forth in 18 U.S.C. §§ 3553(a) and 3572(a) to  
27 Chen and Hsiung leads to sentences of 120 months incarceration and fines of \$1 million each.  
28 Their arguments for lesser sentences are without merit.

1           **A.     The Government and the Probation Office Have Correctly Calculated Chen**  
2           **and Hsiung’s Guidelines Offense Level**

3           Chen and Hsiung’s Guidelines offense level is a function of the volume of affected  
4 commerce attributable to them and their role in the offense. Both Chen and Hsiung challenge the  
5 government and the Probation Office’s volume of affected commerce figures. Those figures are  
6 accurate for the reasons set forth in the government’s Sentencing Memorandum. The  
7 defendants’ attacks on those figures are without merit for the reasons set forth in Section IV,  
8 above. Chen and Hsiung’s other arguments against their Guidelines levels are also without  
9 merit.

10                   **1.     Chen and Hsiung Should Receive a Four-Level Enhancement for**  
11                   **Their Role in the Offense**

12           Chen and Hsiung argue that their offense level should not be increased four levels, but at  
13 most three. (Dkt. 945 at 12; Dkt. 947 at 21-23). They are incorrect. Under the Guidelines, the  
14 offense level is to increase four levels “if the defendant was an organizer or leader of a criminal  
15 activity that involved five or more participants or was otherwise extensive.” U.S.S.G.  
16 § 3B1.1(a). The increase is only three levels “if the defendant was a manager or supervisor (but  
17 not an organizer or leader).” U.S.S.G. § 3B1.1(b). The factors the Court should consider in  
18 determining if someone is an organizer or leader include “the exercise of decision making  
19 authority, the nature of participation in the commission of the offense, the recruitment of  
20 accomplices . . . and the degree of control and authority exercised over others.” U.S.S.G.  
21 §3B1.1, cmt. 4. By any of these measures, Chen and Hsiung were leaders of the conspiracy, not  
22 managers or supervisors. Chen argues that “other conspirators organized and led the Crystal  
23 Meetings” (Dkt. 945 at 12), but, of course, “[t]here can . . . be more than one person who  
24 qualifies as a leader or organizer of a criminal association or conspiracy.” U.S.S.G. §3B1.1, cmt.  
25 4. Hsiung argues that he “merely *attend[ed]* meetings” which “is not evidence that [he]  
26 *organized* the crime.” (Dkt. 947 at 21). These arguments simply do not square with the facts.

27           The group crystal meetings were divided between “top” or CEO meetings and  
28 “commercial” or “working” group meetings. Both Chen and Hsiung attended several top

1 meetings, the very function of which was to legitimize and provide leadership to the cartel. Chen  
2 and Hsiung also participated in many bilateral meetings with competitors as AUO's top decision  
3 makers.

4 **a) Chen Was a Leader of the Conspiracy**

5 Chen was a leader in the Taiwan TFT-LCD industry and a leader of the conspiracy. Even  
6 before the first crystal meeting, he was involved in high-level price-fixing meetings with LG and  
7 Samsung as the President of Acer, one of AUO's predecessor companies. *See, e.g.*, Trial Exs. 78,  
8 471. While there was a brief period following Acer's merger with Unipac in which Chen was  
9 not ultimately in charge of the merged entity, as soon as he took the helm at AUO—just a month  
10 after AUO's formation—he started attending crystal meetings. He attended the critical October  
11 19, 2001 crystal meeting at which the Presidents and CEOs of the conspirators stressed the  
12 importance of collaboration and agreed to pricing. Trial Ex. 405. He attended several other  
13 CEO-level meetings and reached pricing agreements. *See, e.g.*, Trial Exs. 306, 308, 310, 405,  
14 411, 419. He authorized AUO's participation by his subordinates' attendance at the crystal  
15 meetings. *See, e.g.*, Trial Exs. 6, 12, 14, 16, 52, 124, 127. He received reports of crystal meeting  
16 pricing agreements from his subordinates. *See, e.g.*, Trial Exs. 16, 124, 127. Chen's role and  
17 participation in crystal meetings were culturally significant in conveying to subordinates that the  
18 meetings were important and blessing their participation. Trial Tr. vol. 17 at 2987. He also  
19 reached agreements with competitors at one-on-one meetings. *See, e.g.*, Trial Exs. 501, 505,  
20 515. Lastly, he was warned about antitrust laws at the December 11, 2001 crystal meeting. Trial  
21 Ex. 308. When the TFT-LCD market was at a critical point in mid-2004, Chen even asked his  
22 subordinates via email whether AUO's competitors could reach a consensus to decrease  
23 production. Trial Ex. 52. Chen's email precipitated Hsiung's calling of an emergency crystal  
24 meeting in July 2004. At that meeting, the participants discussed the need to limit "Written  
25 Communication, which leave traces." Trial Ex. 431.

26 **b) Hsiung Was a Leader of the Conspiracy**

27 Like Chen, Hsiung was also a leader in the industry and leader of the conspiracy. He  
28 accompanied Chen in fixing prices with LG and Samsung before the first crystal meeting. *See,*

1 e.g., Trial Exs. 78, 471. He was also with Chen at the October 19, 2001 top crystal meeting.  
2 Trial Ex. 405. He attended several crystal meetings as the highest representative of AUO and  
3 reached price agreements. *See, e.g.*, Trial Exs. 309, 409, 410, 415, 417. He directed  
4 subordinates to attend crystal meetings. *See, e.g.*, Trial Exs. 15, 20. He received reports of  
5 crystal meeting pricing agreements from his subordinates. *See, e.g.*, Trial Exs. 16, 19, 21, 25,  
6 27, 31, 37, 40, 43, 124. As the head sales officer, he directed staff to charge crystal meeting  
7 target prices. *See, e.g.*, Trial Exs. 115, 118, 179. He negotiated prices to key U.S. victims of the  
8 conspiracy, like Dell and HP. *See, e.g.*, Trial Ex. 89. He reached agreements with competitors at  
9 bilateral meetings. *See, e.g.*, Trial Exs. 476, 480, 501, 505, 515. He personally called the  
10 emergency July 2004 crystal meeting in order to keep the conspiracy on track. Trial Exs. 52,  
11 431. Like Chen, Hsiung was warned about antitrust laws at the December 11, 2001 crystal  
12 meeting (Trial Ex. 308) and he took steps to conceal the conspiracy. *See, e.g.*, Trial Exs. 15, 80,  
13 89, 118. He was also the President of AUOA, was aware of competitor contacts by AUOA's  
14 employees, and directed AUOA to implement agreed-upon prices in the United States. *See, e.g.*,  
15 Trial Ex. 89.

16 Chen and Hsiung argue that rather than a four-level enhancement, they are entitled to the  
17 three-level enhancement received by J.Y. Ho, C.C. Liu, C.S. Chung, Amigo Huang, C.L. Kuo,  
18 Bock Kwon, C.H. "Frank" Lin, and James Yang. (Dkt. 945 at 12; Dkt. 947 at 7-8 and 21-23).  
19 However, most of those individuals held positions below the President and Executive Vice  
20 President level of Chen and Hsiung, or they worked at companies that were much smaller than  
21 AUO. While J.Y. Ho was at the same level as Chen, he only attended the first three crystal  
22 meetings and was not personally involved after late 2001. C.H. Lin also held a high rank at CPT,  
23 but unlike Chen and Hsiung he did not attend *any* crystal meetings, bilateral meetings, or have  
24 any contacts with his competitors whatsoever. In addition, he worked for a much smaller player  
25 than Chen and Hsiung did. That is also true of C.C. Liu, who had a comparable title to Hsiung,  
26 but did not have comparable industry clout because of the size of CPT.

27 Even if Chen and Hsiung *were* similarly situated to other defendants who received  
28 enhancements of three levels, the Court would not need to reduce the enhancement for Chen and



1 Hsiung. *See Taylor*, 991 F.2d at 536 (“[A] disparity in sentencing among co-defendants is not,  
2 by itself, a sufficient ground for attacking an otherwise proper sentence under the guidelines.  
3 Rather, a defendant can only challenge his sentence by showing that it was the result of incorrect  
4 or inadmissible information, or an incorrect application of the Sentencing Guidelines.”) (internal  
5 quotations omitted); *United States v. Hogan*, 54 F.3d 336, 340 (7th Cir. 1995) (“Neither is it  
6 material that one of Hogan's codefendants received a lesser enhancement than Hogan did. . . . A  
7 disparity in sentences does not . . . itself supply a rationale that warrants resentencing.”).

## 8                   2.       **The Guidelines Appropriately Reflect Defendants’ Culpability**

9           Chen argues that the Guidelines’ focus on the loss from the crime overstates his personal  
10 culpability. To support that proposition, he cites *United States v. Milne*, 384 F. Supp. 2d 1309  
11 (E.D. Wis. 2005). Yet the defendant in *Milne* was in a very different position than Chen. *Milne*  
12 was a high school graduate who had started his own car dealership. *Id.* at 1311. The cars on the  
13 lot secured a loan from his bank. As his business was failing, in desperation, he submitted  
14 statements to the bank that showed that he still owned cars that had already been sold. *Milne*  
15 voluntarily came forward and admitted his conduct and “he emptied his pockets, including  
16 turning over every cent of equity he had in his house (about \$38,000) to try and make good on  
17 his obligation.” *Id.* at 1310. Beyond just pleading guilty, the defendant showed acceptance,  
18 remorse, and atonement. “He did all this well before he was implicated in or charged with  
19 criminal activity.” *Id.* at 1312. Based on these facts, the court found that the defendant was less  
20 culpable than the loss to the bank (the sole victim of the crime) suggested. Moreover, his family  
21 was “in difficult financial straits. [Milne’s] wife had recently lost her job, making defendant the  
22 sole bread-winner. Thus, [Milne’s] absence for an extended period of time would have been an  
23 extreme hardship.” *Id.* at 1311. *Milne* stands in stark contrast with Chen and Hsiung—educated,  
24 multimillionaire executives, and captains of industry who have never owned up to their  
25 wrongdoing or willingly attempted to make restitution to their many victims.

26           Chen also cites *United States v. Costello*, 16 F. Supp. 2d 36 (D. Mass. 1998). In that  
27 case, the court noted that the value of stolen property in the Guideline for Theft serves as “an  
28 indicator of *both the harm to the victim and the gain to the defendant.*” *Id.* at 39 (quoting



1 U.S.S.G. § 2B1.1, comment (background)) (emphasis supplied by court). But the Court noted  
2 that “where the defendant is not the principal, where he or she is a functionary,” the gain to the  
3 defendant is usually a lot less than the harm. *Id.* In *Costello*, the defendants in question were  
4 low-level employees who worked in the shipping and receiving departments of a company they  
5 were stealing from. They committed the crime at the behest of another defendant who took the  
6 lion’s share of the proceeds from the theft. Chen, on the other hand, is no mere functionary or  
7 low-level employee. He and Hsiung were the leaders of AUO. It was their company, and it is  
8 entirely appropriate that the volume of AUO’s commerce affected by the conspiracy be  
9 attributed to them.

10 **3. The Court Should Not Depart Downward on Chen and Hsiung’s**  
11 **Offense Level Because They Were Otherwise Law-Abiding**

12 Chen argues that this case is outside the “heartland” and that the Court should depart  
13 downward because the price fixing that Chen was convicted of represented “aberrant behavior”  
14 for him and that he otherwise lived a law-abiding life. Dkt. 945 at 12-14; *see also* Dkt. 947 at 4  
15 (noting that Hsiung had never before been charged with a crime). As support for this argument,  
16 Chen cites to Guidelines Section 5K2.20 and cases such as *United States v. Lam*, 20 F.3d 999  
17 (9th Cir. 1994). Chen’s argument is not supported by either the facts or the law.

18 Section 5K2.20 allows for a downward departure under the Guidelines “only if the  
19 defendant committed a single criminal occurrence or a single criminal transaction that (1) was  
20 committed without significant planning; (2) was of limited duration; and (3) represents a marked  
21 deviation by the defendant from an otherwise law-abiding life.” U.S.S.G. § 5K2.20. In order for  
22 an offense to be entitled to Section 5K2.20 departure, it must have each of those characteristics.  
23 *United States v. Guerrero*, 333 F.3d 1078, 1081 (9th Cir. 2003). Chen’s offense has none of  
24 them. Moreover, in applying this section of the Guidelines, “the sentencing court must conduct  
25 two separate and independent inquiries, both of which the defendant must satisfy before a  
26 departure can be granted. That is, the court must determine whether the defendant’s case is  
27 extraordinary and whether his or her conduct constituted aberrant behavior.” *Id.* (quoting  
28 *United States v. Castano-Vasquez*, 266 F.3d 228, 235 (3d Cir. 2001)). Chen suggests that

1 *Guerrero* is somehow no longer good law following *Booker* (Dkt. 945 at 13), but *Guerrero* has  
2 never been overruled. To the contrary, the Ninth Circuit has quoted it approvingly following  
3 *Booker*. See *United States v. Leyva-Franco*, 162 Fed. Appx. 751, 752 (9th Cir. 2006) (“[A]  
4 sentencing court must find both that the case is extraordinary and that the behavior was aberrant  
5 under the three-factor test.”) (quoting *Guerrero*, 333 F.3d at 1082). Guideline Section 5K2.20  
6 simply does not apply. As to the first inquiry, Chen’s case is extraordinary only in the sense that  
7 it is extraordinarily egregious, and that certainly does not warrant a *downward* departure under  
8 the Guidelines. Under the two step process, that is the end of the inquiry. But Chen fails the  
9 second part of the test as well, because the conduct was not aberrant. The crime was committed  
10 with significant planning; it was of an extended, rather than limited, duration; and Chen (and  
11 Hsiung) had engaged in price-fixing behavior even before they entered into the LCD conspiracy.

12 Nor is the general policy underlying section 5K2.20 applicable. Chen relies on *Lam*, 20  
13 F.3d 999, but that case does not shed any light on this case. In *Lam*, a Vietnamese immigrant  
14 who opened a small business in this country with his family after arriving penniless, purchased a  
15 shotgun to protect himself and his family, after he and his pregnant sister were robbed at  
16 gunpoint and shot at by masked intruders. *Id.* at 1000. Unbeknownst to Lam, the barrel of the  
17 shotgun he purchased for self defense was an inch and a half shorter than the law allowed and he  
18 was prosecuted for possession of the gun in violation of the Gun Control Act of 1968. Under the  
19 circumstances of that case, the court held that the district court had discretion to depart from the  
20 Guidelines sentence of 18 to 24 months. *Id.* at 1005. The facts of *Lam* could not be further from  
21 the facts here. Chen knew what he was doing was illegal. The conspiracy was not a technical,  
22 victimless violation, and Chen did not commit the crime due to the strong pull of responsibility  
23 for the personal safety and physical protection of his family from violent crime. The Court  
24 should reject outright Chen’s attempt to shoehorn himself into the *Lam* rubric with arguments  
25 that his crime should be considered a “benign event” perpetrated without knowledge of its  
26 wrongfulness “in order to help AUO, and its thousands of employees.” Dkt. 945 at 14.

27 That Chen and Hsiung have good jobs, had clean criminal records, and give to charity are  
28 also not inappropriate reasons to depart from the Guidelines sentences. Their status as employed

1 first-time offenders does not differentiate them from most high-level price-fixing defendants.  
2 *See Carter*, 560 F.3d at 1121-22 (observing that a defendant’s prior history and circumstances  
3 must be so “atypical as to put [the defendant] outside the ‘minerun of roughly similar’ cases  
4 considered by the Sentencing Commission in formulating the Guidelines”); *United States v. Goff*,  
5 501 F.3d 250, 261 (3rd Cir. 2007) (explaining that the defendant’s “criminal history, in Category  
6 I, is similar to the vast majority of those convicted” of the same offense, and therefore, the  
7 defendant “is no outlier; he is, on the contrary, plainly in the ‘heartland’ of offenders.”); *see also*  
8 *United States v. Morken*, 133 F.3d 628, 630 (8th Cir. 1998) (holding no downward departure for  
9 a high-profile businessman who advised local business, hired youth, served on his church’s  
10 council, and raised money for charity); *United States v. Rybicki*, 96 F.3d 754, 758-59 (4th Cir.  
11 1996) (holding no downward departure for a highly decorated Vietnam war veteran for saving an  
12 innocent civilian during the war and serving with the Secret Service); *United States v. McHan*,  
13 920 F.2d 244, 247 (4th Cir. 1990) (holding no downward departure despite work history, family  
14 ties and responsibilities, plus sizable contributions to economic well-being of defendant’s town);  
15 U.S.S.G. § 5H1.11 (Public service and good works are discouraged bases for departures.). Chen  
16 and Hsiung are squarely in the category of typical price fixers.

#### 17 **4. The Guideline Fine Is Not Excessive**

18 Chen and Hsiung argue that the fine recommended by the Probation Office is excessive  
19 because they did not seek to enrich themselves from the offense. Dkt. 945 at 14-15; Dkt. 947 at  
20 12. This argument ignores the fact that Chen and Hsiung’s fortunes were inextricably  
21 intertwined with those of AUO, even apart from their performance bonuses. (According to  
22 AUO’s SEC filings, it distributes five to ten percent of its distributable earnings to employees as  
23 bonuses.)

24 Chen also argues that in determining Chen’s fine “the Court must . . . consider *AUO’s*  
25 civil obligations through which it is making restitution to the victims of the Crystal Meeting  
26 Conspiracy.” Dkt. 945 at 14-15 (citing U.S.S.G. § 5E1.2(d)(4)) (emphasis added). But this  
27 makes no sense. The section of the Guidelines that Chen cites concerns restitution required of  
28 *individual* defendants, not restitution that AUO is obligated to make. Beyond that, an argument

1 that Chen's fine should be reduced to allow AUO to meet its restitution obligation would only  
2 make logical sense if Chen anticipates that AUO will pay his fine for him. That may be what  
3 Chen expects, but it would be especially ironic since it was Chen's lawyer who was incensed by  
4 that concept at trial. *See* Trial Tr. vol. 11 at 1909 ("Mr. Attanasio: ...Your Honor, I've never had  
5 a conversation with the Department of Justice or an Assistant U.S. Attorney where I was allowed  
6 to say, 'I have an idea. Do you want to fine my client? Let me have someone else pay it for him.  
7 Those are rejected, out of hand. So I apologize if the Court has a different view, but I've never  
8 had that experience. There's supposed to be personal responsibility for the guilty conduct,  
9 including going to jail, and including a fine."). In any event, whether or not Chen pays his own  
10 fine, it will have no impact on AUO's ability to make restitution to its victims.

11 Chen and Hsiung also suggest that they do not have the resources to pay a fine of even  
12 \$500,000. But the financial disclosures made to the Probation Office sweep the legs out from  
13 under that argument. Both are wealthy men with substantial unencumbered assets.

14 **B. The Section 3553(a) Factors Support the Sentences Requested by the**  
15 **Government**

16 **1. The Nature and Circumstance of the Offense and the History and**  
17 **Characteristics of Chen and Hsiung**

18 The nature of the offense for which Chen and Hsiung were convicted calls for the  
19 maximum sentences allowable. Chen, incredibly, argues that "there is no proof that the Crystal  
20 Meeting conspiracy created the anti-competitive effects the Sherman Act is designed to combat."  
21 Dkt. 945 at 17. This statement flies in the face of the jury's finding of ill-gotten gains of at least  
22 \$500 million. And Dr. Leffler has found the harm from the conspiracy was much higher than  
23 even that.

24 Almost as incredible is Hsiung's argument that he is entitled to a downward departure  
25 "because nearly all of the conduct that led to this conviction occurred abroad." Dkt. 947 at 13.  
26 He claims that it is "unfair to severely punish, by a long prison sentence in the United States,  
27 actions taken abroad in a country where there was little foreseeable prospect of being subject to  
28 U.S. criminal law." *Id.* It has long been clear that the Sherman Act applies to even wholly  
foreign conduct. *See infra* Section III.B.2.b.2. And AUO was a sophisticated multinational

1 company doing business throughout the world. It had several offices in the United States and  
2 sold huge amounts of its products to U.S. customers. Hsiung was the President of AUO's U.S.  
3 subsidiary. The conspiracy was carried out, in part, in the United States. Lastly, the argument is  
4 especially meritless coming from Hsiung, who was fully aware and conscious of his guilt and  
5 participated in crystal meetings in which antitrust concerns were discussed. *See, e.g.*, Trial Exs.  
6 308, 431. Moreover, he was an American citizen, was educated in the United States, ran a U.S.  
7 company, and spent many years working here for a large U.S. corporation before returning to  
8 Taiwan to join AUO. His argument really boils down to the suggestion that it is unfair to hold  
9 him—a U.S. citizen—liable for conduct that victimized his fellow citizens because it was  
10 unforeseeable that if he went to Taiwan and engaged in illegal conduct, he and his coconspirators  
11 would be caught. This argument is particularly incredible given his and his coconspirators'  
12 extraordinary efforts to conceal their conduct.

13         Chen and Hsiung argue that their charitable giving merits a reduced sentence. Dkt. 945  
14 at 7 and 16; Dkt. 947 at 17-18. However, “it is *usual* and *ordinary*, in the prosecution of similar  
15 white-collar crimes involving high-ranking corporate executives . . . . to find that a defendant  
16 was involved as a leader in community charities, civic organizations, and church efforts.”  
17 *United States v. Kohlbach*, 38 F.3d 832, 838 (6th Cir. 1994) (emphases in original). Charitable  
18 activities warrant a variance only if they are exceptional or extraordinary. The charitable giving  
19 of Chen and Hsiung is normal for business executives of their station and means. *United States*  
20 *v. Vrdolyak*, 593 F.3d 676, 682-83 (7th Cir. 2010) (“Wealthy people commonly make gifts to  
21 charity. They are to be commended for doing so but should not be allowed to treat charity as a  
22 get-out-of-jail card.”); *United States v. Ali*, 508 F.3d 136, 149 (3d Cir. 2007) (“‘Exceptional’  
23 works involve acts that are both ‘substantial’ and ‘personal’ in nature . . . . More is expected of  
24 [those] who enjoy sufficient income and community status[, as] . . . . they have the opportunities  
25 to engage in charitable and benevolent activities.”) (citations and quotation marks omitted);  
26 *United States v. Davis*, 182 F. App’x. 741, 744-45 (9th Cir. 2006) (“Davis’s charitable activities  
27 were not so ‘exceptional’ or ‘extraordinary,’ . . . . Many of Davis’s acts amounted to monetary  
28 contributions that were unremarkable for a person of his resources and station in life.”).

1 Nor are Chen and Hsiung's education and professional accomplishments worthy of a  
2 variance from the recommended sentences. An admirable record of employment is a  
3 characteristic common to many white-collar criminals. *See United States v. Whitehead*, 559 F.3d  
4 918, 921 (9th Cir. 2009) ("We can hardly be surprised if a white collar criminal has a good  
5 employment history-otherwise, he or she would likely not be in a position to commit the crime.")  
6 (Gould, J., dissenting); *United States v. McClatchey*, 316 F.3d 1122, 1134 (10th Cir. 2003)  
7 ("Unless we are simply to impose lesser penalties on the educated and business elite, there is  
8 nothing exceptional about [defendant's] education and enviable career to warrant consideration  
9 for downward departure."). Unlike many criminal defendants, whose crimes are born of need or  
10 addiction, Chen and Hsiung had advantages and financial resources available to few people.  
11 These characteristics make their conduct more reproachable than excusable. Moreover, their  
12 success at AUO is an especially inapt reason for any sort of sentence reduction because AUO  
13 itself was the vehicle through which they perpetrated the crime. And it was Chen and Hsiung's  
14 reputations in the industry that legitimized the conspiracy in the eyes of their subordinates and  
15 their coconspirators.

16 **2. The Sentences Requested by the Government Are Just Punishment**  
17 **for the Crime**

18 Only the sentences recommended for Chen and Hsiung meet the seriousness of their  
19 crime. Chen argues, however, that he has already been punished because he has been "confined  
20 to a foreign country." Dkt. 945 at 18. The Court should reject that notion. First, Chen was not  
21 "confined" following his indictment. He was free to move about the district and conduct AUO's  
22 business here as he pleased. Moreover, he was liberally allowed to travel both within the country  
23 and abroad. In fact, between the time of his indictment and today he has spent a total of 201  
24 days in Taiwan and another 47 days in various parts of this country visiting his family. *See* Dkt.  
25 Nos. 109, 143, 184, 205, 255, 284, 304, 327, 343, 369, 382, 390,402, 925.

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27 ///

28 ///



1                   **3. The Recommended Sentences Are Necessary to Provide General**  
2                   **Deterrence**

3                   Significant jail time is necessary to deter large-scale, highly successful antitrust  
4 conspiracies. Hsiung argues, however, that simply having been convicted he will be punished  
5 the rest of his life “through collateral effects, such as unemployment, financial hardship, and  
6 disqualification from participating in the economic affairs of the nation,” and that these things,  
7 “along with the fact of conviction, will afford adequate deterrence to future violations of the  
8 antitrust laws for both Dr. Hsiung himself and other potential white-collar offenders.” Dkt. 947  
9 at 18 (internal quotation omitted); *see also* Dkt. 945 at 18-19. The notion that simply being  
10 convicted is sufficient punishment to deter others from perpetrating future crimes should be  
11 rejected out of hand. Only significant jail sentences will get the attention of would-be price  
12 fixers and counteract the powerful temptations to cheat.

13                   **4. The Requested Sentences Will Not Create Unwarranted Disparities**

14                   As expected, Chen and Hsiung point to the sentences handed down to other individuals in  
15 this case and argue that the sentences requested by the government will create unwarranted  
16 disparities. Dkt. 945 at 20-22; Dkt. 947 at 6-12. However, the government’s Sentencing  
17 Memorandum anticipated all of their arguments. Those defendants are not similarly situated and  
18 those sentences are not adequate benchmarks for several reasons:

- 19                   (1) they were based on different affected volumes of commerce;
- 20                   (2) the avoidance of unwarranted disparities factor in 18 U.S.C. § 3553(a)(6) is designed  
21 to promote national uniformity in sentencing by treating similarly situated defendants  
22 similarly; it does not require uniformity of sentencing among co-defendants within the  
23 same case. *United States v. Green*, 592 F.3d 1057, 1072 (9th Cir. 2010); *United States v.*  
24 *Saeteurn*, 504 F.3d 1175, 1181 (9th Cir. 2007);
- 25                   (3) all other defendants sentenced in this case pled guilty and received lesser sentences  
26 because they accepted responsibility for their conduct;
- 27                   (4) all other defendants sentenced in this case, unlike Chen and Hsiung, cooperated with  
28 and substantially assisted the government’s investigation and prosecution of the crime.



1 They received significant downward departures from their Guidelines sentences for their  
2 cooperation; and

3 (5) all other defendants sentenced in this case were sentenced while the investigation was  
4 still ongoing and before the government had an opportunity to completely analyze the  
5 effects of the conspiracy.

6 For all of these reasons, the sentences of the other individuals will not create unwarranted  
7 disparities if the Court sentences Chen and Hsiung to the maximum term of imprisonment and  
8 maximum fine as requested by the government.

9 **5. The Requested Sentences Are Not a Punishment for Chen Exercising**  
10 **His Right to Go to Trial**

11 Chen argues that the “disparity in the sentences of Mr. Chen and the pleading defendants  
12 will unconstitutionally punish Mr. Chen for exercising his right to trial.” Dkt. 945 at 22  
13 (capitalization altered). There is absolutely no basis for that argument. The sentences requested  
14 by the government are, in fact, below what the Guidelines suggest. And while those who pled  
15 guilty received lower sentences, the law is clear that “the government may encourage plea  
16 bargains by affording leniency to those who enter pleas” and that “failure to afford leniency to  
17 those who have not demonstrated those attributes on which leniency is based is unequivocally  
18 . . . . constitutionally prop[er].” *Carter*, 560 F.3d at 1121 (citations and internal quotations  
19 omitted); *United States v. Davis*, 960 F.2d 820, 829-30 (9th Cir. 1992) (holding that downward  
20 departures for acceptance of responsibility for those who plead guilty does not infringe on the  
21 constitutional right to trial or against self-incrimination); *United States v. LaPierre*, 998 F.2d  
22 1460, 1468 (9th Cir. 1993) (“If there is insufficient evidence to establish acceptance of  
23 responsibility, denial of a reduction is appropriate. This is so even if the lack of evidence results  
24 from the exercise of constitutional rights.”); *Rodriguez*, 162 F.3d at 152 (“The fact that those  
25 who plead generally receive more lenient treatment, or at least a government recommendation of  
26 more lenient treatment than co-defendants who go to trial, does not in and of itself constitute an  
27 unconstitutional burden on one’s right to go to trial and prove its case.) (citations omitted); *see*  
28 *also United States v. Gonzales*, 897 F.2d 1018, 1021 (9th Cir. 1990).

1 To be sure, as noted in the cases cited by Chen, “courts must not use the sentencing  
2 power as a carrot and stick to clear congested calendars . . . . Accordingly, once it appears in the  
3 record that the court has taken a hand in plea bargaining, that a tentative sentence has been  
4 discussed, and that a harsher sentence has followed a breakdown in negotiations, the record must  
5 show that no improper weight was given the failure to plead guilty.” *United States v. Stockwell*,  
6 472 F.2d 1186, 1187-88 (9th Cir. 1973). But there is no factual support for a charge that either  
7 the Court or the government used the plea process to improperly infringe Chen’s right to go to  
8 trial. Indeed, while the government invited Chen to discuss a possible disposition by plea, he,  
9 unlike others, never engaged the government in such discussions.

#### 10 **VIII. CONCLUSION**

11 The government recommends that the Court sentence defendant AUO to pay a \$1 billion  
12 fine, and defendants H.B. Chen and Hui Hsiung to serve ten years in prison and pay \$1 million  
13 fines. The government further recommends that AUO and AUOA be placed on probation and,  
14 as a condition of probation, be required to implement an antitrust compliance program and hire  
15 an independent compliance monitor.

16  
17 Dated: September 17, 2012

Respectfully submitted,

18  
19 /s/ Peter K. Huston

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