

Internal Revenue Service
District Director

Department of the Treasury
Box 36001, MS: SF-4446
San Francisco, CA 94102

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

EIN: [REDACTED]

Date: APR 06 1992

[REDACTED]

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986.

Your organizing document consists of Bylaws dated [REDACTED] and signed on [REDACTED]. These Bylaws state:

[REDACTED]...is an unincorporated association created under the laws of the State of [REDACTED] for the purpose of investigating and defending claims related to patent infringement of certain automatic video inspection, video signal processing, video scanning, and similar patents...brought directly against semiconductor manufacturing companies...and directly or indirectly against a plurality of the members of this association...

Information submitted indicates that you were formed in response to demands by [REDACTED], for royalty payments for alleged infringement of patents. Your members are all semiconductor equipment manufacturers who are accused of infringing these patents. Your sole purpose is to assist the members in their related legal defense.

Your members are pooling their resources primarily to determine the validity of these patents and to assist them in their legal defense in case of litigation.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

The Federal Income Tax Regulations thereunder define a business league as an association of persons (the term "persons" includes legal entities such as trusts and corporations) having a common business interest, whose purpose is to promote that common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities must be directed of the improvement of business conditions of one or more lines of business rather than the provision of particular services for individual persons.

Revenue Ruling 56-65, 1956-1 C.B. 199, provides that a local organization whose principal activity consists of furnishing particular information and specialized individual service to its members through publications and other means designed to effect economies in the operation of their individual businesses is performing particular services for individual persons and, therefore, is not entitled to exemption from Federal income tax under section 501(c)(5) of the Code.

In Revenue Ruling 67-176, 1967-1 C.B. 140, an organization formed to provide specific services to members of a given profession and to those preparing to enter the profession on matters relating to their practices does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 66-354, 1966-2 C.B. 207, states that an organization established to insure the discharge of legal obligations of its members to pay certain taxes does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

[REDACTED]

Your sole purpose and activities are to assist your members in their legal defense against [REDACTED]. You were formed for the private interest and benefit of your members. Your purpose and activities constitute performance of particular services for your members and are not directed to the improvement of business conditions of one or more lines of business.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

You agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action, on [REDACTED].

Accordingly, you are required to file income tax returns annually with your District Director.

Contributions made to you are not deductible as charitable contributions as defined in section 170(c) of the Code.

Sincerely yours,

[REDACTED]
District Director