[redacted]

Office of Unfair Import Investigations

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 28, 2017

VIA E-MAIL AND OVERNIGHT MAIL

Dr. Lakshmi Arunachalam
222 Stanford Ave.
Menlo Park, CA 94025
Tel: 650-690-0995

Re: Complaint of Dr. Lakshmi Arunachalam Concerning *Certain IoT Devices and Components Thereof (IoT, the Internet of Things – Web Applications) Displayed on a Web Browser,* (Dkt. No. 3263)

Dear Dr. Arunachalam:

I am writing again to identify certain deficiencies with regard to the Amended Complaint that was officially received by the Commission on November 7, 2017, and supplementary exhibits. Thank you for filing the Amended Complaint and the supplementary information. Based on our examination so far, we would like to draw your attention to certain critical deficiencies that remain with regard to the Amended Complaint, exhibits, and supplements that must be corrected.

(1) As my October 16 and November 7, 2017 letters to you stated, the Commission rules require that a complaint describe "specific instances of alleged unfair importations." 19 C.F.R. § 210.12(a)(3). The Commission rules also state in part that a complaint should include "[a] showing that each [respondent] is importing or selling the article covered by . . . the above specific claims of each involved U.S. patent. When practicable a complainant shall [include] a chart that applies each asserted independent claim of each involved U.S. patent to a representative involved article of each named [respondent]." 19 C.F.R. § 210.12(a)(9)(viii).

Based on our review, the Amended Complaint, exhibits and supplements still do not

[redacted]

identify the necessary specific instances of alleged unfair importations for twenty nine of the thirty proposed respondents. The infringement charts identify certain web-based applications for the proposed respondents that are alleged to infringe the claims of the '340 patent. *See* EDIS Doc ID 627100, File ID 1238127 through 1238157. However, the information is insufficient to reasonably conclude that these web applications are imported, sold for importation, or sold after importation, into the United States, by the proposed respondents. While we understand you believe the Federal Circuit's holding in *ClearCorrect v. Align*, 810 F.3d 1283 (Fed. Cir. 2016) is "moot," it is a precedential opinion from the U.S. Court of Appeals for the Federal Circuit, and the Commission is obligated to following its holding. Please provide additional information to address this deficiency.

With respect to proposed respondent Apple, Inc., and as addressed in my October 16 and November 7 letters, the specific instance of importation identified in the Complaint is the purchase of an iPhone 7 by the complainant in Inv. No. 337-TA-1065. However, in your Amended Complaint and exhibits, the article that is compared to the asserted independent claims of the '340 patent (iPhone 8) (*see* EDIS Doc ID 627100, EDIS File ID 1238127) is not the same article on which the Amended Complaint relies for evidence of a specific instance of importation (the iPhone 7 purchased by the complainant in Inv. No. 337-TA-1065). In the 1065 investigation, for example, the complainant included exhibits showing that it purchased the iPhone 7 in the United States (e.g., by including receipts), showed that the iPhone 7 was imported (e.g., including a picture showing that it was "Assembled in China"), and then for infringement it included a claim chart allegedly showing that the iPhone 7 practices certain claims of the Asserted Patents. *See Certain Mobile Electronic Devices and Radio Frequency and Processing Components Thereof*, Inv. No. 337-TA-1065, Complaint, Exhs. 30, 31 (showing importation of an iPhone 7), Exhs. 15, 16C-20C (Public Versions) (claim charts for the iPhone 7, purportedly showing how they infringe certain claims of the asserted patents). Please either include a claim chart showing how the iPhone 7 practices the independent claims of the '340 patent, or supplement with specific instances of importation of the iPhone 8.

(2) My October 16 and November 7 letters to you also stated that with respect to the economic prong of the domestic industry requirement, the Commission rules describe that relevant information in a complaint includes, but is not limited to, significant investments in plant and equipment, or labor and capital; or substantial investment in the exploitation of the subject patent including engineering, research and development or licensing. 19 C.F.R. §§ 210.12(a)(6)(i)(A)-(C). The investments must be made "with respect to articles protected by the patent." 19 U.S.C. § 1337(a)(3) ("For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned . . . ").

The information provided thus far with respect to the economic prong of the domestic industry requirement for the '340 patent is over-inclusive for at least two reasons: First, there are costs that very likely cannot be relied upon to satisfy the economic prong of the domestic industry requirement (under the prevailing legal precedent). Second, there are investments included in the overall total amounts that Complainants allegedly have made that do not relate to the '340 patent, or articles protected by the '340 patent.

[redacted]

Certain investments identified in the Amended Complaint ([redacted]) may not qualify as domestic industry investments. The Commission has found in prior Section 337 investigations that litigation costs and patent prosecution costs did not qualify as investments in a domestic industry.[1] Furthermore, investments made in sales and marketing cannot usually be used to satisfy the economic prong of the domestic industry requirement.[2] To the extent you can provide information that is not over-inclusive in this way, please do so.

As I stated in my November 7, 2017 letter to you with regard to the original Complaint, which remains true for the Amended Complaint and exhibits, the investments [redacted] not only appear to relate to the '340 patent, but also relate to other patents in the same family, [redacted] To the extent you can provide information that is not over-inclusive in this way, please do so.

[redacted]

[redacted]

[1] *See John Mezzalingua Associates, Inc. v. U.S. Int'l Trade Comm'n*, 660 F.3d 1322 (Fed. Cir. 2011) (affirming the Commission's determination that Complainant did not satisfy the economic prong of the domestic industry requirement, noting that "[w]e agree with the Commission that expenditures on patent litigation do not automatically constitute evidence of the existence of an industry in the United States established by substantial investment in the exploitation of a patent."); *Certain Loom Kits for Creating Linked Articles*, Inv. No. 337-TA-923, Comm'n Op. at pp. 6-8 (Feb. 3, 2015) (the Commission found that patent prosecution costs were not investments in a domestic industry, and reversing the Final ID's determination).

[2] *See Certain Soft-Edged Trampolines and Components Thereof*, Inv. No. 337-TA-908, Comm'n Op. at pp. 54-57 (May 1, 2015).

[redacted]

(3) We also note that the supplements you have filed with the Commission still do not correct the many deficiencies with respect to the allegations in the Amended Complaint of "unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) . . . ." under 19 U.S.C. § 1337(a)(1)(A) (emphases added). In particular, the Amended Complaint and exhibits remain deficient in that they do not plead the legal elements of specific theories that fall under 19 U.S.C. § 1337(a)(1)(A); *see also*, 19 C.F.R. §§ 210.12(a)(6)(ii). By way of example only, the acts described under the different headings in the Amended Complaint still are not set forth with sufficient clarity or detail to conclude that they relate to the importation of articles into the United States.

Please correct the above-identified deficiencies by the close of business December 5, 2017. To the extent that you cannot provide the additional information by that date you can ask for a further postponement of the Commission's vote on whether to institute, which is currently December 7, 2017. Please be advised that the Commission's determination to institute an investigation based on the allegations in the Amended Complaint may be impacted by your response(s) and supplementation addressing the requested information.

Sincerely,

/s/ Margaret Macdonald

Margaret Macdonald
Director
Office of Unfair Import Investigations
U.S. International Trade Commission
Tel: (202) 205-2561