

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

Before The Honorable Theodore R. Essex
Administrative Law Judge

In the Matter of

CERTAIN HYBRID ELECTRIC
VEHICLES AND COMPONENTS
THEREOF

Investigation No. 337-TA-688

**PAICE LLC'S OPPOSITION TO TOYOTA'S MOTION FOR LEAVE TO FILE A
REPLY IN SUPPORT OF TOYOTA'S RENEWED MOTION FOR SUMMARY
DETERMINATION**

Pursuant to Commission Rule 210.18 and Ground Rules 3.1 and 3.4, Complainant Paice LLC ("Paice") opposes Respondents Toyota Motor Corporation ("TMC"), Toyota Motor North America, Inc. ("TNA") and Toyota Motor Sales, U.S.A., Inc.'s ("TMS") (collectively "Toyota" or "Respondents") Motion for Leave To File a Reply In Support of Its Renewed Motion For Summary Determination Terminating This Investigation ("Toyota's Reply").

I. INTRODUCTION

Toyota's motion should be denied because its Reply is not only repetitive, but it also mischaracterizes the law and facts.¹ First, Toyota's Reply does not address any new arguments. Specifically, the Supreme Court's binding precedent in *Lawlor* and its impact on the present Investigation, which are now disputed in Toyota's Reply, were raised by Toyota itself weeks ago in its petition to the Commission. Before the Commission, Toyota took the exact *opposite* position, arguing that *Lawlor* and its progeny prevent application of claim preclusion to the present Investigation. Moreover, Toyota's Reply mischaracterizes the cited cases, as well as the facts regarding its alleged willingness to pay royalties on the Accused Products.

¹ Toyota's motion also should be denied for failing to comply with Ground Rule 3.2 which requires notice of "at least two business days prior" to the filing of its motion. Toyota emailed Paice less than 2 hours before it filed its motion seeking Paice's position on its filing.

II. TOYOTA'S REPLY CONTRADICTS ITS OWN PRIOR ARGUMENT

In its Reply, Toyota has undertaken a self-serving reversal of position. Weeks ago, when Toyota determined it would benefit if claim preclusion did not apply to the present Investigation, Toyota argued to the Commission that “it is fundamental that each sale of an infringing product gives rise to a new cause of action.” Toyota Petition at 6 (citing *Hazelquist v. Guchi Moochi Tackle Co. Inc.*, 437 F.3d 1178, 1180-81 (Fed. Cir. 2006)). Relying on the same cases now cited by Paice—*Lawlor v. National Screen Service Corp.*, 349 U.S. 322 (1955), *Cordis Corp. v. Boston Scientific Corp.*, 635 F. Supp. 2d. 361 (D. Del. 2009), and *Williams v. Gillette Co.*, 887 F. Supp. 181 (N.D. Ill. 1995)—Toyota argued that pursuant to Supreme Court precedent and the ALJ’s finding that the *Paice I* judgment did not provide prospective equitable relief, claim preclusion cannot apply to the present investigation. *Id.* at 7-9. Now, in a complete about-face, Toyota’s Reply argues that *Lawlor*, *Cordis*, and *Williams* stand for the exact *opposite* proposition, that claim preclusion *does* apply to the present Investigation, and furthermore that the language of the *Paice I* judgment is immaterial to the present inquiry.

Toyota attempts to reconcile this contradiction by reasoning that the ALJ somehow reversed his “decision [in Order No. 6] that the district court’s judgment did not address the newly accused vehicles” by allowing Toyota to renew its claim preclusion motion. Toyota’s Reply at 13. This simply is not the case. Neither the ALJ nor the Commission has reconsidered, reviewed or even addressed the ALJ’s determination in Order No. 6 that the *Paice I* judgment provides no relief encompassing any vehicles other than the three specifically named in the Judgment. In other words, even applying Toyota’s own tortured logic, no reason exists why *Lawlor* should not apply here. As Toyota admits in its Reply, “if future sales are not provided for or covered by a prospective equitable remedy . . . then they are new ‘transactional facts’ to which claim preclusion cannot apply.” Toyota Reply at 13 (quoting Toyota Petition at 7).

In this regard, the final section of Toyota’s Reply even concedes the mootness of the many pages leading up to it. Nothing in the Commission Opinion nor any subsequent ALJ decision has addressed or altered the ALJ’s ruling regarding the limited scope of the *Paice I* judgment. As such, Toyota’s Reply is redundant and meritless, and should be disregarded.

III. TOYOTA’S REPLY MISSTATES FEDERAL CIRCUIT PRECEDENT

As noted in Paice’s Opposition, the Federal Circuit cases cited by Toyota in its Reply do not implicate *Lawlor* because they do not address situations where, as here, a patentee seeks to enforce its patent in a second action against products that were not included in the first action.² Toyota incorrectly points to *Roche Palo Alto LLC v. Apotex, Inc.*, 531 F.3d 1372 (Fed. Cir. 2008) as an instance where the Federal Circuit “invoked claim preclusion to bar a second patent infringement suit based on an ANDA application filed after final judgment in the original action.” Toyota Reply at 5-6. To the contrary, the issue in the *Roche* case was not whether the *patentee’s claim* was barred by claim preclusion, but whether the district court had properly granted summary judgment in finding literal infringement and barring *defendant’s invalidity and unenforceability challenges* under the doctrine of claim preclusion. *See Roche*, 531 F.3d at 1381 (“For the foregoing reasons, we affirm the district court’s grant of Roche’s motion for summary judgment that the ANDA-2 formulation literally infringes the claims of the ‘493 patent and that Apotex’s invalidity and unenforceability challenges to the ‘493 patent are barred by claim preclusion.”). Notably, despite affirming a finding by the district court that the second formulation was “essentially the same” as the initial formulation, the Federal Circuit did *not* determine that claim preclusion prevented the successful patentee from bringing a second suit against the second formulation. *Id.* at 1380.

² Paice has previously outlined how two cases cited in Toyota’s Reply—*Acumed LLC v. Stryker Corp.*, 525 F.3d 1319 (Fed. Cir. 2008) and *Foster v. Hallco Mfg. Co.*, 947 F.2d 469 (Fed. Cir. 1991)—did not invoke *Lawlor* because *Acumed* involved a patentee who voluntarily declined to assert its patent against a product in the initial litigation, while *Foster* involved an infringer’s declaratory judgment claim.

Moreover, Toyota's reliance on *Nystrom v. Trex Co., Inc.*, 580 F.3d 1281 (Fed. Cir. 2009) is misplaced. *Nystrom* is the opposite of *Roche* and the present instance—in *Nystrom*, the patentee was *unsuccessful* in enforcing its patent in a first proceeding, but nevertheless sought to bring a second proceeding against new products identical to those previously accused. *Nystrom*, 580 F.3d at 1284. There, *Nystrom* had stipulated to noninfringement in its first action. *Id.* By contrast, *Paice* was successful in its first infringement action against Toyota and prevailed in *Paice I*. Indeed, Toyota has pointed to no case law where a party that *successfully* enforced its patent in the first instance is prevented under claim preclusion from pursuing future actions against identical infringing products that fall outside the scope of initial relief.

IV. TOYOTA'S REPLY IS FACTUALLY INACCURATE

In its Reply, Toyota continues its recent tactic of asserting that it has always been and continues to be willing to pay royalties for the Accused Products pursuant to the *Paice I* judgment. As an initial matter, Toyota's alleged "willingness" to pay royalties is irrelevant to the jurisdiction of the ITC and the issue at hand and should be disregarded. As the ALJ stated in Order No. 6, even assuming *arguendo* that Toyota is willing to pay royalties for the Accused Products, the *Paice I* judgment is presently limited in scope. To this end, unless and until the district court expands the scope of the *Paice I* judgment, Toyota lacks authorization to introduce and manufacture new infringing products. Toyota's unilateral decision to include new unauthorized vehicles in their recent royalty reports is therefore of no moment and irrelevant to the present inquiry.

In any event, Toyota's present position is a stark change from the position it has adopted in every prior stage of litigation involving the Accused Products, where Toyota has resisted paying royalties pursuant to the *Paice I* judgment. *Paice* was forced to file a second district court action (*Paice II*) after Toyota released new models that infringed the *Paice* technology. At no

time during the *Paice II* litigation has Toyota indicated that it would be willing to pay royalties on those new models based on the *Paice I* judgment.. Instead, Toyota's strategy apparently has been to force a second litigation in order to relitigate validity of the '970 patent and remedy and to force Paice to expend its limited resources. Toyota's position that it has "clearly articulated to both the district court and the ITC its position that these vehicles should be subject to the *Paice I* judgment" is belied by the fact that Toyota sought a royalty in *Paice II* that not only greatly undercuts the \$98 per car future royalty adopted by the Court in the *Paice I* Amended Final Judgment, but was even below the \$25 per car past damages amount found by the *Paice I* jury. Toyota's current "offer" also fails to take into account the high likelihood of enhanced damages due to willful infringement in *Paice II*, especially given the fact that Toyota is already an adjudged infringer of the '970 patent.

Toyota's position is further undermined by Toyota's choice to stay *Paice II* over Paice's opposition. Toyota could have moved forward with the *Paice II* trial, which was only a month away at that time. Instead, Toyota chose to stay *Paice II*, indefinitely postponing any royalty determination for the Accused Products. It is simply disingenuous for Toyota to stay the district court case and then argue its alleged willingness to pay royalties before the ITC which does not grant monetary relief.

In sum, the *Paice I* judgment does not cover the Accused Products, and therefore Toyota's supposed willingness to pay royalties pursuant to the *Paice I* judgment is irrelevant. Furthermore, Toyota has never made any representations to the district court or Paice that it would willingly pay royalties on the Accused Products based on the *Paice I* judgment. In fact, despite its status as an adjudged infringer, Toyota has consistently maneuvered to avoid paying royalties. Toyota's recent change in posture must be viewed in the context of its past behavior,

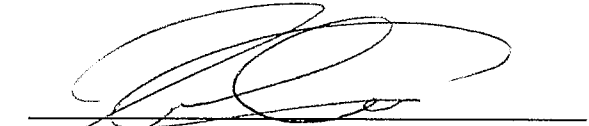
as the latest in a series of tactical maneuvers to evade payment of royalties despite its willful infringement of Paice's '970 patent.

V. CONCLUSION

In sum, Toyota's Reply contradicts its own prior arguments and mischaracterizes the law and facts. Accordingly, Paice respectfully requests that the Administrative Law Judge deny Toyota's Motion for Leave to Submit Toyota's Reply and further requests that the Administrative Law Judge deny Toyota's renewed motion for termination of the investigation due to claim preclusion.

Respectfully submitted,

FISH & RICHARDSON P.C.



Dated: April 30, 2010

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CERTIFICATE OF SERVICE

I, Judith Best, hereby certify that true and correct copies of the foregoing documents, **PAICE LLC'S OPPOSITION TO TOYOTA'S MOTION FOR LEAVE TO FILE A REPLY IN SUPPORT OF TOYOTA'S RENEWED MOTION FOR SUMMARY DETERMINATION**, have been served on this 30th day of April, 2010, on the following:

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