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VIA HAND DELIVERY

CBI: 09-314

September 3, 2009

Honorable Marilyn R. Abbott
Secretary
United States International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

Re: Certain Hybrid Electric Vehicles and
Components Thereof

Dear Secretary Abbott:

Enclosed for filing on behalf of Complainant Paice LLC (Paice) are the following documents in support of Paice's request that the Commission commence an investigation under Section 337 of the Tariff Act of 1930, as amended. A separate letter requesting confidential treatment of **Confidential Exhibit 17** is included with this filing.

Accordingly, Paice submits the following documents:

1. An original and twelve (12) copies of the verified Complaint pursuant to 19 C.F.R. 201.6(c) and 210.8(a) (original and one (1) copy unbound, without tabs, pursuant to 19 C.F.R. 201.8(d));
2. An original and six (6) copies of the confidential version of Confidential Exhibit 17 to the Complaint pursuant to 19 C.F.R. 201.6(c) and 210.8(a) (original and one (1) copy unbound, without tabs, pursuant to 19 C.F.R. 201.8(d));
3. An original and six (6) copies of the nonconfidential version of the exhibits to the Complaint pursuant to 19 C.F.R. 210.4(f)(3)(i) and 210.8(a) (original and one (1) copy unbound, without tabs, pursuant to 19 C.F.R. 201.8(d));
4. Three (3) additional copies of the Complaint and the accompanying nonconfidential exhibit for service upon proposed respondents; and three (3) additional copies of the confidential exhibits for service upon counsel for the respondents once appropriate subscriptions to a protective order have been filed, pursuant to 19 C.F.R. 201.8(a);

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Office of the Secretary Int'l Trade Commission	

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TWIN CITIES

WASHINGTON, DC

Honorable Marilyn R. Abbott
September 3, 2009
Page 2

5. One (1) additional copy of the Complaint and the accompanying nonconfidential exhibit for service of the Embassy of Japan, pursuant to 19 C.F.R. 201.8(a);

6. One (1) non-certified copy of U.S. Patent No. 5,343,970 (“the ‘970 patent”) is included as Exhibit 1 to the Complaint. Please be advised that a certified copy has been ordered and will be submitted to the Commission upon receipt;

7. One (1) non-certified copy of the assignment for the ‘970 patent is included as Exhibit 2 to the Complaint. Please be advised that a certified copy has been ordered and will be submitted to the Commission upon receipt;

8. One (1) non-certified copy and three (3) copies (on CDs) containing Appendix A, which is the non-certified prosecution history for the ‘970 patent, pursuant to 19 C.F.R. 210.12(c)(1). Please be advised that a certified copy has been ordered and will be submitted to the Commission upon receipt;

9. Four (4) copies (on CDs) containing Appendix B, which includes all technical references mentioned in the prosecution history of the ‘970 patent, pursuant to 19 C.F.R. 210.12(c)(2);

10. A letter and certification pursuant to 19 C.F.R. 201.8(g) and 210.5(d) requesting confidential treatment of Confidential Exhibit 17.

Sincerely,



Ruffin B. Cordell

Enclosures

FISH & RICHARDSON P.C.

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WASHINGTON, DC

Dear Secretary Abbott:

In accordance with 19 C.F.R. §§ 201.8(g) and 210.5, Paice LLC (Paice) requests confidential treatment for the business information contained in **Confidential Exhibit 17**.

The information for which confidential treatment is sought is proprietary information not otherwise publicly available. Specifically, Confidential Exhibit 17 contains proprietary information relating to Paice's '970 patent.

The information described above qualifies as confidential business information pursuant to Rule 210.6(a) because:

1. It is not publicly available;
2. Unauthorized disclosure of such information could cause substantial harm to the competitive position of Paice; and
3. The disclosure of such information could impair the Commission's ability to obtain information necessary to perform its statutory function.

Please contact me if you have any questions about this request, or if this request is not granted in full.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ruffin B. Cordell', is written over a printed name.

Ruffin B. Cordell

Enclosures

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

In the Matter of
CERTAIN HYBRID ELECTRIC
VEHICLES AND COMPONENTS
THEREOF

Investigation No. 337-TA-_____

COMPLAINT OF PAICE LLC
UNDER SECTION 337 OF THE TARIFF ACT OF 1930, AS AMENDED

COMPLAINANT

Paice LLC
22957 Shady Knoll Drive
Bonita Springs, FL 34135
Telephone: (239) 498-3320

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PROPOSED RESPONDENTS

Toyota Motor Corporation
1 Toyota-Cho
Toyota City
Aichi Prefecture 471-8571
Japan
Telephone: 011 81 565 28 2121

Toyota Motor North America, Inc.
9 West 57th Street
Suite 4900
New York, NY 10019
Telephone: (212) 223-0303

Toyota Motor Sales, U.S.A., Inc.
19001 S. Western Avenue
Torrance, CA 90509
Telephone: (301) 468-4000

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	COMPLAINANT.....	3
III.	PROPOSED RESPONDENTS	3
IV.	THE TECHNOLOGIES AND PRODUCTS AT ISSUE.....	4
V.	THE '970 PATENT.....	4
	A. NON-TECHNICAL DESCRIPTION OF THE PATENTED INVENTION	5
	B. LICENSEES	5
VI.	UNFAIR ACTS OF PROPOSED RESPONDENTS – PATENT INFRINGEMENT AND IMPORTATION	6
VII.	HARMONIZED TARIFF SCHEDULE INFORMATION	9
VIII.	THE DOMESTIC INDUSTRY	9
	A. PAICE’S SUBSTANTIAL DOMESTIC INDUSTRY INVESTMENTS	9
	B. SUBSTANTIAL DOMESTIC INVESTMENTS RELATED TO LICENSED TOYOTA VEHICLES	11
IX.	RELATED LITIGATION.....	13
X.	COLLATERAL ESTOPPEL AND RES JUDICATA.....	15
XI.	RELIEF REQUESTED.....	17

Table of Exhibits

Exhibit No.	Description
1	Certified copy of United States Patent No. 5,343,970 (“the ’970 Patent”)
2	Certified copy of assignment of the ’970 Patent
3	April 17, 2009 Amended Final Judgment in the United States District Court for the Eastern District of Texas case <i>Paice LLC v. Toyota Motor Corporation, et al.</i> , Civil Action No. 2-04-cv-211-DF (“ <i>Paice I</i> ”)
4	Printout from Toyota.com website showing Camry Hybrid uses Hybrid Synergy Drive®
5	Printout from Toyota.com website defining Hybrid Synergy Drive®
6	August 16, 2006 final judgment in <i>Paice I</i>
7	United States Court of Appeals for the Federal Circuit ruling on the <i>Paice I</i> appeal
8	Responses to Paice’s Second Set of Interrogatories (Nos. 14-17) given in the United States District Court for the Eastern District of Texas case <i>Paice LLC v. Toyota Motor Corporation, et al.</i> , Case No. 2-07-cv-180-DF (“ <i>Paice II</i> ”)
9	Stipulation from <i>Paice II</i> stating that no material differences exist between the Prius III, Lexus RX450h, Lexus HS250h, and the Toyota Camry Hybrid vehicles
10	Claim chart demonstrating infringement of ’970 Patent by Toyota Camry Hybrid
11	Printout from Toyota’s Lexus.com website showing that Lexus’s RX450h hybrid vehicles are manufactured in Kyushu, Japan
12	New York Times article showing Prius III is manufactured in Japan
13	Printout from Toyota’s authorized Lexus dealer’s website showing that Lexus’s RX450h is currently on sale in Alexandria, Virginia
14	Printout from Toyota’s authorized Toyota dealer’s website showing that Toyota’s Prius III is currently on sale in Bethesda, Maryland
15	Excerpts from Toyota Motor Corporation’s 2008 Annual Report

Exhibit No.	Description
16	Paice's May 8, 2007 complaint from <i>Paice II</i>
17	CONFIDENTIAL: Declaration of Robert Oswald
18	Claim charts demonstrating that the Toyota Highlander Hybrid is covered by the '970 Patent
19	Printout from Toyota.com website showing that every Toyota car is backed by certain warranty coverage
20	Printout from Toyota's Toyotaownersonline.com website showing that Toyota's authorized dealers supply warranty repair service and sell genuine Toyota parts
21	Printout from Toyota.com describing Toyota's research center in Caltex, California
22	Paice's June 8, 2004 complaint from <i>Paice I</i>
23	Toyota's Answer, Affirmative Defenses, and Counterclaims from <i>Paice I</i>
24	Excerpt from the <i>Paice I</i> trial transcript, December 15, 2005 (AM session)
25	Excerpt from the <i>Paice I</i> trial transcript, December 19, 2005 (AM session)
26	Toyota's Answer to First Amended Complaint, Affirmative Defenses, and Counterclaims from <i>Paice II</i>
27	Judge Folsom's ruling in <i>Paice II</i> granting Paice's motion to strike Toyota's invalidity defense under the doctrine of <i>res judicata</i>
28	Toyota's July 28, 2009 Answer to Second Amended Complaint, Affirmative Defenses, and Counterclaims from <i>Paice II</i>

Appendix No.	Description
A	Certified prosecution history of the '970 Patent
B	Copies of each technical reference mentioned in the prosecution history

I. INTRODUCTION

1. Complainant Paice LLC (“Paice”) requests that the United States International Trade Commission commence an investigation pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 (“Section 337”), to remedy the unlawful importation into the United States, the sale for importation, and/or the sale within the United States after importation by the owner, importer, or consignee (or any agent of the owner, importer or consignee), of certain hybrid electric vehicles and components thereof (“Accused Products”).

2. The proposed respondents are Toyota Motor Corporation, Toyota Motor North America, Inc., and Toyota Motor Sales, U.S.A., Inc. (collectively “Toyota” or “proposed respondents”).

3. Proposed respondents have violated and continue to violate Section 337 through and in connection with the unlawful importation into the United States, the sale for importation, and/or the sale within the United States after importation of certain hybrid electric vehicles and components thereof that infringe United States Patent No. 5,343,970, entitled “HYBRID ELECTRIC VEHICLE” (“’970 Patent” or “Asserted Patent”).

4. Paice asserts that the proposed respondents directly infringe, contributorily infringe, and/or induce the infringement of at least claims 11 and 39 of the ’970 Patent. Because of the unique procedural posture of this investigation and the parallel district court litigations, the issues for liability consideration here are very modest. Infringement by the Accused Products has already been admitted by Toyota in a parallel district court litigation. As discussed below, Toyota has admitted that the Accused Products are materially the same as products that have been previously found to infringe, and that previous finding has been made final and applicable here through the appeals process. Affirmative defenses such as invalidity and unenforceability were also fully litigated and now are barred pursuant to principles of *res judicata* and collateral

estoppel. All that remains for consideration in the liability determination here are domestic industry issues.

5. A certified copy of the '970 Patent accompanies this Complaint as **Exhibit 1**. A certified copy of the prosecution history of the '970 Patent also accompanies this Complaint as **Appendix A**. Paice is the owner by assignment of all right, title, and interest in and to the '970 Patent. A certified copy of the recorded assignment of the '970 Patent accompanies the Complaint as **Exhibit 2**.

6. As required by Section 337(a)(2) and defined by Section 337(a)(3), an industry in the United States exists relating to articles covered by the Asserted Patent. Paice has made substantial investments in the United States with respect to engineering, research and development activities relating to the '970 Patent. Furthermore, Paice also has made substantial investments in the United States with respect to licensing activities relating to the '970 Patent.

7. Pursuant to a previous parallel district court litigation between the parties, the proposed respondents have a limited license to practice the '970 Patent insofar as the invention is implemented in three specific vehicle models: the Toyota Prius II, the Toyota Highlander Hybrid, and the Lexus RX400h ("the Adjudicated Products"). As discussed in more detail below, Toyota has paid and will continue to pay royalties to Paice for the Adjudicated Products under this limited license for the remaining life of the '970 Patent. Furthermore, on information and belief, the proposed respondents and their franchise dealers make significant investments in plant and equipment and significant employment of labor and capital in connection with warranty services, repair, replacement parts, general support services, and related activities with respect to the Adjudicated Products, i.e., the Toyota vehicles for which Toyota was granted a license in the United States.

8. Complainant seeks, as relief, a permanent limited exclusion order barring from entry into the United States unlicensed infringing hybrid electric vehicles and components thereof (“Accused Products”) that are manufactured abroad by or on behalf of proposed respondents, or imported by or on behalf of proposed respondents, that infringe one or more of the asserted claims of the Asserted Patent. Complainant also seeks cease and desist orders pursuant to 19 U.S.C. § 1337(f) directing each proposed respondent to cease and desist from engaging in the importation into the United States and/or the marketing, advertising, demonstrating, warehousing and/or inventory of such Accused Products for distribution and sale within the United States after importation of such Accused Products that infringe one or more of the asserted claims of the Asserted Patent.

II. COMPLAINANT

9. Complainant Paice is a Delaware limited liability company, having a principal place of business at 22957 Shady Knoll Drive, Bonita Springs, FL 34135.

III. PROPOSED RESPONDENTS

10. Respondent Toyota Motor Corporation (“TMC”) is a Japanese corporation having its principal place of business at 1 Toyota-Cho, Toyota City, Aichi Prefecture 471-8571, Japan.

11. Respondent Toyota Motor North America, Inc. (“Toyota NA”) is a California corporation having its principal place of business at 9 West 57th Street, Suite 4900, New York, NY 10019. Toyota NA is a wholly-owned subsidiary of TMC and is the holding company for TMC’s United States sales and manufacturing companies.

12. Respondent Toyota Motor Sales, U.S.A., Inc. (“Toyota USA”) is a California corporation having its principal place of business at 19001 S. Western Avenue, Torrance, CA 90509. On further information and belief, Toyota USA is TMC’s sales and marketing arm,

overseeing TMC vehicle sales, service, and parts for Toyota dealerships located within the United States.

IV. THE TECHNOLOGIES AND PRODUCTS AT ISSUE

13. The technologies at issue relate generally to devices and methods for making or using an improved and more cost efficient hybrid electric vehicle by combining torque from both an electric motor as well as an internal combustion engine.

14. The Accused Products and the three Toyota Adjudicated Products include hybrid vehicles and components thereof that are manufactured abroad, imported into the United States, and sold by the proposed respondents.

V. THE '970 PATENT

15. The '970 Patent, entitled "HYBRID ELECTRIC VEHICLE," issued on September 6, 1994 to inventor Alex J. Severinsky. The '970 Patent was filed in the United States Patent and Trademark Office on September 21, 1992 as Application No. 947,691. The '970 Patent expires on September 21, 2012. The '970 Patent has a total of 40 claims, of which 6 are independent claims.

16. Pursuant to Commission Rules 210.12(a)(9)(i) - (ii), a certified copy of the '970 Patent and a certified copy of the assignment record of the '970 Patent are attached hereto as **Exhibits 1 and 2**, respectively.

17. Pursuant to Commission Rule 210.12(a)(9) and (c), this Complaint is also accompanied by one certified copy of the prosecution history of the '970 Patent (**Appendix A**), and three additional copies thereof, and four copies of the applicable pages of each technical reference mentioned in the prosecution history of the '970 Patent (**Appendix B**).

18. There are no foreign patents or patent applications corresponding to the '970 Patent. Moreover, no foreign counterpart patents or applications corresponding to the '970 Patent have been filed, abandoned, withdrawn or rejected.

A. Non-Technical Description of the Patented Invention¹

19. The '970 Patent generally relates to a hybrid electric vehicle that includes both an internal combustion engine and an electric motor. In a hybrid electric vehicle, fuel economy is increased and pollution is reduced by providing torque to the wheels of the vehicle from both the motor and the engine, either separately or simultaneously. The '970 Patent discloses a microprocessor that receives control inputs and uses these variables to determine whether the internal combustion engine, the electric motor, or both should provide torque to the wheels. The '970 Patent also discloses a powerful electric motor that is provided with energy from a battery at high voltage and low current to dramatically increase the efficiency of the system.

B. Licensees

20. The proposed respondents have a limited license to practice the '970 Patent in connection with three specific vehicle models: the Toyota Prius II, the Toyota Highlander Hybrid, and the Lexus RX400h ("Adjudicated Products"). This compulsory license was awarded by the United States District Court for the Eastern District of Texas at the culmination of Paice's successful enforcement of the '970 Patent against proposed respondents in *Paice LLC v. Toyota Motor Corporation, et al.*, Civil Action No. 2-04-cv-211-DF ("*Paice I*"). Because the license is court-imposed, no executed document evidencing the terms of the license agreement exists. Nevertheless, the fact and terms of the compulsory license are detailed in the Court's April 17, 2009 Amended Final Judgment, which is attached as **Exhibit 3**. There are no other licenses

¹ The text in this Complaint, including this section (i.e., "Non-Technical Description of the Patented Invention"), does not, and is not intended to, construe either the specification or the claims of the Asserted Patent.

under the '970 Patent; moreover, no other license of any type under the '970 Patent has been granted, withdrawn, terminated, imposed by a court or otherwise allowed.

VI. UNFAIR ACTS OF PROPOSED RESPONDENTS – PATENT INFRINGEMENT AND IMPORTATION

21. TMC, Toyota NA, and Toyota USA (collectively, “Toyota”) manufacture, import and sell after importation, certain hybrid electric vehicles and components thereof that infringe at least claims 11 and 39 of the '970 Patent (“Accused Products”). Specifically, the proposed respondents are engaged in the importation, the sale for importation, and/or the sale within the United States after importation of the Accused Products. The specific instances referenced below of importation, sale for importation, and/or sale within the United States after importation of the Accused Products by the proposed respondents refer to at least one representative product, as required under Commission Rule 210.12(a)(9)(viii), and do not in any way limit the scope of the Accused Products that have been or will be imported, have been or will be sold for importation, or have been or will be sold after importation that are the subject of this complaint.

22. The Accused Products include, but are not limited to, vehicles that utilize Paice’s patented hybrid electric technology, such as the Toyota Camry Hybrid, Toyota Prius Generation III Hybrid (“Prius III”), Lexus HS250h and Lexus RX450h, as well as components thereof.

23. **Exhibit 4** is a web page from Toyota’s website indicating that the Toyota Camry Hybrid is equipped with a combination motor and transmission system called the “Toyota Hybrid Synergy Drive®.” **Exhibit 5** is a page from another Toyota website, defining the term Toyota Hybrid Synergy Drive® as “Toyota’s name for advanced technology hybrid powertrains that combine gasoline and electric propulsion with the ability to operate on one or the other, or both, depending on the driving situation. By enabling the vehicle to operate at its most efficient level, regardless of engine speed, Hybrid Synergy Drive® boosts power output and, at the same time, enhances efficiency and emissions control.”

24. The Prius II, Lexus RX400h and Toyota Highlander Hybrid (“Adjudicated Products”) have been fully and finally adjudicated as infringing claims 11 and 39 of the ‘970 Patent. This finding is reflected in the August 16, 2006 final judgment of the United States District Court for the Eastern District of Texas in an action styled *Paice LLC v. Toyota Motor Corp. et al.*, Civ. Action No. 2:04-cv-211-DF (“*Paice I*”); a copy of that judgment is attached as **Exhibit 6**. That judgment was appealed and modified by the United States Court of Appeals for the Federal Circuit in ways that had no impact on the finding of infringement in an opinion attached as **Exhibit 7**. An amended final judgment reaffirming liability was entered by the district court on April 17, 2009, a copy of which is attached as **Exhibit 3**.

25. Toyota has judicially admitted that the drivetrains of the Accused Products are materially the same as those of the Lexus RX400h and Toyota Highlander Hybrid Adjudicated Products. Attached as **Exhibit 8** is an interrogatory response given by Toyota in a pending action between the parties, *Paice LLC v. Toyota Motor Corporation, et al.*, Case No. 2-07-cv-180-DF (“*Paice II*”), affirmatively stating that the drivetrain of the Toyota Camry Hybrid is “materially the same as those of the Lexus RX400h and Toyota Highlander Hybrid with respect to the topology of the ‘970 patent.” **Exhibit 8** at 2. Attached as **Exhibit 9** is a stipulation agreed to by Toyota in *Paice II*, affirmatively stating that there are no material differences between the Toyota Camry Hybrid as compared to the Prius III, Lexus RX450h and Lexus HS250h. Therefore, at least the Toyota Camry Hybrid, Prius III, Lexus RX450h and Lexus HS250h are admitted to infringe the ‘970 Patent in the same manner as the Toyota Prius II, the Lexus RX400h and the Toyota Highlander Hybrid Adjudicated Products, which have already been fully and finally held to infringe the ‘970 Patent.

26. Pursuant to Commission Rule 210.12(a)(9)(viii), Paice attaches hereto, as **Exhibit 10**, claim charts comparing independent claim 11 and claim 39 of the ‘970 Patent to the Toyota

Camry Hybrid. As demonstrated by these claim charts, this exemplary accused Toyota Camry Hybrid infringes the asserted claims of the '970 Patent. If discovery reveals that additional claims of the Asserted Patent are infringed by the Accused Products, Paice may seek to amend the complaint to add such claims.

27. The Accused Products are manufactured, assembled and/or packaged and tested overseas, specifically, at least in Japan. For instance, **Exhibits 11** and **12** are pages from Toyota's Lexus.com website indicating that Toyota's Lexus RX450h is manufactured in Kyushu, Japan, and an article from NYTimes.com website indicating that Toyota's Prius III is manufactured in Japan. On information and belief, these same products are then imported into the United States, sold for importation, and/or sold within the United States after importation. The acts of the proposed respondents constitute direct, contributory, and/or induced infringement of the asserted claims. The importation into the United States, sale for importation, and/or sale after importation within the United States of the Accused Products directly infringes the asserted claims of the Asserted Patent. Proposed respondents contribute to the infringement by others of the asserted claims, for example, by providing the Accused Products, which have no substantial non-infringing use, to customers who use, assemble or sell the Accused Products in an infringing manner. On information and belief, proposed respondents actively induce others to infringe through the sale of the Accused Products to customers, along with directions, demonstrations, guides, manuals, training, and other materials that encourage the infringing use, assembly or sale of the Accused Products.

28. **Exhibit 13** is a page from a website of an authorized Lexus dealer in Alexandria, Virginia, showing that the dealer has imported and is offering for sale in the United States the accused Lexus RX450h. **Exhibit 14** is a page from a Toyota dealer's website showing that Toyota's Prius III is currently on sale in Bethesda, Maryland. On information and belief, these

vehicles, as well as the other Accused Products including the Prius III, were purchased by a dealer from Toyota after Toyota imported these vehicles into the United States from Japan.

Exhibit 15 (Toyota 2008 Annual Report) at 97 (“Revenues from sales of vehicles and parts are generally recognized upon delivery which is considered to have occurred when the dealer has taken title to the product and the risk and reward of ownership have been substantively transferred, except as described below.”)

29. The proposed respondents have been given actual notice of their infringement of the Asserted Patent at least by Paice’s service of this Complaint, which is being served on proposed respondents at the time of its filing with the U.S. International Trade Commission. In addition, proposed respondents were given actual notice of their infringement of the Asserted Patent by Paice’s service of the May 8, 2007 complaint which instituted a second district court litigation styled, *Paice LLC v. Toyota Motor Corporation, et al.*, Case No. 2-07-cv-180-DF (“*Paice II*”). See **Exhibit 16**.

VII. HARMONIZED TARIFF SCHEDULE INFORMATION

The Accused Products are believed to fall within at least the following classifications of the Harmonized Tariff Schedule of the United States (“HTSUS”): 8517, 8517.12.00, 8519, 8521, 8525, 8525.80, 8525.80.50, 8528, 8528.72, 8528.72.68, 8528.72.72, 8528.72.72 (10), 8528.72.72 (50). These HTSUS numbers are illustrative, and are not intended to limit in any way the scope of this investigation.

VIII. THE DOMESTIC INDUSTRY

A. Paice’s Substantial Domestic Industry Investments

30. As required by Section 337(a)(2) and defined by Section 337(a)(3), an industry in the United States exists relating to articles covered by the Asserted Patent. Paice and its predecessor Paice Corporation (collectively referred to in this Section VIII. as the “Paice

Entities”²) have made substantial investments in the United States in the exploitation of the ’970 Patent through their engineering, research and development activities. For instance, since 1998, the Paice Entities have made substantial investments in vendors and suppliers who performed activities related to the engineering, research and development of a prototype of Paice’s hybrid electric technology, including writing software for the prototype and testing. **Confidential Exhibit 17.**

31. The Paice Entities have made, and continue to make, substantial investments in the United States exploiting the ’970 Patent through their licensing activities. For example, since 1998, the Paice Entities have made substantial investments in labor costs for employees and consultants whose efforts have included both engineering, research and development activities, as well as licensing activities, such as soliciting joint venture and licensing arrangements and pursuing licenses through litigation when necessary, relating to the ’970 Patent. **Confidential Exhibit 17.**

32. The Paice Entities have also made, and continue to make, substantial investments in the United States associated with prosecuting Paice’s patent portfolio, which includes the ’970 Patent. For example, since 1998, the Paice Entities have made substantial investments in outside vendors who have assisted in the prosecution of Paice’s patent portfolio, and also in labor costs for employees and consultants who have worked on the prosecution of Paice’s patent portfolio. **Confidential Exhibit 17.**

33. Further, the Paice Entities have maintained offices in Maryland, Michigan, Virginia and Florida to support their engineering, research, development and licensing activities. Since 1998, the Paice Entities have made substantial investments, such as for example office rent, to maintain operations in these locations in support of such activities. **Confidential Exhibit 17.**

² Paice Corporation was formed in 1994 and is the predecessor and parent of Paice LLC, which was formed in 2004.

B. Substantial Domestic Investments Related to Licensed Toyota Vehicles

34. Proposed respondents have a limited license to practice the '970 Patent only with respect to three specific vehicle models: the Toyota Prius II, the Toyota Highlander Hybrid, and the Lexus RX400h ("Adjudicated Products"). This compulsory license was awarded by the United States District Court of the Eastern District of Texas after Paice's successful enforcement of the '970 Patent against the proposed respondents named in this complaint in the case of *Paice LLC v. Toyota Motor Corporation, et al.*, Case No. 2-04-cv-211-DF ("*Paice I*"). Although the proposed respondents manufacture these three vehicles abroad, on information and belief, as discussed below, proposed respondents conduct significant domestic activities in the United States relating to the Adjudicated Products. On information and belief, these activities include significant investment in plant and equipment and significant employment of labor and capital in the United States.

35. On information and belief, the Toyota Adjudicated Products are sold by authorized Toyota dealerships throughout the United States. Attached as **Exhibit 18** is a claim chart comparing claims 11 and 39 of the '970 Patent to the Toyota Highlander Hybrid, one of the three Toyota Adjudicated Products.

36. Toyota's authorized dealerships have significant commercial activities in the United States relating to the Toyota Adjudicated Products. On information and belief, these activities include investment in plant and equipment and employment of labor and capital.

37. On information and belief, Toyota's authorized dealerships have made and continue to make significant investment in plant facilities and equipment in the United States dedicated to the sales, research, development, distribution, product and customer support, testing and quality management, and warranty and repair services for the Toyota Adjudicated Products. For example, on information and belief, Toyota's authorized dealerships regularly repair and

service the Toyota Adjudicated Products pursuant to Toyota's manufacturer-backed warranty program.

38. The Toyota Adjudicated Products are supported by an extensive warranty and service program. For example, all components of every Toyota car, truck, and SUV are covered by a full manufacturer-backed warranty on all components for the first 36 months or 36,000 miles. *See Exhibit 19.* Toyota also offers a specific "Hybrid-Related Component Coverage" which is a manufacturer-backed warranty covering all "hybrid-related components" for 8 years or 100,000 miles. *See Exhibit 19.* Discovery will further reveal the extent to which these activities relate to the Toyota Adjudicated Products.

39. On information and belief, under Toyota's manufacturer-backed warranty, the Toyota Adjudicated Products are refurbished by Toyota's authorized dealerships in the United States using replacement parts purchased from Toyota. *See Exhibit 20.* On information and belief, when one of Toyota's authorized dealerships repairs a vehicle covered by Toyota's warranty plan, proposed respondents reimburse the dealer for the cost of the repair. *See Exhibit 15.* For instance, according to Toyota's annual report from March of 2008, Toyota's authorized dealerships performed roughly \$3.2 billion dollars worth of warranty repair during the previous fiscal year. *Exhibit 15* at 109 (showing \$3.235 billion paid during the fiscal year ending March 31, 2008 towards product warranties). Discovery will further reveal the extent to which this sizeable sum is attributable to the Toyota Adjudicated Products.

40. Proposed respondents also maintain research and development facilities in the United States. Attached as *Exhibit 21* is a page from Toyota's website detailing its research and design facility in Caltz, California. Toyota claims that it performs extensive research and testing of its hybrid vehicles at this facility, including the Toyota Adjudicated Products. Discovery will

further reveal the extent to which the investment into this facility and its operation are attributable to the Toyota Adjudicated Products.

41. Based on the foregoing, there exists a domestic industry with respect to the Asserted Patent, as defined under 19 U.S.C. § 1337(a)(3). Specifically, Paice's domestic activities constitute a substantial investment in the exploitation of the '970 Patent by virtue of its substantial investments in engineering, research and development activities in the United States with respect to the '970 Patent, as well as the hybrid electric technology covered by the '970 Patent. Additionally, Paice has conducted and still conducts in the United States licensing activities with respect to the '970 Patent. Further, the domestic industry includes the significant investment in plant and equipment and significant employment of labor and capital by Toyota's franchised dealers, in connection with, *inter alia*, customer support, warranty services, repair services, and parts for the Toyota Adjudicated Products.

IX. RELATED LITIGATION

42. On June 8, 2004, Paice filed a complaint for patent infringement in the United States District Court for the Eastern District of Texas against TMC, Toyota NA, and Toyota USA. Paice alleged that three hybrid vehicles manufactured by Toyota – the Toyota Prius II, Toyota Highlander Hybrid, and the Lexus RX400h – each infringe the '970 Patent, as well as two other Paice patents. That action was styled *Paice LLC v. Toyota Motor Corp. et al.*, Civ. Action No. 2:04-cv-211-DF ("*Paice I*"). A copy of that complaint is attached hereto as **Exhibit 22**.

43. In December 2005, a jury determined that Paice's '970 Patent was not invalid, that the Toyota Prius II, the Toyota Highlander Hybrid, and the Lexus RX400h ("Adjudicated Products") infringe the '970 patent under the doctrine of equivalents, and that Toyota had been making, selling, offering for sale in the United States, or importing into the United States, the

Adjudicated Products. The jury awarded Paice damages for past infringement. On August 16, 2006, the Court entered its Final Judgment, awarding damages for past infringement in the amount found by the jury and establishing an ongoing royalty rate for each of the Adjudicated Products sold by Toyota for the remaining life of the '970 Patent.

44. Both parties appealed to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed the finding of infringement, but remanded the case for re-evaluation of the ongoing royalty rate. A copy of the Federal Circuit's ruling is attached as **Exhibit 7**. On April 17, 2009, the Court amended its Final Judgment, increasing the royalty rate. A copy of that Amended Final Judgment has been attached hereto as **Exhibit 3**. Toyota has subsequently appealed this ruling to the Federal Circuit on the amount of damages only. Toyota has not taken any appeal directed to the liability findings and those findings are now final.

45. On May 8, 2007, Paice filed a complaint for patent infringement in the United States District Court for the Eastern District of Texas against TMC, Toyota NA, and Toyota USA to address Toyota's decision to introduce new models that utilize Paice's patented technology. In that complaint and pleadings filed during the case, Paice has alleged that the Toyota Camry Hybrid, Toyota Prius III, Lexus HS250h and Lexus RX450h each infringe the '970 Patent. Paice further has alleged that the Toyota Camry Hybrid, Lexus GS450h, Lexus LS600h, Toyota Prius III, Lexus HS250h and Lexus RX450h, Toyota Prius II, Toyota Highlander SUV hybrid, and Lexus RX400h also infringe two other Paice patents. That action is styled *Paice LLC v. Toyota Motor Corp. et al.*, Civ. Action No. 2:07-cv-180-DF ("*Paice II*"). A copy of that complaint is attached hereto as **Exhibit 16**.

46. On December 28, 2005, Ford Motor Company filed a complaint in the Eastern District of Michigan seeking a declaratory judgment of non-infringement and invalidity of the '970 patent, along with two other patents. On February 16, 2007, having heard arguments

from both parties on jurisdictional grounds, the Court dismissed the complaint, finding that no case or controversy existed to support declaratory judgment jurisdiction.

47. On information and belief, other than the aforementioned district court actions, the Asserted Patent has not been involved in any other judicial litigation or administrative proceedings.

X. COLLATERAL ESTOPPEL AND RES JUDICATA

48. The infringement, validity, and enforceability issues normally part of investigations before the Commission have been fully and finally litigated against Toyota and should form no part of this investigation. Collateral estoppel prevents Toyota from challenging the infringement, validity, and enforceability of the '970 Patent because the identical issues were involved in *Paice I*, were actually litigated in *Paice I*, and were necessary to the judgment of liability in *Paice I*. Furthermore, Toyota is also precluded by *res judicata* from challenging the validity and enforceability of the '970 Patent because this case involves identical parties as in *Paice I* and the vehicles at issue in the present complaint are materially identical, for purposes of the '970 patent, to the vehicles determined to infringe in *Paice I*.

49. “Collateral estoppel, or issue preclusion, bars litigation of an issue if the identical issue was actually litigated and necessarily decided in a prior case where the interests of the party to be precluded were fully represented.” *Killeen v. Office of Personnel Management*, 558 F.3d 1318, 1323 (Fed. Cir. 2009). In *Paice I*, Paice successfully asserted infringement of the '970 Patent against three Toyota hybrid vehicles. The district court’s finding of infringement was actually litigated and a finding of infringement was necessary to that decision. Further, “[p]roof of infringement by collateral estoppel is only appropriate in limited circumstances, where it is shown that a close identity exists between the relevant features of the accused device and the device previously determined to be infringing.” *Yingbin-Nature Wood Indust. Co. v. Int’l. Trade*

Comm., 535 F.3d 1322, 1333 (Fed. Cir. 2009). As noted above, Toyota has admitted that the Toyota Camry Hybrid has a drivetrain that is materially identical to the Adjudicated Products from *Paice I*. See **Exhibit 8** at 2. Toyota further has admitted that the other Accused Products have materially identical drivetrains to the Toyota Camry Hybrid, and thus, they are materially identical to the Adjudicated Products. See **Exhibit 9**. Therefore, collateral estoppel applies and Toyota cannot re-litigate the issue of infringement.

50. Toyota is also collaterally estopped from re-litigating the issue of validity and enforceability. The issue of validity was actually litigated and necessarily decided against Toyota in *Paice I*. Toyota's affirmative defenses and counterclaims submitted during *Paice I* alleged that "on information and belief, the '970 patent is invalid for failure to satisfy . . . the requirements set forth in [Title 35] sections 103 and 112." See **Exhibit 23** (Case No. 2:04-cv-211-DF, July 30, 2004 Toyota's Answer, Affirmative Defenses, and Counterclaims) at ¶¶ 32, 45. Moreover, Toyota presented evidence and expert testimony relating to the alleged invalidity of the '970 Patent at trial and the issue was argued to the jury. See **Exhibit 24** (December 15, 2005 Trial Tr. (AM)) at 88-103; **Exhibit 25** (December 19, 2005 Trial Tr. (AM)) at 131-134. Toyota had a full and fair opportunity to bring unenforceability and other affirmative defenses, but did not do so in the *Paice I* litigation. Because Toyota asserted invalidity and could have brought other affirmative defenses as counterclaims in the first case, and because the Final Judgment establishes liability for patent infringement, validity and enforceability were a necessary part of the prior judgment. Therefore, collateral estoppel applies and Toyota cannot now challenge the validity and enforceability of the '970 Patent.

51. *Res judicata*, or claim preclusion, bars re-litigation of '970 Patent validity and enforceability because the newly-accused vehicles are materially identical to the previously adjudged infringing vehicles, and any differences are unrelated to the limitations of '970 Patent

claims. Under the doctrine of claim preclusion, a judgment on the merits in a prior suit bars a second suit involving the same parties or parties in privity based on the same cause of action. *Acumed v. Stryker*, 525 F.3d 1319, 1323 (Fed. Cir. 2008). In the context of patent cases, the “same cause of action” arises when the accused devices in the two cases are “essentially the same”—i.e., that “the differences between them are merely colorable or unrelated to the limitations in the claim of the patent.” *Id.* at 1324 (internal quotations omitted). Toyota has admitted that the Toyota Camry Hybrid has a drivetrain that is materially identical to the Adjudicated Products that have already been adjudicated as infringing in *Paice I*. See **Exhibit 9**. Because *Paice I* was a final judgment on the merits, and because the Accused Products are essentially the same as those found to infringe in *Paice I*, claim preclusion bars Toyota from relitigating the issue of validity.

52. Further, Toyota has been precluded from relitigating validity in the context of the pending *Paice II* lawsuit. Toyota pled invalidity defenses in its Answer and Counterclaim filed in the *Paice II* litigation. See **Exhibit 26**. In response to Paice’s motion to strike Toyota’s invalidity defenses, on July 8, 2009, the district court struck Toyota’s invalidity defenses, finding that *res judicata* barred Toyota from asserting affirmative defenses to the ‘970 patent. (Ruling attached as **Exhibit 27**.) On July 28, 2009, Toyota filed an amended Answer, removing its earlier invalidity and enforceability challenges to the ‘970 Patent. See **Exhibit 28**.

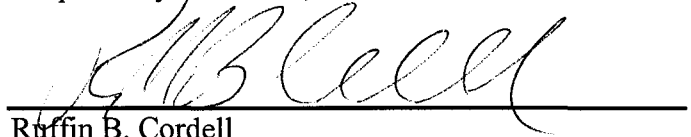
53. Pursuant to Commission Rule 210.18(a), Complainant Paice will file a motion for summary determination in this case within 30 days after the Commission serves the complaint and notice of investigation, or as soon as practical under the established schedule.

XI. RELIEF REQUESTED

54. WHEREFORE, by reason of the foregoing, Paice requests that the United States International Trade Commission:

- (a). Institute an immediate investigation, pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, with respect to violations of Section 337 based on the proposed respondents' unlawful importation into the United States, sale for importation, and/or sale within the United States after importation of certain hybrid electric vehicles and components thereof that infringe one or more of the asserted claims of United States Patent No. 5,343,970;
- (b). Schedule and conduct a hearing on the unlawful acts and, following the hearing, determine that there has been a violation of Section 337;
- (c). Issue a permanent limited exclusion order, pursuant to Section 337(d) of the Tariff Act of 1930, as amended, excluding from entry into the United States all of the proposed respondents' certain hybrid electric vehicles and components thereof that infringe one or more claims of United States Patent No. 5,343,970;
- (d). Issue permanent cease and desist orders, pursuant to Section 337(f) of the Tariff Act of 1930, as amended, directing the proposed respondents to cease and desist from the importation, marketing, advertising, demonstrating, warehousing inventory for distribution, sale and use of certain hybrid electric vehicles and components thereof that infringe one or more claims of United States Patent No. 5,343,970; and
- (e). Grant such other and further relief as the Commission deems just and proper based on the facts determined by the investigation and the authority of the Commission.

Respectfully submitted,



Dated: September 3, 2009

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Counsel for Complainant Paice LLC

VERIFICATION

I, Robert Oswald, declare, in accordance with 19 C.F.R. §§ 210.4 and 210.12(a), under penalty of perjury, that the following statements are true:

1. I, Robert Oswald, am the Chief Executive Officer of Paice LLC, and am duly authorized to sign this Complaint on behalf of Complainant Paice LLC.


2. I have read the foregoing Complaint;

3. To the best of my knowledge, information, and belief, based upon reasonable inquiry, the foregoing Complaint is well-founded in fact and is warranted by existing law or by a non-frivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;

4. The allegations or other factual contentions have evidentiary support or are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery, and;

5. The foregoing Complaint is not being filed for any improper purpose, such as to harass or cause unnecessary delay or needless increase in the cost of litigation.

Executed this 2nd day of September, 2009.



Robert Oswald
Chief Executive Officer
Paice LLC