

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Before the Honorable E. James Gildea
Administrative Law Judge

In the Matter of

**CERTAIN WIRELESS CONSUMER
ELECTRONIC DEVICES AND
COMPONENTS THEREOF**

Investigation No. 337-TA-853

**COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO RESPONDENTS
SIERRA WIRELESS, INC. AND SIERRA WIRELESS AMERICA, INC.'S
MOTION TO TERMINATE FOR COMPLAINANTS' VIOLATION OF THEIR DUTY
OF CANDOR TO THE COMMISSION**

The Commission Investigative Staff ("Staff") responds to the motion (Mot. Docket No. 853-007) of Respondents Sierra Wireless, Inc. and Sierra Wireless America, Inc. (collectively, "Sierra Wireless") seeking termination of this investigation as a sanction for Complainants' alleged breach of its duty of candor. For the reasons set forth herein, the Staff believes that Sierra Wireless' motion should be denied.¹

¹ The Staff notes that the motion fails to include certification as required by Ground Rule 3.2. Specifically, the motion does not state that Sierra Wireless made "reasonable, good-faith efforts to contact and resolve the matter with the other parties **at least two business days** prior to filing the motion..." Order No. 2, Ground Rule 3.2 (August 24, 2012) (emphasis in original). The Staff submits that the motion may be denied on this basis alone. *See, e.g., Certain Light-Emitting Diodes and Products Containing Same*, Inv. No. 337-TA-798, Order No. 13 (November 2, 2011); *Certain Microprocessors, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-781, Order No. 10 (September 8, 2011). *See also Certain Portable Electronic Devices and Related Software*, Inv. No. 337-TA-797, Order No. 17 (November 30, 2011); *Certain Dynamic Random Access Memory and NAND Flash Memory Devices and Products Containing Same*, Inv. No. 337-TA-803, Order No. 15 (November 21, 2011); *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music and Processing Devices, and Tablet Computers*, Inv. No. 337-TA-794, Order No. 18 (November 18, 2011).

I. BACKGROUND

On July 24, 2012, Technology Properties Limited LLC (“TPL”), Phoenix Digital Solutions LLC (“PDS”), and Patriot Scientific Corporation (“PTSC”) (collectively, “Complainants”) filed a complaint alleging violations of Section 337 by over twenty respondents based on infringement of U.S. Patent No. 5,809,336 (“the '336 patent”). *See* Complaint at ¶¶ 1, 11-23. The Complaint included a summary of numerous enforcement actions filed by Complainants related to the '336 patent. *See id.* at ¶¶ 134-154. However, the Complaint apparently failed to summarize all proceedings related to '336 patent, including an action filed by named inventor, Charles H. Moore, against Complainants in the Superior Court of California, County of Santa Clara. *See* Mot., Exh. B.

Mr. Moore’s complaint acknowledges and supports the facts alleged by Complainants in this investigation. Namely, Moore alleges that he entered into an agreement with TPL whereby he “assigned to Defendant TPL a minority share (45%) of Plaintiff Moore’s right, title and interest to the MMP technology” and “granted to TPL a license for the purpose of permitting TPL to commercialize the MMP technology.” *Id.* at ¶ 31. Although Moore acknowledges receiving over \$11 million from TPL’s commercialization efforts (*Id.* at ¶ 32), he now seeks remedies including damages for unpaid license fees and royalties (*Id.* at ¶ 61), cancellation of the commercialization agreement between Moore and TPL (*Id.* at ¶ 59), and punitive and exemplary damages (*Id.* at ¶ 62). In sum, Moore does not contest that he signed an agreement granting TPL sufficient rights to bring this action. However, he does now seek rescission of that agreement.

This investigation was instituted by publication of a notice in the *Federal Register* on August 24, 2012. 77 Fed. Reg. 51572 (August 24, 2012). Sierra Wireless filed its motion on September 28, 2012 and Complainants filed a motion (Mot. Docket No. 853-008) seeking to amend its complaint to correct its allegedly inadvertent oversight on October 2, 2012.

II. DISCUSSION

On June 30, 1988, the Commission considered whether a Complainant should be sanctioned for errors, omissions and/or misstatements in its complaint. *Certain Indomethacin*, Inv. No. 337-TA-183, Comm’n Op. at 1-3. In that investigation, the Commission held that an implicit duty of candor existed, but noted that it had never been articulated. *Id.* at 2-3.

Ultimately, the Commission declined to define the duty of candor in that investigation, but stated that “the Commission will initiate a rulemaking proceeding which will provide the public, the Commission’s Office of Unfair Import Investigations, and its ALJs the opportunity to comment on the standard of conduct appropriate on filing a section 337 complaint.” *Id.* at 3. As a result, the Commission promulgated new rules on August 1, 1994, explicitly defining a duty of candor (Commission Rule 210.4(c)) and setting forth procedures and conditions for imposing sanctions (Commission Rules 210.4(d) and 210.25). *See* 54 Fed. Reg. 39039 (August 1, 1994).

Commission Rule 210.25 defines four grounds upon which a party may file a motion for sanctions: “abuse of process under § 210.4(d)(1), abuse of discovery under § 210.27(d)(3), failure to make or cooperate in discovery under § 210.33 (b) or (c), or violation of a protective order under § 210.34(c).” 19 C.F.R. § 210.25(a)(1). Sierra Wireless’ motion is not based on any of these permissible grounds, and thus should be denied.²

Moreover, even if Sierra Wireless had sought sanctions for a breach of the duty of candor defined by Commission Rule 210.4(c), the motion would still be procedurally defective for

² Sierra Wireless does not base its motion on abuse of process under § 210.4(d)(1), but instead bases its motion on violation of a pre-institution duty of candor that is separate and distinct from the duty of candor set forth by Commission Rule 210.4(c). Memo. at 7, n.3. However, this pre-institution duty of candor, itself based on an outdated duty owed by applicants to the U.S. Patent and Trademark Office, was supplanted by the promulgation of Commission Rule 210.4 on August 1, 1994. *See* 54 Fed. Reg. 39039 (August 1, 1994). Since that date, the Commission has applied the duty of candor set forth in Commission Rule 210.4(c). *See, e.g., Certain Wiper Blades*, Inv. No. 337-TA-816, Order No. 33 (July 11, 2012).

failing to comply with the “safe harbor” provision of Commission Rule 210.4(d)(1)(i). *See Certain Oscillating Sprinklers, Sprinkler Components, and Nozzles*, Inv. No. 337-TA-448, Order No. 25 (September 25, 2001) (denying a motion for sanctions as procedurally defective where the moving party did not adhere to the “safe harbor” provision). Indeed, after Complainants’ omission was brought to its attention by Sierra Wireless, Complainant filed a timely motion seeking leave to amend its complaint to correct its purported inadvertent oversight. *See* Mot. Docket No. 853-008 (October 2, 2012). This motion to amend the complaint would presumably have precluded Sierra Wireless from seeking sanctions, even if it had complied with the requisite “safe harbor” provision of Commission Rule 210.4(d)(1)(i).

III. CONCLUSION

For the foregoing reasons, the Staff believes that Sierra Wireless’ motion should be denied.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that on October 10, 2012, he caused the foregoing **COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO RESPONDENTS SIERRA WIRELESS, INC. AND SIERRA WIRELESS AMERICA, INC.'S MOTION TO TERMINATE FOR COMPLAINANTS' VIOLATION OF THEIR DUTY OF CANDOR TO THE COMMISSION** to be served by hand upon Administrative Law Judge E. James Gildea (2 copies) and served upon the parties (1 copy each) in the manner indicated below:

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