No. 26-316

IN THE

Supreme Court of the United States

APPLE INC.,

Petitioner,

v.

INTERNATIONAL TRADE COMMISSION, MASIMO CORPORATION, and CERCACOR LABORATORIES, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

The International Trade Commission barred an American company from importing consumer smartwatches with blood oxygen functionality at Masimo's behest, even though Masimo's own efforts to establish a relevant domestic industry at the time of its complaint never advanced beyond the prototype stage. Masimo sold no patent-practicing products at that time, and never sold more than *de minimis* quantities thereafter. Pet. 13. This outcome directly contravened the statute's *sine qua non* of protecting "domestic industry." And the Federal Circuit affirmed by reading the authorizing statute in a manner incompatible with its text and structure, on a ground not adopted by the agency. This Court should grant certiorari or summarily reverse under *Chenery*.

Congress established the Commission as a trade agency, not a patent agency. It vested the ITC with extraordinary power to ban importation of an entire product if even a single feature infringes a U.S. patent—without *eBay*'s traditional equitable constraints on injunctions in district court. Even the threat of such a ban—which, as *amici* explain, stops sales, interrupts supply chains, and imperils jobs—can spell disaster for U.S. importers and confer artificial leverage upon patent owners.

To counterbalance that power, Congress limited exclusion orders to complainants with a genuine U.S. industry to protect. As relevant here, a "domestic industry" requires: "in the United States, ***with respect to the articles protected by the patent***": "(A) significant investment in plant and equipment; (B) significant employment of labor or capital; ***or*** (C) substantial investment ***in [the patent's] exploitation***, including engineering,

research and development, or licensing." 19 U.S.C. § 1337(a)(3)(A)-(C) (emphasis added).

Whereas activities under Subparagraphs (A), (B), and (C) all must be "with respect to" a patent-protected article, Subparagraph (C) additionally requires that investments in "research and development" must be in the exploitation of the patent itself. In other words, they must have a ***nexus to the patented invention***, not merely a relationship with some conventional aspect of the patent-practicing article. That extra requirement serves a real purpose: it prevents complainants from obtaining an extraordinary trade injunction by recycling research investments on older, ***unpatented*** features. The decision below, by contrast, renders Subparagraph (C) superfluous.

In two successive decisions—*Lashify* v. *ITC*, 130 F.4th 948 (Fed. Cir. 2025), and the decision below—the Federal Circuit dramatically weakened the domestic industry requirement such that, as the government recognized, even "attorney labor for prosecuting the patents-at-issue or drafting the underlying … complaint" would satisfy the domestic industry requirement. ITC Pet. for Reh'g 12, *Lashify* v. *ITC*, No. 23-1245 (Fed. Cir. May 21, 2025), Dkt. 117 ("ITC Lashify Pet."). And as here, labor expended in researching prototypes that ***do not practice*** any patent claim would qualify as well. Pet. App. 23a.

This Court should grant certiorari to bring the interpretation of the domestic industry requirement back in line with statutory text and the ITC's fundamental purpose, or summarily reverse to correct the Federal Circuit's disregard of *Chenery*.

ARGUMENT

I. THIS CASE PROVIDES A STRONG VEHICLE TO CLARIFY THE SCOPE OF 19 U.S.C. § 1337(a)(3)(B), WHICH IS A QUESTION OF NATIONAL IMPORTANCE

A. The Federal Circuit Squarely "Passed Upon" The Scope Of Subparagraph (B)

The government's and Masimo's forfeiture arguments (U.S. Br. 11; Masimo Br. 18-20) are mistaken. The issue of Subparagraph (B)'s scope is properly preserved because the Federal Circuit actually decided ("passed upon") the question, in affirming that R&D labor satisfies Subparagraph (B). It is black letter law, as the government and Masimo admit, that this Court can review an issue "so long as it has been passed upon" ***or*** pressed below. *United States* v. *Williams*, 504 U.S. 36, 41 (1992) (cited at U.S. Br. 11); *accord* Masimo Br. 19. That requirement is plainly disjunctive and plainly satisfied here, as the Federal Circuit indisputably passed upon Subparagraph (B)'s scope. Citing its binding precedent in *Lashify*, it held that "'investments in research and development'" can satisfy "subsection (B)" of the domestic industry economic prong. Pet. App. 20a; *Lashify* v. *ITC*, 130 F.4th 948, 958 (Fed. Cir. 2025) (holding that "labor or capital" under Subparagraph (B) covers all "'labor' and 'capital' ***without any limitation***" (emphasis added)). It did so despite recognizing that: (1) a different provision—Subparagraph (C)—allows "substantial investment in … research and development" to satisfy the domestic industry requirement only with the ***added condition*** that it be "in [the patent's] exploitation[]," Pet. App. 20a (quoting 19 U.S.C. § 1337(A)(3)(C)); and (2) the ALJ found Masimo's R&D investments commingled spending on prototypes that "***do not practice the patents***," Pet. App. 23a (emphasis added).

The government does not deny that the decision below passed upon the scope of Subparagraph (B), *see* Pet. 4, 16-17, which is unsurprising because Masimo never advanced an alternative theory under Subparagraph (C), Pet. 4, 14.[1] The government concedes that the ITC "found a 'significant employment of labor' based on [Masimo's] employment of 'research and development engineers' in the United States," and that the Federal Circuit affirmed based on "19 U.S.C. [§] 1337(a)(3)(B)." U.S. Br. 4-5. Nothing more is required for this Court's review.

In addition, Apple petitioned for rehearing, asking that *Lashify*—which issued seven months after Apple's reply brief—be "confined or overruled by the en banc Court." Apple Pet. for Reh'g 11-14. Respondents then joined issue on whether *Lashify* required the panel to hold that R&D expenditures could satisfy Subparagraph (B). Pet. 18; Masimo Resp. to Pet. for Reh'g 5-6; ITC Resp. to Pet. for Reh'g 10-11. The Federal Circuit declined rehearing without explanation, entrenching both *Lashify*'s binding interpretation of "labor and capital" in Subparagraph (B) and the precedential holding in this case that Subparagraph (B) encompasses R&D activities that Subparagraph (C) subjects to separate prerequisites not satisfied here. Thus, Apple unquestionably pressed *Lashify*'s statutory interpretation error before the Federal Circuit, which declined to reconsider it. The question is preserved and—with rehearing en banc

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[1] Although Masimo asserts (Br. 21) that the Federal Circuit's decision "did not interpret the scope of Subsection (B)," Masimo previously admitted the contrary. Masimo Resp. to Pet. for Reh'g 5-6 ("the panel addressed the significance of Masimo's investments in labor under ***subsection (B)***" (emphasis Masimo's)).

denied and no other circuit capable of deciding this patent-specific issue—is ripe for this Court's review.

The government's suggestion (at 12) to await "a future case" is no solution. *Lashify*'s extraordinary broadening of Subparagraph (B) invites every ITC complainant to argue that its employment of "labor and capital," no matter the type, meets the domestic industry requirement. The agency will be bound to apply *Lashify*, and the Commission will be unable to appeal any case in which the complainant prevails under *Lashify*'s broadening of Subparagraph (B). Thus, there will be no "future case" better than this one where the government can advance the arguments it forcefully made against *Lashify*. *See* ITC *Lashify* Pet. for Reh'g 6-17.

B. The Importance Of The Domestic Industry Requirement's Economic Prong Is Undisputed

The government and Masimo do not question the importance of the domestic industry economic prong in preserving the ITC's role as a trade agency and ensuring that only parties with ***actual U.S. industries in patented articles*** may obtain exclusion orders. But as the government recognized, *Lashify* "upend[ed] Congress's careful balance between U.S. industries and importers," ITC *Lashify* Pet. for Reh'g 3, and the decision below extends it in ways undermining the statutory structure. Review is necessary because the "statutory interpretation of 'labor or capital' in section 337(a)(3)(B) is a question of exceptional importance that directly affects the Commission's analysis of the domestic industry requirement." *Id.*

II. THE GOVERNMENT'S AND MASIMO'S MERITS ARGUMENTS ONLY CONFIRM THAT CERTIORARI IS WARRANTED

A. *Lashify* And The Decision Below Render Subparagraph (C) Superfluous

Congress created a meaningful difference between the proof required under Subparagraphs (B) and (C). Subparagraphs (A), (B), and (C) all require either significant or substantial investment "with respect to the articles protected by the patent." 19 U.S.C. § 1337(a)(3)(A)-(C). Investments in a specifically tailored, significant component of the patent-practicing article—even if it is an older, prior art component—would count as investment "with respect to" the patent-practicing article. *Motorola Mobility, LLC* v. *ITC*, 737 F.3d 1345, 1351 (Fed. Cir. 2013).

But Subparagraph (C) requires more where "engineering, research and development, or licensing" are concerned: the investment must be in the exploitation of the patent itself. 19 U.S.C. § 1337(a)(3)(C). The government does not deny that this added requirement creates "'a demanding nexus standard that would have required [Masimo] to link research and development expenditures to a specific patent claim.'" U.S. Br. 6 (quoting Pet. 4 and "assuming that is true"). Thus, unlike Subparagraph (B), Subparagraph (C) excludes predecessor R&D investments focused on older features of the article, because such features would not have a ***nexus to the patent itself***. Interpreting Subparagraph (B) to cover R&D activities expressly recited in Subparagraph (C), but without enforcing Subparagraph (C)'s added requirement of nexus to a patent claim—as the decision below has done—improperly renders Subparagraph (C) superfluous. *Marx v. General Revenue Corp.*, 568 U.S.

371, 386 (2013) (warning against "interpretation [that] would render superfluous another part of the" statute).

Respondents fail to explain how the Federal Circuit's expansive reading of Subparagraph (B) does not render Subparagraph (C) superfluous. The government suggests a hypothetical university could make substantial investment in basic research that somehow was not significant employment of labor under Subparagraph (B). U.S. Br. 7. That makes no sense because, following the decision below, the labor of professors, post-doctoral researchers, and students conducting basic science research would satisfy Subparagraph (B)'s "labor" requirement, circumventing Subparagraph (C)'s additional requirement of a nexus to the patented invention itself and rendering Subparagraph (C) superfluous. And Masimo could not provide any real-world example of its conclusory conjecture that "there may be expenditures on research and development that are not properly classified as … 'employment of labor or capital.'" Masimo Br. 27.

This superfluity is precisely the type of statutory interpretation error this Court corrects. In *RadLAX Gateway Hotel, LLC* v. *Amalgamated Bank*, 566 U.S. 639 (2012), this Court explained that the canon of "the specific governs the general" avoids "the superfluity of a specific provision that is swallowed by the general one." *Id.* at 645 (citation and quotation marks omitted). "The terms of the specific authorization must be complied with." *Id.*; Pet. 20-21.[2]

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[2] The government (at 7) cites *Lorenzo* v. *SEC*, 587 U.S. 71, 80 (2019), to argue that provisions may "overlap[]." But the Federal Circuit's interpretation of Subparagraph (B) renders Subparagraph (C) ***entirely*** superfluous, not merely overlapping. Moreover, it is one thing to have overlapping prohibitions of various ingenious modes of securities fraud, but it makes no sense to have one subparagraph

Maracich v. *Spears*, 570 U.S. 48 (2013), further illustrates the anti-superfluity canon. There, a statute prohibited DMVs from selling or disclosing drivers' personal information absent specific authorizations. One authorization, paragraph (b)(4), permitted disclosure "[f]or use in connection with [legal] proceeding[s]." 18 U.S.C. § 2721(b)(4). Another authorization, paragraph (b)(12), specifically permitted disclosure "[f]or bulk … solicitations" albeit with the ***added requirement*** that the DMV "obtain[] … express consent." *Id.* § 2721(b)(12). The Court considered whether states could sell drivers' personal information for use by lawyers in bulk solicitations "in connection with [legal] proceedings" under paragraph (b)(4), without obtaining the consent required by paragraph (b)(12). *Maracich*, 570 U.S. at 52. This Court said no, because disclosure for bulk solicitation "is addressed explicitly by the text of (b)(12)" and "[i]f (b)(4) were to be interpreted to allow solicitation without consent, then the structure of the Act, and the purpose of (b)(12), would be compromised." *Id.* at 65-66.

So too here. The decision below commits the same error by allowing complainants to use R&D activities to satisfy Subparagraph (B), without clearing Subparagraph (C)'s extra hurdle specifically for R&D investments. Neither the government nor Masimo disputes that, under *Lashify*, Subparagraph (B) covers any employment of labor or capital "without any limitation," 130 F.4th at 958, even attorney labor on patent prosecution. Pet. 28; ITC *Lashify* Pet. for Reh'g 12. After the decision below, complainants could also evergreen the labor employed in researching prior art technology to

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of a prerequisite for an extraordinary injunction render the neighboring subparagraph superfluous.

eternally satisfy the domestic industry requirement for later-generation patents, further circumventing Subparagraph (C). Without this Court's intervention, the domestic-industry requirement will be reduced to window-dressing.

B. None Of The Government's Additional Arguments Warrants Denial Of Certiorari

First, the government wrongly argues (at 8) that Congress intended to codify Commission precedent holding that research is employment of "labor." In fact, the Senate and House reports evince no awareness of that precedent and no intent to codify it. Rather, both state that Subparagraph (C)'s introduction of R&D investments "goes beyond the ITC's recent decisions in this area." S. Rep. 100-71 at 129; H.R. Rep. 100-40 at 157; *Schaper Mfg. Co.* v. *ITC*, 717 F.2d 1368, 1371 n.7 (Fed. Cir. 1983) ("the Commission has never considered 'research and development' activities, standing alone, to constitute an 'industry' under § 337").

The government's pre-1988 Commission cases (Br. 8) do not establish that the Commission considered "research-and-development activities" as constituting "employment of labor" or sufficient to establish domestic industry. Rather, those decisions considered R&D as part of a holistic assessment of whether there was an "industry … in the United States." *In re Certain Pers. Computers & Components Thereof*, 1984 WL 15659, at *16 (I.T.C. Mar. 9, 1984); *see also In re Certain Inclined-Field Acceleration Tubes*, 0080 WL 594319 at *9 (I.T.C. Dec. 29, 1980) (considering R&D alongside production, rebuilding, and servicing).

Second, the government's reliance (at 9) on Apple's prior litigation positions is unpersuasive. Apple invoked

R&D investments that satisfied the added requirements of Subparagraph (C), in addition to arguing multiple forms of labor under Subparagraph (B). *See In re Certain Digital Imaging Devices and Related Software*, 2011 WL 2742200, at *158-159 (I.T.C. May 12, 2011) (finding economic prong satisfied through "research and development … [under] 19 U.S.C. § 1337(a)(3)(C)" as well as under Subparagraph (B)); *In re Certain Mobile Devices and Related Software*, 2011 WL 11684509, at *7, *9 (I.T.C. Sept. 15, 2011) (finding Apple met "domestic industry requirement under § 1337(a)(3)(C)"). Apple did not suggest that R&D labor alone satisfied Subparagraph (B), nor did Apple prevail on Subparagraph (B) without also prevailing on Subparagraph (C).

Third, the government fails to reconcile its prior advocacy in *Lashify*. The government disagreed with *Lashify*'s holding that "*all* 'labor' and 'capital' without any limitation" could satisfy Subparagraph (B), because that "renders [Subparagraph (C)] superfluous." ITC *Lashify* Pet. for Reh'g 9 (emphasis the government's). In the government's recent view, "labor or capital" should be restricted to "those that establish an 'industry'"; labor researching prototypes that do not practice any patent claim, as here, does not establish an "industry" for the patent-practicing device. *Id.* at 6. The government had it right the first time, and its inconsistency underscores the need for this Court to clarify Subparagraph (B)'s scope.[3]

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[3] Masimo, in contrast, supports *Lashify*'s holding that Subparagraph (B) "'do[es] not limit what enterprise functions the inputs must be used to perform.'" Masimo Br. 26-27 (quoting *Lashify*, 130 F.4th at 959). Respondents' disagreement over Subparagraph (B)'s scope is yet another reason to grant review.

III. At Minimum, The Court Should Summarily Reverse Under *Chenery*

Respondents do not dispute that an appellate court "'must judge the propriety of [agency] action ***solely*** by the grounds invoked by the agency.'" *Calcutt* v. *FDIC*, 598 U.S. 623, 624 (2023) (per curiam) (quoting *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947)). The Federal Circuit violated that rule in two respects.

First, the ALJ never found that any domestic industry article Masimo ***produced*** practiced the patent claims, because none measured blood oxygen, a key patent limitation. The ALJ found only that produced articles were "consistent with" ***non-produced*** versions of the RevA, RevD, and RevE devices that allegedly measured blood oxygen. *See, e.g.*, Pet. App. 257a & n.16 (reasoning that domestic industry "does not require the current existence of a physical article"); Pet. App. 284a-285a & n.22.

The Federal Circuit affirmed on a separate basis: that produced units were different from but "***representative*** embodiments of the broader domestic industry article"—*i.e.*, that prototypes existed as of the complaint that "***shar[ed] the patent practicing features***" of produced units. Pet. App. 15a-16a (emphasis added). That reasoning differs materially from the ALJ's. Whereas the ALJ purported to find that devices with the ***same design*** as ("consistent with") produced articles were operable, the Federal Circuit found that devices that "***shar[ed] patent practicing features***" with ("representative" of) produced articles were operable. *Id.*

The government (at 12-13) and Masimo (at 29) simply elide the agency's failure to find that any ***produced*** units practiced the patents-at-issue, which is why the ALJ repeated that produced units were only

"consistent with" allegedly operational ones and claimed "current existence" is not required. While the government acknowledges (at 13) that the Federal Circuit adopted a "representative" standard, the government never identifies where the agency took that approach.

Thus, the agency never had an opportunity to bring "its expertise to bear," *Gonzales* v. *Thomas*, 547 U.S. 183, 186-187 (2006), in determining "representativeness"—including what factors should be considered, and the degree of divergence before a device ceases to be "representative." *See* Pet. 33.

Second, the Federal Circuit adopted a different rationale for Masimo's Wings and Circle sensor expenditures, which concededly are not patent-practicing. Masimo Br. 31. The ALJ reasoned those sensors were part of a "continuous design and development effort" that led to the RevA, RevD, and RevE devices. Pet. App. 534a-535a. The Federal Circuit instead held the Wings and Circle "investments [were] 'directed to significant components, specifically tailored for use in' the Masimo Watch." Pet. App. 24a (quoting *Motorola*, 737 F.3d at 1351). But respondents did not point to any such finding by ***the agency***, nor can they identify which Wings and Circle components the agency supposedly found significant and tailored for the Rev devices.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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