Kodak alaris

May 11, 2018

VIA ELECTRONIC SUBMISSION

Ambassador Robert E. Lighthizer
United States Trade Representative
Office of United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Attn: Section 301 Committee

Subject: Written Comments by Kodak Alaris Relating to Proposed Section 301 Action

Dear Committee:

On behalf of Kodak Alaris Inc. ("Kodak Alaris"), I hereby submit written comments relating to the Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation (83 Fed. Reg. 14906 (April 6, 2018); the "Proposed Section 301 Action").

Kodak Alaris is an independent, global technology company formed in 2013 as a spin off from Eastman Kodak Company. Although we license the "Kodak" brand in our company name and for our products, we are a standalone, privately held company and not a division of Eastman Kodak Company. Kodak Alaris exists to fulfill an obligation to its owner, the Kodak Pension Plan, which is a pension trust serving 15,000 pensioners in the United Kingdom (the "Trust"). Kodak Alaris, which is the Trust's single largest asset, was acquired by the Trust in settlement of the largest unsecured creditor claim against Eastman Kodak Company in its Chapter 11 proceedings.

Kodak Alaris has multiple business units, but two of its larger units are the subject of these comments: (i) the Alaris division is a leading provider of document and information capture solutions that simplify business processes; and (ii) the Kodak Moments division includes the world's leading self-service retail photo kiosks, behind-the-counter dry technology photo lab equipment, and our award-winning mobile apps.

The Alaris division's award-winning range of document scanners, software and services are available worldwide and a significant portion of our revenue is generated in the United States. We are a trusted technology provider for federal, state, and local governments in the United States, the U.S. military, and vertical markets such as healthcare, banking, insurance, education, transportation and logistics. For example, our passport scanners offer a secure way to capture proof of identity to protect against fraud and other data privacy threats. As the world adopts more advanced data authentication methods, Kodak Alaris may play a larger role in border security using facial recognition technology.

The Proposed Section 301 Action would impose additional duties on products imported into the United States by Kodak Alaris from China, including those listed in the bullet points below (the "Subject Products").

- Optical scanners and magnetic ink recognition devices not entered with the rest of a ADP system classified under HTS subheading 8471.60.80.

- Parts that go into Kodak Alaris' optical scanners, which are classified under HTS subheadings 7320.20.50, 8483.40.90, 8487.90.00, 8501.10.40, and 8536.50.90.[1]

As described in further detail below, imposing additional duties on the Subject Products: (i) would not be practicable or effective to eliminate China's acts, policies, and practices; (ii) would cause the costs of products and services provided to the U.S. government to increase and would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers; and (iii) would have a material negative impact on Kodak Alaris' U.S. and global business.

1. Not Practicable or Effective to Eliminate China's Acts, Policies, and Practices

The Research and Development organization for Kodak Alaris is located in Rochester, NY. This is where our numerous patents are primarily owned, managed and protected. Our scanner manufacturing facilities are in China, one of which is wholly owned and operated by Kodak Alaris with all Kodak Alaris employees. The second manufacturing facility is owned by LITE-ON, a Taiwanese company with which we have done business for many years and which is renowned for its diligence in maintaining confidentiality and protecting its customers' intellectual property. For example, in 2017, LITE-ON was selected as a leading member of the Dow Jones Sustainability Indices for the seventh consecutive year, scoring 100% in categories including Code of Business Conduct, Labor Practice Indicators and Privacy Protection. Also, LITE-ON achieved excellent ratings for establishing an efficient corporate governance framework and executing a code of practices to protect the interests and rights of investors and stakeholders.

In either case, whether the facility is operated by Kodak Alaris or LITE-ON, there is absolutely no evidence or risk of any theft of Kodak Alaris' intellectual property. Therefore, imposing additional duties on the Subject Products would not be practicable or effective to eliminate China's acts, policies, and practices.

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[1] In addition to optical scanners and parts, which would have the largest impact on Kodak Alaris, additional duties on imports of the following other product types would have a negative impact on Kodak Alaris:

- Printers, copiers, fax machines, and multi-functional machines classified under HTS subheadings 8443.99.20, 8443.99.25, and 8443.99.50.
- Parts that go into the Kodak G20 Kiosk Order Station classified under HTS subheadings 8443.99.20, 8443.99.50, and 8536.90.85.
- Parts for gravure printing and printers classified under HTS subheadings 8443.17.00, 8443.19.20, 8443.19.30, 8443.32.50, 8443.39.10, 8443.91.10, 8443.91.20, 8443.91.30, 8443.99.20, 8443.99.25, and 8443.99.50.

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2. Impact on U.S. Government and Small and Medium Sized Businesses

Kodak Alaris generates significant revenue from public sector customers (government and education) in the United States – approximately 20% of annual revenue. We are a preferred vendor due to our high-quality scanners, software and services, with an installed base of over 800,000 scanners in the United States. Kodak Alaris' products are provided to the U.S. government directly by Kodak Alaris and indirectly through many of Kodak Alaris' customers (i.e. channel partners). Imposing additional duties on the Subject Products would increase the costs of products provided to U.S. government customers, while also impacting the cost of services on the existing installed base and the availability of existing and new scanners and solutions.

Small and medium sized businesses in other business segments in which we participate – healthcare, financial services, and retail – would be impacted similarly, which would likely result in passing along cost increases to the U.S. consumer in certain of those segments, such as the retail segment.

3. Impact on Kodak Alaris

As a small- to medium- size business, the impact of additional duties on the Subject Products would be substantial to Kodak Alaris. Kodak Alaris' global earnings would be impacted by 20%. Our U.S., Canadian, and Latin American operations would realize a negative impact to our earnings by 10-50%, depending on the country. This would have a material impact on the pensions of 15,000 individuals.

To offset this negative impact and remain competitive, Kodak Alaris would be forced to **reduce headcount** by approximately 10% in the United States. Kodak Alaris has a tremendous opportunity to innovate and lead any category where we can build on our decades of image science expertise. Imposing additional duties on the Subject Products would impact Kodak Alaris' ability to develop and innovate in the United States and threaten our ability to invest in our future. A significant impact in the United States will have follow on impact in other countries where we operate.

In addition to workforce actions, Kodak Alaris would be forced to move its scanner manufacturing operations to new facilities. Any move to a new facility would result in increased costs compared to our current operations in China. Relocating would also require us to re-certify our products, which would be costly and take valuable time. To migrate Kodak Alaris scanner production would be a substantial project taking upwards of a year and would impose a substantial burden on Kodak Alaris' engineering support, which, in turn, would disrupt commercialization schedules. The supply of existing and new products and services to all our customers, including U.S. customers, would be impacted.

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We appreciate your consideration of these comments.

Sincerely yours,

Kathleen M Clas

Kathleen M. Clas
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