

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of

**CERTAIN TONER CARTRIDGES
AND COMPONENTS THEREOF**

Inv. No. 337-TA-829

Order No. 24: Initial Determination Concerning the Economic Prong

On September 21, 2012, complainants Canon Inc., Canon U.S.A., Inc., and Canon Virginia, Inc. (collectively, “Canon”) filed a motion for summary determination that Canon satisfies the economic prong of the domestic industry requirement of 19 U.S.C. § 1337(a)(3) for each of U.S. Patent Nos. 5,903,803 and 6,128,454 (collectively, the “asserted patents”), and a memorandum in support thereof. Motion Docket No. 829-34. On October 4, 2012, the Commission investigative attorney (“Staff”) filed a response in support of the motion. No other response was filed.

Canon argues that it satisfies the economic prong of the domestic industry requirement based on all three subsections of § 1337(a)(3). Mem. at 1. Namely, Canon argues that its significant investment in plant and equipment, its significant employment of labor and capital, and its substantial investment in the exploitation of the asserted patents, including engineering and quality assurance activities, each independently meet the economic prong of the domestic industry requirement. *Id.*

The Staff argues that Canon has satisfied the economic prong of the domestic industry requirement with respect to each of the asserted patents. Staff at 1. The Staff argues that Canon

has demonstrated significant investments in plant and equipment related to the articles protected by the asserted patents. *Id.* at 11. The Staff argues that Canon is responsible for significant employment of labor or capital. *Id.* The Staff argues that Canon has substantially invested in the exploitation of the patents at issue through its engineering and quality assurance activities. *Id.*

Pursuant to Commission Rule 210.18, summary determination “. . . shall be rendered if pleadings and any depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a summary determination as a matter of law.” 19 C.F.R. § 210.18(b). “[T]he administrative law judge must accept all evidence presented by the non-movant as true, must view all of the evidence in the light most favorable to the non-movant and must draw all justifiable inferences in favor of the non-movant.” *Certain Lens-Fitted Film Packages*, Inv. No. 337-TA-406, Order No. 7 at 3 (July 10, 1998). Summary determination is warranted only when the relevant material facts are so clear and beyond dispute that a hearing on the matter at issue would serve no useful purpose. *See Certain Recombinant Erythropoietin*, Inv. No. 337-TA-281, USITC Pub. 2186, Initial Determination at 70 (May 1989).

In patent-based proceedings under section 337, a complainant must establish that an industry “relating to the articles protected by the patent . . . exists or is in the process of being established” in the United States. 19 U.S.C. § 1337(a)(2). Under Commission precedent, this domestic industry requirement of Section 337 consists of a “technical prong” and an “economic prong.” *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Comm’n Op. at 7 n.13 (Oct. 28, 1997). The “technical prong” of the domestic industry requirement is satisfied when the complainant's activities relate to an article protected by the patent. 19 U.S.C. § 1337(a)(2). The economic prong is satisfied by meeting any one of three

criteria with regard to articles protected by each of the patents at issue: (A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing. 19 U.S.C. § 1337(a)(3). Given that these criteria are in the disjunctive, satisfaction of any one of them will be sufficient to meet the domestic industry requirement. *Certain Integrated Circuit Chipsets and Products Containing Same*, Inv. No. 337-TA-428, Order No 10 at 3, Initial Determination (Unreviewed) (May 4, 2000), citing *Certain Variable Speed Wind Turbines and Components Thereof*, Inv. No. 337-TA-376, Commission Op. at 15, USITC Pub. 3003 (Nov. 1996).

“The Commission’s determination on the economic prong is not made according to any rigid formula — there is no mathematical threshold test.” *Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm’n Op. at 39 (June 29, 2007). Rather, the Commission’s practice is to examine “the facts in each investigation, the article of commerce, and the realities of the marketplace” on a case-by-case basis. *Id.* (citation and quotations omitted). While the magnitude of a particular complainant’s investment and/or employment activities “cannot be assessed without consideration of the nature and importance of the complainant’s activities to the patented products in the context of the marketplace or industry in question,” *Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm’n Op. at 31 (Feb. 17, 2011), there is no requirement that a domestic industry be of any particular size, *see, e.g., Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm’n Op. at 25-26 (May 16, 2008); *Certain GPS Chips, Associated Software and Systems, and Products Containing Same*, Inv. No. 337-TA-596, Order No. 37 at 3-4 (Feb. 27, 2008).

Canon has satisfied the economic prong of the domestic industry requirement for the asserted patents as a matter of law. Canon has demonstrated that its U.S. activities related to the asserted patents satisfy each of the three prongs of 19 U.S.C. § 1337(a)(3). As previously noted, it would be sufficient to establish any one of these criteria.

Canon has demonstrated significant investments in plant and equipment related to the articles protected by the asserted patents, including: (1) [] in equipment at Canon Virginia, Inc. (“CVI”); (2) [] in equipment at Industrial Resource Technologies, Inc. (“IRT”); and (3) [] in annual operating costs at CVI and IRT. Statement of Material Facts, ¶¶ 22, 36, 47.

Canon has shown that it is responsible for significant employment of labor or capital in the Virginia area, including [] employees and [] apportionable to the asserted domestic industry products, at an annual cost of []. *Id.*, ¶¶ 56, 63.

Canon has substantially invested in the exploitation of the patents at issue through its engineering and quality assurance activities: Canon’s engineering operations devote [] per year to the asserted domestic industry products, while its Quality Assurance Division devotes an additional [] per year. *Id.*, ¶¶ 68, 72.

Based on HP’s per-cartridge prices on November 30, 2011, the total market value of the [] domestic industry toner cartridges manufactured by CVI in 2010 was []. *Id.*, ¶ 15. Moreover, a significant amount of the investments in plant and equipment and labor and capital made by Canon at its Newport News facilities (*i.e.*, []) are directly related to the asserted domestic industry products. Canon expects that its production volume will [] such that the total market value of its asserted domestic industry products manufactured in the United States in 2013 will be []. *Id.*, ¶ 16. Consequently,

Canon's U.S. activities, in the context of the U.S. marketplace for toner cartridges, are "substantial" as a matter of law.

Accordingly, it is the INITIAL DETERMINATION of the undersigned that Motion No. 829-34 is granted.

Pursuant to 19 C.F.R. § 210.42(h), this initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to 19 C.F.R. § 210.43(a), or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the initial determination or certain issues contained herein.

It is ordered that within seven days of the date of this document, each party shall file with the Commission Secretary a statement as to whether or not it seeks to have any portion of the document redacted from the public version. Any party seeking to have a portion of this document redacted from the public version must submit to this office a copy of this document with red brackets indicating the portion, or portions, asserted to contain confidential business information.¹



David P. Shaw
Administrative Law Judge

Issued: February 26, 2013

¹ Confidential business information ("CBI") is defined in accordance with 19 C.F.R. § 201.6(a) and § 210.5(a). When redacting CBI or bracketing portions of documents to indicate CBI, a high level of care must be exercised in order to ensure that non-CBI portions are not redacted or indicated. Other than in extremely rare circumstances, block-redaction and block bracketing are prohibited. In most cases, redaction or bracketing of only discrete CBI words and phrases will be permitted.

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER NO. 24 (INITIAL DETERMINATION)** has been served by hand upon the Commission Investigative Attorney, **Lisa A. Murray, Esq.**, and the following parties as indicated, on

MAR 14 2013



Lisa R. Barton, Acting Secretary
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