



7020-02

**INTERNATIONAL TRADE COMMISSION
Investigation No. 337-TA-1012**

Certain Magnetic Data Storage Tapes and Cartridges Containing the Same

**Notice of Commission Final Determination of Violation of Section 337;
Termination of Investigation;
Issuance of Limited Exclusion Order and Cease and Desist Orders**

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has found a violation in the above-captioned investigation. The Commission has determined to issue a limited exclusion order and cease and desist orders. The investigation is terminated.

FOR FURTHER INFORMATION CONTACT: Megan M. Valentine, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-2301. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server at <https://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation on July 1, 2016, based on a Complaint filed by Fujifilm Corporation of Tokyo, Japan, and Fujifilm

Recording Media U.S.A., Inc. of Bedford, Massachusetts (collectively, “Fujifilm”). 81 FR 43243-44 (July 1, 2016). The Complaint alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337 (“section 337”), in the sale for importation, importation, and sale within the United States after importation of certain magnetic data storage tapes and cartridges containing the same by reason of infringement of certain claims of U.S. patent Nos. 6,641,891 (“the ’891 patent”); 6,703,106 (“the ’106 patent”); 6,703,101 (“the ’101 patent”); 6,767,612 (“the ’612 patent”); 8,236,434 (“the ’434 patent”); and 7,355,805 (“the ’805 patent”). The Complaint further alleges the existence of a domestic industry. The Commission’s Notice of Investigation named as respondents Sony Corporation of Tokyo, Japan, Sony Corporation of America of New York, New York, and Sony Electronics Inc. of San Diego, California (collectively, “Sony”). The Office of Unfair Import Investigations (“OUII”) was also named as a party to the investigation. The Commission later terminated the investigation as to the ’101 patent. Order No. 24 (Jan. 18, 2017); Notice (Feb. 15, 2017).

On September 1, 2017, the ALJ issued his final ID finding a violation of section 337 with respect to claims 1, 4-9, 11, and 14 of the ’891 patent and asserted claims 1, 2, 4, 5, 7, and 8 of the ’612 patent. The ALJ found no violation of section 337 with respect to asserted claims 9-11 of the ’612 patent; asserted claim 2, 5, and 6 of the ’106 patent; asserted claim 1 of the ’434 patent; and asserted claims 3 and 10 of the ’805 patent.

In particular, the Final ID finds that Sony’s accused products infringe claims 1, 4-9, 11, and 14 of the ’891 patent and claims 1, 2, 4, 5, 7, and 8 of the ’612 patent under 35 U.S.C. 271(a). The Final ID also finds that Sony’s accused products do not infringe claims 2, 5, and 6 of the ’106 patent, claim 1 of the ’434 patent, and claims 3 and 10 of the ’805 patent. The Final ID

also finds that Sony has not shown that the asserted claims of the '891 patent, the '612 patent, the '434 patent, or the '805 patent are invalid under 35 U.S.C. 102, 103, or 112. The Final ID further finds, however that, while, Sony has not shown that the asserted claims of the '106 patent are invalid under 35 U.S.C. 102 or 103, Sony has shown that the asserted claims of the '106 patent are indefinite under 35 U.S.C. 112. The Final ID also finds that Fujifilm has satisfied the technical prong of the domestic industry requirement with respect to the '891 patent and the '612 patent, but has not satisfied the technical prong with respect to the '106 patent, the '434 patent, and the '805 patent. The Final ID further finds that Fujifilm has satisfied the economic prong of the domestic industry requirement with respect to the '891, '612, and '106 patent pursuant to 19 U.S.C. 1337(a)(3)(A) and (B) for the asserted LTO-6 DI products. The Final ID finds that Fujifilm has not satisfied the economic prong requirement for the asserted LTO-7 DI products.

The Final ID finds Sony has not shown that the '891, '106, and '805 patents are essential to the LTO-7 Standard. The Final ID also finds that Fujifilm has not breached any provisions of the Fujifilm AP-75 agreement, in particular sections 8.2 or 11.11. The Final ID further finds that Sony has not shown that the AP-75 agreement warrants barring Fujifilm's claims or terminating the investigation. The Final ID also finds that patent misuse does apply to bar Fujifilm's claims and that Fujifilm has not waived its rights to enforce the patents-in-suit. The Final ID also finds that Sony does not have an implied license to the patents-in-suit. The Final ID further finds that Sony has not shown that patent exhaustion applies.

On September 12, 2017, the ALJ issued his recommended determination on remedy and bonding. As instructed by the Commission, the ALJ also made findings concerning the public interest factors set forth in 19 U.S.C. 1337(d)(1) and (f)(1). See 81 FR 43243; 19 CFR 210.10(b).

The ALJ recommended that the appropriate remedy is a limited exclusion order and a cease and desist order against Sony. The ALJ recommended that the Commission require no bond during the period of Presidential review. The ALJ further found that public interest factors do not bar or require tailoring the recommended exclusion order. The ALJ also found that even if the asserted claims are essential, the public interest does not favor tailoring or curbing an exclusion order because Fujifilm did not breach its obligations under the AP-75 Agreement.

On September 18, 2017, Sony and OUII each filed petitions for review of various aspects of the Final ID. Also on September 18, 2017, Fujifilm filed a contingent petition for review of various aspects of the Final ID. On September 26, 2017, Fujifilm, Sony, and OUII filed responses to the various petitions for review.

On October 6, 2017, Fujifilm filed a post-RD statement on the public interest pursuant to Commission Rule 210.50(a)(4). Sony filed its statement on October 13, 2017. No responses were filed by the public in response to the post-RD Commission Notice issued on September 13, 2017. *See* Notice of Request for Statements on the Public Interest (Sept. 13, 2017); 82 *Fed. Reg.* 43567-68 (Sept. 18, 2017).

On December 12, 2017, the Commission determined to review the Final ID in part. Notice (Dec. 12, 2017); 82 FR 60038-41 (Dec. 18, 2017).

Specifically, the Commission determined to review-in-part the Final ID's finding of violation with respect to the '891 patent. In particular, the Commission determined to review the Final ID's findings with respect to anticipation and obviousness. The Commission further determined to review the Final ID's findings concerning secondary considerations.

The Commission also determined to review-in-part the Final ID's finding of violation

with respect to the '612 patent. Specifically, the Commission determined to review the Final ID's finding that the asserted claims of the '612 patent are not obvious. Accordingly, the Commission also determined to review the Final ID's finding that Fujifilm has satisfied the technical prong of the domestic industry requirement with respect to the '612 patent.

The Commission further determined to review-in-part the Final ID's findings with respect to the '106 patent. Specifically, the Commission determined not to review the Final ID's finding that the asserted claims of the '106 patent are invalid as indefinite. Accordingly, the Commission determined to review the Final ID's findings with respect to the remaining issues with respect to the '106 Patent.

The Commission also determined to review-in-part the Final ID's findings with respect to the '434 patent. Specifically the Commission determined to review the Final ID's finding that Sony's accused LTO-7 products do not infringe claim 1 of the '434 patent. The Commission also determined to review the Final ID's finding that Fujifilm's LTO-7 DI products do not practice claim 1. The Commission further determined to review the Final ID's finding that claim 1 is not obvious.

The Commission further determined to review-in-part the Final ID's findings with respect to the '805 patent. Specifically, the Commission determined to review the Final ID's finding that Sony's accused LTO-7 products do not infringe asserted claims 3 and 10 of the '805 patent. The Commission also determined to review the Final ID's finding that U.S. patent No. 6,710,967 ("Hennecken") does not anticipate claims 3 and 10.

The Commission also determined to review the Final ID's findings that the asserted claims of the '612, '106, and '805 patents are not essential to the LTO-7 Standard.

The Commission further determined to review the Final ID's findings concerning the economic prong of the domestic industry.

The Commission determined not to review the remaining issues decided in the Final ID.

In its notice of review, the Commission posed several briefing questions to the parties, and requested briefing on remedy, the public interest, and bonding. 82 FR at 60040. On January 3, 2018, the parties submitted their initial responses to the Commission's briefing questions. On January 12, 2018, the parties filed their reply submissions.

On December 26, 2017, Quantum Corporation filed a submission in response to the Commission's notice. On January 2, 2018, Hewlett Packard Enterprise Company filed a submission in response to the Commission's notice. On January 3, 2018, International Business Machines Corporation filed a submission in response to the Commission's notice.

Having examined the record of this investigation, including the Final ID, the petitions for review, the responses thereto, and the parties' submissions on review, the Commission has determined to find that a violation of section 337 has occurred with respect to the asserted claims of the '891 patent. The Commission has found no violation with respect to the '612, '106, '434, and '805 patents.

The Commission affirms with modification the Final ID's findings that the asserted claims of the '891 patent are not invalid as anticipated or obvious.

The Commission finds that Sony has shown by clear and convincing evidence that the asserted claims of the '612 patent are prima facie obvious over the asserted prior art and that there are no secondary considerations that overcome this finding. Accordingly, the Commission finds that Fujifilm has failed to satisfy the technical prong of the domestic industry requirement

by failing to show that its domestic industry products practice a valid claim of the '612 patent. The Commission has further determined not to reach the Final ID's findings concerning the technical prong with respect to the '612 Patent.

The Commission determined not to review the Final ID's finding that the asserted claims of the '106 patent are invalid as indefinite. Accordingly, the Commission has determined not to reach the Final ID's findings on the remaining issues with respect to the '106 patent.

With respect to the '434 patent, the Commission has determined to construe the limitations "a power spectrum density at a pitch of 10 micrometers ranges from 800 to 10,000 nm^3 on the magnetic layer surface" and "a power spectrum density at a pitch of 10 micrometers ranges from 20,000 to 80,000 nm^3 on the backcoat layer surface" recited in claim 1 of the '434 patent to require that the entire surface of each layer must have power spectrum density measurements within the claimed range. The Commission has further determined to find that Fujifilm has failed to show by a preponderance of the evidence that the accused LTO-7 tapes infringe claim 1 of the '434 patent. The Commission has also determined to find that Fujifilm has failed to satisfy the technical prong of the domestic industry requirement with respect to the '434 patent. The Commission has determined to affirm with modification the Final ID's finding that Sony has failed to show by clear and convincing evidence that the asserted prior art renders obvious asserted claim 1 of the '434 patent. Specifically, the Commission has determined not to reach the question of whether the asserted prior art discloses the limitation "the magnetic layer has a center surface average surface roughness Ra, as measured by an atomic force microscope, ranging from 0.5 to 2.5 nm."

The Commission has determined to affirm with modification the Final ID's finding that

Fujifilm has failed to show by a preponderance of the evidence that the accused LTO-7 tapes infringe claims 3 and 10 of the '805 patent. The Commission has also determined to affirm with modification the Final ID's finding that the asserted prior art does not anticipate the asserted claims of the '805 patent. The Commission also corrects the misstatement in the Final ID's "Conclusions of Fact and Law" that Fujifilm failed to satisfy the technical prong with respect to the '805 patent. *See* Final ID at 385.

The Commission has determined to affirm with modification the Final ID's finding that the asserted claims of the '612, 106, and '805 patents are not essential to the LTO-7 Standard. In particular, with respect to the '106 patent, the Commission has determined not to reach the issue of whether the LTO-7 Standard requires a tape having a magnetic layer that contains an abrasive. The Commission has determined to otherwise adopt the Final ID's findings that the LTO-7 Standard does not require practice of the asserted claims of the '612, 106, and '805 Patents. The Commission has determined not to reach any other issues concerning Sony's essentiality defenses.

The Commission has determined to find that Fujifilm's plant and equipment and labor and capital investments in its LTO-6 domestic industry products are significant under section 337(a)(3)(A) and (B), thus satisfying the economic prong of the domestic industry requirement with respect to the '891 patent. The Commission has determined not to reach the issue of whether Fujifilm has satisfied the economic prong with respect to its domestic investments in its LTO-7 DI products.

Accordingly, the Commission has determined the appropriate remedy is a limited exclusion order against Sony's products that infringe claims 1, 4-9, 11, and 14 of the '891 patent,

and a cease and desist order against each of the Sony respondents. The Commission has also determined that the public interest factors enumerated in subsections 337(d)(l) and (f)(1) (19 U.S.C. 1337(d)(l), (f)(1)) do not preclude issuance of the limited exclusion order and cease and desist order. The Commission has, however, determined to exempt Sony's magnetic data storage tapes and cartridges containing the same that are imported or used for the purpose of supporting Sony's warranty, service, repair, and compliance verification obligations. The Commission has further determined to set a bond at zero (0) percent of entered value during the Presidential review period (19 U.S.C. 1337(j)).

The Commission's orders and opinion were delivered to the President and to the United States Trade Representative on the day of their issuance.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in Part 210 of the Commission's Rules of Practice and Procedure (19 CFR Part 210).

By order of the Commission.

Katherine M. Hiner
Supervisory Attorney

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