DEPARTMENT OF HOMELAND SECURITY

U.S. Customs and Border Protection

Notice of Issuance of Final Determination Concerning Multifunction Digital Printers

AGENCY: U.S. Customs and Border Protection, Department of Homeland Security.

ACTION: Notice of final determination.

SUMMARY: This document provides notice that U.S. Customs and Border Protection (CBP) has issued a final determination concerning the country of origin of multifunction digital printers. Based upon the facts presented, CBP has concluded in the final determination that the components of the subject multifunction digital printers undergo a substantial transformation in Mexico when made into the final multifunction digital printer units.

DATES: The final determination was issued on January 17, 2025. A copy of the final determination is attached. Any party-at-interest, as defined in 19 CFR 177.22(d), may seek judicial review of this final determination within [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

FOR FURTHER INFORMATION CONTACT: Reema Bogin, Valuation and Special Programs Branch, Regulations and Rulings, Office of Trade, at reema.bogin@cbp.dhs.gov, or (202) 325-7703.

SUPPLEMENTARY INFORMATION: Notice is hereby given that on January 17, 2025, CBP issued a final determination concerning the country of origin of multifunction digital printers for purposes of title III of the Trade Agreements Act of 1979. This final determination, HQ H332745, was issued at the request of Konica Minolta Business Solutions U.S.A., Inc. ("Konica Minolta"), under procedures set forth at 19 CFR part 177, subpart B, which implements Title III of the Trade Agreements Act of 1979, as amended (19 U.S.C. 2511-18). In the final

determination, CBP has concluded that, based upon the facts presented, the components are substantially transformed in Mexico when made into the subject multifunction digital printers.

Section 177.29, CBP Regulations (19 CFR 177.29), provides that notice of final determinations shall be published in the *Federal Register* within 60 days of the date the final determination is issued. Section 177.30, CBP Regulations (19 CFR 177.30), provides that any party-at-interest, as defined in 19 CFR 177.22(d), may seek judicial review of a final determination within 30 days of publication of such determination in the *Federal Register*.

Alice A. Kipel,
Executive Director,
Regulations and Rulings,
Office of Trade

HQ H332745

January 17, 2025

OT:RR:CTF:VS H332745 RRB

CATEGORY: Origin

Daniel E. Waltz
Squire Patton Boggs (US) LLP
2550 M Street, NW
Washington, DC 20037

RE: U.S. Government Procurement; Title III, Trade Agreements Act of 1979 (19 U.S.C. § 2511); Subpart B, Part 177, CBP Regulations; Konica Minolta Business Solutions U.S.A., Inc.; Country of Origin of Multifunction Digital Printers; Substantial Transformation

Dear Mr. Waltz:

This is in response to your request, dated April 27, 2023, on behalf of your client, Konica Minolta Business Solutions U.S.A., Inc. ("Konica Minolta"), for a final determination concerning the country of origin of its Minerva SSBK series multifunction digital printers ("MFPs"), pursuant to Title III of the Trade Agreements Act of 1979 ("TAA"), as amended (19 U.S.C. § 2511 *et seq.*), and subpart B of Part 177, U.S. Customs and Border Protection ("CBP") Regulations (19 C.F.R. § 177.21 *et seq.*). Konica Minolta is a party-at-interest within the meaning of 19 C.F.R. § 177.22(d)(1) and § 177.23(a) and is therefore entitled to request this final determination.

FACTS:

Konica Minolta plans to sell its Minerva SSBK MFPs to customers in the United States, including the U.S. Government. The Minerva SSBK MFPs are multifunction digital printers intended for use in mid-to-large size offices and light Centralized Reprographic Departments ("CRDs") as high-speed printers, black-and-white copiers, scanners, and fax machines. According to counsel for Konica Minolta, most of the product design and development of the Minerva SSBK series MFPs is conducted in Japan, and several of its most important and complex components and subassemblies will be manufactured either in Mexico or China using a number of Japanese, Thai, or Vietnamese parts. The Minerva SSBK MFPs will initially be assembled in China. Counsel for Konica Minolta explains that several assemblies of the MFPs, including more complicated or advanced assemblies, will be removed before the resulting frame is shipped to Mexico for final assembly, as well as where other Mexican-made components and assemblies will be incorporated.

Assembly Process in China

In China, the following subassemblies will be assembled within the Minerva SSBK MFP's frame:

1. The **Print Head** will be produced in China from the following subcomponents:
    - a G1 lens manufactured in Japan;

- a G2 lens manufactured in China;
- a polygonal motor manufactured in China; and
- a laser diode manufactured in Thailand.

The print head operates by reflecting a laser beam off of the lenses and onto the polygonal mirrors to produce a copied image on the photoconductor ("OPC") drum. According to counsel for Konica Minolta, while the G1 lens is among the print head's most technically sophisticated parts, the cost per lens is low because they are produced in such large quantities. The print head will be assembled, and then installed into a frame in China to ensure proper alignment, but it will then be removed from the frame and shipped separately to Mexico for final installation.

2. The **Drum Unit** incorporates important Japanese components, including a Japanese OPC drum, which receives laser light that is reflected off the polygonal mirrors. Toner is deposited on the OPC drum and then transferred to the image transfer belt to create an image, which is then transferred from the belt onto paper.

3. The **Developing Unit** also incorporates important Japanese components. It holds the printer's developing material. The developing material consists of toner and carrier and is made in Japan. When mixed with the carrier, the toner becomes negatively charged and is attracted to the latent electrostatic image on the OPC drum, creating a visible developed image.

4. The **2nd Image Transfer Roller Unit** will be manufactured in China. It supports the image transfer belt unit. Following testing for quality checks in China, the 2nd image transfer roller unit will be removed from the MFP frame and shipped to Mexico. A new version of the 2nd image transfer roller unit will be shipped from China to Mexico for final installation into the MFP frame.

5. Additional units that are assembled within the MFP frame in China include the toner cartridge, which is manufactured in Japan, and the sub hopper unit, waste toner box, and copyholder, which are manufactured in China. Each of these units will be removed from the frame in China after initial testing for quality checks is complete. Replacement units known as "jig units" will be attached to the frame before it is shipped to Mexico for final assembly of the MFPs. The jig units have the same shape as the original units but cannot be attached to the finished product. Instead, during production in Mexico, the jig unit is used as an exchange device to prevent the sub hopper unit, toner cartridge unit, waste toner box and copyholder inside the frame from getting dirty. Like the original units, the jig units will be manufactured in China. After final assembly in Mexico is complete, the jig units are replaced with the original units that will be part of the final MFP.[1]

Assembly Process in Mexico

When shipped from China to Mexico after initial testing is complete in China, the printer's frame houses several subassemblies, but does not include the MFP board,

[1] According to counsel for Konica Minolta, the toner cartridge and the copyholder are not part of the main body of the final MFP but are sold as an option.

print head, image transfer belt unit, fusing unit, and the 2nd image transfer roller unit, which have been removed, along with three jig units -- the sub hopper unit and toner cartridge, the waste toner box, and the copyholder. It also does not include the 1500 paper feed unit. New versions of all of these subassemblies except for the image transfer belt unit, the fusing unit, and 1500 paper feed unit will be produced in China and shipped from China to Mexico for final installation. The image transfer belt unit, the fusing unit, and 1500 paper feed unit are not shipped to Mexico because new, Mexican-made versions of these units are already in Mexico for final installation into the Minerva SSBK series MFPs.

6. The **MFP Board** will be manufactured in Mexico. Counsel for Konica Minolta states that the MFP board constitutes the ”brain” of the digital printer, integrating its printer and copier functions. Konica Minolta’s proprietary software was majority developed and coded in Japan. The software is loaded onto the MFP board, the solid state drive, and the mechanical controller board in Mexico. The MFP board converts an electrical signal into a digital signal and sends the signal to the print head to create an image. It will be installed into the Minerva SSBK MFPs in Mexico. The MFP board consists of the following subcomponents:
   - CPU Board from China;
   - Base Board from China; and
   - Solid State Drive from Taiwan.

7. The **Image Transfer Belt Unit** will be manufactured in Mexico, and includes the following subcomponents:
   - an intermediate transfer belt manufactured in Japan, which accepts a single image created by the OPC drum to create the image that is then transferred onto paper;
   - a transfer frame manufactured in China;
   - a transfer roller manufactured in China; and
   - a brush manufactured in China.

   The image transfer belt unit is installed into the Minerva SSBK MFP frame in China to perform initial quality checks, but it is removed before the frame is shipped to Mexico. Counsel for Konica Minolta states that the image transfer belt unit finally installed in Mexico has never left Mexico.

8. The **Fusing Unit** will be manufactured in Mexico, and includes the following subcomponents:
   - a fusing belt manufactured in China;
   - a pressure roller manufactured in China;
   - a heating roller manufactured in China; and
   - a heater lamp manufactured in China.

   The fusing unit will be installed into a Minerva SSBK MFP frame in China to perform initial quality checks, but it will be removed before the frame is shipped to Mexico. Counsel for Konica Minolta states that the fusing unit finally installed in Mexico has never left Mexico.

9. The **1500 Paper Feed Unit** will be manufactured in Mexico. It will be installed into a Minerva SSBK MFP frame in China to perform initial quality checks, but it will be removed before the frame is shipped to Mexico. Counsel for Konica

Minolta states that the 1500 paper feed unit finally installed in Mexico has never left Mexico.

After final installation of the subassemblies onto the final MFP, all software is loaded onto the MFP board and the solid state drive in Mexico. The finished printer is then tested, adjusted, and calibrated in Mexico before shipment to the United States. Counsel for Konica Minolta states that the tests and inspections performed in Mexico are more complex and precise than those conducted in China.

ISSUE:

What is the country of origin of the Minerva SSBK MFPs for purposes of U.S. Government procurement?

LAW AND ANALYSIS:

CBP issues country of origin advisory rulings and final determinations as to whether an article is or would be a product of a designated country or instrumentality for the purpose of granting waivers of certain "Buy American" restrictions in U.S. law or practice for products offered for sale to the U.S. Government, pursuant to subpart B of Part 177, 19 C.F.R. §§ 177.21 *et seq.*, which implements Title III, Trade Agreements Act of 1979, as amended (19 U.S.C. §§ 2511-2518).

CBP's authority to issue advisory rulings and final determinations stems from 19 U.S.C. § 2515(b)(1), which states:

> For the purposes of this subchapter, the Secretary of the Treasury shall provide for the prompt issuance of advisory rulings and final determinations on whether, under section 2518(4)(B) of this title, **an article is or would be a product of a foreign country or instrumentality designated pursuant to section 2511(b) of this title.**

Emphasis added.

The Secretary of the Treasury's authority mentioned above, along with other customs revenue functions, are delegated to the Secretary of Homeland Security via Treasury Department Order (TO) 100-20 "Delegation of Customs revenue functions to Homeland Security," dated October 30, 2024, and are subject to further delegations to CBP (*see also* 19 CFR Part 177, subpart B).

The rule of origin set forth in 19 U.S.C. 2518(4)(B) states:

> An article is a product of a country or instrumentality only if (i) it is wholly the growth, product, or manufacture of that country or instrumentality, or (ii) in the case of an article which consists in whole or in part of materials from another country or instrumentality, it has been substantially transformed into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was so transformed.

See also 19 CFR 177.22(a).

In rendering advisory rulings and final determinations for purposes of U.S. Government procurement, CBP applies the provisions of subpart B of Part 177 consistent with the Federal Acquisition Regulation ("FAR"). *See* 19 CFR 177.21. In this regard, CBP recognizes that the FAR restricts the U.S. Government's purchase of

products to U.S.-made or designated country end products for acquisitions subject to the TAA. *See* 48 CFR 25.403(c)(1).

Section 25.003 defines "designated country end product" as:

> a WTO GPA [World Trade Organization Government Procurement Agreement] country end product, an FTA [Free Trade Agreement] country end product, a least developed country end product, or a Caribbean Basin country end product.

Section 25.003 defines "Free Trade Agreement country end product" as an article that:

> (1) Is wholly the growth, product, or manufacture of a Free Trade Agreement (FTA) country; or
>
> (2) In the case of an article that consists in whole or in part of materials from another country, has been substantially transformed in an FTA country into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.

"Free Trade Agreement country" means Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Korea (Republic of), Mexico, Morocco, Nicaragua, Oman, Panama, Peru, or Singapore. *See* 48 C.F.R. § 25.003. Thus, Mexico is an FTA country for purposes of the FAR.

To determine whether the combining of parts or materials constitutes a substantial transformation, the determinative issue is the extent of operations performed and whether the parts lose their identity and become an integral part of the new article. *Belcrest Linens v. United States*, 573 F. Supp. 1149 (Ct. Int'l Trade 1983), *aff'd*, 741 F.2d 1368 (Fed. Cir. 1984). Assembly operations that are minimal or simple, as opposed to complex or meaningful, will generally not result in a substantial transformation. *See* C.S.D. 80-111, C.S.D. 85-25, C.S.D. 89-110, C.S.D. 89-118, C.S.D. 90-51, and C.S.D. 90-97. CBP will make these decisions on a case-by-case basis, considering the totality of the circumstances. The country of origin of the article's components, the extent of the processing that occurs within a given country, and whether such processing renders a product with a new name, character, and use are primary considerations in such cases. Additionally, facts such as resources expended on product design and development, extent and nature of post-assembly inspection procedures, and worker skill required during the actual manufacturing process will be considered when analyzing whether a substantial transformation has occurred; however, no one such factor is determinative.

In various rulings concerning similar merchandise, CBP has held that complex and meaningful assembly operations involving a large number of components will generally result in a substantial transformation. In Headquarters Ruling Letter ("HQ") 562936, dated March 17, 2004, CBP addressed the country of origin of certain MFPs assembled in Japan of various Japanese- and Chinese-origin parts. CBP determined that the MFP was a product of Japan based on the fact that a "substantial portion of the printer's individual components and subassemblies [were] of Japanese origin." Furthermore, CBP noted that some of the Japanese components and subassemblies were essential parts of the finished article, and other Japanese parts, including the reader scanner unit and the control panel unit, were critical to the production of the printer. Finally, CBP noted that the Japanese processing operations were complex and meaningful, that required "the assembly of a large number of components, and

render[ed] a new and distinct article of commerce that possesse[d] a new name, character, and use."

In HQ W563491, dated February 8, 2007, CBP addressed a two-country scenario where all of the subassemblies of the multifunction printer were made in China, with the exception of the controller unit subassembly, application-specific integrated circuits, and firmware, which were made in Japan. Final assembly of the multifunction printer, testing and final inspection were also done in Japan. In that ruling, CBP determined that the multifunction printers were a product of Japan based on the fact that although several of the subassemblies were assembled in China, enough of the Japanese subassemblies and individual components served major functions and were high in value, in particular, the transfer belt, control box unit, application-specific integrated circuits, charged couple device, and laser diodes. Further, CBP found that the testing and adjustments performed in Japan were technical and complex, and the assembly operations that occurred in Japan were sufficiently complex and meaningful. Thus, through the product assembly and testing and adjustment operations, the individual components and subassemblies of Japanese and foreign-origin were subsumed into a new and distinct article of commerce that had a new name, character, and use.

In HQ H018467, dated January 4, 2008, CBP considered two manufacturing scenarios for multifunctional printers. In one scenario, manufacturing took place in two countries. In the other scenario, manufacturing took place in three countries. In the two-country scenario, 18 units were manufactured in the Philippines from components produced in various countries. The units were sent to Japan where the system control board, engine control board, OPC drum unit, and the toner reservoir were manufactured and incorporated into the units. The control boards were programmed in Japan with Japanese firmware that controlled the user interface, imaging, memories, and the mechanics of the machines. The machines were then inspected and adjusted as necessary. CBP found that the manufacturing operations in Japan substantially transformed the Philippines units such that it was determined that Japan was the country of origin of the multifunctional machines. In making the determination (and in addition to the finding that operations performed in Japan were meaningful and complex and resulted in an article of commerce with a new name, character, and use), CBP found it very significant that the system control board, the engine control board, and the firmware, which were very important to the functionality of the machines, were manufactured in Japan.

In HQ H025106, dated June 11, 2008, CBP addressed the country of origin of certain photocopying machines, which had photocopying, printing, faxing, and scanning functions. The machines were comprised of a scanning unit, controller unit subassembly, laser scanning unit, photoconductor unit, developer unit, transfer unit, and fusing unit. Three of these components were assembled into the machine's frame in China, and the rest were assembled into the frame in Japan, where the machines were completed. CBP noted that though the developer unit and transfer unit were assembled in China, enough of the subassemblies and individual components (e.g., the transfer belt and photoconductor unit, among others) were from Japan, with the photoconductor being made of entirely Japanese parts. It also noted that though the developer unit would be assembled in China, two of the unit's key components were from Japan; and while the transfer unit would be partially assembled in China, the transfer belt was from Japan. CBP also noted that there were a large variety of adjustments that were made to the subassemblies in Japan, using advanced equipment and firmware. As a result,

CBP held that the country of origin of the machines was Japan because the Japanese and foreign origin parts were substantially transformed into the machines through the product assembly that took place in Japan.

It is Konica Minolta's position that the country of origin of the Minerva SSBK MFPs will be Mexico, where the MFPs are substantially transformed upon final assembly involving what counsel describes as the skillful integration of several critical components, followed by numerous distinct physical and electronic testing, adjustment, and calibration procedures.

Before proceeding with our analysis, we note that CBP issued a final determination to Konica Minolta in HQ H263561, dated March 23, 2015, concerning the proposed manufacturing process of the bizhub C3850FS MFPs. There, the assembly process of the bizhub MFPs began in Thailand and finished in Japan, utilizing components from several countries. Specifically, four subassemblies—the print head, optical lens, charge coupled device board, and mechanical control board—were to be assembled into and permanently integrated within the MFP's frame in Thailand, while six subassemblies would be assembled and tested in Thailand, removed, and ultimately assembled into the final MFP frame in Japan for final testing—the latent image unit, image transfer belt unit, 2nd image transfer roller unit, fusing unit, hard disk drive, and power supply unit. Additionally, the MFP board was to be manufactured in Japan, installed with Japanese-developed software in Japan, and assembled into the final MFP in Japan. There, CBP held that the country of origin of the bizhub MFPs was Japan.

Based on the facts presented in the instant matter, we note that although the assembly of the Minerva SSBK MFP will take place in Mexico and China, there are also operations that contribute to this assembly that will take place in Japan. Thus, where no one country imparts the dominant portion of the work conducted, we will employ a totality of the circumstances approach in determining the country of origin of the finished Minerva SSBK MFPs. First, we note that all but two of the subassemblies will be assembled into and permanently installed into the MFPs in Mexico; only the developing unit and drum unit, both manufactured in China, will be assembled and permanently installed into the frame in China. Although the drum unit and developing unit are assembled and permanently installed into the frame in China, both of these subassemblies incorporate important Japanese subcomponents, including the OPC drum, toner and carrier. While the print head unit and 2nd image transfer roller unit will be assembled and installed into the frame in China, they will be removed from the frame following initial testing and shipped separately to Mexico for final assembly. Less critical subassemblies manufactured in China, including the sub hopper unit and waste toner box, are assembled onto the final product in Mexico following removal of the jig units.[2] More importantly, not only are some of the most critical subassemblies of the Minerva SSBK MFPs permanently integrated within the MFPs in Mexico, but they are also manufactured there. While the MFP board, *i.e.*, the "brain" of the Minerva SSBK MFP, consists of subcomponents from various countries, its proprietary software that was majority developed and coded in Japan is loaded onto the MFP board in Mexico where that subassembly is also manufactured. In addition to the MFP board, not only are the image transfer belt unit, the fusing unit, and the 1500 paper feed unit manufactured in

[2] The jig units manufactured in China are not part of the final MFP. The toner cartridge manufactured in Japan and the copyholder manufactured in China are not part of the main body of the final MFP and are sold as an option.

Mexico, but the versions that are integrated into the final MFP in Mexico have never left Mexico.

Compared to the Konica Minolta bizhub MFPs in HQ H263561, where four of the major subassemblies were permanently installed into the MFP frame when shipped from Thailand to Japan, only two major subassemblies will be permanently installed into the Minerva SSBK MFP frame in the instant matter when shipped from China to Mexico. In HQ H263561, CBP found that although several of the subassemblies were assembled and installed onto the frame in Thailand, those subassemblies included important components of Japanese origin. Here, more of the subassemblies are either finally integrated into the MFP in Mexico or are both manufactured in Mexico and finally integrated into the MFP in Mexico. Unlike in HQ H263561, four additional subassemblies—namely, the MFP board, the fusing unit, the image transfer belt unit, and the 1500 paper feed unit -- are manufactured in Mexico. Moreover, final assembly in Mexico includes loading Konica Minolta's complex proprietary software onto the MFP board and other components in Mexico, along with numerous distinct physical and electronic testing, adjustment, and calibration procedures to ensure each machine's proper operation. Through final assembly of all the subassemblies onto the MFP -- including the four subassemblies that will be manufactured in Mexico -- as well as the testing and adjustment operations, the individual subassemblies and subcomponents of Mexican and foreign origin will be subsumed into a new and distinct article of commerce that has a new name, character, and use. Accordingly, under the totality of the circumstances, we find that the country of origin of the Minerva SSBK MFP will be Mexico for purposes of U.S. Government procurement.

HOLDING:

Based on the facts and analysis set forth above, the country of origin of the Minerva SSBK MFP will be considered Mexico for purposes of U.S. Government procurement.

Notice of this final determination will be given in the *Federal Register*, as required by 19 C.F.R. § 177.29. Any party-at-interest other than the party which requested this final determination may request, pursuant to 19 C.F.R. § 177.31, that CBP reexamine the matter anew and issue a new final determination. Pursuant to 19 C.F.R. § 177.30, any party-at-interest may, within 30 days of publication of the Federal Register Notice referenced above, seek judicial review of this final determination before the U.S. Court of International Trade.

Sincerely,

Alice A. Kipel
Executive Director
Regulations and Rulings
Office of Trade

[FR Doc. 2025-05733 Filed: 4/2/2025 8:45 am; Publication Date: 4/3/2025]