



PAGE 32
WHY CAN'T
REMANUFACTURERS LIVE
WITHOUT TRUST?



PAGE 16
WHAT YOU NEED TO
KNOW IF YOU ARE
NAMED AS A 337
DEFENDANT?



PAGE 38
MANAGING CHANNELS
- CHALLENGES FOR
AFTERMARKET
PLAYERS

PAGE 45
WHY
SHOULD WE
CARE?



RecyclingTimes

Your Global Media Partner

Incorporating **Recharger** and **CONSUMIBLES** magazines



PAGE 24

OPERATIONS EXPANDED

DUE TO **GROWING**
GLOBAL TONER SALES

US-based Industry Veteran Alan Kronstat Joins
 Indian Toners & Developers

Issue 75 (US\$10.00)
 ISSN 2050 6430

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RT RemaxWorld SUMMIT
 ZHUHAI · CHINA
 OCTOBER 12, 2016

2016 RemaxWorld Summit China
 OCTOBER 13-15

RECYCLING TIMES

No. 75 | 2016

07 | EDITORIAL



09 | NEWS IN BRIEF

—Epson Retaliates?
—Aftermarket Companies Settle with Epson in Japan

10 | WORLD NEWS

13 | LEGAL UPDATES

15 | OUT OF AFRICA

Digital Marketing – are we there yet, Africa?



15 | TRENDS

Gloomy Outlook for Western European Printer Markets

38 | IN MY VIEW

Why haven't you printed directly from mobile devices?

24 | FRONT COVER STORY



Expanded Operations Due to Growing Global Toner Sales
Alan Kronstat,
Indian Toners & Developers
Photo: David Gibbons



The Mexican and Chinese governments met in Mexico City on May 16 to address the demands of the global printer consumables industry. *RT Media's* Managing Director Tony Lee and LATAM Representative Ivan Rosales spoke at the Mexico-China (Guangdong) Cooperation Forum, with the representatives from the Guangdong Provincial Government, Zhuhai City Government, Department of Commerce of Guangdong Province, and ProMexico.

FEATURES

16 A Survivor's Guide to Section 337 Investigations and ITC General Exclusion Orders

Part II: What you need to know if you are named as a defendant in an ITC 337.

32 Why Remanufacturers Can't Live without Trust

Top brands have carefully designed digital marketing strategies that work like a Swiss watch fetching your data and learning your interests.

38 Managing Channels – Challenges for Aftermarket Players

Channels are a very important part of consumable business. A company needs help from its channels to reach to its target audience.

43 | TECHZONE



Remanufacturing the Brother HL-L 6200 Series Drum Cartridge DR-820

47 | KEEPING UP



Sailing the Seas of Commerce

49 | PATENTLY SPEAKING



Impression Products to Appeal to the US Supreme Court

52 | THE LISTS

Berto Cartoon

45 | 5 QUESTIONS

Why Should We Care?
Volker O. Kappius, COO of Delacamp



Recycling Times informs, educates, and nurtures the global printer consumables industry innovatively through an integrated broadcast, print, digital and social media strategy. As such, we honor and respect the intellectual property of all businesses and individuals. Consequently, we take a zero tolerance position to the manufacture, distribution and sale of patent infringing and counterfeit printer cartridges and components. We continue to strive to avoid promoting such in our advertisements, articles and editorial content.

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A SURVIVAL

Guide to Section

Order



Merritt R. Blakeslee, The Blakeslee Law Firm, Washington, D.C.

VIVOR'S 337 Investigations & ITC General Exclusion Orders

Part II: What you need to know if you are named as a defendant in an ITC 337 investigation

Washington DC, Patent attorney Merritt Blakeslee has written a 3 part series for those wanting to know more about exporting products to the USA.

Part I: The International Trade Commission and the ink and toner cartridge remanufacturing industry. This article discussed several significant differences between patent infringement litigation in the U.S. federal district courts and patent infringement litigation at the U.S. International Trade Commission ("ITC"). The ITC, an independent federal agency headquartered in Washington, D.C., enforces certain U.S. laws governing international trade, including, particularly, those regulating the importation of goods alleged to infringe a U.S. patent. From the perspective of an OEM toner cartridge manufacturer, these differences make the ITC an ideal forum for attempting to prevent third parties from selling remanufactured and compatible ink and toner cartridges in the U.S. printer consumables market.

To obtain a copy, please go to bit.ly/merritt2016

Part III: What you need to know in order to continue to operate legally after the ITC issues a general exclusion order or other injunction covering your products.

In the next part, Blakeslee will discuss the steps that a company in the reman/compatible business must take to ensure that it can continue to participate profitably and legally in the U.S. market following the issuance of an ITC remedial order or orders.



Structure of a 337 investigation:

From a procedural point of view, a 337 investigation generally resembles conventional civil litigation in a U.S. district court. They are adversarial proceedings presided over by a judge. The parties prepare their cases culminating in a trial and decision, unless it is terminated earlier by default, settlement, or a successful motion for summary determination.

A 337 investigation is set in motion when a private party files a complaint at the ITC. The ITC has 30 days to decide whether to act on the complaint. In most cases, it accepts the complaint and institutes a 337 investigation (called an “institution”). This 30-day review period gives respondents crucial time to hire attorneys and prepare an effective defense. Immediately after *institution*, the matter is assigned to one of the ITC’s six administrative law judges (“ALJ”), who is responsible for conducting the litigation and issuing a preliminary ruling (called an initial determination or ID) on the allegations in the complaint, which is then reviewed and accepted, rejected, or revised by the ITC’s Commissioners.

Discovery

The period between *institution* and

the *hearing* is devoted to American-style discovery where all information and documents relevant to the legal and factual issues in the investigation are disclosed.

Such discovery is highly intrusive and has no counterpart in most legal systems outside the United States. The complainant, for example, may demand each respondent turn over copies of all *documents* dealing with the invention, manufacture, exportation/importation,

A 337 INVESTIGATION IS SET IN MOTION WHEN A PRIVATE PARTY FILES A COMPLAINT AT THE ITC

and sale of the accused product. The complainant may also demand that each respondent answer detailed *questionnaires* (called “interrogatories”) concerning the same topics. The complainant will take depositions (oral questioning) of the respondent’s officers and officials, which are audio or video taped under oath, and transcribed by a court reporter. Finally, the complainant has the right to make an *inspection* of the respondent’s facilities.

The respondent can make the same types of demands of the complainant.

A party’s failure to cooperate in discovery can lead to sanctions or even default. In addition, the deadlines for complying with discovery are extremely short—just ten calendar days for most requests—requiring a major commitment of the respondent’s resources.

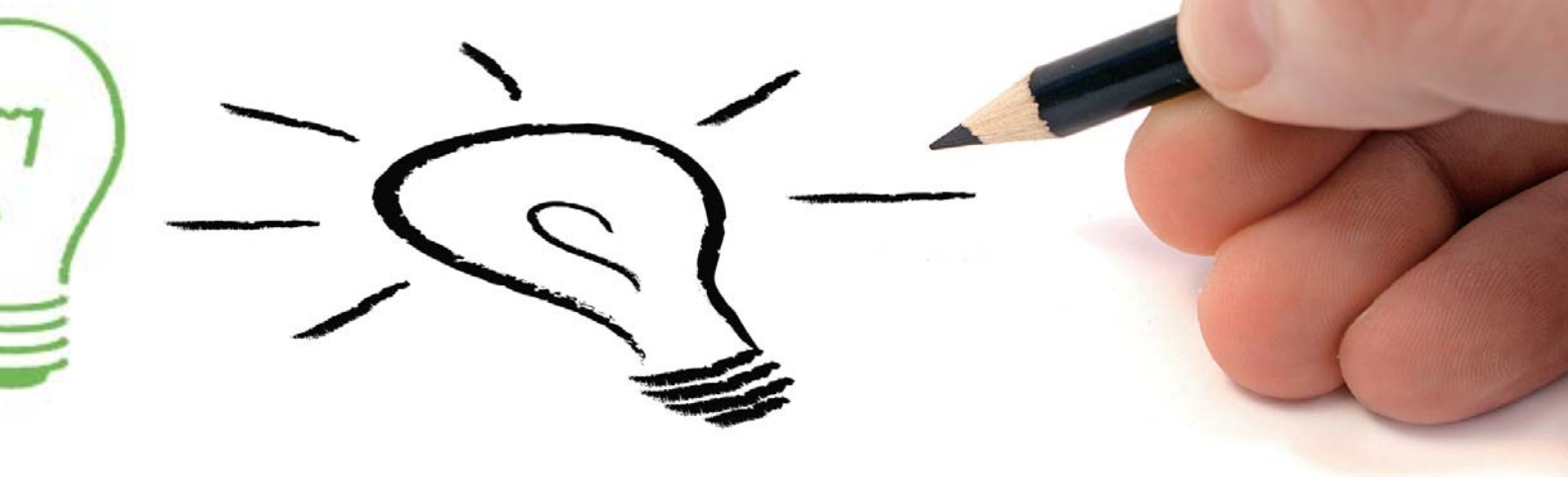
In most 337 investigations, the parties also present the testimony of expert witnesses on the key legal issues: (non-) infringement, (in) validity of the asserted patents, and the (non-) existence of a domestic industry.

After the parties have had the opportunity to conduct fact and expert discovery to develop their respective legal positions, the ALJ holds a formal, evidentiary hearing, or trial.

There is no jury: rather, it is a bench trial. About three months after considering the arguments of the parties, the ALJ renders an initial determination (ID). The full ITC reviews and may adopt, modify, or reverse the ALJ’s initial determination. The ITC’s final determination is usually issued about four months after the ALJ’s ID.

Speed of 337 investigations

One of the most important things to understand about a 337 investigation is that it moves quite rapidly. Respondents must comply with the short deadlines or



risk being defaulted or simply mounting an ineffective defense.

The ALJ's first task after institution is to set a "target date," which dictates the schedule for the entire litigation. Delays and requests for extensions, that are common elsewhere, are rarely tolerated or granted at the ITC. Target dates are typically set between 14 and 16 months.

In a 337 investigation of 16 months, all fact discovery, including the depositions of fact witnesses, will be completed in *about six months*. The expert phase, including expert reports, rebuttal reports, and expert depositions, will be completed *within a month and a half* after that. The case will go to trial *about nine months* after institution. By comparison, the average patent infringement suit filed in a U.S. district court takes *26 months* to reach trial.

Remedies

If the ITC determines there is a violation of section 337, it may issue three types of injunctions:

1. A *general exclusion order (or GEO)* that permanently excludes from entry into the United States any imported products infringing the complainant's intellectual property, regardless of their source. In other words, it bars the importation of the products of non-parties to the 337 investigation as well as those of the respondents;

2. Where the facts do not warrant the extraordinary relief of a general exclusion order, it will issue a *limited exclusion order (or LEO)* instead. The ITC's general and limited exclusion orders are enforced by U.S. Customs and Border Protection (CBP), which monitors and excludes from entry into the United States attempted imports of

¹ Design-arounds

Because the ITC only has the authority to issue injunctive relief that applies to a respondent's actions *in the future*, every respondent, while exploring settlement and/or defending on the substantive legal issues, should investigate the feasibility of developing a "design-around" to replace the existing accused product. A design-around is a product that performs the same function as the accused product but that does so through a design that does not infringe the complainant's patent(s). The technical and strategic considerations that go into developing a successful design-around are complex, but the respondent can continue to participate in the U.S. market, in spite of any exclusion order, cease-and-desist order, or seizure-and-forfeiture order, and, if it has taken a license, likely without the obligation to pay royalties. For a thorough discussion of design-arounds in 337 investigations, see *Seeking Adjudication of a Design-Around in Section 337 Patent Infringement Investigations: Procedural Context and Strategic Considerations*, 35 AIPLA QUARTERLY JOURNAL 385 (Fall 2007).

infringing products. At the same time that it issues the GEO or LEO, the ITC issues a *seizure-and-forfeiture* order instructing CBP to seize and forfeit any further attempted entries of infringing goods by the same entity.

3. The ITC can also issue a *cease-and-desist order* against any domestic respondent holding inventory of, or from importing, infringing products in the United States. A cease-and-desist order can be a more powerful deterrent than an exclusion order and the ITC has the power to impose "a civil penalty for each day an importation of articles, or their sale, occurs in violation of the order."

Concurrent litigation

The ITC does not have the authority to award monetary damages to a prevailing complainant¹. So many ITC complainants file simultaneous actions in the federal district court and at the ITC naming the same defendants/respondents and asserting the same infringement allegations. Once the ITC action is concluded, the complainant may seek monetary damages through the federal district court.

In short, filing an ITC action is a tactic intended to shut a respondent's accused products out of the U.S. market as quickly as possible, drying up its sales revenues and making it more difficult to fund an

>>continues page 21



effective defense. If the complainant is successful, it has plenty of time thereafter to prosecute its suit for monetary damages in the district court—putting significant pressure on the respondent to reach a settlement agreement.

Settlement

Many Section 337 cases—64% of cases brought between 2008 and 2011—end with a settlement between the parties. Normally, the respondent demands termination from the ITC investigation, termination of any pending district court litigation, and a release from any further claim for monetary damages.

Defending a Section 337 investigation

The ITC, however, is not a forum where the deck is stacked against the respondent. In 337 investigations brought between 2008 and 2011, complainants prevailed only 41% of the time. Respondents won 59% of the time. Indeed, winning an ITC investigation requires a complainant to overcome substantial obstacles:

- (1) the accused product is imported;
- (2) at least one of the asserted patent claims is valid and enforceable;
- (3) the asserted valid patent claim is infringed by the accused products; *and*
- (4) there is a domestic industry in the United States that makes or licenses

a product produced according to the asserted patent.

If the complainant loses on any of these questions, there is no violation of Section 337. Put differently, a respondent only has to win on one of these issues, to win the case. To be effective, it will need an effective legal team.

Putting Together a Legal Team

A good defense starts with a good legal team. In ITC investigations, the respondent's legal team should have the following capabilities:

1. Where the respondent is based in a non-English-speaking country, the legal team should include counsel who will:
 - a. serve as a liaison between the respondent and the attorneys in the United States;
 - b. assist in understanding and complying with its obligations in the ITC investigation;
 - c. work closely with the respondent in responding to discovery requests;
 - d. provide English translations of documents as needed;
2. experienced U.S. intellectual property litigators supported by specialists in the technical area covered by the intellectual property in suit (who could assist in the development of a design-around); and
3. An ITC specialist, expert in ITC practice

and procedure, jurisprudence, and in trade issues that arise in ITC cases, particularly at the remedy and enforcement stages.

It is not necessary that these three components of the legal team belong to the same law firm. In fact, it would be somewhat unusual if they did. Because of its complexity, most ITC litigation is conducted by a team composed of members of different law firms. What is necessary is that the team members have the requisite expertise and that they work well—and cost-effectively—with one another. ■



Merritt R. Blakeslee has practiced in the fields of international law and international trade regulation since 1991. His practice focuses on international trade and specifically on disputes lying at the intersection between international trade and intellectual property law. His principal practice areas include Section 337 investigations at the International Trade Commission; Customs counseling, enforcement, and litigation; anticounterfeiting and trademark protection; antidumping and countervailing duty investigations; and export controls.