

*In the Matter of*

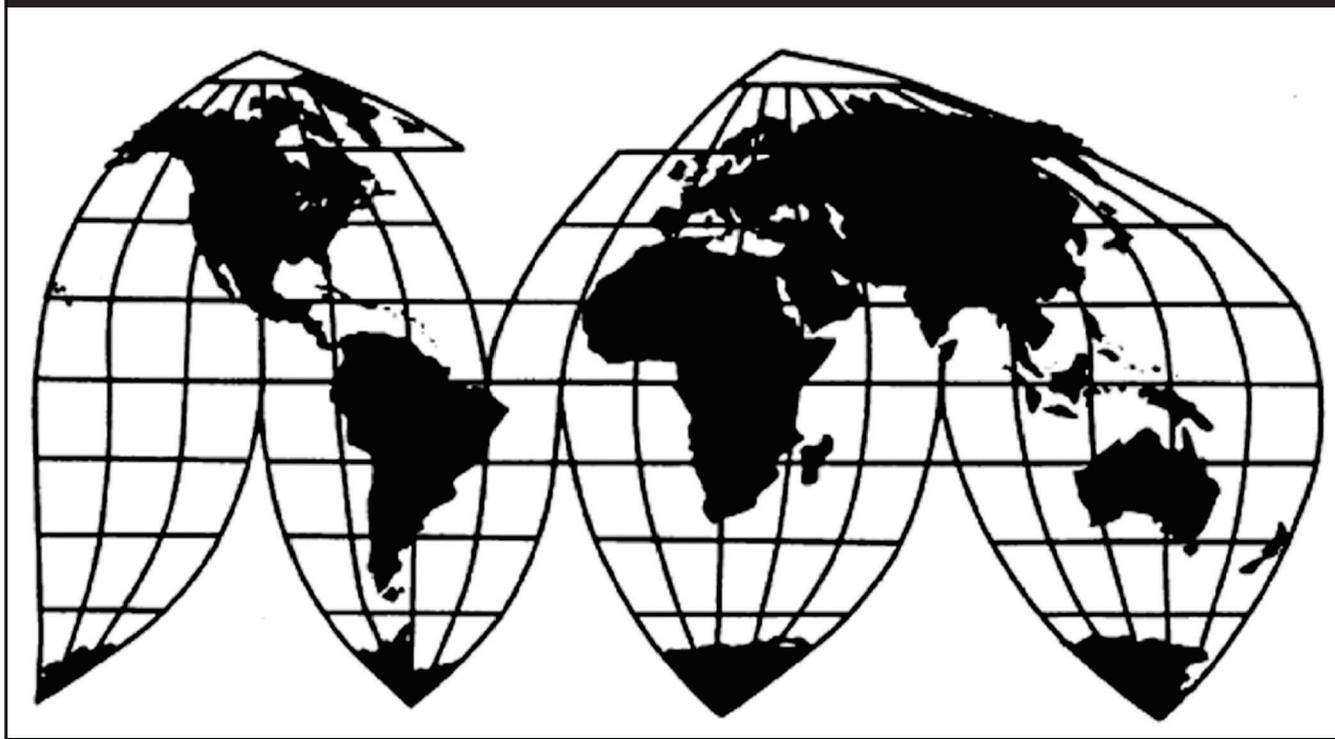
**CERTAIN MAGNETIC TAPE CARTRIDGES  
AND COMPONENTS THEREOF**

Investigation No. 337-TA-1058

Publication 4980

September 2019

**U.S. International Trade Commission**



Washington, DC 20436

# **U.S. International Trade Commission**

## **COMMISSIONERS**

**David Johanson, Chairman**  
**Irving Williamson, Commissioner**  
**Meredith Broadbent, Commissioner**  
**Rhonda Schmidlein, Commissioner**  
**Jason Kearns, Commissioner**

**Address all communications to  
Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436  
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*In the Matter of*

## **CERTAIN MAGNETIC TAPE CARTRIDGES AND COMPONENTS THEREOF**

Investigation No. 337-TA-1058



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

**In the Matter of**

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-1058**

**ORDER OF RESCISSION**

The Commission instituted this investigation under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337 (“section 337”), on June 1, 2017. 82 Fed. Reg. 25333 (Jun. 1, 2017). The complaint, as amended, was filed by Sony Corporation of Tokyo, Japan; Sony Storage Media Solutions Corporation of Tokyo, Japan; Sony Storage Media Manufacturing Corporation of Miyagi, Japan; Sony DADC US Inc. of Terre Haute, Indiana; and Sony Latin America Inc. of Miami, Florida (collectively “Sony”). *Id.*

On March 25, 2019, the Commission found a violation of section 337 as to claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”) and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”). 84 Fed. Reg. 11998-12000 (Mar. 29, 2019). The Commission issued a limited exclusion order prohibiting respondents Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, New York; and Fujifilm Recording Media U.S.A., Inc. of Bedford, Massachusetts (collectively, “Fujifilm”) from importing into the United States certain magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent. The Commission also issued cease and desist orders

prohibiting Respondents from further importing, selling, and distributing infringing products in the United States.

On July 23, 2019, Sony and Fujifilm entered into a Worldwide Resolution Agreement and Patent Cross-License (the "Agreement"). On July 25, 2019, Sony and Fujifilm jointly petitioned, pursuant to Commission Rule 210.76, 19 CFR 210.76, to rescind the limited exclusion order and the cease and desist orders. On August 5, 2019, the Office of Unfair Import Investigations ("OUII") filed a response in support of the joint petition.

Having reviewed the joint petition and OUII's response, the Commission has determined that the Agreement fully resolves the dispute between Sony and Fujifilm concerning the subject matter of the investigation. The Commission finds that the joint petition complies with the requirements of Commission Rule 210.76, 19 CFR 210.76. Accordingly, the Commission has determined to rescind the limited exclusion order and the cease and desist orders issued in the investigation.

Upon consideration of this matter, the Commission hereby ORDERS that:

1. The limited exclusion order in this investigation is rescinded.
2. The cease and desist orders in this investigation are rescinded.
3. Notice of this Order shall be served on all parties of record and published in the Federal Register.

By order of the Commission.



Lisa R. Barton  
Secretary to the Commission

Issued: August 23, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **August 23, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

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

**In the Matter of**

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-1058**

**NOTICE OF COMMISSION DECISION RESCINDING THE  
LIMITED EXCLUSION ORDER AND THE 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 determined to rescind the limited exclusion order and the cease and desist orders issued in the above-captioned investigation.

**FOR FURTHER INFORMATION CONTACT:** Cathy Chen, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-2392. 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 SW, Washington, DC 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 June 1, 2017. 82 FR 25333 (Jun. 1, 2017). The complaint, as amended, was filed by Sony Corporation of Tokyo, Japan; Sony Storage Media Solutions Corporation of Tokyo, Japan; Sony Storage Media Manufacturing Corporation of Miyagi, Japan; Sony DADC US Inc. of Terre Haute, Indiana; and Sony Latin America Inc. of Miami, Florida (collectively "Sony"). *Id.* The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of certain claims of U.S. Patent Nos. 7,029,774 ("the '774 patent"); 6,674,596 ("the '596 patent"); and 6,979,501 ("the '501 patent"). *Id.* The notice of investigation named Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of

Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, NY; and Fujifilm Recording Media U.S.A., Inc. of Bedford, MA (collectively “Fujifilm”) as respondents. *Id.* at 25334. The Office of Unfair Import Investigations (“OUII”) was also a party in this investigation. *Id.*

The ALJ found a violation of section 337. Following Commission review, on March 25, 2019, the Commission issued its final determination in the investigation, finding a violation of section 337 as to claims 1, 5-8, 10, 16, and 17 of the ’774 patent and claims 1-13 of the ’596 patent, and no violation of section 337 as to claims 1, 2, 4-6, and 8 of the ’501 patent. 84 FR 11998-12000 (Mar. 29, 2019). An opinion accompanied the notice, and the Commission issued a limited exclusion order and cease and desist orders.

On July 23, 2019, Sony and Fujifilm entered into a Worldwide Resolution Agreement and Patent Cross-License (the “Agreement”). On July 25, 2019, Sony and Fujifilm jointly petitioned, pursuant to Commission Rule 210.76, 19 CFR 210.76, to rescind the limited exclusion order and the cease and desist orders. The joint petition attached an unredacted confidential version and a redacted public version of the Agreement. On August 5, 2019, OUII filed a response in support of the joint petition.

Having reviewed the joint petition and OUII’s response, the Commission finds that the Agreement fully resolves the dispute between Sony and Fujifilm concerning the subject matter of the investigation. The Commission also finds that the joint petition complies with the requirements of Commission Rule 210.76, 19 CFR 210.76. Accordingly, the Commission has determined to rescind the limited exclusion order and the cease and desist orders issued in the investigation.

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 210).

By order of the Commission.



Lisa R. Barton  
Secretary to the Commission

Issued: August 14, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **August 14, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

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

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**LIMITED EXCLUSION ORDER**

The United States International Trade Commission (“Commission”) has determined that there is a violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), in the unlawful importation, sale for importation, and sale within the United States after importation by Respondents Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, NY; and Fujifilm Recording Media U.S.A., Inc. of Bedford, MA (collectively, “Fujifilm”) of certain magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”).

Having reviewed the record of this investigation, including the written submissions of the parties, the Commission has made its determination on the issues of remedy, the public interest, and bonding. The Commission has determined that the appropriate form of relief includes a limited exclusion order prohibiting the unlicensed entry of certain magnetic tape cartridges and components thereof manufactured abroad by or on behalf of, or imported by or on behalf of, Fujifilm or any of its affiliated companies, parents, subsidiaries, licensees, or other related business entities, or their successors or assigns.

The Commission has also determined that the public interest factors enumerated in 19 U.S.C. § 1337(d) do not preclude the issuance of the limited exclusion order, and that the bond shall be in the amount of zero (0) percent of the entered value for all infringing magnetic tape cartridges and components thereof during the Presidential review period (*i.e.*, no bond).

Accordingly, the Commission hereby **ORDERS** that:

1. Magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the '774 patent, and claims 1-13 of the '596 patent ("covered articles"), and that are manufactured abroad by or on behalf of, or imported by or on behalf of, Fujifilm or any of its affiliated companies, parents, subsidiaries, agents, or other related business entities, or their successors or assigns, are excluded from entry for consumption into the United States, entry for consumption from a foreign-trade zone, or withdrawal from a warehouse for consumption, for the remaining terms of the patents, except: 1) articles under license of the patent owner or as provided by law, and 2) articles imported for use for the purpose of compliance verification testing.

2. Notwithstanding paragraph 1 of this Order, covered articles are entitled to entry into the United States for consumption, entry for consumption from a foreign-trade zone, or withdrawal from a warehouse for consumption under bond in the amount of zero (0) percent of the entered value of such articles, *i.e.*, no bond, pursuant to subsection (j) of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337(j)), and the Presidential Memorandum for the United States Trade Representative of July 21, 2005 (70 *Fed. Reg.* 43,251), from the day after this Order is received by the United States Trade Representative until such time as the United States Trade Representative notifies the Commission that this Order is approved or disapproved but, in any event, not later than sixty (60) days after the date of receipt of this Order. All entries

of covered articles made pursuant to this paragraph are to be reported to U.S. Customs and Border Protection (“CBP”), in advance of the date of the entry, pursuant to procedures CBP establishes.

3. At the discretion of CBP and pursuant to procedures that it establishes, persons seeking to import magnetic tape cartridges and components thereof that are potentially subject to this Order may be required to certify that they are familiar with the terms of this Order, that they have made appropriate inquiry, and thereupon state that, to the best of their knowledge and belief, the products being imported are not excluded from entry under paragraph 1 of this Order. At its discretion, CBP may require persons who have provided the certification described in this paragraph to furnish such records or analyses as are necessary to substantiate the certification.

4. In accordance with 19 U.S.C. § 1337(l), the provisions of this Order shall not apply to covered articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government.

5. The Commission may modify this Order in accordance with the procedures described in section 210.76 of the Commission’s Rules of Practice and Procedure (19 C.F.R. § 210.76).

6. The Secretary shall serve copies of this Order upon each party of record in this investigation and upon CBP.

7. Notice of this Order shall be published in the *Federal Register*.

By Order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', with a stylized flourish at the end.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

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**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
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1299 Pennsylvania Avenue, NW  
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**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C.**

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED THAT RESPONDENT** Fujifilm Holdings America Corporation of Valhalla, New York cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, transferring (except for exportation), soliciting United States agents or distributors for, and aiding and abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”) in violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

**I.**  
**Definitions**

As used in this Order:

- (A) “Commission” shall mean the United States International Trade Commission.
- (B) “Complainants” shall mean Sony Corporation of Tokyo, Japan, Sony Storage Media Solutions Corporation of Tokyo, Japan, Sony Storage Media Manufacturing Corporation of Miyagi, Japan, Sony DADC US Inc. of Terre Haute, Indiana, and Sony Latin America Inc. of Miami, Florida.

- (C) “Respondent” shall mean Fujifilm Holdings America Corporation of Valhalla, New York.
- (D) “Person” shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority-owned or controlled subsidiaries, successors, or assigns.
- (E) “United States” shall mean the fifty States, the District of Columbia, and Puerto Rico.
- (F) The terms “import” and “importation” refer to importation for entry for consumption under the Customs laws of the United States.
- (G) The term “covered products” shall mean magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent.

**II.  
Applicability**

The provisions of this Cease and Desist order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

**III.  
Conduct Prohibited**

The following conduct of Respondent in the United States is prohibited by this Order. For the remaining term of the relevant ’774 or ’596 patent, Respondent shall not:

- (A) import or sell for importation into the United States covered products;

- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products;
- (D) solicit United States agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of imported covered products.

#### **IV. Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if:

- (A) in a written instrument, the owner of the infringed patent licenses or authorizes such specific conduct;
- (B) such specific conduct is related to the importation or sale of covered products by or for the United States; or
- (C) the conduct is related to articles imported for use for the purpose of compliance verification testing.

#### **V. Reporting**

For purposes of this requirement, the reporting periods shall commence on January 1 of each year and shall end on the subsequent December 31. The first report required under this section shall cover the period from the date of issuance of this order through June 30, 2019. This reporting requirement shall continue in force until such time as Respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that it has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

When filing written submissions, Respondent must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-1058") in a prominent place on the cover pages and/or the first page. (*See Handbook for Electronic Filing Procedures*, [https://www.usitc.gov/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf)). Persons with questions regarding filing should contact the Secretary (202-205-2000). If Respondent desires to submit a document to the Commission in confidence, it must file the original and a public version of the original with the Office of the Secretary and must serve a copy of the confidential version on Complainants' counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

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<sup>1</sup> Complainants must file a letter with the Secretary identifying the attorney to receive reports and bond information associated with this order. The designated attorney must be on the protective order entered in the investigation.

**VI.**  
**Record-Keeping and Inspection**

- (A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.
- (B) For the purposes of determining or securing compliance with this Order and for no other purpose, subject to any privilege recognized by the federal courts of the United States, and upon reasonable written notice by the Commission or its staff, duly authorized representatives of the Commission shall be permitted access and the right to inspect and copy, in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, in detail and in summary form, that must be retained under subparagraph VI(A) of this Order.

**VII.**  
**Service of Cease and Desist Order**

Respondent is ordered and directed to:

- (A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;
- (B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(A) of this order, a copy of the Order upon each successor; and

- (C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the expiration dates of the '774 or '596 patents.

### **VIII. Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Section V or VI of this Order should be made in accordance with section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 201.6). For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

### **IX. Enforcement**

Violation of this Order may result in any of the actions specified in Section 210.75 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.75), including an action for civil penalties under section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)), as well as any other action that the Commission deems appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if it fails to provide adequate or timely information.

### **X. Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

## **XI. Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative, as delegated by the President (70 *Fed. Reg.* 43,251 (Jul. 21, 2005)), subject to Respondent posting of a bond in the amount of zero (0) percent of the entered value of the covered products (*i.e.*, no bond). This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this Order are subject to the entry bond set forth in the Exclusion Order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. (*See* 19 C.F.R. § 210.68). The bond and any accompanying documentation are to be provided to and approved by the Commission prior to the commencement of conduct that is otherwise prohibited by Section III of this Order. Upon the Secretary's acceptance of the bond, (a) the Secretary will serve an acceptance letter on all parties, and (b) Respondent must serve a copy of the bond and any accompanying documentation on Complainants' counsel.<sup>2</sup>

The bond is to be forfeited in the event that the United States Trade Representative approves this Order (or does not disapprove it within the review period), unless (i) the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or (ii) Respondent exports or destroys the

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<sup>2</sup> *See* note 1 above.

products subject to this bond and provides certification to that effect that is satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved (or not disapproved) by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By order of the Commission

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
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Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

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**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
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Washington, DC 20004

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

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED THAT RESPONDENT** Fujifilm Holdings Corporation of Tokyo, Japan cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, transferring (except for exportation), soliciting United States agents or distributors for, and aiding and abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”) in violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

**I.**  
**Definitions**

As used in this Order:

- (A) “Commission” shall mean the United States International Trade Commission.
- (B) “Complainants” shall mean Sony Corporation of Tokyo, Japan, Sony Storage Media Solutions Corporation of Tokyo, Japan, Sony Storage Media Manufacturing Corporation of Miyagi, Japan, Sony DADC US Inc. of Terre Haute, Indiana, and Sony Latin America Inc. of Miami, Florida.
- (C) “Respondent” shall mean Fujifilm Holdings Corporation of Tokyo, Japan.

- (D) “Person” shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority-owned or controlled subsidiaries, successors, or assigns.
- (E) “United States” shall mean the fifty States, the District of Columbia, and Puerto Rico.
- (F) The terms “import” and “importation” refer to importation for entry for consumption under the Customs laws of the United States.
- (G) The term “covered products” shall mean magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent.

## **II. Applicability**

The provisions of this Cease and Desist order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

## **III. Conduct Prohibited**

The following conduct of Respondent in the United States is prohibited by this Order.

For the remaining term of the relevant ’774 or ’596 patent, Respondent shall not:

- (A) import or sell for importation into the United States covered products;
- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products;

- (D) solicit United States agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of imported covered products.

**IV.  
Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if:

- (A) in a written instrument, the owner of the infringed patent licenses or authorizes such specific conduct;
- (B) such specific conduct is related to the importation or sale of covered products by or for the United States; or
- (C) the conduct is related to articles imported for use for the purpose of compliance verification testing.

**V.  
Reporting**

For purposes of this requirement, the reporting periods shall commence on January 1 of each year and shall end on the subsequent December 31. The first report required under this section shall cover the period from the date of issuance of this order through June 30, 2019. This reporting requirement shall continue in force until such time as Respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that it has (i) imported and/or (ii) sold in the United States after importation during the reporting period,

and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

When filing written submissions, Respondent must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-1058") in a prominent place on the cover pages and/or the first page. (*See Handbook for Electronic Filing Procedures*, [https://www.usitc.gov/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf)). Persons with questions regarding filing should contact the Secretary (202-205-2000). If Respondent desires to submit a document to the Commission in confidence, it must file the original and a public version of the original with the Office of the Secretary and must serve a copy of the confidential version on Complainants' counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

## **VI. Record-Keeping and Inspection**

- (A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and

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<sup>1</sup> Complainants must file a letter with the Secretary identifying the attorney to receive reports and bond information associated with this order. The designated attorney must be on the protective order entered in the investigation.

ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.

- (B) For the purposes of determining or securing compliance with this Order and for no other purpose, subject to any privilege recognized by the federal courts of the United States, and upon reasonable written notice by the Commission or its staff, duly authorized representatives of the Commission shall be permitted access and the right to inspect and copy, in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, in detail and in summary form, that must be retained under subparagraph VI(A) of this Order.

## **VII.**

### **Service of Cease and Desist Order**

Respondent is ordered and directed to:

- (A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;
- (B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(A) of this order, a copy of the Order upon each successor; and
- (C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the expiration dates of the '774 or '596 patents.

**VIII.  
Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Section V or VI of this Order should be made in accordance with section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 201.6). For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

**IX.  
Enforcement**

Violation of this Order may result in any of the actions specified in Section 210.75 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.75), including an action for civil penalties under section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)), as well as any other action that the Commission deems appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if it fails to provide adequate or timely information.

**X.  
Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

**XI.  
Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative,

as delegated by the President (70 Fed. Reg. 43,251 (Jul. 21, 2005)), subject to Respondent posting of a bond in the amount of zero (0) percent of the entered value of the covered products (*i.e.*, no bond). This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this Order are subject to the entry bond set forth in the Exclusion Order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. (*See* 19 C.F.R. § 210.68). The bond and any accompanying documentation are to be provided to and approved by the Commission prior to the commencement of conduct that is otherwise prohibited by Section III of this Order. Upon the Secretary's acceptance of the bond, (a) the Secretary will serve an acceptance letter on all parties, and (b) Respondent must serve a copy of the bond and any accompanying documentation on Complainants' counsel.<sup>2</sup>

The bond is to be forfeited in the event that the United States Trade Representative approves this Order (or does not disapprove it within the review period), unless (i) the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or (ii) Respondent exports or destroys the products subject to this bond and provides certification to that effect that is satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved (or

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<sup>2</sup> See note 1 above.

not disapproved) by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By order of the Commission.

A handwritten signature in black ink, appearing to read "Lisa R. Barton". The signature is stylized and cursive.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery  
 Via Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

- Via Hand Delivery  
 Via Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

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

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED THAT RESPONDENT** Fujifilm Corporation of Tokyo, Japan cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, transferring (except for exportation), soliciting United States agents or distributors for, and aiding and abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”) in violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

**I.**  
**Definitions**

As used in this Order:

- (A) “Commission” shall mean the United States International Trade Commission.
- (B) “Complainants” shall mean Sony Corporation of Tokyo, Japan, Sony Storage Media Solutions Corporation of Tokyo, Japan, Sony Storage Media Manufacturing Corporation of Miyagi, Japan, Sony DADC US Inc. of Terre Haute, Indiana, and Sony Latin America Inc. of Miami, Florida.
- (C) “Respondent” shall mean Fujifilm Corporation of Tokyo, Japan.

- (D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority-owned or controlled subsidiaries, successors, or assigns.
- (E) "United States" shall mean the fifty States, the District of Columbia, and Puerto Rico.
- (F) The terms "import" and "importation" refer to importation for entry for consumption under the Customs laws of the United States.
- (G) The term "covered products" shall mean magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the '774 patent, and claims 1-13 of the '596 patent.

## **II. Applicability**

The provisions of this Cease and Desist order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

## **III. Conduct Prohibited**

The following conduct of Respondent in the United States is prohibited by this Order. For the remaining term of the relevant '774 or '596 patent, Respondent shall not:

- (A) import or sell for importation into the United States covered products;
- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products;

- (D) solicit United States agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of imported covered products.

**IV.  
Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if:

- (A) in a written instrument, the owner of the infringed patent licenses or authorizes such specific conduct;
- (B) such specific conduct is related to the importation or sale of covered products by or for the United States; or
- (C) the conduct is related to articles imported for use for the purpose of compliance verification testing.

**V.  
Reporting**

For purposes of this requirement, the reporting periods shall commence on January 1 of each year and shall end on the subsequent December 31. The first report required under this section shall cover the period from the date of issuance of this order through June 30, 2019. This reporting requirement shall continue in force until such time as Respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that it has (i) imported and/or (ii) sold in the United States after importation during the reporting period,

and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

When filing written submissions, Respondent must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-1058") in a prominent place on the cover pages and/or the first page. (*See Handbook for Electronic Filing Procedures*, [https://www.usitc.gov/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf)). Persons with questions regarding filing should contact the Secretary (202-205-2000). If Respondent desires to submit a document to the Commission in confidence, it must file the original and a public version of the original with the Office of the Secretary and must serve a copy of the confidential version on Complainants' counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

## **VI. Record-Keeping and Inspection**

- (A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and

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<sup>1</sup> Complainants must file a letter with the Secretary identifying the attorney to receive reports and bond information associated with this order. The designated attorney must be on the protective order entered in the investigation.

ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.

- (B) For the purposes of determining or securing compliance with this Order and for no other purpose, subject to any privilege recognized by the federal courts of the United States, and upon reasonable written notice by the Commission or its staff, duly authorized representatives of the Commission shall be permitted access and the right to inspect and copy, in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, in detail and in summary form, that must be retained under subparagraph VI(A) of this Order.

**VII.**  
**Service of Cease and Desist Order**

Respondent is ordered and directed to:

- (A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;
- (B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(A) of this order, a copy of the Order upon each successor; and
- (C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the expiration dates of the '774 or '596 patents.

**VIII.  
Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Section V or VI of this Order should be made in accordance with section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 201.6). For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

**IX.  
Enforcement**

Violation of this Order may result in any of the actions specified in Section 210.75 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.75), including an action for civil penalties under section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)), as well as any other action that the Commission deems appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if it fails to provide adequate or timely information.

**X.  
Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

**XI.  
Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative,

as delegated by the President (70 *Fed. Reg.* 43,251 (Jul. 21, 2005)), subject to Respondent posting of a bond in the amount of zero (0) percent of the entered value of the covered products (*i.e.*, no bond). This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this Order are subject to the entry bond set forth in the Exclusion Order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. (*See* 19 C.F.R. § 210.68). The bond and any accompanying documentation are to be provided to and approved by the Commission prior to the commencement of conduct that is otherwise prohibited by Section III of this Order. Upon the Secretary's acceptance of the bond, (a) the Secretary will serve an acceptance letter on all parties, and (b) Respondent must serve a copy of the bond and any accompanying documentation on Complainants' counsel.<sup>2</sup>

The bond is to be forfeited in the event that the United States Trade Representative approves this Order (or does not disapprove it within the review period), unless (i) the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or (ii) Respondent exports or destroys the products subject to this bond and provides certification to that effect that is satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved (or

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<sup>2</sup> *See* note 1 above.

not disapproved) by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

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

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED THAT RESPONDENT** Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, transferring (except for exportation), soliciting United States agents or distributors for, and aiding and abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”) in violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

**I.**  
**Definitions**

As used in this Order:

- (A) “Commission” shall mean the United States International Trade Commission.
- (B) “Complainants” shall mean Sony Corporation of Tokyo, Japan, Sony Storage Media Solutions Corporation of Tokyo, Japan, Sony Storage Media Manufacturing Corporation of Miyagi, Japan, Sony DADC US Inc. of Terre Haute, Indiana, and Sony Latin America Inc. of Miami, Florida.

- (C) “Respondent” shall mean Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan.
- (D) “Person” shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority-owned or controlled subsidiaries, successors, or assigns.
- (E) “United States” shall mean the fifty States, the District of Columbia, and Puerto Rico.
- (F) The terms “import” and “importation” refer to importation for entry for consumption under the Customs laws of the United States.
- (G) The term “covered products” shall mean magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent.

**II.  
Applicability**

The provisions of this Cease and Desist order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

**III.  
Conduct Prohibited**

The following conduct of Respondent in the United States is prohibited by this Order. For the remaining term of the relevant ’774 or ’596 patent, Respondent shall not:

- (A) import or sell for importation into the United States covered products;

- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products;
- (D) solicit United States agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of imported covered products.

**IV.  
Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if:

- (A) in a written instrument, the owner of the infringed patent licenses or authorizes such specific conduct;
- (B) such specific conduct is related to the importation or sale of covered products by or for the United States; or
- (C) the conduct is related to articles imported for use for the purpose of compliance verification testing.

**V.  
Reporting**

For purposes of this requirement, the reporting periods shall commence on January 1 of each year and shall end on the subsequent December 31. The first report required under this section shall cover the period from the date of issuance of this order through June 30, 2019. This reporting requirement shall continue in force until such time as Respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that it has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

When filing written submissions, Respondent must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-1058") in a prominent place on the cover pages and/or the first page. (*See Handbook for Electronic Filing Procedures*, [https://www.usitc.gov/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf)). Persons with questions regarding filing should contact the Secretary (202-205-2000). If Respondent desires to submit a document to the Commission in confidence, it must file the original and a public version of the original with the Office of the Secretary and must serve a copy of the confidential version on Complainants' counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

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<sup>1</sup> Complainants must file a letter with the Secretary identifying the attorney to receive reports and bond information associated with this order. The designated attorney must be on the protective order entered in the investigation.

**VI.**  
**Record-Keeping and Inspection**

- (A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.
- (B) For the purposes of determining or securing compliance with this Order and for no other purpose, subject to any privilege recognized by the federal courts of the United States, and upon reasonable written notice by the Commission or its staff, duly authorized representatives of the Commission shall be permitted access and the right to inspect and copy, in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, in detail and in summary form, that must be retained under subparagraph VI(A) of this Order.

**VII.**  
**Service of Cease and Desist Order**

Respondent is ordered and directed to:

- (A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;
- (B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(A) of this order, a copy of the Order upon each successor; and

- (C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the expiration dates of the '774 or '596 patents.

### **VIII. Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Section V or VI of this Order should be made in accordance with section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 201.6). For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

### **IX. Enforcement**

Violation of this Order may result in any of the actions specified in Section 210.75 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.75), including an action for civil penalties under section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)), as well as any other action that the Commission deems appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if it fails to provide adequate or timely information.

### **X. Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

## **XI. Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative, as delegated by the President (70 *Fed. Reg.* 43,251 (Jul. 21, 2005)), subject to Respondent posting of a bond in the amount of zero (0) percent of the entered value of the covered products (*i.e.*, no bond). This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this Order are subject to the entry bond set forth in the Exclusion Order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. (*See* 19 C.F.R. § 210.68). The bond and any accompanying documentation are to be provided to and approved by the Commission prior to the commencement of conduct that is otherwise prohibited by Section III of this Order. Upon the Secretary's acceptance of the bond, (a) the Secretary will serve an acceptance letter on all parties, and (b) Respondent must serve a copy of the bond and any accompanying documentation on Complainants' counsel.<sup>2</sup>

The bond is to be forfeited in the event that the United States Trade Representative approves this Order (or does not disapprove it within the review period), unless (i) the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or (ii) Respondent exports or destroys the

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<sup>2</sup> *See* note 1 above.

products subject to this bond and provides certification to that effect that is satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved (or not disapproved) by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery  
 Via Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

- Via Hand Delivery  
 Via Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

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

In the Matter of

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

Investigation No. 337-TA-1058

**CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED THAT RESPONDENT** Fujifilm Recording Media U.S.A., Inc. of Bedford, Massachusetts cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising, distributing, transferring (except for exportation), soliciting United States agents or distributors for, and aiding and abetting other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of U.S. Patent No. 7,029,774 (“the ’774 patent”), and claims 1-13 of U.S. Patent No. 6,674,596 (“the ’596 patent”) in violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337).

**I.**  
**Definitions**

As used in this Order:

- (A) “Commission” shall mean the United States International Trade Commission.
- (B) “Complainants” shall mean Sony Corporation of Tokyo, Japan, Sony Storage Media Solutions Corporation of Tokyo, Japan, Sony Storage Media Manufacturing Corporation of Miyagi, Japan, Sony DADC US Inc. of Terre Haute, Indiana, and Sony Latin America Inc. of Miami, Florida.

- (C) “Respondent” shall mean Fujifilm Recording Media U.S.A., Inc. of Bedford, Massachusetts.
- (D) “Person” shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than Respondent or its majority-owned or controlled subsidiaries, successors, or assigns.
- (E) “United States” shall mean the fifty States, the District of Columbia, and Puerto Rico.
- (F) The terms “import” and “importation” refer to importation for entry for consumption under the Customs laws of the United States.
- (G) The term “covered products” shall mean magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent.

## **II. Applicability**

The provisions of this Cease and Desist order shall apply to Respondent and to any of its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and majority-owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, *infra*, for, with, or otherwise on behalf of, Respondent.

## **III. Conduct Prohibited**

The following conduct of Respondent in the United States is prohibited by this Order. For the remaining term of the relevant ’774 or ’596 patent, Respondent shall not:

- (A) import or sell for importation into the United States covered products;

- (B) market, distribute, sell, or otherwise transfer (except for exportation) in the United States imported covered products;
- (C) advertise imported covered products;
- (D) solicit United States agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of imported covered products.

#### **IV. Conduct Permitted**

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if:

- (A) in a written instrument, the owner of the infringed patent licenses or authorizes such specific conduct;
- (B) such specific conduct is related to the importation or sale of covered products by or for the United States; or
- (C) the conduct is related to articles imported for use for the purpose of compliance verification testing.

#### **V. Reporting**

For purposes of this requirement, the reporting periods shall commence on January 1 of each year and shall end on the subsequent December 31. The first report required under this section shall cover the period from the date of issuance of this order through June 30, 2019. This reporting requirement shall continue in force until such time as Respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered products in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission (a) the quantity in units and the value in dollars of covered products that it has (i) imported and/or (ii) sold in the United States after importation during the reporting period, and (b) the quantity in units and value in dollars of reported covered products that remain in inventory in the United States at the end of the reporting period.

When filing written submissions, Respondent must file the original document electronically on or before the deadlines stated above and submit eight (8) true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-1058") in a prominent place on the cover pages and/or the first page. (*See Handbook for Electronic Filing Procedures*, [https://www.usitc.gov/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf)). Persons with questions regarding filing should contact the Secretary (202-205-2000). If Respondent desires to submit a document to the Commission in confidence, it must file the original and a public version of the original with the Office of the Secretary and must serve a copy of the confidential version on Complainants' counsel.<sup>1</sup>

Any failure to make the required report or the filing of any false or inaccurate report shall constitute a violation of this order, and the submission of a false or inaccurate report may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

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<sup>1</sup> Complainants must file a letter with the Secretary identifying the attorney to receive reports and bond information associated with this order. The designated attorney must be on the protective order entered in the investigation.

**VI.**  
**Record-Keeping and Inspection**

- (A) For the purpose of securing compliance with this Order, Respondent shall retain any and all records relating to the sale, offer for sale, marketing, or distribution in the United States of covered products, made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of three (3) years from the close of the fiscal year to which they pertain.
- (B) For the purposes of determining or securing compliance with this Order and for no other purpose, subject to any privilege recognized by the federal courts of the United States, and upon reasonable written notice by the Commission or its staff, duly authorized representatives of the Commission shall be permitted access and the right to inspect and copy, in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, in detail and in summary form, that must be retained under subparagraph VI(A) of this Order.

**VII.**  
**Service of Cease and Desist Order**

Respondent is ordered and directed to:

- (A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the importation, marketing, distribution, or sale of imported covered products in the United States;
- (B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(A) of this order, a copy of the Order upon each successor; and

- (C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subparagraphs VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subparagraphs VII(B) and VII(C) shall remain in effect until the expiration dates of the '774 or '596 patents.

### **VIII. Confidentiality**

Any request for confidential treatment of information obtained by the Commission pursuant to Section V or VI of this Order should be made in accordance with section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 201.6). For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

### **IX. Enforcement**

Violation of this Order may result in any of the actions specified in Section 210.75 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.75), including an action for civil penalties under section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)), as well as any other action that the Commission deems appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if it fails to provide adequate or timely information.

### **X. Modification**

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

## **XI. Bonding**

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the United States Trade Representative, as delegated by the President (70 *Fed. Reg.* 43,251 (Jul. 21, 2005)), subject to Respondent posting of a bond in the amount of zero (0) percent of the entered value of the covered products (*i.e.*, no bond). This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered products imported on or after the date of issuance of this Order are subject to the entry bond set forth in the Exclusion Order issued by the Commission, and are not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders. (*See* 19 C.F.R. § 210.68). The bond and any accompanying documentation are to be provided to and approved by the Commission prior to the commencement of conduct that is otherwise prohibited by Section III of this Order. Upon the Secretary's acceptance of the bond, (a) the Secretary will serve an acceptance letter on all parties, and (b) Respondent must serve a copy of the bond and any accompanying documentation on Complainants' counsel.<sup>2</sup>

The bond is to be forfeited in the event that the United States Trade Representative approves this Order (or does not disapprove it within the review period), unless (i) the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses any Commission final determination and order as to Respondent on appeal, or (ii) Respondent exports or destroys the

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<sup>2</sup> *See* note 1 above.

products subject to this bond and provides certification to that effect that is satisfactory to the Commission.

The bond is to be released in the event the United States Trade Representative disapproves this Order and no subsequent order is issued by the Commission and approved (or not disapproved) by the United States Trade Representative, upon service on Respondent of an order issued by the Commission based upon application therefore made by Respondent to the Commission.

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
**BAKER BOTTS LLP**  
1299 Pennsylvania Avenue, NW  
Washington, DC 20004

- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

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

**In the Matter of**

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-1058**

**NOTICE OF A COMMISSION FINAL DETERMINATION FINDING A VIOLATION  
OF SECTION 337; ISSUANCE OF A LIMITED EXCLUSION ORDER AND CEASE  
AND DESIST ORDERS; TERMINATION OF THE INVESTIGATION**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has found a violation of section 337 in this investigation and has issued a limited exclusion order and cease and desist orders. The remedial orders are suspended as to claim 17 of U.S. Patent No. 7,029,774 pending final resolution of a validity issue. The investigation is terminated.

**FOR FURTHER INFORMATION CONTACT:** Cathy Chen, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-2392. 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 SW, Washington, DC 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 June 1, 2017, based on a complaint, as amended, filed by Sony Corporation of Tokyo, Japan; Sony Storage Media Solutions Corporation of Tokyo, Japan; Sony Storage Media Manufacturing Corporation of Miyagi, Japan; Sony DADC US Inc. of Terre Haute, Indiana; and Sony Latin America Inc. of Miami, Florida (collectively "Sony"). 82 FR 25333 (Jun. 1, 2017). The complaint alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of claims 1-11 and 15-20 of U.S. Patent No. 7,029,774 ("the '774 patent"); claims 1-19 of U.S. Patent No. 6,674,596 ("the '596 patent"); and claims 1-6, and 8 of

U.S. Patent No. 6,979,501 (“the ’501 patent”). *Id.* The complaint further alleges that an industry in the United States exists as required by 19 U.S.C. § 1337(a)(2). *Id.* The notice of investigation named Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, New York; and Fujifilm Recording Media U.S.A., Inc. of Bedford, Massachusetts (collectively “Fujifilm”), as respondents. *Id.* at 25334. The Office of Unfair Import Investigations is also a party in this investigation. *Id.*

On March 22, 2018, the administrative law judge (“ALJ”) granted Sony’s motion to terminate claims 2-4, 9, 11, 15, and 18-20 of the ’774 patent, claim 3 of the ’501 patent, and claims 14-19 of the ’596 patent from the investigation. *See* Order No. 26; Comm’n Notice of Non-Review (Apr. 23, 2018).

The ALJ held an evidentiary hearing on May 8-11, 2018, and thereafter received post-hearing briefs.

On August 17, 2018, the ALJ issued his final initial determination (“ID”), finding a violation of section 337 by Fujifilm in connection with claims 1, 5-8, 10, 16, and 17 of the ’774 patent, and claims 1-13 of the ’596 patent, but not in connection with claims 1, 2, 4-6, and 8 of the ’501 patent. Specifically, the ID found that Fujifilm’s accused products infringe the asserted claims of the ’774 and the ’596 patents; that the asserted claims of the ’774 and ’596 patents are not invalid; and that a domestic industry exists with respect to both patents. Although the ID also found that Fujifilm’s accused products infringe the asserted claims of the ’501 patent, and that a domestic industry exists with respect to that patent, the ID found no violation as to the ’501 patent because Fujifilm established that the asserted claims are invalid.

On August 17, 2018, the ALJ also issued his recommended determination on remedy and bonding. As instructed by the Commission, the ALJ made findings of fact and recommendations concerning the public interest factors set forth in 19 U.S.C. 1337(d)(1) and (f)(1). 82 FR 25334; 19 CFR 210.10(b), 210.42(a)(1)(ii)(C). The ALJ recommended that the appropriate remedy is a limited exclusion order and cease and desist orders directed to Fujifilm. The ALJ also recommended that the Commission require no bond during the period of Presidential review. The ALJ further recommended, based on the evidence presented, that public interest factors do not weigh against or warrant tailoring any remedy.

On September 4, 2018, Sony, Fujifilm, and the Commission’s Investigative Attorney each filed a timely petition for review of the final ID. Thereafter, the parties filed timely responses to the petitions for review and public interest comments pursuant to Commission Rule 210.50(a)(4).

On October 18, 2018, the Commission determined to review the final ID in part and requested the parties to brief certain issues under review and to brief issues of remedy, bonding, and the public interest. The Commission determined to review the ID’s finding that the economic prong of the domestic industry requirement has been satisfied for all three asserted patents under sections 337(a)(3)(B) and (C) based on the domestic activities of Sony’s licensee. In addition, with respect to the ’774 patent, the Commission determined to review the ID’s findings that the

asserted claims are not invalid for lack of enablement and are not invalid for lack of written description, and the ID's finding that certain prior art tapes do not anticipate claim 17. The Commission also determined to review the ID's findings with respect to the '596 patent in their entirety. Other than the ID's economic prong finding, the Commission did not review any other finding related to the '501 patent.

On October 23, 2018, the Patent Trial and Appeal Board ("PTAB") of the U.S. Patent and Trademark Office issued a Final Written Decision in an *inter partes* review finding claims 15 and 17 of the '774 patent unpatentable.

On November 1, 2018, the parties filed submissions to the Commission's questions and also briefed the issues of remedy, bonding, and the public interest. As part of its submission, Fujifilm requested that the Commission stay the enforcement of any remedial orders should the Commission find a violation of section 337 in connection with claims 15 and 17 of the '774 patent in view of the PTAB's Final Written Decision finding those claims invalid. On November 8, 2018, the parties filed responses to the initial submissions. That same day, Sony and Fujifilm also filed a joint unopposed motion to submit certain replacement pages to their respective initial written submission.

Having examined the record of this investigation, including the final ID, and the parties' submissions, the Commission has determined to (1) affirm the ID's findings that the asserted claims of the '774 patent are not invalid for lack of enablement and are not invalid for lack of written description; (2) affirm with modifications the ID's finding that certain prior art tapes do not anticipate claim 17 of the '774 patent; (3) affirm with modifications the ID's finding that Fujifilm has not proven that the asserted claims of the '596 patent are obvious over Platte and Kano; (4) take no position on whether Fujifilm's own acts of direct infringement can form a basis for a violation of section 337 with respect to the '596 patent, and whether Fujifilm contributorily infringes the '596 patent; (5) affirm with modifications the ID's finding that the economic prong of the domestic industry requirement has been satisfied for the '596 patent under sections 337(a)(3)(B) and (C) based on the domestic activities of Sony's licensee; (6) affirm with modifications the ID's finding that the economic prong of the domestic industry requirement has been satisfied with respect to the '774 and the '501 patents under section 337(a)(3)(B) based on the domestic activities of Sony's licensee; and (7) take no position on whether the economic prong of the domestic industry requirement has been satisfied with respect to the '774 and the '501 patents under section 337(a)(3)(C) based on the domestic activities of Sony's licensee. The Commission adopts the ID's findings to the extent that they are not inconsistent with the Commission opinion issued herewith. The Commission action results in a violation of section 337 as to claims 1, 5-8, 10, 16, and 17 of the '774 patent, and claims 1-13 of the '596 patent, but not as to claims 1, 2, 4-6, and 8 of the '501 patent.

The Commission has also determined to grant Sony's and Fujifilm's joint motion to submit certain replacement pages to their respective initial written submission.

Having found a violation of section 337 in this investigation, the Commission has determined that the appropriate form of relief is: (1) a limited exclusion order prohibiting the unlicensed entry of magnetic tape cartridges and components thereof that infringe one or more of

claims 1, 5-8, 10, 16, and 17 of the '774 patent, and claims 1-13 of the '596, and (2) cease and desist orders directed to the domestic Fujifilm respondents. The Commission has also determined that the public interest factors enumerated in section 337(d) and (f) (19 U.S.C. 1337(d) and (f)) do not preclude issuance of the limited exclusion order or cease and desist orders. The Commission has, however, determined to exempt Fujifilm's magnetic tape cartridges and components thereof that are imported or used for the purpose of compliance verification testing.

In view of the PTAB's Final Written Decision finding claim 17 of the '774 patent unpatentable, the Commission has determined to suspend the enforcement of the limited exclusion order and cease and desist orders as to that claim pending final resolution of the PTAB's Final Written Decision. *See* 35 U.S.C. § 318(b).

The Commission has further determined to set a bond at zero (0) percent of entered value during the period of Presidential review (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.



Lisa R. Barton  
Secretary to the Commission

Issued: March 25, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **March 25, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
Latin America Inc.:**

Jeffrey S. Gerchick, Esq.  
**QUINN EMANUEL URQUHART & SULLIVAN, LLP**  
1300 I Street, NW, Suite 900  
Washington, DC 20005

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**On Behalf of Respondents FUJIFILM Holdings Corporation,  
FUJIFILM Corporation, FUJIFILM Holdings  
America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

Lisa M. Kattan, Esq.  
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**PUBLIC VERSION**

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

**In the Matter of**

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-1058**

**COMMISSION OPINION**

**I. INTRODUCTION**

The Commission instituted this investigation on June 1, 2017, based on a complaint, as amended, by Sony Corporation of Tokyo, Japan; Sony Storage Media Solutions Corporation of Tokyo, Japan; Sony Storage Media Manufacturing Corporation of Miyagi, Japan; Sony DADC US Inc. of Terre Haute, Indiana; and Sony Latin America Inc. of Miami, Florida (collectively “Sony”). 82 *Fed. Reg.* 25333 (Jun. 1, 2017). The complaint alleged violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of certain claims of three U.S. Patents: 7,029,774 (“the ’774 patent”); 6,674,596 (“the ’596 patent”); and 6,979,501 (“the ’501 patent”). *Id.* The complaint further alleged that an industry in the United States exists as required by 19 U.S.C. § 1337(a)(2). *Id.* The notice of investigation named as respondents Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, NY; and Fujifilm Recording Media U.S.A., Inc. of Bedford, MA (collectively

## PUBLIC VERSION

“Fujifilm”). *Id.* at 25334. The Office of Unfair Import Investigations was also a party in this investigation. *Id.*

The presiding administrative law judge (“ALJ”) conducted an evidentiary hearing on May 8-11, 2018. On August 17, 2018, the ALJ issued his final Initial Determination (“ID”) and his recommended determination (“RD”) on remedy and bonding in this investigation. The final ID found a violation of section 337 with respect to claims 1, 5-8, 10, 16, and 17 of the ’774 patent and claims 1-13 of the ’596 patent, and no violation with respect to claims 1, 2, 4-6, and 8 of the ’501 patent.<sup>1</sup> Specifically, the final ID found that Fujifilm’s accused products infringe the asserted claims of the ’774 and the ’596 patents; that the asserted claims of the ’774 and ’596 patents are not invalid; and that a domestic industry exists with respect to both patents. Although the final ID also found that Fujifilm’s accused products infringe the asserted claims of the ’501 patent, and that a domestic industry exists with respect to that patent, it found no violation as to the ’501 patent because Fujifilm had established that the asserted claims were invalid. The RD recommended that a limited exclusion order (“LEO”) and cease and desist orders (“CDO”) issue against all Fujifilm respondents, prohibiting, *inter alia*, the importation of articles that infringe the asserted claims of the ’774 and the ’596 patents.

Sony, Fujifilm, and the Commission’s Investigative Attorney (“IA”) filed petitions for review of the final ID. On October 18, 2018, the Commission determined to review the final ID

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<sup>1</sup> The final ID provides an overview of the technology at issue in each of the three asserted patents and the asserted claims. *See* ID at 5-6, 26-31 (the ’774 patent), 86-90 (the ’501 patent), 122-25 (the ’596 patent). It also discusses the accused products and the domestic industry products relevant to each asserted patent. *Id.* at 6-12.

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in part.<sup>2</sup> Specifically, the Commission determined to review the final ID's finding that the economic prong of the domestic industry requirement has been satisfied for all three asserted patents under sections 337(a)(3)(B) and (C) based on the domestic activities of Sony's licensee. Other than this finding, the Commission did not review any other finding related to the '501 patent, including the final ID's finding that Fujifilm had established that the asserted claims of the '501 patent are invalid. With respect to the '774 patent, the Commission determined to also review the final ID's findings that certain claims are not invalid for lack of enablement and lack of written description, and the final ID's finding that prior art magnetic tapes do not anticipate claim 17. Further, the Commission determined to review the final ID's findings with respect to the '596 patent in their entirety.

The Commission solicited further briefing from the parties on certain issues under review, and requested briefing from the parties, interested government agencies, and the public on remedy, the public interest, and bonding. On November 1, 2018, the parties filed their initial submissions on the issues under review and on remedy, the public interest, and bonding.<sup>3</sup> On November 8, 2018, the parties filed responses to the initial submissions.<sup>4</sup> That same day, Sony

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<sup>2</sup> See Notice of a Commission Determination to Extend the Target Date and to Review In Part a Final Initial Determination Finding a Violation of Section 337; Schedule for Filing Written Submissions (Oct. 18, 2018) ("Notice of Review").

<sup>3</sup> Complainants' Initial Submission in Response to the Commission's October 18, 2018 Notice and Request for Written Submissions (Nov. 1, 2018) ("CSub"); Complainants' Written Submission on Remedy, Bonding and Public Interest (Nov. 1, 2018) ("CRmdy"); Response of the Office of Unfair Import Investigations to the Commission's Request for Written Submissions Regarding the Issues Under Review and Remedy, Bonding, and the Public Interest (Nov. 1, 2018) ("IASub"); Respondents' Initial Written Submission in Response to the Commission's Determination to Review-In-Part the Final Initial Determination (Nov. 1, 2018) ("RSub").

<sup>4</sup> Complainants' Reply to the Submission by the Office of Unfair Import Investigations on the Commission's Questions (Nov. 8, 2018) ("CReplyIA"); Complainants' Reply to the

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and Fujifilm filed a joint unopposed motion to submit certain replacement pages to their respective initial submission.

On March 25, 2019, the Commission issued a notice finding a violation of section 337 as to the '774 and the '596 patents. No violation had already been found as to the '501 patent as a result of the Commission's earlier decision not to review the final ID's finding that Fujifilm had established that the asserted claims of the '501 patent are invalid. Also, on March 25, 2019, the Commission issued a limited exclusion order and cease and desist orders directed to all Fujifilm respondents, prohibiting, *inter alia*, the importation of articles that infringe claims 1, 5-8, 10, 16, and 17 of the '774 patent and claims 1-13 of the '596 patent. However, as explained below, the Commission has determined to suspend enforcement of these remedial orders as to claim 17 of the '774 patent pending the appeal of a recently issued Final Written Decision ("FWD") of the Patent Trial and Appeal Board ("PTAB") finding this claim invalid. Further, on March 25, 2019, the Commission granted Sony's and Fujifilm's joint motion to submit certain replacement pages to their respective initial submission. This Opinion sets forth the Commission's reasoning in support of its determination for the issues under review, and its reasoning in support of its determination on remedy, the public interest, and bonding.

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Submission by Respondents on the Commission's Questions (Nov. 8, 2018) ("CReplyR"); Complainants' Reply Submission on Remedy, Bonding, and Public Interest (Nov. 8, 2018) ("CReplyRmdy"); Reply Submission of the Office of Unfair Import Investigations to the Private Parties' Written Submissions Regarding the Issues Under Review and Remedy, Bonding, and the Public Interest (Nov. 8, 2018) ("IAReply"); Respondents' Written Submission in Reply to the Office of Unfair Import Investigations' Initial Submission In Response to the Commission's Written Questions (Nov. 8, 2018) ("RReplyIA"); Respondents' Written Submission in Reply to Complainant Sony's Initial Submission In Response to the Commission's Written Questions (Nov. 8, 2018) ("RReplyC"); Respondents' Reply to Complainants' and OUII's Submissions on Remedy, Bonding, and Public Interest (Nov. 8, 2018) ("RReplyRmdy").

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II. ANALYSIS

A. The '774 Patent

i. The Final ID's Finding That Certain Asserted Claims of the '774 Patent Do Not Lack Enablement and Written Description<sup>5</sup>

In its Notice of Review, the Commission asked the parties to address the following:

1. What is the proper scope of the claim limitations “a skew less than about 0.5” and “a kurtosis less than about 4.0” in the '774 patent? Please discuss whether the asserted claims are enabled and adequately described if the claimed ranges are construed to include negative skew and kurtosis less than about 3.0, as Fujifilm argues, and alternatively, if the claimed ranges for these parameters are construed to be limited to values that approach Gaussian distribution, *i.e.*, zero skew and kurtosis of three, as Sony argues. Under the latter construction, please also address Fujifilm's argument that a person of ordinary skill in the art would not know how to achieve a skew less than 0.30 and a kurtosis less than 3.4.

a. Claim Construction

Other than claim 17, the asserted claims of the '774 patent require a “skew less than about 0.5” and a “kurtosis less than about 4.0[3.7].”<sup>6</sup> The final ID found that “a person of ordinary skill in the art would understand that “[t]he claimed ranges for these parameters approach Gaussian distributions” and it is undisputed that a person of ordinary skill in the art at the time of the invention would have understood that a Gaussian distribution has a skew of 0.0 and a kurtosis of 3.0. ID at 84; *see also id.* at 82-83; CX-0002C at Q/A 59, 62, 66; CX-0012C at Q/A 64, 338, 342; RX-0003C at Q/A 552-554, 803-804. Having reviewed the record evidence

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<sup>5</sup> Although Fujifilm argued before the ALJ that the asserted claims of the '774 patent are not enabled as to five claim limitations, Fujifilm's petition for Commission review was limited to two limitations: a “skew less than about 0.5” and a “kurtosis less than about 4.0[3.7]” in claims 1, 5-8, 10, and 16. *See generally* RPet at 35-41; CResp at 34 n.11. Thus, our analysis is limited to the final ID's determinations that Fujifilm failed to prove that claims 1, 5-8, 10, and 16 are not enabled and are not adequately described for their full scope of the claimed “skew” and “kurtosis” ranges. Fujifilm has abandoned its lack of enablement and written description arguments with respect to the other three limitations. *See* 19 C.F.R. § 210.43(b)(2).

<sup>6</sup> Claim 17 does not recite the “skew” and “kurtosis” limitations. Claim 7 requires a “kurtosis value [] less than or equal to about 3.7.” JX-3 at 13:9-10.

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and the parties' submissions, the Commission determines that the final ID correctly construed the "skew" and "kurtosis" limitations in the '774 patent, and we affirm its validity determinations relating to those two limitations.

Fujifilm argues that a plain reading of a "skew less than about 0.5" and a "kurtosis less than about 4.0" indicates open-ended ranges that include within the claim scope skew values less than 0.0 and kurtosis values less than 3.0. *See* RSub at 1-3. We find Fujifilm's interpretation of the claims is inconsistent with the teachings of the '774 patent.

According to the '774 patent, the prior art backside layers that existed at the time of the invention were formed by disbursing "relatively large particles" on a relatively smooth surface in order to "decrease friction and increase durability." ID at 27 (citing JX-3 at 2:1-5). These "relatively large particles" were a problem because, when the tape was wound around a spool, the peaks of the large particles on the backside layer of one section of the tape would come into contact with the magnetic recording surface on the top magnetic layer of a different section of the tape, and could leave "imprints, pits, or embossments" on the magnetic layer. *Id.* (citing JX-3 at 2:5-24). The "imprints, pits, or embossments" left by the backside layer on the magnetic layer are undesirable because they can "damage the recording characteristics of the magnetic recording tape." *Id.* (citing JX-3 at 2:21-23).

The '774 patent endeavored to alleviate the embossments on the magnetic layer while improving the durability and frictional characteristics of the tape by specifying surface properties of the backside or backcoat<sup>7</sup> that were different than those of the conventional backside layers that existed at the time. *Id.* at 28 (citing JX-3 at 2:23-28). The difference between the

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<sup>7</sup> The '774 patent specification uses the terms "backside" and "backcoat" interchangeably. *See* JX-3 at 3:37.

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conventional backside surface and the backside surface described in the '774 patent can be seen by comparing Figures 1 and 3 of the patent. *Id.* (citing JX-3 at 5:18-21; *see id.* at 5:47-51 (“As illustrated in FIG. 3, the peaks **64** and the valleys **66** are exaggerated for illustrative purposes only. The peaks **64** are generally not as large as the peaks seen with bimodal backside surfaces (see for example peak **20** of FIG. 1”))).

Specifically, as shown in Figure 3, the backside surface **42** of tape **30** has a large number of peaks with relatively small and uniform heights so that a “relatively large plurality of peaks **64** contact[s] the recording surface **56** of an adjacent winding **60** or **62**.” *Id.* (citing JX-3 at 5:52-55). These peaks form a “relatively random” surface, which the patent describes as “approaching a Gaussian surface,” instead of the “typical bimodal backside surface” of the conventional tapes shown in Figure 1. *Id.* at 29 (citing JX-3 at 5:18-21). According to the patent, the structure of the backside more uniformly distributes the load transferred from the adjacent recording surface such that “the number of pits or embossments formed in recording surface **56** are decreased and/or the pits or embossments formed are less pronounced.” *Id.* (citing JX-3 at 5:39-6:25).

The '774 patent specification describes physical characteristics of the backside surface by using measurements such as “skew, peak height mean, peak-to-valley roughness, plateau ratio, and kurtosis.” *Id.* (citing JX-3 at 8:10-9:13). According to example measurements provided in the patent, a backside according to the invention exhibits decreased values for these surface measurements. *Id.* (citing JX-3 at 9:56-12:49).

The '774 patent specification provides the following description of the surface measurement parameter, “skew,” for a magnetic recording medium:

Skew ( $R_{sk}$ ) is the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being

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evaluated. *Negative skew indicates a predominance of valleys, while positive skew indicates a predominance of peaks.* Skew illustrates load carrying capacity, porosity and other characteristics. Negative skew generally is a criterion for a good bearing surface. *With regard to magnetic recording medium 30, it is generally desirable to decrease positive skew by decreasing the predominance of high peaks, and, consequently, decreasing the number and/or size of pits or embossments. However, it is also generally desirable to maintain at least a low level of positive skew to decrease the excess frictional forces on the magnetic recording medium that can cause handling problems during use of the magnetic recording medium.* In one embodiment, the magnetic recording medium 30 has a skew of less than about 0.5.

JX-3 at 8:13-29 (emphasis added). The specification also provides the following description of the surface measurement parameter, “kurtosis,” for a magnetic recording medium:

Kurtosis ( $R_{ku}$ ) is a measure of the distribution of spikes above and below the mean line of the backside surface 42 and generally indicates the randomness of the surface. In particular, kurtosis is the fourth derivative of the roughness distribution of the measured surface. *In general, for relatively spiky surfaces, kurtosis is greater than three; for wavy surfaces, kurtosis is less than three; and for perfectly random surfaces, kurtosis is generally equal to three. For instance, in one example, a truly Gaussian surface generally has a kurtosis value of three. As such, it is desirable to have a surface roughness approximating a Gaussian surface as opposed to a bimodal surface of prior art, magnetic recording mediums.* In one embodiment, magnetic recording medium 30 has a kurtosis of less than or equal to about 4.0, more preferably of less than or equal to about 3.7.

*Id.* at 8:65-9:12 (emphasis added).

In view of the above disclosures, the '774 patent makes clear that going beyond a Gaussian distribution, and thereby having a bi-modal distribution, would defeat the purpose of the invention of the '774 patent. *Id.* at 9:5-12, Fig. 3, 5:18-21. The specification makes references to negative skew and a kurtosis less than three as part of the general definitions of skew and kurtosis, and not as part of the inventions disclosed therein. Therefore, when reading the claims of the '774 patent in view of the specification, a person of ordinary skill in the art would understand that the proper scope of the “skew less than about 0.5” limitation is a positive skew that is less than about 0.5. *See id.* at 5:18-21, 8:20-27, 9:2-7; CX-0012C at Q/A 326-339,

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363. Likewise, a person of ordinary skill in the art would understand that the proper scope of “a kurtosis less than about 4.0” is a kurtosis value of less than about 4.0 to about 3.0. *See* JX-3 at 5:18-21, 8:20-27, 9:2-7; CX-0012C at 340-342, 363.

We are unpersuaded by Fujifilm’s argument that a surface approaching a Gaussian surface (*i.e.*, having a skew of zero and kurtosis of 3) is merely one embodiment and that Sony’s construction improperly imports one disclosed embodiment into the claims. *See* RSub at 3. Following the disclosures describing “skew” and “kurtosis,” the specification describes the embodiment in which the magnetic recording medium has “a skew of less than about 0.5” and “a kurtosis of less than or equal to about 4.0, more preferably of less than or equal to about 3.7.” JX-3 at 8:20-29, 9:2-13. Consequently, if a surface approaching a Gaussian surface is merely one embodiment, as Fujifilm suggests, it is clear from these disclosures that claims 1, 5-8, 10, and 16 of the ’774 patent cover that embodiment (*i.e.*, magnetic recording mediums having a positive skew less than about 0.5 and a kurtosis less than about 4.0 to about 3.0). *See id.* at 8:20-29, 9:2-13, 12:50-14:41.

### **b. Enablement**

Because the Commission adopts the final ID’s determination that the proper scope of the “skew less than about 0.5” limitation is a positive skew that is less than about 0.5 and the proper scope of “a kurtosis less than about 4.0” is a kurtosis value of less than about 4.0 to about 3.0, the Commission does not need to consider Fujifilm’s argument that those limitations are not enabled for skew values less than zero and kurtosis values less than three. *See* RSub at 4-5.

Fujifilm argues that the “skew” and “kurtosis” limitations are also not enabled for skew values less than 0.30 and kurtosis values less than 3.4 because the smallest skew and kurtosis values achieved by the inventors of the ’774 patent and disclosed in the patent are 0.30 and 3.4, respectively. *See id.* at 6. Having reviewed the record evidence and the parties’ submissions, the

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Commission determines to affirm the ALJ's finding that Fujifilm did not meet its burden in proving claims 1, 5-8, 10, and 16 of the '774 patent is invalid for lack of enablement. ID at 82.

A party must prove invalidity based on a lack of enablement by clear and convincing evidence. "To be enabling, the specification of a patent must teach those skilled in the art how to make and use the full scope of the claimed invention without 'undue experimentation.'" *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1365 (Fed. Cir. 1997) (quoting *In re Wright*, 999 F.2d 1557, 1561 (Fed. Cir. 1993)). Enablement is a question of law involving underlying factual inquiries. *Id.*; see *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988) (holding that whether undue experimentation is required is a "conclusion reached by weighing many factual considerations.... includ[ing] (1) the quantity of experimentation necessary, (2) the amount of direction or guidance presented, (3) the presence or absence of working examples, (4) the nature of the invention, (5) the state of the prior art, (6) the relative skill of those in the art, (7) the predictability or unpredictability of the art, and (8) the breadth of the claims.").

Fujifilm argues that the Federal Circuit's decision in *MagSil Corp. v. Hitachi Global Storage Techs., Inc.*, 687 F.3d 1377 (Fed. Cir. 2012) is instructive. RSub at 4. However, the court found the open-ended limitation at issue in *Magsil* to be invalid for lack of enablement based on much more evidence than presented by Fujifilm in this case. In *Magsil*, the claims at issue recited "a change in resistance of at least 10%." *Id.* at 1381. The court found the claims invalid for lack of enablement because the claims covered resistive changes from 10% up to infinity, while the patent specification only discloses enough information to achieve an 11.8% resistive change at the time of the invention. *Id.* at 1382-83. Among other evidence relied on by the court, the named inventor testified that before the application was filed, he did not know how to achieve a tunnel junction with greater than 20% change in resistance. *Id.* at 1382. There was

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also evidence of conflicting testimony regarding the highest possible resistive change that could be achieved with the invention. *Id.* The inventor also acknowledged that even someone of extraordinary skill in the art at the time of the invention could not have predicted the exact process and materials needed for the 120% resistive change achieved over ten years later. *Id.* In addition, the named inventors were not able to achieve even a 20% change a year after filing the application in 1995, and 604% junctions were not achieved until 2008. *Id.* The court found the field of art to have “advanced vastly after the filing of the claimed invention.” *Id.*

In contrast to the evidence before the court in *MagSil*, here, Fujifilm points principally to the direct testimony of its expert, Dr. Wang. *See* RSub at 6-7 (citing RX-3C at Q/A 555, 865, 867, 869, 880).<sup>8</sup> We have reviewed the evidence of record, including Dr. Wang’s testimony on the issue, and find that the ALJ appropriately weighed the evidence and we agree with his findings. In particular, we find Dr. Wang’s analysis consists only of conclusory and wholly unsupported statements. As such, the final ID correctly concluded that Fujifilm failed to introduce any evidentiary support for its argument that a person of ordinary skill in the art would not know how to achieve a skew less than 0.30 and a kurtosis less than 3.4. ID at 83-84.

Aside from Dr. Wang’s testimony, Fujifilm argues that one of the named inventors, Dr. Ebner, “could not say whether a [person of ordinary skill in the art] would have been able to achieve the full range of the claims as written.” RSub at 7 (citing JX-26 at 35:21-36:1, 76:2-18, 78:19-79:8; 80:2-81:8; 81:19-82:5). Dr. Ebner, however, was testifying that a person of ordinary skill in the art would not have known how to create a magnetic tape with the claimed skew and

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<sup>8</sup> Fujifilm’s submission also cites to Dr. Wang’s testimony at RX-3C at Q/A 885, but that testimony relates to “skirt signal-to-noise ratio”—a claim limitation that Fujifilm waived by not raising its lack of enablement and written description arguments with respect to that limitation in its petition for review. *See supra* note 5.

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kurtosis ranges *before* the effective filing date of the '774 patent. *See* JX-26 at 76:2-18, 78:19-79:8; 80:2-81:8; 81:19-82:5. In fact, Dr. Ebner testified that a person of ordinary skill in the art “on May 23<sup>rd</sup>, 2005, [the effective filing date of the '774 patent,] with the benefit of reading the disclosure of the '774 patent,” could have developed a backside formulation that achieves the surface properties claimed in the patent with only routine experimentation. *Id.* at 147:16-148:8.

Moreover, Sony’s expert, Dr. Bogy, testified that a person of ordinary skill in the art would recognize how to modify the manufacturing processes and material compositions and sizes for making the claimed magnetic media to approach a Gaussian distribution. *See* CX-12C at Q/A 363. He also testified that the '774 patent’s “disclosures regarding how and to what extent the recited parameters change based on various factors, such as compositions of the backside, sizes of various particles such as silica texture particles, and presence or lack of multiple groups of carbon black particles with different primary sizes would have guided a person of ordinary skill in the art’s performance of routine experimentation that could be conducted to achieve the full scope of the claims.” *Id.* at Q/A 328; *see also id.* at Q/A 329-42.

Dr. Bogy further opined:

[T]he disclosure would have guided a person of ordinary skill in the art in the direction of routine experiments required to make magnetic recording media with a backside surface having a skew less than 0.3—the lowest skew value set forth in Table 1. For example, a person of ordinary skill in the art would have referenced differences among the Examples, such as Example 1’s 15 nm as compared to Example 2’s 24 nm and Comparative Example C1’s 0.2 percent per unit weight of silica texture particles having a primary size of about 700 nm, and recognized whether and by how much such differences affect the skew of the backside surface.

*Id.* at Q/A 333. As the ALJ recognized, Fujifilm fails to provide any evidence rebutting Dr.

Bogy’s testimony, including no evidence of any unpredictability of the art and the quantity of

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experimentation needed to approach a Gaussian distribution on the backside of the magnetic tape. ID at 84.

Fujifilm argues that it was not required to present a “formulaic recitation” under the rubric of a *Wands* analysis, “because the *Wands* factors are ‘illustrative, not mandatory.’” RSub at 6. However, even if Fujifilm was not required to present evidence specifically related to the *Wands* factors, it “had the burden to show by way of testimony or documentary evidence the amount of experimentation needed.” *Cephalon, Inc. v. Watson Pharms., Inc.*, 707 F.3d 1330, 1339 (Fed. Cir. 2013); *see also U.S. v. Telectronics, Inc.*, 857 F.2d 778, 785 (Fed. Cir. 1988) (patent challenger has the “burden to show by facts supported by clear and convincing evidence that the patent was not enabling”). The final ID correctly found Fujifilm provided no such evidence. ID at 83. Thus, the Commission affirms the final ID’s finding that Fujifilm did not clearly and convincingly prove the “skew” and “kurtosis” ranges in claims 1, 5-8, 10, and 16 of the ’774 patent are not enabled.

### c. Written Description

Fujifilm argues that the inventors of the ’774 patent “recognized it was ‘desirable to have a surface roughness approximating a Gaussian surface,’ [but] provided only two purportedly inventive examples, both of which fell well short of the stated goal of the Gaussian surface (*see* Table 1).” RSub at 9. Fujifilm contends that “[t]here is no explanation in the ’774 Patent as to how the skew and kurtosis of the backcoat surface can be lowered further from the values found in Examples 1 and 2 to a skew of 0 and a kurtosis of 3.0.” *Id.* at 10.

Having reviewed the record evidence and the parties’ submissions, the Commission affirms the ALJ’s finding that Fujifilm did not meet its burden in proving claims 1, 5-8, 10, and 16 of the ’774 patent is invalid for lack of written description. In particular, we find that the final ID correctly concluded that “Fujifilm has not presented any non-conclusory evidence that the

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embodiments in the specification are not sufficient to reasonably convey to one of ordinary skill in the art that the inventors had possession of the claimed invention.” ID at 85.

Written description is a question of fact, judged from the perspective of one of ordinary skill in the art as of the relevant filing date. *See Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1563-64 (Fed. Cir. 1991). As the ALJ found, Dr. Wang offers nothing more than a conclusory assertion that the disclosed species are insufficient to support a finding that the inventor had possession of, and otherwise described, the full scope of each limitation of claim 1 of the '774 patent. ID at 85 (citing RX-3C at Q/A 878-87). Accordingly, the ALJ concluded that Fujifilm's expert testimony “that the inventors did not describe lower values than those disclosed in the specification” is not clear and convincing evidence of no written description. *Id.*

The Federal Circuit has made “clear that the absence of examples” explicitly covering the full scope of the claim language “does not render the written description inadequate.” *Falko-Gunter Falkner v. Inglis*, 448 F.3d 1357, 1366 (Fed. Cir. 2006). As the court explained in *LizardTech, Inc. v. Earth Res. Mapping, Inc.*:

A claim will not be invalidated on section 112 grounds simply because the embodiments of the specification do not contain examples explicitly covering the full scope of the claim language. That is because the patent specification is written for a person of skill in the art, and such a person comes to the patent with the knowledge of what has come before. Placed in that context, it is unnecessary to spell out every detail of the invention in the specification; only enough must be included to convince a person of skill in the art that the inventor possessed the invention and to enable such a person to make and use the invention without undue experimentation.

424 F.3d 1336, 1345 (Fed. Cir. 2005) (citing *Union Oil Co. v. Atl. Richfield Co.*, 208 F.3d 989, 997 (Fed. Cir. 2000); *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995)). Although Fujifilm argues that *Falko-Gunter* is distinguishable, Fujifilm's entire written description argument is that the '774 patent does not provide additional examples or describe how to get values lower than

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those disclosed in the specification. *See* RSub at 5, 8-10. This is exactly the argument that was rejected in *Falko-Gunter*. *See* 448 F.3d at 1366.

By contrast, Sony's expert explained that a person of ordinary skill in the art reading the '774 patent would have recognized that the inventors disclosed the manufacturing process and material compositions for making the claimed magnetic media, as well as factors affecting skew and kurtosis, including sizes and distributions of specific particles and distributions of sizes of particles such as carbon black and textured silica in the composition of the backside surface, and the specific amounts of change in skew and kurtosis that results from those factors. *See* CX-0012C at Q/A 361-74; JX-3 at 9:57-12:49. Sony's expert opined that a person of ordinary skill in the art would have recognized the '774 patent discloses how continued adjustment of factors such as sizes of specific particles would decrease skew and kurtosis. *See* CX-0012C at Q/A 328-34, 361-74; JX-3, Fig. 3, Fig. 4, 5:18-21, 5:30-34, 5:52-67, 9:5-12. Thus, the Commission affirms the ALJ's finding that Fujifilm did not clearly and convincingly prove the "skew" and "kurtosis" ranges in claims 1, 5-8, 10, and 16 of the '774 patent are not adequately described.

### **ii. The Final ID's Finding That Sony's Prior Art Tapes Do Not Anticipate Claim 17 of the '774 Patent**

The ALJ found Fujifilm's testing methods for measuring the surface roughness parameters unreliable, and the Commission did not review that finding. Nevertheless, Fujifilm argues that it has proven claim 17 of the '774 patent is anticipated by Sony's Advanced Intelligent Tape Generation 3 ("AIT-3") tapes through Sony's own testing of those tapes in August 2003 as reflected in the "Toraysee document" (RX-150C). "Even if this evidence is persuasive," the ALJ found that "it does not address Fujifilm's measurements for the other claimed characteristics of the magnetic tapes, such as skew and kurtosis." ID at 74 n.12. Other than this statement, the final ID did not directly address whether the Toraysee document

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anticipates claim 17. The Commission determined to review this issue, and in its Notice of Review, it asked the parties to address the following:

2. Please discuss whether Sony's prior art AIT-3 tapes anticipate claim 17 of the '774 patent, including Fujifilm's argument that the Toraysee document discloses the claimed "peak-to-valley roughness" and "peak height mean" values.

As an initial matter, while the final ID in footnote 12 stated that the Toraysee document does not address Fujifilm's measurements for other claimed characteristics of the magnetic tapes, such as skew and kurtosis, the ALJ did not find that claim 17 recites requirements for skew and kurtosis. *See id.* Nor did the ALJ base his rejection of Fujifilm's argument that claim 17 is anticipated by Sony's AIT-3 tapes on the lack of disclosure of skew and kurtosis information in the Toraysee document.

Based on the record evidence and the parties' submissions, we affirm the ALJ's finding that Fujifilm has not shown by clear and convincing evidence that claim 17 is anticipated by Sony's AIT-3 tapes. Our determination includes the additional analysis provided below.

Fujifilm argues that the backside surface measurements in the Toraysee document are representative of Sony AIT-3 tapes that were on sale in the United States prior to May 23, 2004. Fujifilm's evidence consists of the Toraysee document, Sony's stipulation, and the testimony of its expert, Dr. Wang. RSub at 12-13 (citing RX-0150C; JX-0013 Nos. 1-3; RX-3C at Q/A 777, 779, 781). Dr. Wang testified that the Toraysee document shows "the results of testing involving rolls of tape using the AKL formulation in August 2003" and that "the AKL formulation was used in the prior art AIT-3 tapes." RX-3C at Q/A 777.

Even in view of the Toraysee document and Sony's stipulation, we find that Fujifilm has failed to prove by clear and convincing evidence that the Toraysee document actually shows that the backside surface of commercially available Sony AIT-3 tapes in the relevant 2003 time

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period had a peak-to-valley roughness and a peak height mean that meet the ranges required by claim 17. First, as Sony argues, Fujifilm failed to prove that the measurements shown in the Toraysee document are accurate (*i.e.*, calibrated) measurements representative of the commercial Sony AIT-3 tapes that Fujifilm asserts as prior art. CReplyR at 6-7. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]. *Id.* at 7.

Second, even if the “P-V” numbers in the Toraysee document are peak-to-valley roughness measurements, as Sony stipulates, Dr. Bogy explained that “Dr. Wang offers no evidence, let alone clear and convincing evidence in my opinion, that this is a peak-to-valley roughness number representative of the backside surface of a SDX3-100C product as a whole that was publicly used or sold in the United States before the critical date.” CX-12C at Q/A 241; *see* CSub at 12. [REDACTED]

[REDACTED] CSub at 12 (citing CX-12C at Q/A 241-42, 249-50). [REDACTED]

[REDACTED]  
[REDACTED] *Id.*

Even more troublesome is the fact that Fujifilm merely assumes that the manufacturing method used for the samples tested in the Toraysee document is the same as that used for commercial Sony AIT-3 tapes sold in the United States, [REDACTED]  
[REDACTED]. CReplyR at 7 (citing JX-65C at 137:18-139:10, 140:15-141:24). [REDACTED]

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[REDACTED]

[REDACTED].”<sup>9</sup> RReplyIA at 6 (citing JX-0065C at 149:7–25). But the burden rests on Fujifilm to show that the SDX3-100C tape products that are said to be prior art were made with the same backpaint as the test rolls of the Toraysee document. Sony’s expert, Dr. Bogy, testified “[c]ontrary to Dr. Wang’s conclusion, it could very well be that the backpaint of the test rolls of the Toraysee testing, which I understand occurred in August 2003, differed from the backpaint of SDX3-100C tape products offered for sale before the filing of the ‘774 patent and that the difference did materially affect the backcoat surface properties.” CX-12C at Q/A 246.

Fujifilm’s expert, Dr. Wang, “has failed to show that there is no material difference between the test rolls and SDX3-100C products publicly used or sold in the United States before the critical date, or that there were no changes in the AKL formulation, or the method of manufacture associated with this formulation, between those products referenced in the Toraysee Document and any SDX3-100C product that may have been publicly used or sold in the United States before the critical date.” *Id.* at Q/A 243; *see also id.* at Q/A 244. Consequently, we conclude that the Toraysee document is insufficient to establish by clear and convincing evidence that Sony’s AIT-3 tapes meet the “peak height mean” and “peak-to-valley roughness” limitations of claim 17 of the ‘774 patent.

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<sup>9</sup> All emphasis is original unless otherwise indicated.

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### B. The '596 Patent

#### i. Claim Construction<sup>10</sup>

Independent claims 1 and 9 recite “memory drive means.” The ALJ found that all parties agree that the limitation should be construed as a means-plus-function limitation pursuant to 35 U.S.C. § 112, ¶ 6, and all parties agree that the function of the means is reading and writing management information, which is information that can control whether the tape can be written to or not. *ID* at 134. The parties, however, disputed the appropriate structure corresponding to the claimed function. *Id.* In particular, Sony and the IA contend that “SCSI buffer controller 26” is a corresponding structure for the memory drive means for both the remote and contact memory embodiments, whereas Fujifilm contends that “SCSI buffer controller 26” is not part of the memory drive means in the contact memory embodiment. *Id.* at 136.

On review, the Commission adopts the ALJ’s construction of “memory drive means.” While claim construction is a question of law, the determination of corresponding structure is a question of fact. We find that the record evidence supports the ALJ’s finding that the “SCSI buffer controller 26” is a necessary component of the tape drive that performs the function of reading and writing management information in both the remote and contact memory embodiments disclosed in the '596 patent.

As stated in the final *ID*, the '596 patent claims a tape drive for reading from and writing to a specific type of tape cassette that has solid-state memory in addition to a magnetic tape. *Id.* at 122 (citing JX-1 at Abstract). The '596 patent specification describes two embodiments of the

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<sup>10</sup> In addition to challenging the ALJ’s construction for the “memory drive means” limitation, Fujifilm petitioned for Commission review of the ALJ’s finding that Fujifilm had not met its burden to establish that the claim elements that include a slash (“/”), for example, “writing/reading,” are indefinite. *ID* at 133. The Commission has determined to adopt the final *ID*’s analysis and findings on this issue. *Id.* at 131-33.

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invention. In both embodiments, the tape cassette has a memory that stores management information. In one embodiment (Fig. 3A), the cassette **1** contains a “remote memory chip **4**” and wirelessly communicates with a system controller **15** through a remote memory interface **30** in the tape drive **10** (Fig. 1) using an antenna **5**. JX-1 at 4:7-30, 6:51-67, 7:59-64. In another embodiment (Fig. 3B), the cassette **1** contains a “contact memory **104**” having terminals **105A-E** that are physically and electrically connected to the system controller **15** in the tape drive **10**. *Id.* at 4:48-55, 4:64-5:8, 9:10-20.

As shown in Figure 1, the patent specification describes that tape drive **10** uses “an SCSI interface **20**” to transmit data between a host computer **40** and a compression/decompression circuit **21** via an SCSI buffer controller **26**. *Id.* at 6:55-60. Sony’s expert explained that the SCSI buffer controller **26** is used to “deal with the differing data transfer speeds between the tape drive’s system controller and the host computer, on the one hand, and the system controller and the memory, on the other.” ID at 138 (quoting CX-0003C at Q/A 390). The ID correctly characterizes the issue here is whether the ’596 patent clearly links or associates the SCSI buffer controller **26** with the functions performed by the memory drive means in the contact memory embodiment. *Id.* at 137-138.

Fujifilm’s argument that the ALJ rested his construction of “memory drive means” on an “ambiguous” disclosure ignores what the ALJ actually determined. Although the ALJ acknowledged that certain disclosures within the ’596 patent are “ambiguous” or “open to alternative interpretations,” after consideration of the entire specification, and weighing the expert testimony, he concluded that the SCSI buffer controller is clearly associated with the reading and writing function performed by the memory drive means. *Id.* at 140. As a result, the ALJ finds that “a SCSI buffer controller shall be considered to be a part of the corresponding

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structure of the recited memory drive means for both the remote and contact memory embodiments.” *Id.*

In addition, the ALJ properly relied on and credited the testimony of Sony’s expert, Dr. Mowry, as to the understanding of a person of ordinary skill in the art reading the patent specification that is consistent with the intrinsic evidence. Specifically, Dr. Mowry explained that a SCSI buffer controller is necessary even where the system controller can “directly access” the contact memory because the SCSI buffer controller **26** is connected not just to the remote memory interface **30**, but is also connected to the SCSI **20**, the compression/decompression circuit **21**, the system controller **15**, and the SCSI Buffer Memory **27**. CX-0003C at Q/A 391-92; JX-1 at Fig. 1. He opined that the SCSI buffer controller plays a key role in the reading and writing operations of the tape drive as taught by the specification. *Id.*; JX-1 at 6:51-67, 7:55-58; *see also* CX-0003C at Q/A 385-93; Tr. (Mowry) at 411:25-412:13.

Finally, the final ID properly relied in part on disclosure of the host computer in its claim construction. The specification expressly describes the role of the host computer in relation to the SCSI buffer controller and its function of reading and writing management information. JX-1 at 6:55-7:3, 7:5-58, 9:5-9, 17:34-40, 18:1-12, 18:54-57, 20:6-10. Relying on this disclosure, the final ID properly found that the specification teaches sharing management information from the memory “with a host computer in order to determine subsequent read/write operations.” ID at 139. The final ID also found, based on Dr. Mowry’s testimony, that an SCSI buffer controller is necessary to manage different data transfer speeds between the system controller, the host computer, and the memory. *Id.* at 140 (citing CX-3C at Q/A 390; *see also* RX-4C at Q/A 237). Thus, the final ID correctly determined, “[t]he ’596 patent specification links the recited function of the memory drive means to the SCSI buffer in relation to communicating with a host

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computer *and writing information to the tape media.*” *Id.* (emphasis added). Accordingly, the Commission adopts the ALJ’s construction of the “memory drive means” term on review.

### ii. Infringement

Sony argues that Fujifilm’s accused LTO tape cartridges, when used with compatible LTO drives, infringe claims 1-13 of the ’596 patent. Sony contends that Fujifilm’s own acts in using the accused LTO tape cartridges in compatible LTO drives in the U.S. directly infringe the claims and that Fujifilm indirectly infringes those claims by inducing and contributing to infringement by third parties.

#### a. Direct Infringement

Fujifilm petitioned for Commission review of the ALJ’s finding that the accused LTO products satisfy the “memory drive means” limitation of claims 1 and 9 and the “interface means” limitation of claim 8.<sup>11</sup> *Id.* at 143. There is no dispute that these limitations are means-plus-function limitations and that the corresponding structure for these limitations requires a “remote memory interface 30” as shown in Figures 1 and 2 of the ’596 patent.

The ALJ found that Sony pointed to sufficient evidence that the accused LTO products perform the identical function as the “memory drive means” and “interface means” limitations, and that they perform that function in relevant part with the LTO Cartridge Memory (CM) Reader required in each LTO drive, which is equivalent to the remote memory interface as disclosed in the specification. *Id.* at 147. On review, the Commission determines that the ALJ properly applied the law of literal infringement to the facts, and record evidence supports finding

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<sup>11</sup> The Commission adopts the ALJ’s findings that the accused LTO products meet all other limitations recited in claims 1-13 of ’596 patent. *See ID* at 140-51. Fujifilm did not petition for Commission review of these findings.

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that the accused LTO products include a structure that has both functional identity and structural equivalence to the “remote memory interface 30” of the ’596 patent.

The final ID relied on Dr. Mowry’s testimony regarding Figure F.5 of the LTO-4, -5, and -6 specifications, which show that the LTO CM Reader, just like remote memory interface 30 of the ’596 patent, employs [REDACTED] to remotely communicate ([REDACTED] [REDACTED]) with the cassette memory [REDACTED], and thus performs the recited function of reading and writing management information in the same way. *Id.* at 143-47; CX-0003C at Q/A 500-47, 717-25, 734. In particular, Figure F.5 from the LTO specifications provides details showing the internal structure of the LTO CM Reader—[REDACTED] [REDACTED]—as the ID found and as Fujifilm’s expert admitted on cross examination. ID at 146; Tr. (Messner) at 745:15-17, 746:4-19; JX-90C at 188; CX-0003C at Q/A 526-32, 719. That figure also highlights the basic components the interface must comprise and their functions, [REDACTED] [REDACTED]. *See* CX-0003C at Q/A 719. The LTO specifications further describe [REDACTED] [REDACTED]. *See id.* at Q/A 505, 543-47, 718; JX-104C at 174, 178; JX-91C at 185, 189; JX-90C at 184, 188. And the specifications state that [REDACTED]. CX-0003C at Q/A 717-19. Indeed, the LTO CM Reader, as Dr. Mowry testified, represents nearly identical structure to remote memory interface 30 of the ’596 patent. *Id.* at Q/A 505-14, 516-19, 533-47.

In addition, the final ID found supporting evidence included a Fujifilm marketing brochure that depicts the CM Reader, and includes text stating that “[a]s a tape is loaded, the drive’s CM-Reader reads the CM and the tape is identified.” CX-0392; *see also* ID at 145-46

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(citing CX-3C at Q/A 512-25, JX-28C, CX-561, CX-562, CX-564, and CX-1149C). The final ID also pointed to testimony from Fujifilm's own expert as supporting evidence, including testimony that "each LTO tape drive has a CM reader in it" and testimony agreeing that the LTO specifications "include some requirements with respect to how the LTO CM reader communicates with the memory in the cartridge" and that the LTO CM reader has an antenna. ID at 146 (citing Tr. (Messner) at 745:15-17, 746:4-19). Indeed, Fujifilm's expert admitted that he "didn't say there was no remote memory interface" and, in fact, testified that the LTO-drives "must" have "an interface for communicating with the remote memory." Tr. (Messner) at 753:16-754:14; *see also* RX-0584C at Q/A 200.

In view of the above, we agree with the ALJ that the accused LTO products include a structure that has both functional identity and structural equivalence to the "remote memory interface **30**" of the '596 patent. The Commission thus affirms the ALJ's conclusion that the accused LTO products, when combined with compatible LTO drives, infringe the asserted claims of the '596 patent.

Having adopted the ALJ's finding of direct infringement of the asserted '596 patent claims by third parties, the Commission takes no position on whether "Fujifilm's *own acts* of direct infringement can form a basis for a violation of section 337." ID at 143 (emphasis added). The Commission vacates the final ID's analysis as to *Suprema, Inc. v. International Trade Commission*, 796 F.3d 1338 (Fed. Cir. 2015), and its determination that because Fujifilm's importation of the accused tape cartridges does not satisfy the tape drive limitations of the asserted claims at the time of importation, Fujifilm's direct infringement cannot be the basis of a violation of section 337. *See* ID at 151-52.

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### b. Indirect Infringement

The Commission also determines to affirm the ALJ's finding of inducement of infringement by Fujifilm. The ALJ found that the "evidence shows that Fujifilm knew that its accused tape cartridges infringed the asserted claims of the '596 patent when used with a corresponding LTO tape drive, or that Fujifilm was willfully blind to the infringement." *Id.* at 154. Specifically, the record evidence supports the final ID's finding that Fujifilm had actual knowledge of infringement. The final ID found that Fujifilm [REDACTED] [REDACTED]. *Id.*; see also CX-3C at Q/A 843-59. In 2003, before the '596 patent issued, [REDACTED] CX-7C at Q/A 52-53; CX-3C at Q/A 844, 848. In July 2004, [REDACTED] [REDACTED]. CX-7C at Q/A 51-54; CX-3C at Q/A 848. In September 2015, Sony provided Fujifilm with a claim chart that explained, with respect to exemplary claims 14-17, how the accused LTO products infringe the '596 patent. CX-3C at Q/A 855-59; CX-7C at Q/A 24-34; CX-565C; CX-566C.

The record evidence also supports the final ID's finding that Fujifilm had knowledge that its LTO cartridges could be used with LTO drive products to infringe claims 1-13 of the '596 patent. *Id.* at 154. In particular, the final ID did not err in relying on Sony's prior allegations that Fujifilm's tape cartridges infringe claims 14-16 to find that Fujifilm had knowledge that its cartridges could be used with tape drives to infringe claims 1-13. *Id.* at 154-155. The final ID found that Fujifilm's counsel in opening statement stated that claims 14-16 "are very similar" to the claims at issue here. *Id.* at 155 (citing Tr. (Scheinfeld) at 93:18-21). The evidence shows that when Sony notified Fujifilm that its LTO tape products were infringing the '596 patent, Sony highlighted the LTO CM Reader, in particular, as support. See CX-565C at 9. And Fujifilm's expert admits the LTO format specifications "include some requirements" regarding

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“how the LTO CM reader communicates with the memory in the cartridge.” Tr. (Messner) at 746:4-19.

The record evidence further supports the final ID’s finding that Fujifilm had the requisite specific intent to bring about infringement. To establish Fujifilm’s intent, the final ID relied on Fujifilm’s product literature, website, and domestic customer support for the accused products. ID at 156. According to the final ID, this evidence shows that Fujifilm instructs and encourages customers to use the accused LTO products with compatible LTO drives to store and protect data. *Id.* (citing CX-3C at Q/A 867-83 (Sony’s expert, Dr. Mowry, explaining CX-0135C; CX-0400; JX-0045C; JX-0092, JX-0093, JX-0094)).

Fujifilm’s conduct also satisfies the willful blindness test enunciated by the Supreme Court in *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011), as well as the Federal Circuit’s induced infringement case law. Under *Global-Tech*, “a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.” 563 U.S. at 769. In other words, “(1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.*

The record evidence shows that Fujifilm subjectively believed that its accused LTO products likely infringed claims 1-13 of the ’596 patent. For instance, as discussed above, even prior to this investigation, Fujifilm [REDACTED]  
[REDACTED]  
[REDACTED]. See CX-7C at Q/A 51-54; ID at 154. Thus, we agree with the final ID’s conclusion that if Fujifilm lacked actual knowledge of

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infringement, the only reasonable explanation in light of the evidence is that Fujifilm took steps deliberately to avoid the knowledge of its infringement.

Fujifilm argues that the final ID did not identify any evidence that it took “deliberate actions” to avoid learning of the facts necessary to determine infringement. But Fujifilm’s failure to investigate a high probability of wrongdoing is a deliberate action to avoid knowledge. By deliberately declining to take reasonable measures to confirm noninfringement when faced with [REDACTED] awareness of Sony’s prior allegations that Fujifilm’s LTO tape cartridges infringe claims 14-16 of the ’596 patent, Fujifilm willfully blinded itself to the likelihood that the LTO tape cartridges it made for use with compatible LTO drives infringed claims 1-13 of the ’596 patent. *See Global-Tech*, 563 U.S. at 769.

Accordingly, the Commission affirms, with the supplemental reasoning discussed above, the ALJ’s determination that Sony established a violation of section 337 based on Fujifilm’s induced infringement of claims 1-13 of the ’596 patent.

Sony argued in its petition for review that the final ID erred in determining that Sony did not establish a violation of section 337 based on Fujifilm’s contributory infringement because the final ID found that the use of the accused Fujifilm LTO tape cartridges in compatible LTO tape drives manufactured by IBM results in patent exhaustion and represents a substantial non-infringing use. ID at 160-164. The Commission has determined to take no position on whether Fujifilm contributes to the direct infringement by third parties in the United States and vacates the final ID’s analysis on this issue at pages 158-164. *See* 19 C.F.R. § 210.45; *Beloit Corp. v. Valmet Oy*, 742 F.3d 1421, 1423 (Fed. Cir. 1984).



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Q/A 1086-87 (emphasis added). The specifications also provide that [REDACTED]  
[REDACTED] which Sony's expert testified is just like the LTO products. *Id.*

In view of the above, the Commission affirms the ALJ's finding that Sony's LTO and IBM's 3592 products, when combined with compatible LTO and IBM drives, practice the asserted claims of the '596 patent. The Commission thus affirms the ALJ's conclusion that the technical prong of the domestic industry is satisfied with respect to the '596 patent.

### iv. Invalidity

Fujifilm petitioned for Commission review of the ALJ's findings that: (1) the claims are not anticipated by U.S. Patent No. 6,128,148 ("Platte" or RX-0224); and (2) the claims are not rendered obvious in view of Platte and JP H09-161451 to Kano ("Kano" or RX-0095).<sup>12</sup> ID at 167-168, 171-176.

With respect to the first finding, because the Commission adopts the ALJ's construction of "memory drive means" to include *inter alia* the SCSI Buffer Controller 26 as corresponding structure, *id.* at 134-140, we also adopt the ALJ's finding that Platte does not disclose a SCSI buffer controller and, therefore, does not anticipate the asserted claims, *id.* at 168.

With respect to the second finding, the ALJ found that Kano discloses a data library system that includes a SCSI interface by which data can be exchanged with a host computer and which can be recorded on the tape media. *Id.* at 171. Fujifilm argued that it is appropriate to combine the teachings of Platte and Kano because they utilize similar hardware and are also both

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<sup>12</sup> Fujifilm did not petition for review of the ALJ's finding that Fujifilm did not prove by clear and convincing evidence that the asserted claims of the '596 patent are invalid as anticipated by Japanese Patent Pub. No. H6-60470 ("Sawada") or obvious in view of Sawada and Kano. *See* ID at 168-71, 176-78. The Commission adopts the final ID's findings and conclusions as to Sawada and the Sawada and Kano combination. *Id.*

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directed to the same field of use and applications for the cassettes and drives. *Id.* at 172. After summarizing the parties' arguments and noting the experts offered "significant conflicting testimony" as to whether there is a reason to combine the references and whether there would be an expectation of success, the ALJ found that Fujifilm failed to establish by clear and convincing evidence that a skilled artisan would combine the teachings of Platte and Kano given the conflicting expert testimony. *Id.* at 172-75. In its Notice of Review, the Commission asked the parties to address this issue:

3. Please discuss whether Platte and Kano render obvious the asserted claims of the '596 patent.

Having reviewed the record evidence and the parties' submissions, the Commission has determined to affirm with modifications the ALJ's conclusion that Fujifilm has failed to establish by clear and convincing evidence that Platte and Kano render obvious the asserted claims of the '596 patent. In particular, the Commission finds that although Platte is analogous art, Fujifilm failed to establish that a person of ordinary skill in the art would have been motivated to combine Platte's video recorders with the teachings of Kano's data library system to arrive at the claimed inventions of the '596 patent, and failed to establish that there would have been a reasonable expectation of success if the two were combined.<sup>13</sup>

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<sup>13</sup> Fujifilm asserts that the "key limitations defining the alleged benefits of the '596 Patent were not found by the ID to be missing from Platte (RX-0224)" and that "the ID did not find any limitations (including the SCSI buffer controller) absent from the combined teachings of Platte and Kano." RSub at 15, 16. While the ALJ rejected Fujifilm's assertion of Platte based on its lack of the "memory drive means," he expressly refrained from addressing Sony's and the IA's arguments that Platte fails to teach claim limitations other than "memory drive means" "given [his] determination that Platte fails to teach a SCSI buffer controller or equivalent structure as a component of the structure corresponding to the claimed memory drive means." ID at 168 n.25; *see* CSub at 17. In view of the Commission's determination to affirm on the basis that Fujifilm fails to establish a motivation to combine Platte and Kano and a reasonable expectation of success in the combination, the Commission takes no position on whether Platte teaches claim limitations other than "memory drive means." *See* CSub at 17-22; RReplyC at 5-9.

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A claim would have been obvious “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103(a) (2006). In order to determine if a claim would have been obvious, “the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007) (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)). Given the differences between the prior art and the claimed invention, the claimed combination would have been obvious only if there was an apparent reason for a skilled artisan “to combine the known elements in the fashion claimed by the patent at issue.” *Id.* at 418.

What a prior art teaches, whether a skilled artisan would have been motivated to combine references, and whether there is an expectation of success in combining the references are questions of fact. *See Apple, Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1051 (Fed. Cir. 2016) (en banc); *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1361 (Fed. Cir. 2017). “‘The factual inquiry whether to combine references must be thorough and searching,’ and ‘[t]he need for specificity pervades [our] authority.’” *In re Nuvasive, Inc.*, 842 F.3d 1376, 1381-82 (Fed. Cir. 2016). “[A] clear, evidence-supported account of the contemplated workings of the combination is a prerequisite to adequately explaining and supporting a conclusion that a relevant skilled artisan would have . . . reasonabl[e] expect[ation of] success.” *See Pers. Web Techs., LLC v. Apple, Inc.*, 848 F.3d 987, 994 (Fed. Cir. 2017).

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Art is analogous when it is: (1) from the same field of endeavor as the claimed invention; or (2) reasonably pertinent to the particular problem faced by the inventor, if the art is not from the same field of endeavor. *In re Bigio*, 381 F.3d 1320, 1325-1326 (Fed. Cir. 2004).

In view of the record evidence and the parties' arguments, we find that the appropriate field of endeavor for the '596 patent is the field of endeavor related to "a tape drive as a computer peripheral," as Sony argues, rather than the broader field of "magnetic tape systems," as Fujifilm argues. CReplyR at 10; RReplyC at 10; *see also* Tr. (Messner) at 775:15-777:15 (Fujifilm's expert testifying that "tape drive" is broad enough to encompass a "VCR," a "telephone answering machine," and a "car stereo").

Our determination of the relevant field of endeavor is consistent with the '596 patent specification. For example, the '596 patent specifically states that the field of the invention "relates generally to tape drive units intended for maintaining data written on a magnetic tape and to recording media for use therewith." JX-1 at 1:7-10. The '596 patent specification describes two embodiments of the claimed tape drive system, and in both embodiments, the Commission adopted the final ID's finding that the SCSI buffer controller and system controller play key roles in the reading and writing operations of the tape drive. *See* ID at 140; JX-1 at 6:51-67, 7:55-58; CX-3C at Q/A 160-61, 305, 310, 389-93; Tr. (Mowry) at 411:20-413:1. The specification also describes the role of the host computer in relation to the SCSI buffer controller and its function of reading and writing management information. *See* ID at 139-40; JX-1 at Fig.1, 6:55-7:58, 9:5-9, 17:34-40, 18:1-12, 18:54-57, 20:6-10. Our determination of the relevant field of endeavor is also consistent with the extrinsic evidence. *See* Tr. (Mowry) at 398:10-399:5 (testifying that "everyone in the field at the time knew what you meant when you said a tape drive – a computer peripheral for storing digital data on magnetic tape."), 479:9-480:7; *see also*

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CX-0003C at Q/A 305-16; CX-0013C at Q/A 75-87, 148-51. Thus, we find that the field of endeavor for the '596 patent is related to a magnetic tape drive as a computer peripheral.

We find that this field of endeavor does not encompass Platte. Sony's expert contrasted Platte's field of endeavor with that of the '596 patent:

Unlike the '596 patent, Platte-US is directed to home and commercial audio and video tape technology. The analog audio and video technology at the center of Platte-US substantially differed from the digital recording technology of the '596 patent's tape system. Platte is, as a result, not concerned with archiving or backing-up digital data residing on the hard drive of a computer. Platte-US never uses the term "tape drive" at all, and not because Platte-US refers to such an apparatus by a different name. Tape drives are simply absent from Platte. For instance, Platte does not mention read or write heads (or any heads for that matter). Indeed, the only computer identified by Platte is the one that a video rental store might have at the check-out counter, as explained in RX-0224 at column 3, lines 64 to 67. As explained at column 2, lines 52 to 57, Platte-US discloses audio and video cassettes for use in certain commercial contexts, including in a camcorder or a video recorder, in an audio playback device, or as video cassettes prerecorded with movies for use by video rental stores.

CX-0013C at Q/A 205; *see also id.* at Q/A 208-11. Other than attorney argument, Fujifilm offers no credible evidence refuting Dr. Mowry's testimony and supporting its contention that the field of endeavor should be as broad as "magnetic tape drives." For example, Fujifilm's submission cites to expert testimony as to the level of ordinary skill in the art as it relates to the '596 patent. RSub at 19 (citing CX-3C at Q/A 133; RX-4C at Q/A 63). While both Platte and Kano "disclose tape cassettes in which magnetic tape is wound around two reels," *id.* (citing RX-4C at Q/A 934), the '596 patent claims at issue are directed to a tape drive apparatus and not to a tape cassette (which is claimed in non-asserted claims 14-19).

Nevertheless, even though the '596 patent's field of endeavor does not encompass Platte, Platte is analogous art because it addresses the same problem as the '596 patent. Dr. Mowry explains that the purpose of the '596 patent is:

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[T]he '596 patent discloses the objective of securing digital data recorded to back-up tapes, using "read-only" memory and factory-set data regarding possible uses for reading and writing from and to the tape cassette.

CX-0013C at Q/A 205. Similarly, Platte describes the object of its invention as securing data, which:

consists of reliably blocking undesired or unallowed operating states of the recording and/or reproduction device, in conjunction with a certain recording medium or a certain magnetic tape cassette, and enabling only desired or allowed operating states when this magnetic tape cassette is inserted into the recording and/or reproduction device. An undesired operating state can be, for example, the recording function if the cassette already contains recordings and these are not to be overwritten or erased.

RX-0224 at 1:45-54. Thus, both the '596 patent and Platte are concerned with improving the security of data recorded on magnetic tape cartridges and controlling their operational use.

Having found that Platte is analogous art to the '596 patent, we turn to the question of whether Fujifilm has clearly articulated a reason why a person of ordinary skill in the art would look to the teachings of Kano's tape library system to modify Platte's video recorder. As the final ID noted, the parties' experts offered "significant conflicting testimony" on the issues of whether there was a motivation to combine the Platte and Kano references and whether a skilled artisan would have had a reasonable expectation of success in doing so. ID at 172-176. Because of this conflicting testimony and because it was Fujifilm's burden to prove invalidity, the final ID found that "Fujifilm has failed to establish by clear and convincing evidence that one skilled in the art would combine the teachings of Platte and Kano thus rendering claims 1-13 of the '596 patent invalid as obvious." *Id.* at 175.

Although the final ID relied on the conflicting nature of the experts' testimony, we find Sony's expert provided a more fulsome analysis that supported his opinions that a skilled artisan would not have been motivated to combine the Platte and Kano and would not have had a

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reasonable expectation of success.<sup>14</sup> In particular, Fujifilm failed to “articulate a reason why a [POSA] would combine the prior art references” that is “rationa[lly]” connected to an “adequate evidentiary basis.” *Nuvasive*, 842 F.3d at 1382-84. Fujifilm makes two arguments to support its claim that a POSA would be motivated to combine Kano’s SCSI buffer controller with Platte’s video recorder.

First, Fujifilm argues that a person of ordinary skill in the art would be motivated to combine Platte and Kano because of their “significant interrelated teachings, including storing similar video data on the magnetic tape, storing similar management information in the built-in memory, and using similar hardware to both read and write that data and information.” RSub at 23. However, contrary to Fujifilm’s assertion, Dr. Mowry testified that the disclosures of Platte and Kano are not technologically similar. CX-0013C at Q/A 205; *see also id.* at Q/A 217, 587. Dr. Mowry explained that “many significant technical differences” exist between Platte and Kano, including “they (1) are directed to fundamentally different hardware and system architecture; (2) use different data formats and writing/reading techniques; (3) are motivated by different practical and technical concerns; (4) are intended for different markets and users; (5) and address different operational objectives.” CSub at 15 (citing CX-0013C at Q/A 201-14, 457-69, 587-90). “Considering that Platte is directed to users of camcorders who make home videos and to video rental stores who lend prerecorded cassettes to customers to take back to their

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<sup>14</sup> The final ID does not discuss any objective indicia of non-obviousness and Sony did not raise any in its response to Fujifilm’s petition for review on this issue. The parties’ submissions in response to the Commission’s notice briefly mention secondary considerations of non-obviousness. *See* RSub at 26; CReplyR at 13 n.8. Given the Commission’s decision to affirm with modifications the final ID’s finding of non-obviousness, the Commission takes no position on the parties’ arguments regarding objective indicia of non-obviousness. *See Otsuka Pharm. Co., Ltd. v. Sandoz, Inc.*, 678 F.3d 1280, 1296 (Fed. Cir. 2012) (finding no need to address a district court’s findings on objective evidence because the district court’s finding that an accused infringer failed to prove *prima facie* obviousness was correct).

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homes,” Dr. Mowry testified that “one of ordinary skill in the art would not have been motivated to look to Kano, which relates to enterprise grade tape library systems.” CX-0013C at Q/A 587; *see also id.* at Q/A 595.

Second, Fujifilm contends that a person of ordinary skill in the art would be motivated to combine Platte and Kano to facilitate communication between a computer and a cassette since “one of the applications taught by Platte is ‘loading data into the cassette memory from a memory of a computer.’” RSub at 25 (citing RX-0224 at 3:64-67; Tr. (Mowry) at 922:20-22). Fujifilm argues that “[i]t cannot be reasonably disputed that a POSA would have been motivated to look for a communication protocol and associated hardware to satisfy this need” and one “‘common way of providing computer access to peripheral devices’ that ‘dates back to the 1980s’ is through a SCSI interface,” as disclosed inside of the tape drives of Kano. *Id.* at 23-24 (citing Tr. (Mowry) at 914:3-17; *see also* RX-4C at Q/A 941-46). However, Dr. Mowry explained that “[t]here was no need to modify Platte to add a tape streamer drive system controller, a SCSI Buffer controller, or any other element from Kano” because “Platte’s A/V devices do not interoperate with computers (and thus need no computer interface)—indeed...the only computer Platte discloses is for a video store counter.” CSub at 24 (citing Tr. (Mowry) at 922:11-22). Fujifilm incorrectly asserts that Platte “teaches” the “application[.]” of “connecting its tape drive to a computer.” *Id.* at 27 (citing RPet at 74, in turn citing RX-224 at 3:64-67). Platte discloses only that “the data records” associated with a cassette “are reloaded, for example, from the memory of a computer” at the check-out counter of a video rental store. *Id.* “Nowhere does Platte disclose a tape drive, let alone disclose connecting such a drive to a computer at the check-out counter.” *Id.* (citing RX-224 at 3:64-67; Tr. (Mowry) at 922:11-22, 923:1-11).

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Moreover, Sony's expert explained that Kano "teaches away from the claimed inventions of the '596 patent" in that Kano emphasizes optimizing the speed of its automated tape libraries that remotely receive commands from a host computer and teaches reading data "without physically loading the tape cassettes" in a drive, whereas the '596 patent introduces additional steps upon loading of the cassette in the drive to protect the contents of the memory and the tape, slowing access to data stored on tape. *Id.* at 24-25 (citing CX-0013C at Q/A 7-8, 14-15, 19, 67, 588); *see* RX-95 at ¶19, Fig. 4. Dr. Mowry explains that Kano pursues a different objective from that of the '596 patent:

Kano is not concerned with the security of the tape storage system. It is instead focused on increasing the speed of data access in a tape library system. With respect to the '596 patent, in contrast, security is a concern of the first order.

To accelerate the speed and efficiency of the library system, Kano directs the bypass of the drive and thus teaches away from a comparison of information stored on the media and in the memory. Such a comparison would have necessitated the sacrifice of speed for security and would have slowed down Kano's tape library system. It would have also put additional stress on the drives, which would have, in turn, further diminished the efficiency of Kano's tape library system.

CX-0013C at Q/A 467. Thus, "Kano's emphasis on speed would have led a [person of ordinary skill in the art] away from the '596 patent, which sacrifices speed for security." CResp at 75 (citing CX-0013C at Q/A 587-88; *see also* ID at 175).

Even if a person of ordinary skill in the art would be motivated to combine Platte and Kano, Fujifilm has failed to establish a reasonable expectation of success in making the combination. Fujifilm's evidence consists of attorney argument asserting that the combination would have been "trivial," and conclusory expert testimony that a POSA would have had a reasonable expectation of success in making the combination. RX-4C at Q/A 940-46. But "Fujifilm says virtually nothing about the workings of its proposed combination of Platte and

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Kano or the many technical challenges in getting there.” CSub at 28. By contrast, Dr. Mowry testified “that combining Platte and Kano would ‘require substantial design and programming work . . . [to] reconcil[e] the systemic differences and integrat[e] the disparate technology,’ including ‘an array of hardware and firmware design challenges that . . . would have been very difficult . . . to implement.” *Id.* (citing CX-0013C at Q/A 590). He identified numerous technical differences that would have been barriers to any attempt to combine Platte and Kano. CX-0013C at Q/A 75-87, 587, 589-90, 599. We find Dr. Mowry’s opinions concerning a person of ordinary skill in the art’s expectation are not “conclusory” but rather are grounded in substantial evidence regarding the technical differences between Platte and Kano that would render them incompatible, as well as the significant challenges combining them would present. *See* ID at 174-76.

Therefore, the Commission affirms, with the supplemental reasoning provided above, the ALJ’s finding that Fujifilm failed to establish by clear and convincing evidence that claims 1-13 of the ’596 patent are obvious in view of Platte and Kano. The Commission finds that the record evidence establishes that a skilled artisan would not have been motivated to combine the two references and would not have had a reasonable expectation of success.

### **C. Domestic Industry – Economic Prong**

#### **i. The Final ID’s Finding That a Domestic Industry Exists Based on the Domestic Activities of Sony’s Licensee**

Sony argues that IBM is a licensee of the asserted patents and the economic prong of the domestic industry requirement with respect to all asserted patents is satisfied based on IBM’s expenditures relating to the IBM 3592 system, which comprises the 3592 tape cartridges and tape drives. *Id.* at 199. Sony allocates ██████████ in expenses for labor associated with maintenance and operations for the 3592 family of products between 2014 and September 2017,

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and [REDACTED] in expenses for labor associated with research and development for the IBM 3592 family of products since 2012. *Id.* at 209.

Fujifilm argues that the Sony-IBM Agreement as written is defective and does not cover IBM's 3592 products.<sup>15</sup> *Id.* at 201. The dispute regarding the Sony-IBM Agreement concerns three sections of the license. First, [REDACTED]

[REDACTED] CX-1058C at 15. Second, [REDACTED]  
[REDACTED] *Id.* at 16. Finally, [REDACTED]  
[REDACTED] *Id.*

(emphasis added). The ALJ explained that the “source of the dispute arises from this last section: [REDACTED]

[REDACTED] ID at 200.

The ALJ found that section 337 allows articles that practice the patent claims under authorization from the patent owner to be considered in the domestic industry analysis and the Patent Act does not require that the authority to practice the patented invention must be granted in writing. *Id.* at 202-203. Thus, the ALJ reasoned that “[s]ufficient evidence of authorization from Sony for IBM to practice the patent claims, even if not reduced to writing, can suffice to bring the IBM 3592 tape products within the umbrella of domestic industry products upon which Sony may rely.” *Id.* at 203. The ALJ found that “the evidence shows that since at least as early as 2010, IBM has had Sony’s authorization to manufacture articles and/or have articles manufactured on IBM’s behalf that are both protected by the Asserted Patents and that would otherwise be subject to a claim of infringement but for Sony’s authorization.” *Id.* (citing CX-

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<sup>15</sup> The final ID noted that Sony relies on two agreements with IBM and that both agreements are identical in all respects relevant to this investigation. *See* ID at 199 (citing CX-1058C and CX-1044C). This opinion cites only to the [REDACTED] agreement in CX-1058C.

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1230C; CX-1046C and CX-1047C); *see also id.* at 204 (citing CX-7C at Q/A 85, 90-95).

Alternatively, the ALJ found that the licenses at issue are governed under New York law, and

“that a New York court would interpret the Sony-IBM license to include [REDACTED]

[REDACTED]  
[REDACTED] *Id.* at 204-205.

With respect to the '774 and '501 patents (“the Media Patents”), Fujifilm and the IA argue that the domestic industry extends at most to expenditures relating to IBM 3592 tape cartridges and cannot include expenditures relating to IBM 3592 tape drives. *See id.* at 205, 206. The ALJ found that “[a]lthough it is possible to exploit the '774 and '501 patents through all manner of tapes, including LTO and other formats, it is *not* possible to exploit IBM 3592 tape cassettes—articles protected by the patent—without an IBM 3592 drive.” *Id.* at 208. He explained that “[i]t is undisputed that IBM 3592 tapes can only be used in an IBM 3592 drive.” *Id.* The ALJ concluded that “the reality of the marketplace developed around the IBM 3592 family of products is that IBM 3592 tape drives are necessary to use IBM 3592 tapes and vice versa,” and, thus, “the IBM 3592 tapes protected by the '774 and '501 patents cannot be ‘exploited’ absent their use in conjunction with IBM 3592 tape drives that do not themselves practice the '774 and '501 patent claims.” *Id.* at 208-209.

With respect to the economic prong under subsection (C), Fujifilm and the IA argue that Sony has failed to demonstrate a nexus between the IBM expenditures and the patented technology. *Id.* at 215. The ALJ determined that investments associated with the research and development of the IBM 3592 tape drives are an “investment [that is] itself an exploitation of the patent” in view of the finding that “(i) 3592 tapes and drives are articles practicing the '596 patent and (ii) 3592 tape drives are necessary to exploit 3592 tapes practicing the '774 and '501

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patents.” *Id.* at 215-216. The ALJ reasoned that “‘ordinary inference’ applies here, where the domestic industry products—at least for some of the patents (*i.e.*, the ’774 and ’501 patents)—include non-patented articles (and their associated research and development expenses) necessary to ‘exploit’ the asserted patents.” *Id.* at 216 (citing *Certain Integrated Circuit Chips*, Inv. No. 337-TA-859, Comm’n Op. at 42 (Aug. 22, 2014)). Finally, the ALJ found that “IBM’s investments are quantitatively significant as required by section 337(a)(3)(B) as well as quantitatively substantial as required by section 337(a)(3)(C).” *Id.* at 218.

### ii. **The Commission’s Determination That IBM’s 3592 Products Are Domestic Industry Products Upon Which Sony May Rely**

The Commission affirms with modifications the ALJ’s finding that the record evidence establishes that IBM has authorization from Sony to practice the asserted patents such that the IBM 3592 products fall within the umbrella of domestic industry products upon which Sony may rely. *Id.* at 203.

The ALJ based his conclusion on two independent grounds. *First*, he found that there is sufficient evidence of authorization from Sony for IBM to practice the patent claims at least as early as 2010 even without considering any written agreements between Sony and IBM. *Id.* Fujifilm relies on general contract law principles that an oral agreement cannot supersede a written instrument and the parole evidence rule. RPet at 7-12. Because this is not a contract dispute between Sony and IBM over their license agreement, such reliance is misplaced. The parole evidence rule applies “only [to] . . . ‘prior agreements or understandings’” that precede contract formation, such as “agreements, promises or understandings that were part of the negotiations directly leading to the written . . . agreement.” *Exhibitgroup/Giltspur, Inc. v. Spoon Exhibit Servs.*, 273 A.D.2d 874, 874 (N.Y. App. Div. 2000). Here, Sony is not relying on any evidence of a prior or contemporaneous agreement or evidence from the negotiations directly

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leading to the written cross-license at issue in the case but, rather post-litigation correspondence and hearing testimony regarding the understanding of the contracting parties during the time period since the execution of their license. We, therefore, affirm the final ID's finding that the evidence of record, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ID at 203-204 (citing CX-1230C, CX-1046C, and CX-1047C); *see also* CX-7C at Q/A 85.

*Second*, the ALJ found that the Sony-IBM Agreement covers IBM's 3592 tape products,

[REDACTED]

[REDACTED]

[REDACTED]. *Id.* at 205. The ALJ found that a New York court would interpret [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.* at 204-205 (citing *Ross v.*

*Sherman*, 95 A.D.3d 1100, 1101 (N.Y. App. Div. 2012)).

Fujifilm argues that the ALJ should not have considered extrinsic evidence and failed to address the lack of ambiguity in [REDACTED] of the Agreement. RPet at 14. But the final ID found ambiguity when it rejected Fujifilm's interpretation of [REDACTED] after finding "no credible evidence or explanation as to why [REDACTED]

[REDACTED] ID at 204. Moreover, the final ID correctly found that under New York law, "where some absurdity has been identified or

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the contract would otherwise be unenforceable either in whole or in part,” “courts may as a matter of interpretation carry out the intention of a contract by transposing, rejecting, or supplying words to make the meaning of the contract more clear.” *Id.* (citing *Wallace v. 600 Partners Co.*, 658 N.E.2d 715, 717 (N.Y. 1995)). Accordingly, we find that the ALJ’s consideration of extrinsic evidence to interpret the Sony-IBM Agreement was not error.

In addition to these two grounds, the Commission finds that [REDACTED] of the Agreement expressly grants [REDACTED]. CX-1058C at 15. The final ID did not address whether [REDACTED] of the Sony-IBM Agreement covers IBM’s 3592 tape products [REDACTED]. See RPet at 16-19; CResp at 9-11. Section [REDACTED]

[REDACTED]

[REDACTED] CX-1058C at 15.

Fujifilm does not dispute that IBM’s domestic industry products are covered by [REDACTED] as defined in the agreement. See *id.* at 2, 8 [REDACTED]

[REDACTED] However, Fujifilm argues that the Sony-IBM Agreement [REDACTED]

[REDACTED] More specifically, Fujifilm contends that while IBM may be granted rights to sell certain products under [REDACTED] of the Sony-IBM Agreement, IBM also must satisfy the requirements of [REDACTED]

[REDACTED] See RPet at 16; CX-1058C at 15-16.

[REDACTED]

[REDACTED]

[REDACTED]



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when it purchased the microprocessors IBM manufactured at its request. *Id.* at 1384. Intel countered that § 2.2.1 of the Intel-IBM agreement only permitted IBM to sell products designed by IBM. *Id.* at 1384-85.

In considering the parties' arguments, the Federal Circuit examined what it determined was the unambiguous language of the granting clause of the Intel-IBM license agreement. *Id.* at 1385. The Federal Circuit found that § 2.2.1 granted IBM the right "to make, use, lease, sell and otherwise transfer IBM Licensed Products." *Id.* [REDACTED], "IBM Licensed Products" was defined in a separate section to include "IHS Products," among other products. *Id.* When the court read those sections together, it found that "IBM Licensed Products" were not limited to products designed by IBM. *Id.*

The Federal Circuit also disagreed with Intel's argument that the restricted "have made" grant of the Intel-IBM agreement limited IBM's right to have Cyrix design products for IBM. *Id.* at 1386. The court concluded that since "IBM did not have the products made for it, ... [the 'have made'] provision does not limit its rights to make and have designed the products it sold to Cyrix." *Id.* Thus, the Federal Circuit distinguished between the separate rights granted under the "make, use, or sell" and "have made" grants.

While *Cyrix* does not address the precise facts at issue here, we find that the Court's broad interpretation of the [REDACTED] in a similar IBM license agreement supports Sony's argument that [REDACTED] [REDACTED] *Cyrix* also supports Sony's interpretation that other granting clauses in the license such as the [REDACTED] are separate from and do not limit the [REDACTED]. Still further, Sony's interpretation of the [REDACTED] does not render the [REDACTED] meaningless here. The

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parties do not dispute that the separate [REDACTED] of the Sony-IBM Agreement [REDACTED]

[REDACTED]. By contrast, the [REDACTED]

[REDACTED]. Thus, in addition to the two grounds that the ALJ found to support its conclusion that IBM's 3592 products are domestic industry products upon which Sony may rely, the Commission finds that [REDACTED] of the Sony-IBM Agreement expressly grants IBM a license that covers IBM's 3592 products and IBM's sale of them.

**iii. The Commission's Determination That a Domestic Industry Exists Under Sections 337(a)(3)(B) and (C) With Respect to the '596 Patent**

With respect to the '596 patent, the only remaining issue with respect to whether IBM's domestic expenditures in the 3592 products satisfy the economic prong of the domestic industry requirement under subsections (B) and (C) is whether IBM's maintenance expenses are excluded from the Sony-IBM Agreement. Specifically, Fujifilm argues that IBM's maintenance expenses are not covered by the Sony-IBM agreement because [REDACTED]

[REDACTED] RPet at 20. Fujifilm contends that the "ID erred by not addressing [REDACTED] *Id.*

The Commission finds this argument waived because Fujifilm failed to raise it in its pre-hearing brief. *See* CResp at 16-17. Even absent waiver, [REDACTED]

[REDACTED] CX-1058C at 20 (emphasis added).

Therefore, the Commission affirms the ALJ's finding that all of the maintenance and R&D expenditures associated with IBM 3592 products relied upon by Sony are included in the domestic industry for the '596 patent under subsections (B) and (C). Before the Commission and

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with respect to the '596 patent, Fujifilm does not challenge the ALJ's finding that IBM's maintenance and R&D expenditures associated with IBM's 3592 products are both quantitatively significant as required by section 337(a)(3)(B) as well as quantitatively substantial as required by section 337(a)(3)(C). ID at 218.

### **iv. The Commission's Determination That a Domestic Industry Exists Under Section 337(a)(3)(B) With Respect to the Media Patents**

In its Notice of Review, the Commission asked the parties to address the following:

4. Please discuss the extent to which the scope of the domestic industry with respect to the '774 and the '501 patents should extend to the R&D investments and employment of labor and capital by Sony's licensee in proprietary tape drives, which the ID found are necessary to exploit the technology of the tape media that are protected by the '774 and the '501 patents. Please address the Investigative Attorney's argument that the "ID conflated exploiting the patented article with exploiting the patented technology" and whether these two allegedly different analyses would render a different result under the "realities of the marketplace" exception in this investigation.

Fujifilm and the IA argue that the ID erred in finding that a domestic industry exists under sections 337(a)(3)(B) and (C) with respect to the Media Patents based on IBM's domestic expenditures for labor associated with research and development, and for maintenance and operations for the 3592 products. Specifically, they contend that the realities of the marketplace do not warrant finding that the domestic industry for the Media Patents extends beyond the "articles protected by the patent," *i.e.*, the 3592 tape cartridges, to also include the 3592 tape drives, which are not covered by the claims of the Media Patents.

Having reviewed the record evidence and the parties' submissions, the Commission has determined to affirm with modifications the ALJ's finding that a domestic industry exists under section 337(a)(3)(B) with respect to the Media Patents based on the domestic activities of Sony's licensee IBM. The Commission takes no position on whether the final ID also properly found that a domestic industry exists under section 337(a)(3)(C) with respect to the Media Patents.

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“The Commission has held that in certain circumstances, the realities of the marketplace required a modification of the principle that the domestic industry is defined by the patented article.” *Certain Video Game Systems and Wireless Controllers and Components Thereof*, Inv. No. 337-TA-770, Comm’n Op. at 66 (Oct. 28, 2013) (“*Video Game Systems*”). Factors to consider regarding the realities of the marketplace analysis include whether the patented technology is sold as a separate entity or article of commerce; whether it is an essential component of the downstream product; and whether the domestic industry activities “have a direct relationship to exploitation of the patented technology.” *Id.* at 66-67.

For example, the Commission determined that the realities of the marketplace warranted crediting domestic investments in a personal computer in a case involving patented and copyrighted software since the software was an essential component of the computers assembled in the United States and the computers cannot be used without the software. *Certain Personal Computers and Components Thereof*, Inv. No. 337-TA-140, USITC Pub. 1504, Comm’n Op. at 41 (Mar. 1984) (“*Personal Computers*”). In *Certain Double-Sided Floppy Disk Drives and Components Thereof*, Inv. No. 337-TA-215, the domestic industry was defined to include “the domestic production of double-sided floppy disk drive, rather than the patented head assemblies incorporated in the disk drives, because it is the importation and sale of the disk drives that compete directly with the domestic activities of the patentee.” *Video Game Systems*, Comm’n Op. at 66-67 (citing *Certain Double-Sided Floppy Disk Drives and Components Thereof*, Inv. No. 337-TA-215, USITC Pub. 1860, Comm’n Op. at 17-18 (Oct. 15, 1985) (“*Floppy Disk Drives*)).

In a more recent example, the Commission in *Video Game Systems* found that the specification of the asserted patents made clear that the technology of the patented invention

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involved “a wand having certain transmitter and motion-sensitive circuitries that interact wirelessly with receivers or actuators distributed throughout the play facility.” Comm’n Op. at 67-68. The Commission determined that the complainant was entitled to rely on expenses related to “the claimed wand, [the] electronic receivers within the MagiQuest effect, and the relevant main server software that coordinate these effects,” *id.* at 73, “which are central to enabling [the complainant] to exploit the technology of the claimed toy wands, but not on expenses relating to the entire MagiQuest attraction,” *id.* at 70, such as the “physical space, design themes, physical props, other peripheral items, and sales and training staff,” *id.* at 68.

In yet another recent case, the Commission in *Certain Sleep-Disordered Breathing Treatment Systems and Components Thereof*, Inv. No. 337-TA-890 (“*Sleep-Disordered Breathing*”), credited domestic investments in an unpatented S9 flow generator because the flow generator “is central to enabling [complainant] to exploit the patented technology of the H5i humidifier” given that the humidifier “is designed to work only with the S9 flow generator,” and some of the “H5i humidifiers are sold in a ‘co-pack’ with an S9 flow generator.” Final ID at 147 (Sep. 16, 2014).<sup>17</sup> Notably, the Commission found that “[a]lthough the H5i humidifier is a distinct product that is sometimes sold separately, it cannot function on its own, and cannot practice the claims . . . without an S9 flow generator.” *Id.* at 149 (citing, *e.g.*, claim 1: “a connecting structure configured to connect between the CPAP apparatus and humidifier”). In contrast, as for the remaining asserted patents directed to a respiratory mask, the Commission found that the S9 and H5i “are not central to enabling [complainant] to exploit the patented

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<sup>17</sup> In *Sleep-Disordered Breathing*, the Commission did not review the ALJ’s finding that the complainant had established the existence of a domestic industry under 19 U.S.C. §§ 1337(a)(3)(A) and (B). *See* Inv. No. 337-TA-890, Comm’n Op. at 45 n.13 (Jan. 16, 2015).

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technology of its masks because these masks are compatible with other CPAP devices and humidifiers, and they are marketed and sold separately from [S9 and H5i].” *Id.* at 147.

In sum, the Commission has credited domestic investments when they are made with respect to an “essential,” “necessary,” and/or “integral” part of the article covered by the patent claims and/or is “central to enabling” exploitation of the article covered by the patent claims.

In this case, the record evidence supports the ALJ’s determination to include IBM’s domestic investments in its 3592 tape drives in the economic prong analysis for the Media Patents. The facts relevant to this issue appear to be substantially uncontested. The evidence shows that, unlike the open standard LTO tapes and drives, IBM developed its own proprietary storage format for its 3592 tapes and drives. Sony’s economic expert, Dr. Prowse, testified that technology in tapes “cannot be exploited from an economic perspective without a drive and without [the] development of a drive.” Tr. (Prowse) at 166:2-4. Mark Hill, of IBM, explained that [REDACTED]

[REDACTED] CX-1304C at Q/A 20. He further testified that [REDACTED]

[REDACTED] and that [REDACTED]  
[REDACTED]

[REDACTED] *Id.* at Q/A 147 (emphasis added). IBM’s Kenneth Woo explained that [REDACTED] JX-29C at 29:2-4.

Sony’s technical expert, Dr. Mowry, explained, “when we start talking about a recording system,” there is no reason to distinguish “the tape drive [as] being separate from the medium, or cartridge.” Tr. (Mowry) at 395:9-15.

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The evidence thus strongly supports the ALJ's conclusion that "the IBM 3592 tapes protected by the '774 and '501 patents cannot be 'exploited' absent their use in conjunction with IBM 3592 tape drives." ID at 108-109. The exclusive operational relationship between 3592 tapes and 3592 tape drives is similar to the electronic receivers and toy wand in *Video Game Systems*, the flow generator and humidifier in *Sleep-Disordered Breathing*, the computer and software relationship in *Personal Computers*, and the floppy disk drive and head assembly at issue in *Floppy Disk Drives*.

Fujifilm and the IA assert that although the 3592 tape cartridge and 3592 tape drive are designed and intended to be used together, they are entirely separate articles of commerce because they "are marketed and sold separately, in significantly different quantities, and at significantly different price points." RSub at 32-33; see IAREply at 11. Thus, according to Fujifilm and the IA, the domestic industry extends at most to expenditures relating to IBM 3592 tape cartridges and cannot include expenditures relating to IBM 3592 tape drives.

Sony argues that *Video Game Systems*, in fact, shows that sales quantities and country of manufacture are not determinative. CSub at 32. There, the Commission found that the patented toy wand was sold as "a stand-alone item" to customers for use at complainant's MagiQuest live-action attractions. *Video Game Systems*, Comm'n Op. at 56, 67. Based on the "realities of the marketplace," the Commission included in the domestic industry investments in "the electronic receivers within the MagiQuest effect, and the relevant main server software that coordinate these effects"—hardware and software that was built into the attractions and therefore not sold as goods to customers. *Id.* at 70, 73. As Sony argues, neither the sales numbers nor the lack of details about manufacturing location of the receivers and software affected the Commission's analysis of the scope of the domestic industry. CSub at 37.

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Moreover, Fujifilm's and the IA's position is inconsistent with the Commission's decisions in *Floppy Disk Drives* and *Sleep-Disordered Breathing*. In *Floppy Disk Drives*, the Commission affirmed the ALJ's decision to define the domestic industry as the domestic operations devoted to the manufacture of double-sided floppy disk drives, rather than the head assemblies, even though the ALJ found the patent at issue was directed to the head assembly, and the head assembly was a separate article of commerce. See *Floppy Disk Drives*, Comm'n Op., 1985 WL 73063, at \*11 (Oct. 15, 1985). The ALJ arrived at this conclusion because a "head assembly is used every time a disk drive is used and a drive is useless without a head assembly." *Id.*; see also *Floppy Disk Drives*, USITC Pub. 1860, ID at 53-54 (May 1986) (finding "the head assembly is a necessary and integral part of the floppy disk drive").

In *Sleep-Disordered Breathing*, after finding that "the H5i humidifier and S9 flow generator are actually sold by [complainant] as separate articles," ID at 149, the ALJ went on to find that the flow generator was within the scope of the domestic industry because the humidifier "cannot be used alone," *id.* at 150, because the "H5i humidifier is wholly dependent on the S9 flow generator," *id.*, and because "the S9 is thus central to enabling [complainant] to exploit the patented technology of [the] humidifier," *id.* As Sony explains, "[d]istinctions in those realities explain why a domestic industry for patented CPAP masks that could be used with other companies' flow generators and humidifiers **does not** include investments in complainant's technically and commercially compatible humidifiers and flow generators while the domestic industry for a patented humidifier **does** include investments in a flow generator that is necessary for a consumer's use of the humidifier." CReplyR at 15. In the former case, consumers could still buy and use (that is, exploit) the masks in conjunction with products available in the marketplace even if the complainant had never invested in compatible humidifiers and flow

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generators business. *Id.* In the latter case, stopping production of the compatible flow generator meant eliminating any possible use of the humidifier by consumers.<sup>18</sup> *Id.*

Fujifilm and the IA also underscore the fact that the ALJ found that the Media Patents can be exploited through all manner of tapes, including LTO and other formats, not just the 3592 format. We agree with Sony that this finding is irrelevant to whether the 3592 drives are necessary to exploit the IBM 3592 tape cartridges. The Commission has defined the domestic industry to include investments necessary to bring to market the patented technology as embodied in the asserted domestic industry products. *See Video Game Systems*, Comm'n Op. at 70 (including investments "central to enabling [complainant] to exploit the technology of the claimed toy wands"); *Sleep-Disordered Breathing*, ID at 147 (finding "that the S9 flow generator is central to enabling [complainant] to exploit the patented technology of the H5i humidifier"). Here, the "3592 tape and drive products at issue make up a closed, proprietary data storage system" and there is no dispute that one cannot be used without the other. CSub at 30; *see also id.* at 33-34; Tr. (Prowse) at 166:2-4; CX-1304C at Q/A 20, 147. Moreover, investigations finding a violation of section 337 necessarily involve exploitation of an asserted patent through multiple products including an asserted domestic industry product and an accused product. *See, e.g., Personal Computers*, Inv. No. 337-TA-140, Pub. 1504, Comm'n Op. at 17-21, 37-42 (Mar. 1984). But the Commission has not declined to look to the realities of the marketplace simply on

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<sup>18</sup> As Sony points out, none of the cases on which Fujifilm relies involves a finding that the patented article at issue—the hinges, the microcarriers, the connectors—could not be used without an additional article. CReplyR at 16 (citing *Certain Concealed Cabinet Hinges*, Inv. No. 337-TA-289, ID, 1989 WL 608804, at \*55 (Sep. 28, 1989); *Certain Limited-Charge Cell Culture Microcarriers*, Inv. No. 337-TA-129, USITC Pub. 1486, Comm'n Action & Order at 5 & n.10, 37 (Feb. 1984); *Certain Modular Structural Systems*, Inv. No. 337-TA-164, Comm'n Op. at 13-14 (June 1984)).

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the ground that it is possible to exploit an asserted patent through multiple products. *See id.*; CSub at 36.

Fujifilm and the IA further argue that IBM's investments in maintenance or research and development do not "have a direct relationship to exploitation of the patented technology" because none of those investments were related to the development of the tape media inside the 3592 cartridge and so IBM's investments are "far removed from the technology protected by the patent." IASub at 17-18 (citations omitted); *see also* RSub at 28. On the contrary, the record evidence shows that IBM's 3592 drive investments "have a direct relationship to exploitation of the patented technology" just like the patented toy wand in *Video Game Systems* was found to have this "direct relationship" because the specification at issue established that the wands were intended to "interact wirelessly with [external] receivers." CSub at 34 (quoting *Video Game Systems*, Comm'n Op. at 67-68).

As Sony explains, the Media Patent specifications make clear that Sony's claimed inventions are intended to improve the performance of tape media when they are used in conjunction with tape drives. *Id.* (citing JX-2.5; JX-3.9). The '501 patent specification defines the invention in part by the tape media's "cross web dimensional difference from the magnetic recording head used therewith," explicitly referring to use with the recording head of a tape drive. *Id.* at 34-35 (citing JX-2 at 2:16-18; CX-2C at Q/A 167). The '774 patent specification explains that the invention creates a recording medium that "exhibits improved signal and error characteristics," two measures that contemplate a tape drive writing data to and reading data from the medium. *Id.* at 35 (citing JX-3 at 3:52-55; CX-2C at Q/A 75-78).

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Sony has established that IBM's domestic 3592 drive development work is devoted to improving the interoperability of the 3592 tape media with drives. For example, Sony's expert, Dr. Prowse, explained at the hearing:

[REDACTED]

Tr. (Prowse) at 165:5-166:7; *see also* CX-4C at Q/A 222-24; JX-28C at 119:3-19; JX-3.10; JX-28C.6, 12, 20:3-16, 41:10-17; JX-2.6. In addition, the testimony of Mr. Hill, IBM's corporate designee, [REDACTED]

[REDACTED]. CX-1304C at Q/A 10, 98, 100; JX-28C at 20:3-16, 119:16-19.

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The IA argues the ID erroneously conflates exploiting the patented article with exploiting the patented technology. IASub at 19. The IA contends that the proper analysis should consider whether IBM’s domestic activities have “a direct relationship to the exploitation of the patented technology,” and not whether the 3592 tape drives are necessary to exploit the 3592 tapes—the patented articles. *See id.* We find the IA’s position is a distinction without a difference. If a patented article practices the patent claim, but the patented article cannot function on its own without a non-patented product, or in other words the non-patented product is essential to the practice of the patented article, then the non-patented product necessarily has a direct relationship to the exploitation of the patented technology. In this case, while the claimed subject matters of the Media Patents can be practiced without a tape drive, there is no dispute that the tape media is useless without a tape drive. In other words, the tape drive is necessary to bring the patented technology to the consumer market.

Fujifilm further argues that “although that the patents-at-issue in *Sleep-Disordered Breathing* and *Video Game Systems* did not ‘directly claim’ components of the separate article of commerce, but those components were expressed in the claims in manner that made them necessary to define the invention claimed.” RSub at 34 (citing *Video Game Systems*, Comm’n Op. at 6-7, 70 (“a wireless receiver **capable of receiving data from a transmitter external** to the elongated body”); *Sleep-Disordered Breathing*, ID at 101, 149 (“connecting structure **configured to connect** between **the CPAP apparatus** and humidifier”)). However, the analysis in those cases was based on crediting investments that were necessary to bring the patented technology to the consumer market. *See* CSub at 38; *Video Game Systems*, Comm’n Op. at 68-70; *Sleep-Disordered Breathing*, ID at 148-149. In *Video Game Systems*, the Commission found that the claims were directed to a toy wand and the claim language “interactive play environment” was

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“mere intended use.” Comm’n Op. at 61-62. Similarly, in *Sleep-Disordered Breathing*, the ALJ found that the claims only directly claim a humidifier in one asserted patent and masks in the other asserted patents despite the claim language describing a broader CPAP therapy system. ID at 147-148. Nevertheless, the Commission found in both cases that the complainants were entitled to rely on expenses that were needed to ensure that the patented articles could be used by consumers.

Therefore, the Commission affirms, with the supplemental reasoning discussed above, the ALJ’s finding that a domestic industry exists under section 337(a)(3)(B) with respect to the Media Patents based on IBM’s significant investments in labor and capital for the 3592 products.

### III. JOINT MOTION

On November 8, 2018, Sony and Fujifilm jointly moved to submit certain replacement pages to their respective initial submissions in response to the Commission’s Notice of Review.<sup>19</sup> The Commission has determined to grant the joint motion. In particular, at the request of Sony, Fujifilm sought to submit replacement pages for page nos. 31 and 37 of its initial submission, which redact statements that Fujifilm made regarding Inv. No. 337-TA-1076. Fujifilm is the complainant and Sony is the respondent in the 1076 investigation. Proposed replacement pages with these redactions were attached as Exhibit A to the motion. Sony sought to submit a replacement page to correct a citation on page no. 17 of its initial submission. A proposed replacement page with this change was attached as Exhibit B to the motion.

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<sup>19</sup> See Joint Unopposed Motion to Submit Certain Replacement Pages to the Private Parties’ Initial Written Submissions in Response to the Commission’s Determination to Review-In-Part the Final Initial Determination, EDIS Doc ID 661382 (Nov. 8, 2018).

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### IV. REMEDY, BONDING, AND PUBLIC INTEREST

#### A. Remedy

##### i. Limited Exclusion Order

Fujifilm does not dispute that an LEO is appropriate in the event of a finding of a violation, but it contends that certain express exemptions should be included in the order. RSub at 38-39. First, Fujifilm argues that LTO-7 cartridges and components should be expressly excluded from any LEO. *Id.* at 38. The ALJ recommends the issuance of an LEO “prohibiting the importation of all the accused products found to infringe the Asserted Patents,” but rejects Fujifilm’s request to expressly exclude LTO-7 products given that they were not a part of the investigation. RD at 222. Sony argues that “Order No. 14 made clear that an infringement determination regarding Fujifilm’s LTO-7 products would not be made during the violation stage of this investigation, putting them squarely within the purview of Commission or CBP post-issuance procedures.” CReplyRmdy at 2-5 (citing Order No. 14); *see also* IAREply at 15. Since it is clear from the record that these products were not timely accused in this investigation and as a result were not adjudicated as part of this investigation, we concur with the ALJ’s recommendation against including an express carve out for the LTO-7 products.

Second, Fujifilm contends that any LEO should expressly state that Fujifilm LTO cartridges intended for sale to IBM, or components intended for manufacture of LTO cartridges for sale to IBM, are not subject to such orders. RSub at 38. The ALJ recommends “tailoring the exclusion order to incorporate Fujifilm’s proposed exception for IBM-branded LTO-4, LTO-5 and LTO-6 products and their components given that such products are manufactured and imported pursuant to a license granted by Sony.” RD at 221-222. The IA asserts that if the standard certification provision is included in the LEO, this express carve out is unnecessary. IAREply at 15. As Sony points out, “the Commission’s limited exclusion orders typically

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contain an exception for importations ‘under license of the patent owner or as provided by law.’” CReplyRmdy at 6 (citing *Certain Semiconductor Memory Devices & Prod. Containing Same*, Inv. No. 337-TA-414, RD, 1999 WL 1267282, at \*3 (Dec. 13, 1999)). We agree with the IA and Sony that the standard exception for licensed imports renders Fujifilm’s request unnecessary.

Third, Fujifilm argues that the Commission should tailor any remedial orders to exempt the LTO tape cartridges or components thereof imported for the mandatory annual compliance verification testing that is performed in the United States, as well as permit repair or replacement of existing LTO cartridges. RSub at 39; RReplyRmdy at 3. Sony does not object to an exemption for imports for compliance verification testing but argues that Fujifilm has not established any need for an exemption for repair and replacement. CReplyRmdy at 1-2. Sony argues that “[e]xempting imports for repair and replacement is not warranted when a respondent has not established that a repair or replacement program exists.” *Id.* at 7 (citing *Certain Wireless Devices with 3G Capabilities & Components Thereof*, Inv. No. 337-TA-800, RD, 2013 WL 3961221, at \*3 (July 8, 2013) (“[I]t has not been shown why a replacement, service and repair exclusion should be added to any limited exclusion order.”)).<sup>20</sup> Fujifilm contends that the Commission routinely grants these exemptions and did so in *Certain Magnetic Data Storage Tapes and Cartridges Containing the Same*, Inv. No. 337-TA-1012. RSub at 39 (citing *Certain Mobile Devices, Associated Software, & Components Thereof*, Inv. No. 337-TA-744, Comm’n Op. at 21-22 (Jun. 5, 2012)). The IA does not object to the inclusion of such provisions as a similar provision was included in the remedial order for Inv. No. 337-TA-1012. IAReply at 15-

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<sup>20</sup> Investigation No. 337-TA-800 was terminated with a finding of no violation as to certain respondents and a withdrawal of the complaint as to the remaining respondents. Therefore, no remedial order was issued in that investigation.

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16. However, other than making a request for a repair and replacement exception and stating that such request is routinely granted, Fujifilm has not shown why a repair or replacement exception should be included in any remedial order.<sup>21</sup> Because Fujifilm does not provide a justification to exempt repair and replacement LTO cartridges, the Commission has determined not to include such an exemption in the LEO. Thus, the Commission grants Fujifilm's unopposed request to include an exemption for compliance verification testing, but finds that Fujifilm has not shown that a repair and replacement exemption is warranted here.

Fourth, Fujifilm requests that the Commission stay any remedial orders as to claims 15 and 17 of the '774 patent pending final resolution of any appeal of a recently issued Final Written Decision of the Patent Trial and Appeal Board finding these claims invalid. RSub at 39 (citing *Fujifilm Corp. v. Sony Corp.*, IPR2017-01268, Paper No. 51 at 21-22 (Oct. 23, 2018); *Certain Three-Dimensional Cinema Systems and Components Thereof*, Inv. No. 337-TA-939, Comm'n Op. at 60 (Aug. 23, 2016) ("*Three-Dimensional Cinema*"). The IA argues that this case is distinguishable from *Three-Dimensional Cinema*. IAREply at 16. In that investigation, the Commission's determination to exercise its discretion and suspend enforcement of the remedial orders as to certain asserted claims pending final resolution of the PTAB's Final Written Decision had no practical effect because all of the accused products were still subject to immediate exclusion based on the Commission's findings of violation with respect to other patents and claims. *See id.* (citing *Three-Dimensional Cinema*, Comm'n Op. at 60). By contrast,

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<sup>21</sup> In Inv. No. 337-TA-1012, the Commission granted Sony's request for an exemption to allow for importation of cartridges which Sony certifies are necessary for replacement under its warranty agreements because the Commission accepted evidence in the form of customer letters as sufficient support to exempt replacement parts from the LEO. Comm'n Op. at 127 (Apr. 2, 2018). The Commission received no public interest submissions on behalf of the public in this investigation.

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the IA argues that “staying the remedial orders as to claims 15 and 17 could have the practical effect of exempting Fujifilm’s LTO-5 products, which are only accused of infringing claim 17 of the ’774 patent, from the orders.” *Id.* Sony argues that a stay is not warranted because its appeal of the PTAB’s Final Written Decision has not yet been exhausted, so the claim remains valid. CReplyRmdy at 7-8. Sony also argues this case is distinguishable from *Three-Dimensional Cinema*. Sony asserts the Commission in *Three-Dimensional Cinema* “suspended relief as to an entire patent because cancellation of the claims at issue in the PTAB’s decision would have resulted in a finding of no violation for that patent, at least due to a loss of the requisite domestic industry.” *Id.* at 8. Sony contends that “Fujifilm has not identified any investigation in which the Commission stayed or suspended a remedial order for only part of an infringed patent, especially when the prospective outcome of a PTAB decision would leave the domestic industry for that patent undisturbed.” *Id.* at 8-9.

As an initial matter, claim 15 of the ’774 patent has been terminated from the investigation and, therefore, Fujifilm’s request is moot with respect to that claim. Fujifilm also requests a stay of any remedial orders as to claim 17 of the ’774 patent pending any appeal of the PTAB decision but, other than citing *Three-Dimensional Cinema*, which suspended enforcement of the remedial orders as to the claims at issue rather than staying them, Fujifilm provides no justification to support its stay request. Fujifilm appears to confuse two separate procedures: a stay pending appeal of the Commission’s decision and a suspension of remedial relief pending appeal of a PTAB decision. To clarify, a party requesting a stay of a Commission decision pending appeal of that decision bears the burden of demonstrating that a stay is warranted under a four-prong test. *See Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605, USITC Pub. No. 4282 (Nov. 2011), Comm’n

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Op. at 3 (July 29, 2009); *Certain Marine Sonar Imaging Devices*, Inv. 337-TA-921, Comm'n Op. Denying Stay Pending Appeal at 4 (Oct. 20, 2016) ("Section 10(d) of the Administrative Procedure Act provides an agency with the authority to 'postpone the effective date of action taken by it, pending judicial review' if the 'agency finds that justice so requires.'") (quoting 5 U.S.C. § 705).<sup>22</sup> Because, Fujifilm has not analyzed the four factors, it has not established that a stay of the remedial orders pending appeal is warranted.

A suspension of remedial relief pending appeal of a PTAB decision is what was provided in *Three-Dimensional Cinema*, the decision cited by Fujifilm for its request. The Commission in *Three-Dimensional Cinema* explained that the suspension of relief provided in that case derived from the Commission's "broad discretion in selecting the form, scope and extent of the remedy." Comm'n Op. at 60 (citing *Viscofan, S.A. v. Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed. Cir. 1986)). The Commission finds this case to be similar to *Three-Dimensional Cinema*. Fujifilm's LTO-5 products are found to infringe not only claim 17 of the '774 patent, but also claims 1-13 of the '596 patent. See ID at 6-7, 8. Therefore, as was the case in *Three-Dimensional Cinema*, a suspension in the enforcement of the remedial orders as to claim 17 of the '774 patent pending final resolution of the appeal of the PTAB decision will have no practical effect since Fujifilm's LTO-5 products will still be subject to immediate exclusion based on the Commission's finding of a violation with respect to claims 1-13 of the '596 patent. We are unpersuaded by Sony's argument that the Commission should not suspend a remedial order to only part of an infringed patent. The Commission finds a violation of section 337 on a per-claim basis, not on a per-patent basis. In light of the advanced posture of the appeal and the Commission's finding of a

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<sup>22</sup> The four-prong test used by the Commission to evaluate stays pending appeal is derived from *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990).

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violation as to Fujifilm's accused products (all of which will be subject to immediate exclusion even if relief is suspended as to claim 17 of the '774 patent), the Commission has determined to exercise its discretion and suspend enforcement of the remedial orders as to claim 17 of the '774 patent pending the appeal of the PTAB's Final Written Decision.<sup>23</sup> Upon final resolution, the Commission will take appropriate action as to claim 17 of the '774 patent.

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<sup>23</sup> Commissioner Schmidtlein supports the Commission's decision to suspend enforcement of the remedial orders as to claim 17 of the '774 patent pending any appeal of the PTAB's Final Written Decision. However, she does not support the "no practical effect" rationale provided by the Commission majority as the basis for the suspension.

With certain exceptions not relevant here, the Commission retains broad discretion in selecting the form, scope, and extent of the remedy for a section 337 violation. *Viscofan, S.A. v. Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed. Cir. 1986). Recognizing this broad discretion, Commissioner Schmidtlein believes that suspending enforcement of remedial orders is appropriate for patent claims determined to be unpatentable by a final written decision of the PTAB issued prior to the Commission's final determination. Her view is guided by the goal of the *inter partes* review ("IPR") procedure under the Leahy-Smith America Invents Act ("AIA") to provide a quick and cost effective alternative to litigation for certain patent validity issues under 35 U.S.C. §§ 102 or 103.

The legislative history of the AIA shows that Congress "determined that it would be simpler, and ultimately better, to make a clean start" by replacing *inter partes* reexamination with "a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity." S. Rep. No. 110-259, at 20 (2008); *see also* H.R. Rep. No. 112-98, at 46-48 (2011); 157 Cong. Rec. S951 (Feb. 28, 2011) (Sen. Hatch); 157 Cong. Rec. S948 (Feb. 28, 2011) (Sen. Grassley); Cong. Rec. S1350 (Mar. 8, 2011) (Sen. Leahy). "The new procedure allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation." *SAS Institute Inc. v. Iancu*, 138 S.Ct. 1348, 1352 (2018).

Several aspects of the statutory framework reflect Congress's goal that IPR proceedings be an efficient and effective substitute for litigation. In particular, the AIA explicitly accounts for litigation timing, provides an adjudicative proceeding with certain discovery and an oral hearing, allows defendants one year to file an IPR petition from service of the complaint in a lawsuit, and estops defendants from re-litigating invalidity grounds before the Commission and in district court after completion of the IPR proceeding. *See* 35 U.S.C. §§ 315(a), 315(b), 315(e), 316(a)(5), 316(a)(10).

Because Congress intended the IPR procedure be an alternative to district court litigation, and because the Commission does not issue enforceable remedial relief for claims held invalid by a district court, *see SSIH Equip. S.A. v. Int'l Trade Comm'n*, 718 F.2d 365, 370 (Fed. Cir. 1983), Commissioner Schmidtlein believes that suspending enforcement of remedial orders is

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Finally, Fujifilm argues that an LEO should be delayed for six (6) months to delay potential disruptions to U.S. consumers. The ALJ does not recommend delaying entry of an LEO in the event the Commission finds that a violation of section 337 has occurred. RD at 221. Sony contends there is no reason to delay issuance of the LEO because it will not disrupt the supply of any generation of LTO product. CRmdy at 3-4. Fujifilm raised this request before the ALJ but did not raise it again in its submissions to the Commission. Therefore, the Commission will not delay entry of any remedial order.

Having found a section 337 violation based on the infringement of the '774 and the '596 patents, the Commission has determined to issue an LEO prohibiting Fujifilm from importing certain magnetic tape cartridges and components thereof that infringe one or more of claims 1, 5-8, 10, 16, and 17 of the '774 patent, and claims 1-13 of the '596 patent. Consistent with

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appropriate for patent claims determined to be unpatentable by a final written decision of the PTAB issued prior to the Commission's final determination.

Commissioner Schmiddlein is aware that the Commission is required by statute to make determinations on violations of section 337 "at the earliest practicable time." 19 U.S.C. § 1337(b)(1). She observes that the Commission's decision to suspend enforcement of remedial orders after first determining the issue of violation is consistent with this statutory mandate. She also recognizes that stays of 337 proceedings prior to a decision on violation are disfavored in light of this statutory mandate. She takes no position at this time as to whether it may be appropriate to stay section 337 proceedings prior to a Commission decision on violation in certain circumstances, such as when all parties agree to a stay or when a final written decision of the PTAB issues either before institution or early in the proceeding.

Finally, in Commissioner Schmiddlein's view, there is no tension between determining to suspend enforcement when the PTAB final written decision issues prior to the Commission's final determination, as is the case here, and the Commission's determination in *Certain Network Devices, Related Software and Components Thereof (II)*, Inv. No. 337-TA-945, Comm'n Op. at 3 (Aug. 16, 2017) (public version). In *Network Devices*, unlike the situation here, three weeks after the Commission's final determination and issuance of remedial orders, the PTAB issued a final written decision that some of the patent claims in the remedial orders are unpatentable. The Commission declined to temporarily rescind its remedial orders on the grounds that the respondent had not showed that a PTAB final written decision is a changed "condition" under section 337(k). *Id.* at 10-12.

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Commission practice, the LEO includes a certification provision. *See Certain Access Control Systems and Components Thereof*, Inv. No. 337-TA-1016, Comm'n Op. at 35 (Aug. 21, 2018).

The LEO will also include a provision exempting the infringing products for compliance verification testing. As stated above, the Commission suspends the enforcement of the LEO with respect to claim 17 of the '774 patent pending the appeal of the PTAB's Final Written Decision.

### ii. Cease and Desist Order

In addition to, or in lieu of, an exclusion order, the Commission may issue cease and desist orders ("CDO") to respondents found to be violating Section 337. 19 U.S.C. § 1337(f). Under Commission precedent, "[c]ease and desist orders are generally issued when, with respect to the imported infringing products, respondents maintain commercially significant inventories in the United States or have significant domestic operations that could undercut the remedy provided by an exclusion order."<sup>24</sup> *Certain Air Mattress Systems, Components Thereof, and Methods of Using the Same*, Inv. No. 337-TA-971, Comm'n Op. at 49 (Jun. 20, 2017) (citations and footnote omitted). "[T]here is no lower limit on the number of articles a domestic respondent must have in inventory before that inventory can be found to be 'commercially significant.'" *Certain Agricultural Vehicles and Components Thereof*, Inv. No. 337-TA-487, Comm'n Op. at 14 (Sept. 24, 2004).

Should the Commission find a violation of section 337, the ALJ recommends issuance of a CDO prohibiting "Fujifilm from selling its accused products because Fujifilm maintains a

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<sup>24</sup> When the presence of infringing domestic inventory is asserted as the basis for a CDO under section 337(f)(1), Commissioner Schmidlein does not adopt the view that the inventory needs to be "commercially significant" in order to issue the order. *See, e.g., Certain Table Saws Incorporating Active Injury Mitigation Technology and Components Thereof*, Inv. No. 337-TA-965, Comm'n Op. at 6-7, n.2 (Feb. 1, 2017). In Commissioner Schmidlein's view, the presence of some infringing domestic inventory, regardless of the commercial significance, provides a basis to issue a CDO. *See id.*

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commercially significant inventory of the accused products and components thereof in the United States.” RD at 223-24 (citing CX-4C at Q/A 355-71). Before the ALJ, Sony and the IA submitted that a CDO is appropriate because “as of September 30, 2017, Fujifilm maintained over [REDACTED] units of LTO-4, LTO-5 and LTO-6 tape products in inventory in the United States, [REDACTED]” located at several sites throughout the United States. *Id.* at 222-23; JX-7C; CX-4C at Q/A 365-66. According to Sony, during September 2017, for example, Fujifilm sold approximately [REDACTED] units of LTO-4, LTO-5 and LTO-6 tapes in the United States, and Fujifilm’s inventory was approximately [REDACTED]. *Id.* at 223. Sony also points to Fujifilm’s inventory of components and bulk cartridges for manufacturing LTO-4, LTO-5, and LTO-6 tape products. *Id.* at 222-23; CX-4C at Q/A 368-69; CX-950C; CX-952C; JX-7C.

Fujifilm argues that any CDO should be tailored in the same way as an LEO, *i.e.*, exempt all Fujifilm manufactured LTO-7 cartridges and components thereof; exempt any LTO cartridges and components thereof intended for sale to IBM; permit importation for compliance verification testing; and permit importation for repair or replacement of existing LTO cartridges. RReplyRmdy at 1-3. Fujifilm also argues that Sony failed to meet its burden of proving that Fujifilm has a commercially significant inventory of accused products because Sony ignores that Fujifilm can permissibly sell its inventory in the U.S. to IBM. *Id.* at 3-4.

In view of the evidence and the parties’ arguments, the Commission finds that Sony has shown that Fujifilm maintains a commercially significant inventory of infringing imported products to warrant the issuance of a CDO against Fujifilm. *See* RD at 223-24 (citing CX-4C at Q/A 355-71); *see also* JX-41C at 326:7-327:4; JX-7C; CX-947C. Fujifilm does not address its domestic inventory in its submissions and, other than the arguments discussed above, Fujifilm

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does not object to Sony's argument that CDOs are warranted against all Fujifilm respondents. *See* RReplyRmdy at 3-4; RSub at 38-40. Moreover, in discussing the issuance of a CDO order, the RD and the parties refer to Fujifilm collectively (both foreign and domestic entities). *See, e.g.,* ID at 223-24; RSub at 38-40; CSub at 4-6; IASub at 24. Accordingly, the Commission has determined to issue CDOs directed to all Fujifilm respondents.<sup>25</sup> As discussed above with respect to the LEO, the CDOs include a provision exempting products for compliance verification testing, but does not include any other exemption requested by Fujifilm. Further, as discussed above with respect to the LEO, the Commission suspends the enforcement of the CDOs with respect to claim 17 of the '774 patent pending the appeal of the PTAB's Final Written Decision.

### **B. Public Interest**

Section 337 defines a two-stage process for the Commission to act upon a complaint. The Commission first "determines, as a result of an investigation under this section" whether "there is a violation of this section." *See* 19 U.S.C. § 1337(d)(1). If the Commission determines a violation has occurred, the Commission "*shall* direct that the articles concerned . . . be excluded from entry into the United States unless after considering *the effect* of such exclusion" on four public interest factors the Commission determines a remedy should not issue. *Id.* (emphasis added). Those factors are: (1) the public health and welfare; (2) competitive conditions in the U.S. economy; (3) the production of competitive articles in the U.S.; and (4) U.S. consumers. *Id.*

With this context in mind, we turn to the particular facts of this investigation. The Commission directed the ALJ to make findings of fact and recommendations concerning the

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<sup>25</sup> Commissioner Schmidlein supports issuance of the CDOs in this investigation due to the presence of some infringing domestic inventory, regardless of the commercial significance.

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public interest factors set forth in 19 U.S.C. 1337(d)(1) and (f)(1). 82 *Fed. Reg.* 25334 (Jun. 1, 2017); 19 CFR 210.10(b), 210.42(a)(1)(ii)(C). The ALJ finds the statutory public interest factors do not preclude the Commission from issuing remedial order(s) in this investigation.

As to the public health and welfare, the ALJ finds that the “evidence shows that the availability of Accused Products has no critical effect on the public health, safety and welfare in the United States.” RD at 227. Accordingly, the ALJ finds that “there is no evidence that the public health and welfare will be adversely affected by an exclusion order in this investigation.” *Id.* No party contests this finding. Indeed, Fujifilm specifically acknowledges this fact. RSub at 36.

As to competitive conditions in the United States economy, the ALJ finds that “there is no evidence that the competitive conditions in the U.S. economy will be adversely affected by an exclusion order in this investigation.” RD at 229. Specifically, the ALJ finds the “evidence shows, based on Fujifilm’s own calculations, that a remedial order issued in 2018 as to LTO-4, LTO-5, and LTO-6 products would impact [REDACTED] of Fujifilm’s domestic LTO sales in view of [REDACTED].” *Id.* The ALJ reasons “[g]iven that there is no evidence to conclude that this trend will not continue, any immediate impact on Fujifilm with respect to LTO-4, LTO-5, and LTO-6 products should diminish.” *Id.* Moreover, the ALJ states that “Fujifilm will still be able to manufacture and sell LTO-4, LTO-5, and LTO-6 products pursuant to their license with IBM and to manufacture and sell future generation LTO products.” *Id.*

Fujifilm does not contest these facts, other than asserting that an LEO would “impact the financial viability of Fujifilm’s domestic operations.” RSub at 37. However, the Commission has determined that preservation of infringing activities of a respondent is not a public interest

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concern. See *Certain Erasable Programmable Read-Only Memories*, Inv. No. 337-TA-276, Comm'n Op., 1989 WL 608791, at \*64 (Apr. 28, 1989) (citing *Windsurfing Int'l Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) (“One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continued infringement destroys the business so elected.”)).

Fujifilm argues that Sony has no domestic industry of its own and, instead, “attempts to co-opt Fujifilm-manufactured 3592 tape cartridges as its own for purposes of its domestic industry claim” while also relying on Fujifilm-manufactured LTO tape cartridges for purposes of its infringement claim. RSub at 37. But the Commission has recognized that the domestic industry inquiry is not only limited to the activities of the patent owner, but also involves activities of licensees, here the domestic operations of IBM, Sony’s licensee. In any event, Fujifilm’s attempt to re-argue the domestic industry requirement cloaked in policy terms is unmoored from any public interest factor enumerated in the statute.

Sony argues that its requested relief would not harm competitive conditions in that it does not remove a single supplier from the LTO market because Fujifilm can supply competing and alternative products to IBM under a license agreement between Sony and IBM. CRmdy at 8 (citing ID at 229; JX-43C,144:20-145:6; CX-4C at Q/A 305-06, 339; CX-1132C; CX-1436.141-155; CDX-4C, 49-52; JX-119C; JX-121C; Tr. (Vander Veen) at 567:25-568:10). Sony asserts that “permitting Fujifilm to continue infringing Sony’s patents is likely to harm competitive conditions in the LTO market” since “[f]or close to a decade now, Fujifilm has pursued an ongoing anticompetitive and exclusionary strategy aimed at reducing the number of participants in the LTO market.” *Id.* at 9. Specifically, Sony alleges that since 2009, “Fujifilm has deliberately sought monopoly power over the supply of barium ferrite (“BaFe”), a magnetic

## PUBLIC VERSION

particle that is essential to LTO-7 tape products and also used in Fujifilm's LTO-6 products." *Id.*

Sony claims that [REDACTED]

[REDACTED] *Id.* Fujifilm responds that these arguments have no merit and that none of Sony's domestic industry products use BaFe. These arguments were considered by the ALJ, and he found there was no evidence that competitive conditions in the U.S. economy would be adversely affected by the Commission's remedial orders. RD at 227-29.

As to U.S. production of like or directly competitive articles, the ALJ finds that "there is no evidence that an exclusion order would have an adverse effect on the production of likely or directly competitive products in the United States." *Id.* at 232. The ALJ finds that "the evidence shows that there will be a diminishing impact, if any, of an exclusion order with respect to Fujifilm's LTO-4, LTO-5, and LTO-6 products because of Sony's (and others') ability to supply the same or similar products to the market, including by Fujifilm by virtue of manufacturing licensed LTO tapes to IBM." *Id.* at 231.

Fujifilm argues that Sony and Fujifilm are currently the only suppliers of LTO-4, -5 and -6 products, and Fujifilm manufactures a significant majority of them. RSub at 38. Fujifilm contends that if it ceased its domestic production of these products, Sony would have to increase its production capacity by more than [REDACTED] to account for the shortage. *Id.*

Sony claims "production of like or directly competitive articles will remain robust" if an LEO issues. CRmdy at 10 (citing CX-4C at Q/A 301-09). Sony notes that Fujifilm has argued in previous data cartridge investigations that LTO customers can meet data storage needs by using competing data storage products, including tape media products that fall outside the scope of relief. *Id.* at 11. At the hearing in this investigation, Sony asserts that Fujifilm's expert

## PUBLIC VERSION

testified that non-LTO storage systems account for [REDACTED] of the storage media market. *Id.* (citing Tr. (Vander Veen) at 569:20-570:4, 573:25-574:10). Sony also asserts that “Sony and Fujifilm LTO-6 tapes both conform to the same specification and are functionally interchangeable.” *Id.* Still further, Sony asserts that it “has excess capacity and could increase its production of LTO products to meet higher demand from the exclusion of the infringing products.” *Id.* at 11-12.

In short, the parties have pointed to no evidence that domestic production of like or directly competitive articles would be adversely impacted by the remedial orders as the ALJ found.

With regard to U.S. consumers, the ALJ finds “that there is no evidence U.S. consumers will be adversely affected by an exclusion order in this investigation.” RD at 233. The ALJ finds “that the evidence of record demonstrates that U.S. consumers of LTO products will have ample alternative choices for LTO products, including LTO-4, LTO-5 and LTO-6 products manufactured by Fujifilm for IBM.” *Id.* Fujifilm does not contest these findings and its submissions do not address this factor.

Sony argues that the “requested remedies would have minimal or no impact on U.S. consumers; in fact, they will benefit consumers by promoting innovation and increasing product quality and diversity through enforcement of intellectual property rights. CRmdy at 12 (citing CX-4C at Q/A 340-54). As the ALJ correctly found, Sony states that “consumers can even continue buying Fujifilm-manufactured versions of the products sold under IBM’s brand [REDACTED]

[REDACTED] *Id.* at 12-13 (citations omitted).

The Commission did not receive any post-RD public interest comments from the public.

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Based on the record here, the Commission finds no indication that the remedial orders would have an adverse impact on U.S. consumers.

In sum, based on the record developed before the ALJ, we find there is no evidence in the record that an LEO and CDOs would have an adverse impact on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, or United States consumers. Accordingly, the Commission finds that the statutory public interest factors do not preclude the issuance of remedial orders.

### C. Bonding

If the Commission determines to issue an exclusion order and/or cease and desist orders in this investigation, then affected articles will still be entitled to entry and sale under bond during the 60-day Presidential review period. The amount of such a bond must “be sufficient to protect the complainant from any injury.” 19 U.S.C. § 1337(j)(3); *see also* 19 C.F.R. § 210.50(a)(3). The complainant bears the burden of establishing the need for a bond. *Certain Rubber Antidegradants, Components Thereof, and Prods. Containing Same*, Inv. No. 337-TA-533, Comm’n Op. at 39, 40 (July 21, 2006); *see also Certain Laser Imageable Printing Plates*, Inv. No. 337-TA-636, Comm’n Op. at 9 (November 30, 2009).

The Commission typically sets the Presidential review period bond based on the price differential between the domestic and the infringing products or based on a reasonable royalty. *See, e.g., Certain Microsphere Adhesives, Processes for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm’n Op. at 24, USITC Pub. 2949 (Jan. 1996) (setting bond based on price differentials); *Certain Digital Televisions and Certain Products Containing Same and Methods of Using Same*, Inv. No. 337-TA-617, Comm’n Op. at 17-19 (Apr. 23, 2009) (setting bond based on a reasonable royalty).

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Where the available pricing information is inadequate, then the bond may be set at 100% of the entered value of the accused products. *See, e.g., Certain Voltage Regulators, Components Thereof and Products Containing Same*, Inv. No. 337-TA-564, Comm'n Op. at 79-80, USITC Pub. 4261 (Oct. 2011). On the other hand, if a complainant fails to provide evidence concerning the appropriate bond, then the Commission may decline to impose any bond. *See, e.g., Certain Silicon Microphone Packages and Products Containing the Same*, Inv. No. 337-TA-629, Comm'n Op. at 20 (August 21, 2009).

Sony argues that a 100 percent bond is appropriate because “the Commission usually sets bond rates based on the price differential between the domestic industry products and the accused products...when accurate pricing information is unavailable or unreliable.” *Id.* at 224-225. According to Sony “accurate pricing information is not available thus warranting a 100 per cent bond.” *Id.* at 225. Fujifilm submits that Sony has failed to carry its “burden of establishing a bond value and in doing so has ignored its own pricing data.” *Id.* The IA argues that Sony has not carried its burden to prove that it is entitled to a 100% bond given that “the parties exchange[d] pricing information and Fujifilm was able to perform a price comparison.” *Id.*

The ALJ found that Sony has failed to carry its burden in showing that any bond is warranted. *Id.* The ALJ noted that Sony has failed to establish that a price differential cannot be determined, especially given that Fujifilm was able to perform a price comparison. *Id.* (citing RX-0585C at Q/A 227-68).

In view of the record evidence and the parties' arguments, the ALJ's recommendation that no bond be imposed during the Presidential review period is appropriate and consistent with Commission precedent. *See, e.g., Certain Silicon Microphone Packages and Products Containing the Same*, Inv. No. 337-TA-629, Comm'n Op. at 20 (August 21, 2009). Accordingly,

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the Commission has determined to set a bond at zero percent, *i.e.*, no bond, during the period of Presidential review.

**V. CONCLUSION**

The Commission finds a violation of section 337 with respect to the '774 and '596 patents, but not with respect to the '501 patent. The Commission adopts all findings and conclusions in the final ID that are not inconsistent with this opinion.

By order of the Commission.

A handwritten signature in black ink, appearing to read "Lisa R. Barton".

Lisa R. Barton  
Secretary to the Commission

Issued: April 9, 2019

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **COMMISSION OPINION** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **April 10, 2019**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
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**On Behalf of Respondents FUJIFILM Holdings Corporation,  
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**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C.**

**In the Matter of**

**CERTAIN MAGNETIC TAPE  
CARTRIDGES AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-1058**

**NOTICE OF A COMMISSION DETERMINATION TO EXTEND THE TARGET DATE  
AND TO REVIEW IN PART A FINAL INITIAL DETERMINATION FINDING A  
VIOLATION OF SECTION 337; SCHEDULE FOR FILING WRITTEN SUBMISSIONS**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has determined to extend the target date for completion of the above-referenced investigation to December 21, 2018, and to review in part the Administrative Law Judge's ("ALJ") final initial determination ("ID"), issued on August 17, 2018, finding a violation of section 337 in the above-referenced investigation.

**FOR FURTHER INFORMATION CONTACT:** Cathy Chen, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-2392. 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 SW, Washington, DC 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 June 1, 2017. 82 FR 25333 (Jun. 1, 2017). The complaint, as amended, was filed by Sony Corporation of Tokyo, Japan; Sony Storage Media Solutions Corporation of Tokyo, Japan; Sony Storage Media Manufacturing Corporation of Miyagi, Japan; Sony DADC US Inc. of Terre Haute, Indiana; and Sony Latin America Inc. of Miami, Florida (collectively "Sony"). *Id.* The complaint alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337 ("section 337"), in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of certain claims of U.S. Patent Nos. 7,029,774

("the '774 patent"); 6,674,596 ("the '596 patent"); and 6,979,501 ("the '501 patent"). *Id.* The complaint further alleges that an industry in the United States exists as required by 19 U.S.C. § 1337(a)(2). *Id.* The notice of investigation named Fujifilm Holdings Corporation of Tokyo, Japan; Fujifilm Corporation of Tokyo, Japan; Fujifilm Media Manufacturing Co., Ltd. of Kanagawa, Japan; Fujifilm Holdings America Corporation of Valhalla, NY; and Fujifilm Recording Media U.S.A., Inc. of Bedford, MA (collectively "Fujifilm") as respondents. *Id.* at 25334. The Office of Unfair Import Investigations is also a party in this investigation. *Id.*

On March 22, 2018, the ALJ granted Sony's motion to terminate certain asserted patent claims from the investigation. *See* Order No. 26; Comm'n Notice (Apr. 23, 2018). The evidentiary hearing was held on May 8-11, 2018.

On August 17, 2018, the ALJ issued his final ID and his recommended determination, finding a violation of section 337 by Fujifilm in connection with claims 1, 5-8, 10, 16, and 17 of the '774 patent and claims 1-13 of the '596 patent, but not in connection with claims 1, 2, 4-6, and 8 of the '501 patent. Specifically, the ID concludes that Fujifilm's accused products infringe the asserted claims of the '774 patent and the '596 patent; that the asserted claims of the '774 and '596 patents are not invalid; and that a domestic industry exists with respect to both patents. Although the ID finds that Fujifilm's accused products also infringe the asserted claims of the '501 patent, and that a domestic industry exists with respect to that patent, the ID concludes no violation as to the '501 patent because the asserted claims are invalid.

On September 4, 2018, Sony, Fujifilm, and the Commission's Investigative Attorney each filed a timely petition for review of the final ID. All parties challenge certain aspects of the ID's finding with respect to the economic prong of the domestic industry requirement. Sony additionally challenges certain claim construction and validity findings related to the '501 patent and certain infringement findings related to the '596 patent. Fujifilm additionally challenges certain claim constructions and findings related to validity, infringement, and the technical prong of the domestic industry requirement relevant to the '774 and the '596 patents; and the ID's finding that the asserted claims of the '501 patent are not indefinite. The Commission's Investigative Attorney additionally challenges the ID's failure to construe two claim terms in the '774 patent, and the ID's finding that Fujifilm does not contributorily infringe the '596 patent. Thereafter, the parties filed timely responses to the petitions for review and public interest comments pursuant to Commission Rule 210.50(a)(4).

The Commission has determined to extend the target date in this investigation to December 21, 2018.

Having examined the record of this investigation, including the ID, the petitions for review, and the responses thereto, the Commission has determined to review the ID in part. The Commission has determined to review the ID's finding that the economic prong of the domestic industry requirement has been satisfied for all three asserted patents under sections 337(a)(3)(B) and (C) based on the domestic activities of Sony's licensee. In addition, with respect to the '774 patent, the Commission has determined to review the ID's findings that the asserted claims are not invalid for lack of enablement and lack of written description, and the ID's finding that Sony's prior art tapes do not anticipate claim 17. The Commission has also determined to

review the ID's findings with respect to the '596 patent in their entirety. The Commission does not review the remainder of the ID.

The parties are requested to brief their positions on only the following issues under review with reference to the applicable law and the evidentiary record.

1. What is the proper scope of the claim limitations "a skew less than about 0.5" and "a kurtosis less than about 4.0" in the '774 patent? Please discuss whether the asserted claims are enabled and adequately described if the claimed ranges are construed to include negative skew and kurtosis less than about 3.0, as Fujifilm argues, and alternatively, if the claimed ranges for these parameters are construed to be limited to values that approach Gaussian distribution," *i.e.*, zero skew and kurtosis of three, as Sony argues. Under the latter construction, please also address Fujifilm's argument that a person of ordinary skill in the art would not know how to achieve a skew less than 0.30 and a kurtosis less than 3.4.
2. Please discuss whether Sony's prior art AIT-3 tapes anticipate claim 17 of the '774 patent, including Fujifilm's argument that the Toraysee document discloses the claimed "peak-to-valley roughness" and "peak height mean" values.
3. Please discuss whether Platte and Kano render obvious the asserted claims of the '596 patent.
4. Please discuss the extent to which the scope of the domestic industry with respect to the '774 and the '501 patents should extend to the R&D investments and employment of labor and capital by Sony's licensee in proprietary tape drives, which the ID found are necessary to exploit the technology of the tape media that are protected by the '774 and the '501 patents. Please address the Investigative Attorney's argument that the "ID conflated exploiting the patented article with exploiting the patented technology" and whether these two allegedly different analyses would render a different result under the "realities of the marketplace" exception in this investigation.

In connection with the final disposition of this investigation, the Commission may issue an order that could result in the exclusion of the subject articles from entry into the United States. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see *Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843 (December 1994) (Commission Opinion).

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order would have on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See* Presidential Memorandum of July 21, 2005, 70 FR 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

**WRITTEN SUBMISSIONS:** The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the recommended determination by the ALJ on remedy, the public interest, and bonding. Complainants and the Office of Unfair Import Investigations are also requested to submit proposed remedial orders for the Commission's consideration. Complainants are further requested to state the dates that the patents expire, the HTSUS numbers under which the accused products are imported, and any known importers of the accused products. The written submissions and proposed remedial orders must be filed no later than close of business on **November 1, 2018**. Initial submissions are limited to 40 pages, not including any attachments or exhibits related to discussion of the public interest. Reply submissions must be filed no later than the close of business on **November 8, 2018**. Reply submissions are limited to 20 pages, not including any attachments or exhibits related to discussion of remedy, the public interest, and bonding. No further submissions on these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above and submit 8 true paper copies to the Office of the Secretary by noon the next day pursuant to Commission Rule 210.4(f), 19 C.F.R. 210.4(f). Submissions should refer to the investigation number ("Inv. No. 1058") in a prominent place on the cover page and/or the first page. (*See Handbook for Electronic Filing Procedures, [https://www.usitc.gov/secretary/documents/handbook\\_on\\_filing\\_procedures.pdf](https://www.usitc.gov/secretary/documents/handbook_on_filing_procedures.pdf)*). Persons with questions regarding filing should contact the Secretary, (202) 205-2000.

Any person desiring to submit a document to the Commission in confidence must request confidential treatment. All such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 CFR 201.6. Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. All information, including confidential business

information and documents for which confidential treatment is properly sought, submitted to the Commission for purposes of this Investigation may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes. All contract personnel will sign appropriate nondisclosure agreements. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

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.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', enclosed within a large, loopy oval flourish.

Lisa R. Barton  
Secretary to the Commission

Issued: October 18, 2018

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the Commission Investigative Attorney, **Sarah Sladic, Esq.**, and the following parties as indicated, on **October 19, 2018**.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage  
Media Solutions Corporation, Sony Storage Media  
Manufacturing Corporation, Sony DADC US Inc., and Sony  
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**On Behalf of Respondents FUJIFILM Holdings Corporation,  
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America Corporation, and FUJIFILM Recording Media  
U.S.A., Inc. :**

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**PUBLIC VERSION**

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**Washington, D.C.**

**In the Matter of**

**CERTAIN MAGNETIC TAPE CARTRIDGES  
AND COMPONENTS THEREOF**

**INV. NO. 337-TA-1058**

**INITIAL DETERMINATION ON VIOLATION OF SECTION 337 AND  
RECOMMENDED DETERMINATION ON REMEDY AND BOND**

Administrative Law Judge Clark S. Cheney

(August 17, 2018)

**Appearances:**

For the Complainants Sony Corporation, Sony Storage Media Solutions Corporation, Sony Storage Media Manufacturing Corporation, Sony DADC US Inc., and Sony Latin America Inc.:

Jeffrey S. Gerchick, Esq. and S. Alex Lasher, Esq. of Quinn Emanuel Urquhart & Sullivan, LLP of Washington DC.

Edward J. DeFranco, Esq. and Eric Huang, Esq. of Quinn Emanuel Urquhart & Sullivan, LLP of New York, NY.

Kevin P.B. Johnson, Esq. and Andrew J. Bramhall, Esq. of Quinn Emanuel Urquhart & Sullivan, LLP of Redwood City, CA.

David F. Nickel, Esq. and Matthew N. Duescher, Esq. of Foster, Murphy, Altman & Nickel, PC of Washington, DC.

For the Respondents Fujifilm Holdings Corporation, Fujifilm Corporation, Fujifilm Media Manufacturing Co., Ltd., Fujifilm Holdings America Corporation, and Fujifilm Recording Media U.S.A., Inc.:

Robert C. Scheinfeld, Esq., Robert L. Maier, Esq., Neil Sirota, Esq. and Jennifer C. Tempesta, Esq. of Baker Botts L.L.P. of New York, NY.

Lisa M. Kattan, Esq. and Thomas C. Martin, Esq. of Baker Botts L.L.P. of Washington, DC.

Syed Fareed, Esq. of Baker Botts L.L.P. of Austin, TX.

Eliot D. Williams, Esq. of Baker Botts L.L.P. of Palo Alto, CA.

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David J. Tobin, Esq. of Baker Botts L.L.P. of Dallas, TX.

*For the Commission Investigative Staff:*

Margaret D. Macdonald, Esq., Director; David O. Lloyd, Esq., Supervisory Attorney; Sarah J. Sladic, Esq., Investigative Attorney of the Office of Unfair Import Investigations, U.S. International Trade Commission

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**TABLE OF ABBREVIATIONS**

<b>CDX</b>	Complainant's demonstrative exhibit
<b>CIB</b>	Complainant's initial post-hearing brief
<b>CPB</b>	Complainant's pre-hearing brief
<b>CPX</b>	Complainant's physical exhibit
<b>CRB</b>	Complainant's reply post-hearing brief
<b>CX</b>	Complainant's exhibit
<b>Dep.</b>	Deposition
<b>JX</b>	Joint Exhibit
<b>RDX</b>	Respondent's demonstrative exhibit
<b>RIB</b>	Respondent's initial post-hearing brief
<b>RPX</b>	Respondent's physical exhibit
<b>RPB</b>	Respondent's pre-hearing brief
<b>RRB</b>	Respondent's reply post-hearing brief
<b>RRX</b>	Respondent's rebuttal exhibit
<b>RX</b>	Respondent's exhibit
<b>SIB</b>	Staff's initial post-hearing brief
<b>SPB</b>	Staff's pre-hearing brief
<b>SRB</b>	Staff's reply post-hearing brief
<b>Tr.</b>	Transcript

**PUBLIC VERSION**

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**Washington, D.C.**

**In the Matter of**

**CERTAIN MAGNETIC TAPE CARTRIDGES  
AND COMPONENTS THEREOF**

**INV. NO. 337-TA-1058**

**INITIAL DETERMINATION ON VIOLATION OF SECTION 337 AND  
RECOMMENDED DETERMINATION ON REMEDY AND BOND**

Administrative Law Judge Clark S. Cheney

(August 17, 2018)

Pursuant to the Notice of Investigation, 82 Fed. Reg. 25333 (June 1, 2017), this is the Initial Determination in the matter of *Certain Magnetic Tape Cartridges and Components Thereof*, Investigation No. 337-TA-1058. 19 C.F.R. §§ 210.10(b), 210.42(a)(1)(i).

For the reasons stated herein, I have determined that a violation of section 337 of the Tariff Act of 1930, as amended, has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain magnetic tape cartridges and components thereof with respect to U.S. Patent Nos. 7,029,774 and 6,674,596. I have also determined that no violation of section 337 has occurred with respect to U.S. Patent No. 6,979,501.

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### I. INTRODUCTION

#### A. Procedural History

On April 28, 2017, complainants Sony Corporation; Sony Storage Media Solutions Corporation; Sony Storage Media Manufacturing Corporation; Sony DADC US Inc.; and Sony Latin America Inc. (collectively “Sony” or “complainants”) filed a complaint alleging violations of section 337 based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of certain claims of U.S. Patent No. 6,674,596 (“the ’596 patent”); U.S. Patent No. 6,979,501 (“the ’501 patent”); and U.S. Patent No. 7,029,774 (“the ’774 patent”). *See* 82 Fed. Reg. 25333 (June 1, 2017).

On June 1, 2017, the Commission instituted this investigation to determine:

whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain magnetic tape cartridges and components thereof by reason of infringement of one or more of claims 1-19 of the ’596 patent; claims 1-6 and 8 of the ’501 patent; and claims 1-11 and 15-20 of the ’774 patent, and whether an industry in the United States exists as required by subsection (a)(2) of section 337.

*Id.* at 25334.

The named respondents are FUJIFILM Holdings Corporation of Tokyo, Japan; FUJIFILM Corporation of Tokyo, Japan; FUJIFILM Media Manufacturing Co., Ltd. of Kanagawa, Japan; FUJIFILM Holdings America Corporation of Valhalla, NY; and FUJIFILM Recording Media U.S.A., Inc. of Bedford, MA (collectively, “Fujifilm” or “respondents”). *Id.*

The Commission Investigative Staff (“Staff”) is also a party to this investigation. *Id.*

On March 8, 2018, Sony moved without opposition for partial termination of this investigation with respect to claims 2-4, 9, 11, 15, and 18-20 of the ’774 patent, claim 3 of the

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'501 patent, and claims 14-19 of the '596 patent. *See* Mot. 1058-022. The motion was granted on March 22, 2018. *See* Ord. No. 26.

An evidentiary hearing was held May 8-11, 2018, to determine whether section 337 has been violated by reason of the importation and sale of the accused magnetic tape products and components thereof based upon infringement of one or more of: (i) claims 1, 5-8, 10, 16, and 17 of the '774 patent; (ii) claims 1, 2, 4-6, and 8 of the '501 patent; and (iii) claims 1-13 of the '596 patent (collectively, the "Asserted Patents").

### **B. The Private Parties**

#### **1. Complainants**

##### **a) Sony Corporation**

Sony Corporation is a Japanese corporation with a principal place of business located at 1-7-1 Konan, Minato-ku, Tokyo, 108-0075, Japan. Complaint ¶ 11. Sony Corporation owns all rights, title, and interest in and to the Asserted Patents. *Id.* ¶¶ 39, 45, 51.

##### **b) Sony Storage Media Solutions Corporation**

Sony Storage Media Solutions Corporation is a Japanese corporation with a principal place of business located at 1-7-1 Konan Minato-ku, Tokyo, 108-0075, Japan. Sony Storage Media Solutions Corporation is a wholly owned subsidiary of Sony Corporation. *Id.* ¶ 12.

##### **c) Sony Storage Media Manufacturing Corporation**

Sony Storage Media Manufacturing Corporation is a Japanese corporation with a principal place of business located at 3-4-1 Sakuragi, Tagajo, Miyagi, 985-0842, Japan. Sony Storage Media Manufacturing Corporation is a wholly owned subsidiary of Sony Storage Media Solutions Corporation, which, as noted above, is a wholly owned subsidiary of Sony Corporation. *Id.* ¶ 13.

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### d) Sony DADC US Inc.

Sony DADC US Inc. is a Delaware corporation with a principal place of business located at 1800 North Fruitridge Avenue, Terre Haute, Indiana, 47804, USA. Sony DADC US Inc. is a wholly owned subsidiary of Sony Corporation of America, which itself is a wholly owned subsidiary of Sony Corporation. *Id.* ¶ 14.

### e) Sony Latin America Inc.

Sony Latin America Inc. is a Florida corporation with a principal place of business located at 5201 Blue Lagoon Drive, Suite 400, Miami, Florida, 33126, USA. Sony Latin America Inc. is a wholly owned subsidiary of Sony Corporation of America, which itself is a wholly owned subsidiary of Sony Corporation. *Id.* ¶ 15.

## 2. Respondents

### a) Fujifilm Holdings Corporation

Fujifilm Holdings Corporation is a Japanese corporation with its principal place of business at 7-3 Akasaka 9-chome, Minato-ku, Tokyo, 107-0052, Japan. *See Resp. to Complaint* ¶ 21. Fujifilm Holdings Corporation is a holding company, and respondents Fujifilm Corporation, Fujifilm Holdings America Corporation, and Fujifilm Recording Media U.S.A., Inc., are subsidiaries of Fujifilm Holdings Corporation. *Id.*

### b) Fujifilm Corporation

Fujifilm Corporation is a Japanese corporation with its principal place of business at 7-3 Akasaka 9-chome, Minato-ku, Tokyo, 107-0052, Japan. *Id.* ¶ 21. Fujifilm Corporation is an operating company and a wholly owned subsidiary of Fujifilm Holdings Corporation. Fujifilm Corporation leads the design, manufacture, and sale of Fujifilm magnetic tape media. *Id.*

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### c) **Fujifilm Media Manufacturing Co., Ltd.**

Fujifilm Media Manufacturing Co., Ltd., is a Japanese corporation with its principal place of business at 12-1 Ohgi-cho 2-chome, Odawara, Kanagawa, 250-0001, Japan. *Id.* ¶ 23. Fujifilm Media Manufacturing Co. is a wholly owned subsidiary of Fujifilm Corporation.

### d) **Fujifilm Holdings America Corporation**

Fujifilm Holdings America Corporation is a Delaware corporation with its principal place of business in, Valhalla, New York. RIB at 7. Fujifilm Holdings America Corporation is a wholly owned subsidiary of Fujifilm Corporation. *See* Resp. to Complaint ¶ 24.

### e) **Fujifilm Recording Media U.S.A., Inc.**

Fujifilm Recording Media U.S.A., Inc., is a Delaware corporation with its principal place of business at 45 Crosby Dr., Bedford, MA, 01730-1401. *Id.* ¶ 24. Fujifilm Recording Media U.S.A., Inc., is a wholly owned subsidiary of Fujifilm Holdings America Corporation, which, as noted above, is a wholly owned subsidiary of Fujifilm Corporation. Fujifilm Recording Media U.S.A., Inc., is the manufacturing, marketing, and sales arm for Fujifilm Corporation's professional broadcast video and data tape recording media business in the United States. *Id.*

## C. **The Technology at Issue**

The technology in this investigation relates to magnetic tape recording. Complaint ¶ 3. Magnetic tapes are used by companies across a wide range of industries for data storage backup systems and fast access data libraries.

The accused Fujifilm tape products and the alleged Sony and IBM domestic industry products both follow the Linear Tape-Open ("LTO") format. *Id.* "Linear" recording refers to a method of arranging data in parallel tracks that linearly span the length of the tape. *Id.* ¶ 4.

The LTO format was developed by an organization known as the LTO Consortium, which was originally formed by International Business Machines ("IBM"), Hewlett Packard

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(“HP”) and Seagate (now Quantum) in 1998. *Id.* The LTO Consortium sets forth technical specifications for the LTO format. *Id.* First generation LTO tapes (LTO-1) became available in 2000 and newer generations have been released over time, including LTO-2 (2003), LTO-3 (2005), LTO-4 (2007), LTO-5 (2010) and LTO6 (2012) and LO-7 (2015). *Id.* ¶ 7.

Standard LTO tapes are rewritable, meaning that data can be written to the tape many times and read from the tape many times. These standard tapes are also referred to as “R/W” tapes, for “read/write” or “rewritable.” *See* CIB at 5; 118. In some applications, however, it is desirable to write data to the tape once and then protect the written data against erasure or overwriting. *See id.* at 5. Tapes that can only be written to once are called “WORM” tapes, for “write once, read many.” *Id.*

All parties agree that the asserted claims of the ’774 and ’501 patents are directed to magnetic tape media. CIB at 8; RIB at 166, 167, 171; SIB at 7-8. All parties further agree that the asserted claims of the ’596 patent are directed to a system that involve both a tape cartridge and a tape drive. CIB at 8; RIB at 166; SIB at 8-10.

### **D. The Accused Products**

Sony accuses Fujifilm LTO-4, LTO-5, and LTO-6 tapes<sup>1</sup> of infringing various asserted claims of the Asserted Patents. *See* Complaint ¶¶ 26, 27; CIB at 9.

#### **1. The ’774 patent**

With respect to the ’774 patent, Sony accuses the following Fujifilm products (both rewritable tapes and WORM tapes) of infringing the claims indicated below:

---

<sup>1</sup> Fujifilm makes some LTO-4, LTO-5, and LTO-6 tapes for IBM. Sony does not accuse those IBM-branded tapes of infringement. According to Sony, tapes made by Fujifilm for IBM enjoy a license to the Asserted Patents. *See* CIB at 9.

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<b>U.S. Patent No. 7,029,774: Fujifilm Accused Products</b>			
<b>Claim</b>	<b>LTO-4</b>	<b>LTO-5</b>	<b>LTO-6</b>
<b>1</b>	X		X
<b>5</b>	X		X
<b>6</b>	X		X
<b>7</b>	X		X
<b>8</b>	X		X
<b>10</b>	X		X
<b>16</b>	X		X
<b>17</b>	X	X	X

CIB at 22-36.

**2. The '501 patent**

With respect to the '501 patent, Sony accuses the following Fujifilm products of infringing the claims indicated below:

<b>U.S. Patent No. 6,979,501: Fujifilm Accused Products</b>						
<b>Claim</b>	<b>LTO-4</b>		<b>LTO-5</b>		<b>LTO-6</b>	
	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>
<b>1</b>	X	X	X	X	X	X
<b>2</b>	X	X	X	X	X	X
<b>4</b>	X	X	X	X	X	X
<b>5</b>	X	X	X	X	X	X
<b>6</b>	X	X	X	X	X	X
<b>8</b>			X	X	X	X

*Id.* at 118-140.

**3. The '596 patent**

With respect to the '596 patent, Sony accuses the following Fujifilm products of infringing the claims indicated below:

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<b>U.S. Patent No. 6,674,596: Fujifilm Accused Products</b>						
<b>Claim</b>	<b>LTO-4</b>		<b>LTO-5</b>		<b>LTO-6</b>	
	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>
<b>1</b>	X	X	X	X	X	X
<b>2</b>		X		X		X
<b>3</b>	X	X	X	X	X	X
<b>4</b>		X		X		X
<b>5</b>		X		X		X
<b>6</b>	X	X	X	X	X	X
<b>7</b>	X	X	X	X	X	X
<b>8</b>	X	X	X	X	X	X
<b>9</b>		X		X		X
<b>10</b>		X		X		X
<b>11</b>		X		X		X
<b>12</b>		X		X		X
<b>13</b>		X		X		X

*Id.* at 145-152.

**E. The Domestic Industry Products**

Sony alleges two main categories of products to be articles protected by the Asserted Patents. The first category comprises LTO-4, LTO-5, and LTO-6 tape cartridges manufactured by Sony.<sup>2</sup> The Sony-manufactured cartridges are labeled with the Sony brand or are labeled as OEM products for [REDACTED]. See Complaint ¶¶ 86, 87; CIB at 9 (citing CX-0008C at Q/A 8-13; CX-1229C).

The second category of alleged domestic industry articles comprises IBM 3592 products. Sony contends that IBM produces the 3592 products under a license from Sony.<sup>3</sup> IBM 3592 tape

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<sup>2</sup> Section VII.B below discusses the nature and location of Sony's alleged domestic industry activities.

<sup>3</sup> Section VII.C below discusses the nature and location of the alleged IBM domestic industry activities.

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cartridges have a proprietary format and can only be used in an IBM 3592 drive.<sup>4</sup> As with LTO tapes, there have been several generations of IBM 3592 tapes. The record shows that the format for [REDACTED]

[REDACTED]

[REDACTED] CX-1304 at Q/A 25.

**1. The '774 patent**

With respect to the '774 patent, Sony asserts that the following Sony-manufactured LTO tape cartridges practice the claims indicated below:

<b>U.S. Patent No. 7,029,774: Sony-Manufactured Tape Cartridges</b>			
<b>Claim</b>	<b>LTO-4</b>	<b>LTO-5</b>	<b>LTO-6</b>
<b>1</b>	X	X	X
<b>5</b>	X	X	X
<b>6</b>	X	X	X
<b>7</b>	X	X	X
<b>8</b>			X
<b>10</b>	X	X	X
<b>16</b>	X	X	X
<b>17</b>	X	X	X

CIB at 37-40.

Sony also asserts that various generations of licensed IBM 3592 tape cartridges practice the following claims of the '774 patent:

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<sup>4</sup> IBM 3592 tape cartridges differ from LTO tape cartridges in this respect. LTO tape cartridges made by one manufacturer are interoperable with LTO drives made by various manufacturers. This difference will be discussed in the following sections.

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<b>U.S. Patent No. 7,029,774: IBM 3592 Tape Cartridges</b>				
<b>Claim</b>	<b>IBM 3592 Gen. 1</b>	<b>IBM 3592 Gen. 2</b>	<b>IBM 3592 Gen. 3</b>	<b>IBM 3592 Gen. 4</b>
<b>1</b>		X		X
<b>5</b>		X		X
<b>6</b>		X		X
<b>7</b>		X		X
<b>8</b>		X		
<b>10</b>		X		X
<b>16</b>		X	X	X
<b>17</b>		X	X	X

*Id.* at 37-40.

**2. The '501 patent**

With respect to the '501 patent, Sony asserts that the following Sony-manufactured LTO tape cartridges practice the claims indicated below:

<b>U.S. Patent No. 6,979,501: Sony-Manufactured Tape Cartridges</b>						
<b>Claim</b>	<b>LTO-4</b>		<b>LTO-5</b>		<b>LTO-6</b>	
	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>
<b>1</b>			X	X	X	X
<b>2</b>			X	X	X	X
<b>3</b>			X	X	X	X
<b>4</b>			X	X	X	X
<b>5</b>			X	X	X	X
<b>6</b>			X	X	X	X
<b>7</b>			X	X	X	X
<b>8</b>			X	X	X	X

*Id.* at 83-87.

Sony also asserts that licensed IBM 3592 Generation 3 tape cartridges practice the following claims of the '501 patent:

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<b>U.S. Patent No. 6,979,501: IBM 3592 Tape Cartridges</b>				
<b>Claim</b>	<b>IBM 3592 Gen. 1</b>	<b>IBM 3592 Gen. 2</b>	<b>IBM 3592 Gen. 3</b>	<b>IBM 3592 Gen. 4</b>
<b>1</b>			<b>X</b>	
<b>2</b>			<b>X</b>	
<b>4</b>			<b>X</b>	
<b>5</b>			<b>X</b>	
<b>6</b>			<b>X</b>	
<b>8</b>			<b>X</b>	

*Id.* at 83-87.

**3. The '596 patent**

With respect to the '596 patent, Sony asserts that Sony-manufactured LTO tape cartridges, when used with compatible LTO drives, practice the following claims:

<b>U.S. Patent No. 6,674,596: Sony-Manufactured Tape Cartridges</b>						
<b>Claim</b>	<b>LTO-4</b>		<b>LTO-5</b>		<b>LTO-6</b>	
	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>
<b>1</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>2</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>3</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>4</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>5</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>6</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>7</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>8</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>9</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>10</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>11</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>12</b>		<b>X</b>		<b>X</b>		<b>X</b>
<b>13</b>		<b>X</b>		<b>X</b>		<b>X</b>

*Id.* at 145-152.

Sony also contends that IBM 3592 tape cartridges (generations 1-4, comprising models JA, JB, JC, JD, JJ, JK, JL, JR, JW, JX, JY, and JZ), when used with compatible IBM 3592 tape drives (generations 2-5A; comprising models TS1120, TS1130, TS1140, TS1150, and TS1155), practice the following claims of the '596 patent:

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<b>U.S. Patent No. 6,674,596: IBM 3592 Tape Cartridges &amp; Drives</b>								
<b>Claim</b>	<b>IBM 3592 Gen. 1 System</b>		<b>IBM 3592 Gen. 2 System</b>		<b>IBM 3592 Gen. 3 System</b>		<b>IBM 3592 Gen. 4 System</b>	
	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>	<b>R/W</b>	<b>WORM</b>
<b>1</b>	X	X	X	X	X	X	X	X
<b>2</b>		X		X		X		X
<b>3</b>	X	X	X	X	X	X	X	X
<b>4</b>		X		X		X		X
<b>5</b>		X		X		X		X
<b>6</b>	X	X	X	X	X	X	X	X
<b>7</b>	X	X	X	X	X	X	X	X
<b>8</b>	X	X	X	X	X	X	X	X
<b>9</b>		X		X		X		X
<b>10</b>		X		X		X		X
<b>11</b>		X		X		X		X
<b>12</b>		X		X		X		X
<b>13</b>		X		X		X		X

*Id.* at 145-152.

**II. JURISDICTION & IMPORTATION**

**A. Subject Matter Jurisdiction**

Section 337 confers subject matter jurisdiction on the Commission to investigate, and if appropriate, to provide a remedy for, unfair acts and unfair methods of competition in the importation, the sale for importation, or the sale after importation of articles into the United States. *See* 19 U.S.C. §§ 1337(a)(1)(B) and (a)(2). Sony filed a complaint alleging a violation of this subsection. Accordingly, the Commission has subject matter jurisdiction over this investigation under section 337 of the Tariff Act of 1930. *See Amgen, Inc. v. U.S. Int'l. Trade Comm'n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990).

**B. Personal Jurisdiction**

Fujifilm has appeared and participated in this investigation. The Commission therefore has personal jurisdiction over Fujifilm. *See, e.g., Certain Optical Disk Controller Chips &*

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*Chipsets & Prods. Containing Same, Including DVD Players & PC Optical Storage Devices*, Inv. No. 337-TA-506, Initial Det. at 4-5 (May 16, 2005) (unreviewed in relevant part).

### C. *In Rem* Jurisdiction

Fujifilm does not dispute that the Commission has *in rem* jurisdiction over the accused LTO-4, LTO-5 and LTO-6 tape media products and components thereof that have been imported into the United States. See RIB at 8. In fact, Fujifilm has stipulated to the importation of the accused LTO-4, LTO-5, and LTO-6 tape media products and components thereof into the United States. See JX-7C. Accordingly, the Commission has *in rem* jurisdiction over the LTO-4, LTO-5 and LTO-6 tape media products and components thereof.

### D. Importation

As noted above, Fujifilm has stipulated to the importation of the accused LTO-4, LTO-5, and LTO-6 tape media products and components thereof into the United States. See JX-7. Accordingly, the importation requirement of section 337 is satisfied.

## III. RELEVANT LAW

### A. Claim Construction

“An infringement analysis entails two steps. The first step is determining the meaning and scope of the patent claims asserted to be infringed. The second step is comparing the properly construed claims to the device accused of infringing.” *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995) (*en banc*) (internal citations omitted), *aff'd*, 517 U.S. 370 (1996). Claim construction resolves legal disputes between the parties regarding claim scope. See *Eon Corp. IP Holdings v. Silver Spring Networks*, 815 F.3d at 1314, 1319 (Fed. Cir. 2016).

Evidence intrinsic to the application, prosecution, and issuance of a patent is the most significant source of the legally operative meaning of disputed claim language. See *Bell Atl.*

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*Network Servs., Inc. v. Covad Commc'ns Grp., Inc.*, 262 F.3d 1258, 1267 (Fed. Cir. 2001). The intrinsic evidence includes the claims themselves, the specification, and the prosecution history. See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (*en banc*); see also *Markman*, 52 F.3d at 979. As the Federal Circuit explained in *Phillips*, courts must analyze each of these components to determine the “ordinary and customary meaning of a claim term” as understood by a person of ordinary skill in the art at the time of the invention. 415 F.3d at 1313.

“It is a ‘bedrock principle’ of patent law that ‘the claims of a patent define the invention to which the patentee is entitled the right to exclude.’” *Phillips*, 415 F.3d at 1312 (quoting *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)). “Quite apart from the written description and the prosecution history, the claims themselves provide substantial guidance as to the meaning of particular claims terms.” *Id.* at 1314; see also *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1331 (Fed. Cir. 2001) (“In construing claims, the analytical focus must begin and remain centered on the language of the claims themselves, for it is that language that the patentee chose to use to ‘particularly point[ ] out and distinctly claim[ ] the subject matter which the patentee regards as his invention.’”). The context in which a term is used in an asserted claim can be “highly instructive.” *Phillips*, 415 F.3d at 1314. Additionally, other claims in the same patent, asserted or unasserted, may also provide guidance as to the meaning of a claim term. *Id.*

The specification “is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.” *Id.* at 1315 (quoting *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)). “[T]he specification may reveal a special definition given to a claim term by the patentee that differs from the meaning it would otherwise possess. In such cases, the inventor’s lexicography

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governs.” *Id.* at 1316. “In other cases, the specification may reveal an intentional disclaimer, or disavowal, of claim scope by the inventor.” *Id.* As a general rule, however, the particular examples or embodiments discussed in the specification are not to be read into the claims as limitations. *Id.* at 1323. In the end, “[t]he construction that stays true to the claim language and most naturally aligns with the patent’s description of the invention will be . . . the correct construction.” *Id.* at 1316 (quoting *Renishaw PLC v. Marposs Societa’ per Azioni*, 158 F.3d 1243, 1250 (Fed. Cir. 1998)).

In addition to the claims and the specification, the prosecution history should be examined, if in evidence. *Id.* at 1317; *see also Liebel-Flarsheim Co. v. Medrad Inc.*, 358 F.3d 898, 913 (Fed. Cir. 2004). The prosecution history can “often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be.” *Phillips*, 415 F.3d at 1317; *see also Chimie v. PPG Indus. Inc.*, 402 F.3d 1371, 1384 (Fed. Cir. 2005) (“The purpose of consulting the prosecution history in construing a claim is to ‘exclude any interpretation that was disclaimed during prosecution.’”).

When the intrinsic evidence does not establish the meaning of a claim, then extrinsic evidence (*i.e.*, all evidence external to the patent and the prosecution history, including dictionaries, inventor testimony, expert testimony, and learned treatises) may be considered. *Phillips*, 415 F.3d at 1317. Extrinsic evidence is generally viewed as less reliable than the patent itself and its prosecution history in determining how to define claim terms. *Id.* at 1317. “The court may receive extrinsic evidence to educate itself about the invention and the relevant technology, but the court may not use extrinsic evidence to arrive at a claim construction that is

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clearly at odds with the construction mandated by the intrinsic evidence.” *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 977 (Fed. Cir. 1999).

### **B. Infringement**

In a section 337 investigation, the complainant bears the burden of proving infringement of the asserted patent claims by a preponderance of the evidence. *See Spansion*, 629 F.3d at 1349. This standard “requires proving that infringement was more likely than not to have occurred.” *Warner-Lambert Co. v. Teva Pharm. USA, Inc.*, 418 F.3d 1326, 1341 n.15 (Fed. Cir. 2005).

#### **1. Literal infringement**

Literal infringement is a question of fact. *Finisar Corp. v. DirectTV Grp., Inc.*, 523 F.3d 1323, 1332 (Fed. Cir. 2008). “Literal infringement requires the patentee to prove that the accused device contains each limitation of the asserted claim(s). If any claim limitation is absent, there is no literal infringement as a matter of law.” *Bayer AG v. Elan Pharm. Research Corp.*, 212 F.3d 1241, 1247 (Fed. Cir. 2000).

#### **2. Indirect infringement**

Section 271 of the Patent Act defines both direct infringement and the two categories of indirect infringement, active inducement of infringement and contributory infringement. 35 U.S.C. § 271(a), (b), and (c). There can be no indirect infringement absent direct infringement. *See Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S.Ct. 2111, 2117 (2014); *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 341 (1961); *see also Met-Coil Sys. Corp. v. Korners Unltd., Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986) (“Absent direct infringement of the patent claims, there can be neither contributory infringement . . . nor inducement of infringement.”) (citations omitted).

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### a) Inducement of infringement

Section 271(b) of the Patent Act prohibits inducement of infringement: “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). *See DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006) (*en banc*) (“To establish liability under section 271(b), a patent holder must prove that once the defendants knew of the patent, they actively and knowingly aided and abetted another’s direct infringement.”) (citations omitted). “The mere knowledge of possible infringement by others does not amount to inducement; specific intent and action to induce infringement must be proven.” *Id.* (citations omitted). A violation of section 337 may arise from an act of induced infringement. *Suprema*, 796 F.3d at 1351-52 (*en banc* opinion).

### b) Contributory infringement

Section 271(c) of the Patent Act prohibits contributory infringement. *See* 35 U.S.C. § 271(c). “Under 35 U.S.C. § 271(c), a party who sells a component with knowledge that the component is especially designed for use in a patented invention, and is not a staple article of commerce suitable for substantial noninfringing use, is liable as a contributory infringer.” *Wordtech Sys., Inc. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308, 1316 (Fed. Cir. 2010). To establish contributory infringement in a section 337 investigation, it must be shown that “(1) there is an act of direct infringement in violation of section 337; (2) the accused device has no substantial non-infringing uses; and (3) the accused infringer imported, sold for importation, or sold after importation within the United States, the accused components that contributed to another’s direct infringement.” *Spanston*, 629 F.3d at 1353.

### C. Statutory Subject Matter (35 U.S.C. § 101)

The determination of whether a patent’s claims are directed to subject matter that is patentable under 35 U.S.C. § 101 is an issue of law. *See CLS Bank Int’l v. Alice Corp Pty.*, 717

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F.3d 1269, 1276 (2013) (*en banc*) (citing *Bancorp Servs., LLC v. Sun Life Assurance Co. of Can.*, 687 F.3d 1266, 1273 (Fed. Cir. 2012)). 35 U.S.C. § 101 delineates four categories of patentable inventions: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.” 35 U.S.C. § 101; *see also Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1366 (Fed. Cir. 2015). The Supreme Court has identified “[l]aws of nature, natural phenomena, and abstract ideas” as patent-ineligible exceptions to 35 U.S.C. § 101. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014), *cert denied. sub nom. Ultramercial, LLC v. WildTangent, Inc.*, 135 S. Ct. 2907 (2015) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014)) (“*Alice*”). Thus, for example, “[p]atents that merely claim well-established, fundamental concepts fall within the category of abstract ideas.” *Cyberfone Sys., LLC v. CNN Interactive Grp., Inc.*, 558 Fed. App’x 988, 991 (Fed. Cir. 2014) (citing *Bilski v. Kappos*, 561 U.S. 593, 611-12 (2010)). An invention, however, “is not rendered ineligible for patent simply because it involves an abstract concept.” *Alice*, 134 S. Ct. at 2354 (citing *Diamond v. Diehr*, 450 U.S. 175, 187 (1981)).

The Supreme Court has enunciated a two-part analysis for determining whether patent claims are directed to eligible subject matter. *See Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1374 (Fed. Cir. 2016). The first question is whether a claim is drawn to an abstract idea. *Id.* (citing *Alice*, 134 S. Ct. at 2355). If the claim is drawn to an abstract idea, the second question is whether the claim recites an “‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo Collaborative Servs. v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1294, 1298 (2012))

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(“*Mayo*”). In this regard, using a computer to implement or manipulate an abstract idea does not necessarily make the claimed configuration patent-eligible. See *Ulramercial*, 772 F.3d at 717 (quoting *In re Bilski*, 545 F.3d 943, 963 (Fed. Cir. 2008)); see also *Bancorp Servs.*, 687 F.3d at 1278, *cert. denied*, 134 S. Ct. 2870 (2014) (“[A]dding a ‘computer aided’ limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible.”) (quoting *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012)). Additionally, the Federal Circuit has indicated that claims directed to improving computer functioning by the use of unconventional methods may appropriately be patented. See *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (“[W]e find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the *Alice* analysis.”).

In *Enfish*, the Federal Circuit explained that:

[i]n setting up the two-stage *Mayo/Alice* inquiry, the Supreme Court has declared: “We must first determine whether the claims at issue are directed to a patent-ineligible concept.” That formulation plainly contemplates that the first step of the inquiry is a meaningful one, *i.e.*, that a substantial class of claims are *not* directed to a patent-ineligible concept. The “directed to” inquiry, therefore, cannot simply ask whether the claims *involve* a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical product and actions *involves* a law of nature and/or natural phenomenon—after all, they take place in the physical world. . . . [R]ather, the “directed to” inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether their character as a whole is directed to excluded subject matter.

*Id.* *Enfish* therefore provides, among other things, that the “directed to” inquiry functions as a filter to claims, when interpreted in view of the specification, based on whether their character as a whole is directed to a patent ineligible concept.

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*Enfish* also explains that claims directed to improvements of existing technology (e.g., computer functionality—including those directed wholly to non-structural software-based improvements) can be patent eligible in contrast to claims directed to “a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool” and that the determination is made by looking to the applicant’s specification. *Id.* at 1335-1336. Nevertheless, the use of generic computer technology, however “specific” to the particular environment, will not provide eligibility, if the functionality described constitutes an abstract idea. *See TLI Commc’ns LLC v. AV Auto., LLC*, 823 F.3d 607, 611 (Fed. Cir. 2016) (holding that 35 U.S.C. § 101 applies where “the specification makes clear that the recited physical components merely provide a generic environment in which to carry out the abstract idea of classifying and storing digital images in an organized manner”).

### D. Validity

A patent is presumed valid. *See* 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011). A respondent who has raised patent invalidity as an affirmative defense has the burden of overcoming this presumption by clear and convincing evidence. *See Microsoft*, 131 S. Ct. at 2242. As with an infringement analysis, an analysis of invalidity involves two steps: determining the scope of the claim and comparing the properly construed claim with the prior art to determine whether the claimed invention is anticipated and/or rendered obvious. *Tate Access Floors, Inc. v. Interface Architectural Resources, Inc.*, 279 F.3d 1357, 1365 (Fed. Cir. 2002).

#### 1. Anticipation (35 U.S.C. § 102)

Under 35 U.S.C. § 102, a claim is anticipated, and therefore invalid, when “the four comers of a single, prior art document describe every element of the claimed invention, either expressly or inherently, such that a person of ordinary skill in the art could practice the invention

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without undue experimentation.” *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1282 (Fed. Cir. 2000), *cert. denied*, 532 U.S. 904 (2001). To be considered anticipatory, the prior art reference must be enabling and describe the applicant’s claimed invention sufficiently to have placed it in possession of a person of ordinary skill in the field of the invention. *See Helifix Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 1346 (Fed. Cir. 2000).

### 2. Obviousness (35 U.S.C. § 103)

Under 35 U.S.C. § 103, a patent may be found invalid as obvious if “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103(a). Because obviousness is determined at the time of invention, rather than the date of application or litigation, “[t]he great challenge of the obviousness judgment is proceeding without any hint of hindsight.” *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 655 F.3d 1364, 1375 (Fed. Cir. 2011).

When a patent is challenged as obvious, the critical inquiry in determining the differences between the claimed invention and the prior art is whether there is an apparent reason to combine the known elements in the fashion claimed by the patent at issue. *See KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 417-418 (2007). Thus, when a patent is challenged as obvious, based on a combination of several prior art references, “the burden falls on the patent challenger to show by clear and convincing evidence that a person of ordinary skill in the art would have had reason to attempt to make the composition or device, or carry out the claimed process, and would have had a reasonable expectation of success in doing so.” *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1360 (Fed. Cir. 2007) (citations omitted).

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Obviousness is a determination of law based on underlying determinations of fact. *Star Scientific*, 655 F.3d at 1374. The factual determinations behind a finding of obviousness include: (1) the scope and content of the prior art, (2) the level and content of the prior art, (3) the differences between the claimed invention and the prior art, and (4) secondary considerations of non-obviousness. *KSR*, 550 U.S. at 399 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)). These factual determinations are referred to collectively as the “*Graham* factors.” Secondary considerations of non-obviousness include commercial success, long felt but unresolved need, and the failure of others. *Id.* When present, secondary considerations “give light to the circumstances surrounding the origin of the subject matter sought to be patented,” but they are not dispositive on the issue of obviousness. *Geo. M. Martin Co. v. Alliance Mach. Sys. Int’l.*, 618 F.3d 1294, 1304-06 (Fed. Cir. 2010). For evidence of secondary considerations to be given substantial weight in the obviousness determination, its proponent must establish a nexus between the evidence and the merits of the claimed invention. *See W. Union Co. v. MoneyGram Payment Sys. Inc.*, 626 F.3d 1361, 1372-73 (Fed. Cir. 2010) (citing *In re GPAC Inc.*, 57 F.3d 1573, 1580 (Fed. Cir. 1995)).

### 3. Written Description and Enablement (35 U.S.C. § 112, ¶ 1)<sup>5</sup>

The hallmark of the written description requirement is the disclosure of the invention. *See Ariad Pharm., Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (*en banc*). The test for determining the sufficiency of the written description in a patent requires “an objective

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<sup>5</sup> The Leahy-Smith America Invents Act (“AIA”) amended portions of the Patent Act of 1952, and provided that its provisions would “take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.” Pub. L 112-29, § 35. The AIA was enacted on September 16, 2011, and the effective date of the AIA for most sections, including § 112, was September 16, 2012. This investigation involves patents that issued before the effective date of the AIA. Accordingly, I will refer to the paragraphs of pre-AIA § 112 by paragraph number.

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inquiry into the four corners of the specification from the perspective of a person of ordinary skill in the art. Based on that inquiry, the specification must describe an invention understandable to that skilled artisan and show that the inventor actually invented the invention claimed.” *Id.* Compliance with the written description requirement is a question of fact and “the level of detail required to satisfy the written description requirement varies depending on the nature and scope of the claims and on the complexity and predictability of the relevant technology.” *Id.*

To satisfy the enablement requirement a patent specification must “contain a written description of the invention . . . to enable any person skilled in the art . . . to make and use the same.” 35 U.S.C. §112, ¶ 1. The specification must enable a person of ordinary skill in the art to practice the claimed invention without undue experimentation. *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1305 (Fed. Cir. 2010). Although a specification need not disclose minor details that are well known in the art, this “rule” is “merely a rule of supplementation, not a substitute for a basic enabling disclosure.” *Auto. Tech. Int’l Inc., v. BMW of N. Am.*, 501 F.3d 1274, 1283 (Fed. Cir. 2007) (quoting *Genentech, Inc. v. Novo Nordisk, A/S*, 108 F.3d 1361, 1366 (Fed. Cir. 1997)). “It is the specification, not the knowledge of one skilled in the art, that must supply the novel aspects of an invention in order to constitute adequate enablement.” *Auto. Tech.*, 501 F.3d at 1283.

Enablement is a question of law with underlying questions of fact regarding undue experimentation. *Transocean*, 617 F.3d at 1305. The factors weighed by a court in determining whether a disclosure requires undue experimentation include: (1) the quantity of experimentation necessary, (2) the amount of direction provided, (3) the presence of working examples, (4) the nature of the invention, (5) the state of the prior art, (6) the relative skill of those in the art, (7)

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the predictability of the art, and (8) the breadth of the claims. *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988).

### 4. Indefiniteness (35 U.S.C. § 112, ¶ 2)

A claim must also be definite. Pursuant to 35 U.S.C. § 112, ¶ 2, a patent specification “shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” 35 U.S.C. § 112, ¶ 2. Section 112, ¶ 2 requires “that a patent’s claims, viewed in light of the specification and prosecution history inform those skilled in the art about the scope of the invention with reasonable certainty.” *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014). A patent claim that is indefinite is invalid. 35 U.S.C. § 282(b)(3)(A).

### E. Domestic Industry

For a patent-based complaint, a violation of section 337 can be found “only if an industry in the United States, relating to the articles protected by the patent . . . concerned, exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). Under Commission precedent, this domestic industry requirement of section 337 consists of an economic prong and a technical prong. *See Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm’n Op. at 12-14, 2009 WL 5134139 (U.S.I.T.C. Dec. 2009). The complainant bears the burden of establishing that the domestic industry requirement is satisfied. *See Certain Set-Top Boxes and Components Thereof*, Inv. No. 337-TA-454, Final Initial Determination at 294, 2002 WL 31556392 (U.S.I.T.C. June 21, 2002) (unreviewed by Commission in relevant part).

#### 1. Economic prong

Section 337(a)(3) sets forth the following economic criteria for determining the existence of a domestic industry in such investigations:

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(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned –

- (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.

Given that these criteria are listed in the disjunctive, satisfaction of any one of them will be sufficient to meet the economic prong of the domestic industry requirement. *See Certain Integrated Circuit Chipsets and Prods. Containing Same*, Inv. No. 337-TA-428, Order No. 10, Initial Determination (unreviewed) (May 4, 2000).

### 2. Technical prong

The technical prong of the domestic industry requirement is satisfied when the complainant in a patent-based section 337 investigation establishes that it is practicing or exploiting the patents at issue. *See* 19 U.S.C. § 1337(a)(2) and (3); *Certain Microsphere Adhesives, Process for Making Same and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op. at 8, 1996 WL 1056095 (U.S.I.T.C. Jan. 16, 1996). “The test for satisfying the ‘technical prong’ of the industry requirement is essentially [the] same as that for infringement, *i.e.*, a comparison of domestic products to the asserted claims.” *Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003). To prevail, the patentee must establish by a preponderance of the evidence that the domestic product practices one or more claims of the patent. It is sufficient to show that the products practice any claim of that patent, not necessarily an asserted claim of that patent. *See Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm’n Op. at 38 (U.S.I.T.C. Aug. 1, 2007).

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### IV. U.S. PATENT NUMBER 7,029,774

United States Patent Number 7,029,774, entitled “Magnetic Recording Medium with Backside to Decrease Recording Surface Embossment,” issued to James A. Greczyna, Brian D. Brong, and Stephen R. Ebner on April 18, 2006. JX-0003 at cover page (’774 patent). The patent issued from Application Number 11/135,783 filed on May 23, 2005. *Id.* The patent is assigned on its face to Imation Corporation. *Id.* The evidence indicates that Imation assigned this patent to Sony on August 3, 2015. CX-0007C at Q/A 58-67 (direct witness statement of Hiroshi Kamitani); CX-1081 at 3; JX-0139C.

The ’774 patent describes specific properties of a magnetic recording medium in the form of a tape that is commonly wound around a spool inside a tape cartridge. JX-0003 at Figure 1, 1:16-20, 1:51-67; *see* CX-0002C at Q/A 44, 47 (direct witness statement of Sony’s expert, Dr. Bogy); RX-0003C at Q/A 546, 550 (direct witness statement of Fujifilm’s expert, Dr. Wang). The tape cartridge might take the shape of an audio tape, video tape, or computer tape, and the magnetic recording medium might be referred to as the magnetic tape within the tape cartridge. JX-0003 at 1:7-10, 1:16-17; *see* CX-0002C at Q/A 44. Depending on the context, the word “tape” may refer to either the tape cartridge or the magnetic tape. The tape cartridge can be inserted into a tape drive that extracts the magnetic tape from the cartridge, reads data from or writes data to the tape, and then returns the tape to the cartridge. CX-0002C at Q/A 44.

The physical structure of the tape 30, shown below in Figure 2 of the ’774 patent, comprises four layers. JX-0003 at Abstract, Figure 2, 3:34-6:62. Layer 32 is referred to as the substrate, with top surface 38 and bottom surface 40. *Id.* at 3:34-4:9. Support layer 50 “extends over and is bonded to the top surface 38 of the substrate,” and the “magnetic recording layer 52 extends over and is bonded to the top surface 54 of the support layer 50.” *Id.* at 4:12-31. The magnetic recording layer 52 contains recording surface 56 upon which data is recorded. *Id.* at

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4:12-63. Backside layer 36 “extends along and is bonded to the bottom surface 40 of the substrate 32.” *Id.* at 3:34-50. The purpose of backside layer 36 is to improve the durability, electroconductivity, and tracking characteristics of the tape. *Id.* at Abstract, 1:38-41.

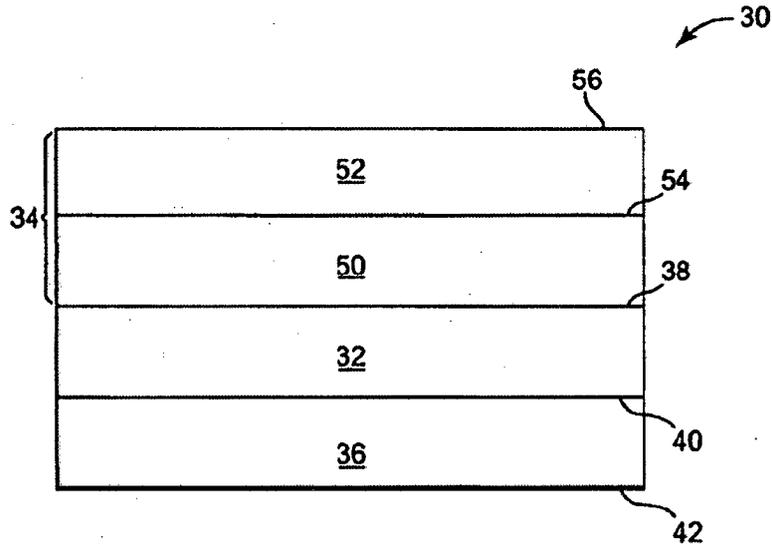
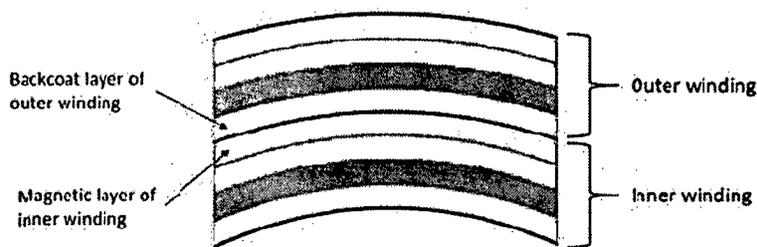


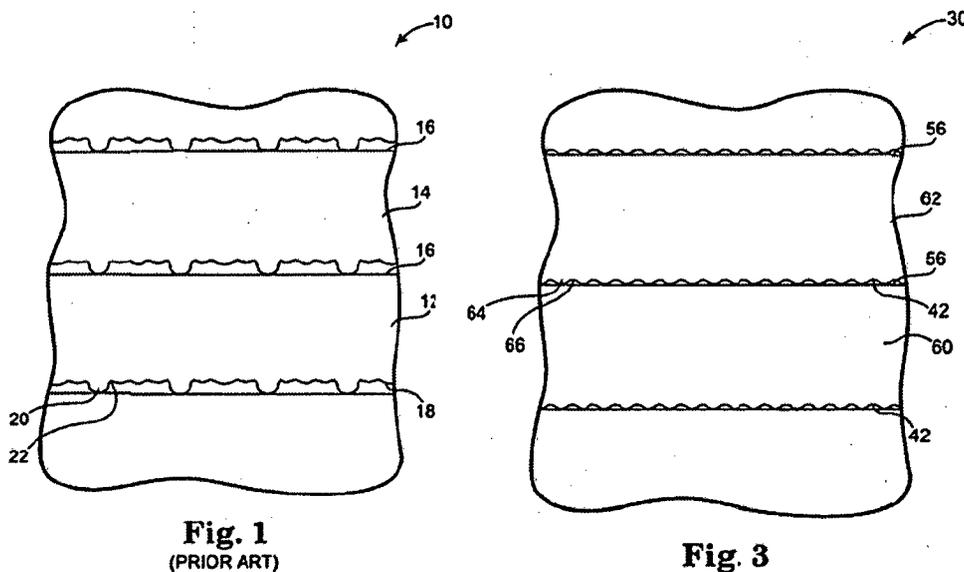
Fig. 2

According to the '774 patent, the backside layers that existed at the time were formed by dispersing “relatively large particles” on a relatively smooth surface in order to “decrease friction and increase durability.” *Id.* at 2:1-5. These “relatively large particles” were a problem because, when the tape was wound around a spool, the peaks of the particles on the backside layer of one section of the tape would come into contact with the magnetic particles on the top magnetic layer of a different section of the tape, and could leave “imprints, pits, or embossments” on the magnetic layer. *Id.* at 2:5-24. Sony’s expert, Dr. Bogy, provided a graphic, which is embedded below, to illustrate how the backside layer (yellow) of one section of tape comes into contact with the magnetic layer (blue) of another section of tape when it is wound around a spool. CX-0002C at Q/A 49 (describing CDX-0002C at 4). The “imprints, pits, or embossments” left by the backside layer on the magnetic layer are undesirable because they can “damage the recording characteristics of the magnetic recording tape.” JX-0003 at 2:21-23.

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The '774 patent endeavored to alleviate the embossments on the magnetic layer while improving the durability and frictional characteristics of the tape by specifying surface properties of the backside that were different than those of the backside layers that existed at the time. *Id.* at 2:23-28. The difference between the conventional backside surface and the backside surface described in the '774 patent can be seen by comparing Figures 1 and 3 of the patent, below. *Id.* at 5:18-21; *see id.* at 5:47-51 (“As illustrated in FIG. 3, the peaks 64 and the valleys 66 are exaggerated for illustrative purposes only. The peaks 64 are generally not as large as the peaks seen with bimodal backside surfaces (see for example peak 20 of FIG. 1.”).



Specifically, as shown in Figure 3, the backside of the invention has a large number of peaks with relatively small and uniform heights so that a “relatively large plurality of peaks 64 contact[ ] the recording surface 56 of an adjacent winding 60 or 62.” *Id.* at 5:52-55. These

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peaks form a “relatively random” surface, which the '774 patent describes as “approaching a Gaussian surface,” instead of the “typical bimodal backside surface” of the conventional tapes shown in Figure 1. *Id.* at 5:18-21. According to the '774 patent, the structure of the backside more uniformly distributes the load transferred from the adjacent recording surface such that “the number of pits or embossments formed in recording surface 56 are decreased and/or the pits or embossments formed are less pronounced.” *Id.* at 5:39-5:25.

The '774 patent describes the physical characteristics of the backside surface by using measurements such as “skew, peak height mean, peak-to-valley roughness, plateau ratio, and kurtosis.” *Id.* at 8:10-9:13. According to the example measurements provided in the patent, a backside according to the invention exhibits decreased values for these surface measurements. *See id.* at 9:56-12:49. Specifically, Table 1 in the patent specification, embedded below, “illustrates that Examples 1 and 2 exhibit decreased skew, peak mean height, peak-to-valley roughness, plateau ratio, and kurtosis with respect to Comparative Examples C1-C4.” *Id.* at 9:58-61.

TABLE 1

Surface Measurement Parameters					
Example	Skew ( $R_{sk}$ )	Peak Mean Height ( $R_{pm}$ )	Peak-to-Valley Roughness ( $R_z$ )	Plateau Ratio ( $R_{pm}/R_z$ )	Kurtosis ( $R_{ku}$ )
1	0.30	177 nm	291 nm	0.61	3.4
2	0.40	172 nm	276 nm	0.62	3.5
C1	0.53	234 nm	346 nm	0.68	4.3
C2	0.80	327 nm	449 nm	0.73	5.6
C3	0.90	369 nm	515 nm	0.72	5.2
C4	0.89	482 nm	675 nm	0.71	5.2

*Id.* at 10:1-14.

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**A. The Asserted '774 Patent Claims**

Sony asserts claims 1, 5, 6, 7, 8, 10, 16, and 17 of the '774 patent in this investigation.

Asserted claims 16 and 17 depend on unasserted independent claim 15, and therefore include the limitations of claim 15. 35 U.S.C. § 112, ¶ 4. Those claims provide:

1. A magnetic recording medium comprising:  
a substrate defining a first surface and a second surface opposite the first surface;  
a magnetic side formed over the first surface of the substrate and defining a recording surface; and  
a backside coated on the second surface of the substrate and configured to decrease embossment of the recording surface, the backside defining a backside surface opposite the substrate, the backside surface having a skew less than about 0.5 and a kurtosis less than about 4.0.  
\* \* \* \* \*
5. The magnetic recording medium of claim 4, wherein the peak-to-valley roughness is less than about 300 nm.  
\* \* \* \* \*
6. The magnetic recording medium of claim 1, wherein the backside surface has a plateau ratio of less than or equal to about 0.65.  
\* \* \* \* \*
7. The magnetic recording medium of claim 1, wherein the kurtosis value is less than or equal to about 3.7.  
\* \* \* \* \*
8. The magnetic recording medium of claim 1, wherein the magnetic recording medium has a skirt signal-to-noise ratio of greater than about 0.2 relative dB along a substantial entirety of a total length of the magnetic recording medium.  
\* \* \* \* \*
10. The magnetic recording medium of claim 1, wherein the magnetic recording medium has a small error rate of less than about 0.5 errors/m along a substantial entirety of a total length of the magnetic recording medium.  
\* \* \* \* \*
15. A magnetic recording medium comprising:  
a substrate defining a first surface and a second surface opposite the first surface;  
a magnetic side coated on the first surface of the substrate and defining a recording surface; and  
a backside coated on the second surface of the substrate and configured to decrease the embossment of the recording surface, wherein the backside defines a backside surface opposite the substrate, the backside surface having a peak height mean less than about 200 and a peak-to-valley roughness less than about 325 nm.

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\* \* \* \* \*

16. The magnetic recording medium of claim 15, wherein the backside surface has a skew less than about 0.5.

\* \* \* \* \*

17. The magnetic recording medium of claim 15, wherein the peak-to-valley roughness is less than about 300 nm.

JX-0003 at 12:51-61, 13:4-14, 13:21-24, 14:1-16.

**B. Level of Ordinary Skill in the Art**

Sony, Fujifilm, and Staff largely agree on the level of a person of ordinary skill in the art as of the date of the '774 invention, with only slight differences in their proposals that do not affect the substantive analysis in this investigation. CIB at 14 (citing RX-0003C at Q/A 562; CX-0002C at Q/A 82); RIB at 12 (citing RX-0583C at Q/A 19-20; CX-0012C at Q/A 72-73); SIB at 27 (citing CX-0002C at Q/A 88; RX-0003C at Q/A 562). Given the evidence of record cited by the private parties and Staff, and that the parties' positions would not be changed or materially altered under either of the proposed definitions, I find that a person of ordinary skill in the art can be either of the following:

1. A person with "a bachelor's degree in materials science, physics, mechanical engineering, electrical engineering, or a closely related field, and at least five years of experience in the [field] of magnetic recording media production, or a master's degree or higher in materials science, physics, mechanical engineering, electrical engineering, or a closely related field, and at least three years of experience in the field of magnetic recording media production. A person with less education but more relevant practical experience may also meet this standard, as would a person with more education but less practical experience." CX-0002C at Q/A 82.
2. "[A] person with (a) a bachelor's degree in materials science, electrical engineering, mechanical engineering, chemistry, or a closely related field, and at least five years of experience—either in industry or academic research—relating to magnetic tape, or (b) a master's degree or higher in materials science, electrical engineering, mechanical engineering, chemistry, or a closely related field, and at least three years of experience—either in industry or academic research—relating to magnetic tape. A person with less education but more relevant practical experience, or more relevant education but less practical experience, may also meet this standard." RX-0003C at Q/A 562.

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### C. Claim Construction and Indefiniteness

There are six disputed claims relevant to the asserted claims of the '774 patent:

1. skew;
2. kurtosis;
3. peak height mean;
4. peak-to-valley roughness;
5. plateau ratio; and
6. small error rate.

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 9-11 (May 25, 2018); Order No. 39 (June 29, 2018) (granting motion).

Only the first term, skew, requires construction. The construction of the other terms do not affect any issue in this investigation, and therefore the terms need not be construed. *See* RIB at 12; SRB at 2; *Vivid Techs., Inc. v. American Sci. & Eng'g, Inc.*, 202 F.3d 795, 803 (Fed. Cir. 1999); *Vanderlande Indus. Nederland BV v. Int'l Trade Comm.*, 366 F.3d 1311, 1323 (Fed. Cir. 2004).

#### 1. "skew"

The term "skew" appears in asserted independent claim 1 and dependent claim 16, and is incorporated by dependency into asserted claims 5, 6, 7, 8, 10, and 17. The parties propose the following constructions for this term:

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<b>Sony</b>	<b>Fujifilm</b>	<b>Staff</b>
R <sub>sk</sub> the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated	Indefinite or alternatively, "Skew is the third moment of a roughness distribution"	R <sub>sk</sub> the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated, as measured using an optical interferometer, such as a Wyko® Optical Interferometer

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 9 (May 25, 2018).

The specification provides an explicit definition for skew:

Skew (Rsk) is the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated. Negative skew indicates a predominance of valleys, while positive skew indicates a predominance of peaks. Skew illustrates load carrying capacity, porosity and other characteristics. Negative skew generally is a criterion for a good bearing surface. With regard to magnetic recording medium 30, it is generally desirable to decrease positive skew by decreasing the predominance of high peaks, and, consequently, decreasing the number and/or size of pits or embossments. However, it is also generally desirable to maintain at least a low level of positive skew to decrease the excess frictional forces on the magnetic recording medium that can cause handling problems during use of the magnetic recording medium. In one embodiment, the magnetic recording medium 30 has a skew of less than about 0.5.

JX-0003 at 8:13-29 (emphasis added).

Nevertheless, Fujifilm argues that the term is indefinite because the inventor's definition improperly mixes two different concepts. RIB at 12-14. Fujifilm starts with the observation that the specification describes measuring the surface parameters using a "Wyko® Optical Profiler" machine. JX-0003 at 8:4-9. Fujifilm then refers to the documentation for that machine,

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excerpted below, which states that skew can be measured as (i) “R<sub>sk</sub>,” measured “about the mean line,” or (ii) “S<sub>sk</sub>,” measured “about the mean plane.” J 0116.

Term	Definition	Calculation	Use
R <sub>sk</sub>	Skewness is a measure of the asymmetry of the profile about the mean line. Negative skew indicates a predominance of valleys, while positive skew is seen on surfaces with peaks.	<p style="text-align: center;">* * * * *</p> $R_{sk} = \frac{1}{nR_q^3} \sum_{i=1}^n (z_i - \bar{z})^3$	R <sub>sk</sub> illustrates load carrying capacity, porosity, and characteristics of non-conventional machining processes. Negative skew is a criterion for a good bearing surface.
S <sub>sk</sub>	Skewness measures the asymmetry of the profile about the mean plane. Negative skew indicates a predominance of valleys, while positive skew is seen on surfaces with peaks.	<p style="text-align: center;">* * * * *</p> $S_{sk} = \frac{1}{NMS_q^3} \sum_{j=1}^N \sum_{i=1}^M \eta^3(x_i, y_j)$	S <sub>sk</sub> can illustrate load carrying capacity, porosity, and characteristics of non-conventional machining processes. Surfaces that are smooth but are covered with particulates have positive skewness, while a surface with deep scratches/ pits will exhibit negative skewness. If S <sub>sk</sub> exceeds ± 1.5, you should not use average roughness alone to characterize the surface. Skewness is very sensitive to outliers in the surface data.

Fujifilm points out that the definition of “skew” in the specification conflates the R<sub>sk</sub> moniker with the S<sub>sk</sub> requirement that the measurement be “about a mean plane.” RIB at 13. Fujifilm’s expert, Dr. Wang, opines that certain products, such as the Sony LTO-1 tapes, will only satisfy the claimed values for skew when using the R<sub>sk</sub> formula but will fall outside the claimed values when using the S<sub>sk</sub> formula. RX-0003C at Q/A 861. He concludes that a person of ordinary skill in the art would therefore not have been able to determine with reasonable certainty whether a product infringes the claim. *Id.*

Inventors may provide a definition for a term in the specification “that differs from the meaning it would otherwise possess.” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (*en banc*). When an inventor does so, the law is clear that “the inventor’s lexicography governs.” *Id.* A person of ordinary skill in the art reading the term “skew” in the asserted claims in view of the specification would therefore understand that the term is defined as “the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated,” regardless of how such a person might have otherwise understood the term.

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Accordingly, the '774 patent informs, with reasonable certainty, a person of ordinary skill in the art what "skew" requires such that the term is not indefinite. *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014).

Staff's proposed construction adds a requirement that "skew" must be "measured using an optical interferometer, such as a Wyko® Optical Interferometer." Staff bases its proposal on the following paragraph in the specification. SIB at 28-29.

In one embodiment, the backside surface 42 is analyzed to determine values for a plurality of surface measurement parameters. More particularly, the backside surface 42 is analyzed to determine the surface measurement parameters using a Wyko® Optical Profiler manufactured by Veeco Instruments, Inc. of Tucson, Ariz., or other suitable device. More specifically, the values used throughout this application were measured using a Wyko® Optical Interferometer. In one example, at least a portion of the surface measurement parameters analyzed includes skew, peak height mean, peak-to-valley roughness, plateau ratio, and kurtosis.

JX-0003 at 8:2-12 (emphasis added).

Staff recognizes that the inclusion or elimination of its additional proposed requirement "does not have any material effect on any issue in this investigation, because both Sony and Fujifilm used optical interferometers when measuring the surface parameters" and therefore Sony's proposed construction "would also be appropriate." SIB at 29 n.8; *see* CX-0002C at Q/A 219 (Sony's expert, Dr. Bogy, testifying that his "infringement [and] domestic industry opinions" do not change under Staff's proposed construction). I will therefore not consider whether Staff's additional proposed language is necessary because "only those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy." *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999).

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Accordingly, the term “skew” is construed to mean “the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated.”

### **D. Infringement**

Sony alleges that Fujifilm’s LTO-4 and LTO-6 tape products infringe claims 1, 5, 6, 7, 8, 10, 16, and 17 of the ’774 patent, and that Fujifilm’s LTO-5 tape products infringe claim 17. CIB at 19. Sony relies on measurements of the physical characteristics of the products, Fujifilm’s documents, admissions of Fujifilm witnesses, and its expert’s opinions to support its allegations. *Id.* at 19-36 (citing evidence). Sony’s expert, Dr. Bogy, provided his opinions on the evidence and set forth a limitation-by-limitation infringement analysis for the asserted claims. CX-0002C at Q/A 267-354 (citing to and explaining evidence).

Staff agrees that Fujifilm’s LTO-4 and LTO-6 products infringe claims 1, 7, 8, and 10, but disagrees that the LTO-4 and LTO-6 products infringe claims 5, 6, 16, or 17, or that the LTO-5 products infringe claim 17. SIB at 36-51 (citing evidence). For the latter claims, Staff contends that Sony did not properly measure the “peak-to-valley roughness” or the “plateau ratio” of the accused products. SIB at 8-11, 42-49-51.

Fujifilm does not provide test results or measurements of its own products as counter-evidence that its products do not meet the limitations of the asserted claims. *See Tr.* at 667:25-668:11, 669:2-5 (Dr. Wang). Fujifilm instead attacks Sony’s evidence to argue that Sony failed to meet its burden to prove infringement. Fujifilm specifically claims that Sony’s measurements of the accused products are not sufficient to establish infringement, arguing that (1) Sony’s expert analyzed the data from the wrong tapes, (2) Sony’s expert did not properly determine whether the accused products decrease embossment, (3) Sony’s expert incorrectly measured skew, (4) Sony’s expert incorrectly measured skirt signal-to-noise ratio, (5) Sony’s

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expert incorrectly measured small error rate, and (6) Sony's expert incorrectly measured peak height. RIB at 15-25.

To prove that Fujifilm infringes the asserted claims of the '774 patent, Sony "must establish by a preponderance of the evidence that one or more claims of the patent read on the accused device literally or under the doctrine of equivalents." *Spanston, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1349 (Fed. Cir. 2010) (internal quotations and citations omitted). The preponderance of the evidence standard "simply requires proving that infringement was more likely than not to have occurred." *Warner-Lambert Co. v. Teva Pharm. USA, Inc.*, 418 F.3d 1326, 1341 n.15 (Fed. Cir. 2005). This burden never shifts to Fujifilm—"the risk of decisional uncertainty stays on [Sony]." *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008).

Based on the evidence and arguments of the parties mentioned above and set forth in detail in the following subsections, I find that Sony has established by a preponderance of the evidence that Fujifilm's LTO-4 and LTO-6 tape products infringe claims 1, 5, 6, 7, 8, 10, 16, and 17 of the '774 patent, and that Fujifilm's LTO-5 tape products infringe claim 17.

**1. Sony's expert more likely than not directed and relied on the measurements of the correct products.**

Fujifilm accuses Dr. Bogy of providing unreliable infringement opinions that should be given no weight because he did not direct the testing as described in his witness statement, he did not know how the accused product samples were mounted, he did not know what condition the samples were in when they were tested, he did not know which testing settings were used by the testing facility, and he did not know which actual tapes were tested by the testing facility. RIB at 18. To establish Dr. Bogy's lack of direction and knowledge, Fujifilm points to screenshots taken from the facility's testing equipment that display timestamps of between September 10 and

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20, 2017. *Id.* at 15-16 (citing CX-0258C; CX-0259C; CX-0260C; CX-0261C; CX-0262C; CX-0263C; CX-0264C; CX-0265C; CX-0266C; CX-0267C; CX-0268C). Fujifilm concludes that the tests shown by these screenshots “were taken without Dr. Bogy’s involvement, and not on the Horizon-purchased tapes on which he relies” because Dr. Bogy testified that the tapes were shipped to the testing facility on September 27, 2017, which was after the date shown on the screenshots, and that he visited MAC in October to start the testing that he describes in his witness statement. *Id.* at 17-18.

Fujifilm has waived this argument by not raising it in its pre-hearing brief. *See* RPB at 19-31; *cf.* SRB at 6; CRB at 3 n.2. This investigation is governed by the ground rules of Chief Judge Bullock. Notice of Amended Ground Rules (Aug. 18, 2017) (EDIS Doc. ID 620450). Ground Rule 8.2 states that the “pre-trial brief shall set forth a party’s contentions on each of the proposed issues” and “[a]ny contentions not set forth in detail as required herein shall be deemed abandoned or withdrawn, except for contentions which a party is not aware and could not be aware in the exercise of reasonable diligence at the time of filing the pre-trial brief.” *Id.* at 13. Fujifilm offers no reason for its failure to raise this argument in its pre-hearing brief, and there is no indication that Fujifilm was not fully aware of the facts underlying its argument well before the deadline for filing its pre-hearing brief. *See* CRB at 3 n.2 (representing that Sony’s infringement contentions incorporated the evidence upon which Fujifilm now relies); CRB at 5 n.4 (stating that Fujifilm chose not to depose MAC during discovery); SRB at 6. Fujifilm cannot now present this argument for the first time in its post-hearing brief.

Even if Fujifilm did not waive this non-infringement argument, the evidence it relies on does not sufficiently disrepute the evidence that Dr. Bogy’s opinions were based on measurements from the correct products.

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Sony went about gathering its evidence of infringement by engaging an independent testing lab—Measurement Analysis Corporation (“MAC”)—to measure certain properties of the accused products at the direction of its expert, Dr. Bogy. CIB at 20; CX-0002C at Q/A 94-96 (direct witness statement of Dr. Bogy). The undisputed evidence shows that “MAC is a well-known, respected, and trusted laboratory in the industry of magnetic recording media” and is used by Sony, Fujifilm, and others in the regular course of their businesses to test and measure the physical, surface, functional, and structural characteristics of their magnetic recording media. CX-0002C at Q/A 95. MAC also provides Compliance Verification (CV) testing for magnetic tape manufacturers to verify their compliance with the respective LTO specifications. *Id.*; Tr. at 219:20-220:10 (Dr. Bogy testifying that “[e]ach LTO member has to submit its tapes to MAC every year for compliance verification.”); JX-0134 at 2. As a result of its regular testing for these companies, MAC has developed standard industry-accepted procedures for taking the types of measurements it performed for Dr. Bogy. CX-0002C at Q/A 96.

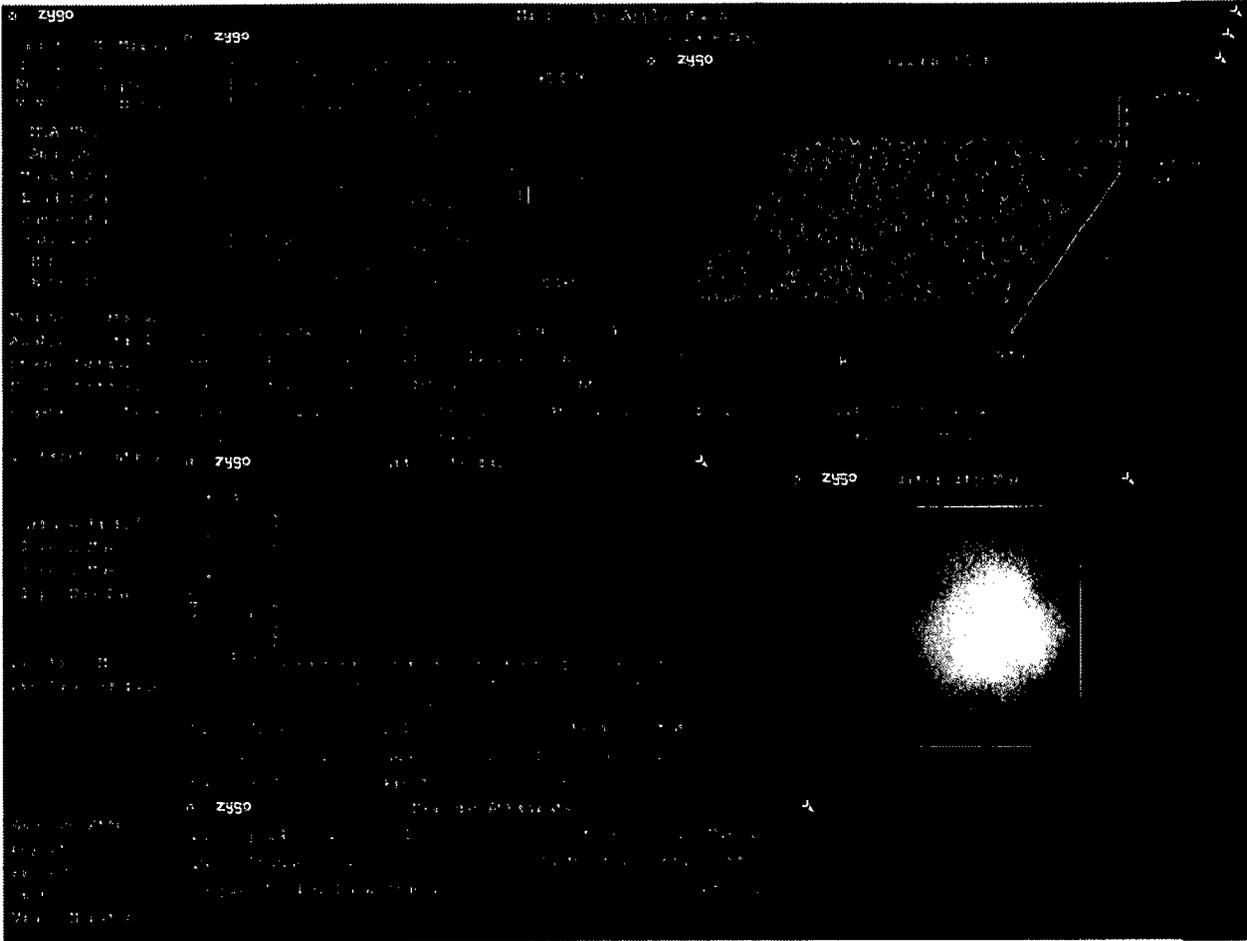
Dr. Bogy testified that he directed Sony’s counsel to purchase accused products from a company called Horizon Systems and then ship the products to MAC. *Id.* at Q/A 98-100; *see* CX-0382C (packing list from Horizon Systems showing that certain tapes were shipped on September 27, 2017, to Sony’s counsel). Dr. Bogy opined that the purchased products appeared to be authentic and materially identical to the same products purchased from other vendors. CX-0002C at Q/A 100-101. Dr. Bogy further testified that he visited MAC’s laboratory in October, met with their technicians and engineers who were performing the tests, and inspected and approved MAC’s equipment, testing procedures, preparation of the tapes for testing, test setup, the testing itself, and the recording of test data. *Id.* at Q/A 97.

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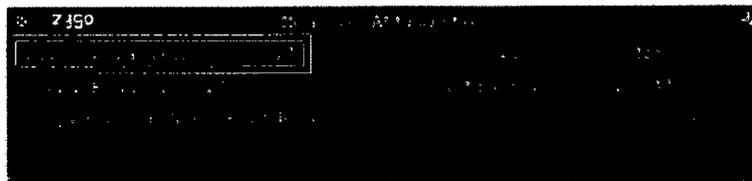
According to the documents provided by MAC in this investigation, it received forty-nine magnetic tape media cartridges of nine different types of cartridges from Sony's counsel on October 5 and 12, 2017. JX-0134 at 2. It then performed various tests on the cartridges and produced a "Final Report" on October 25, 2017, that Dr. Bogy used to help form his infringement opinions. CX-0002C at Q/A 105; JX-0134. This report describes the testing setup and procedure, and summarizes the data and measurements MAC obtained from the testing. CX-0002C at Q/A 106; JX-0134. MAC also produced separate measurement data and reports for surface roughness, missing pulse, and skirt signal-to-noise ratio. *Id.* at Q/A 109-111 (citing surface roughness documents at CX-0074, CX-0075, CX-0077, CX-1700, CX-1703, CX-1706, CX-1712, CX-1715, and CX-1718; missing pulse documents at CX-1687C, CX-1690C, CX-1693C, JX-0134C, CX-1702C, CX-1705C, CX-1708C, JX-0134C, CX-1714C, CX-1717C, CX-1720C, and JX-0134C; and skirt signal-to-noise ratio documents at CX-1686C, CX-1721C, JX-0134C, CX-1692C, CX-1723C, JX-0134C, CX-1707C, CX-1723C, JX-0134C, CX-1713C, CX-1725C, and JX-0134C).

Some of the files generated by MAC consist of screenshots from the display of the testing equipment that show various measurement results and associated metadata. *See* CX-0258C. For example, the screenshot below is from the Zygo "Microscope Application" that shows certain test results for "Sample V-6 BOT Back Side\_1." *Id.*

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The bottom section of these screenshots, titled “Measure Attributes,” supposedly displays the date and time the test was run. In its post-hearing brief, Fujifilm excerpts and annotates this section for nine of the screenshots, each of which shows a date before Sony’s counsel purportedly purchased the tapes relied on by Dr. Bogy. RIB at 15-17. For example, the screenshot for “Sample V-6” above, a portion of which is excerpted below, contains a timestamp of “Thu Sep 14 16:13:07 2017” as annotated with a yellow box by Fujifilm’s counsel. *Id.* at 15 (excerpting and annotating CX-0258C).



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As an initial matter, Dr. Bogy did not testify that he relied on the screenshots to form his opinions. *See* CX-0002C at Q/A 109-111 (listing the exhibit numbers for the testing summaries and reports from MAC, not exhibit numbers for the screenshots). The only reference to the screenshots in his direct witness statement is to explain the difference between 3D and 2D topographic data. CX-0002C at Q/A 134-135 (citing CX-0073). He instead relies on the Final Report, which he calls the “summary report,” produced by MAC as well as other evidence that shows the measurement results of the products. *See id.* at Q/A 105. The Final Report states that the information contained therein was generated from the products it received on October 5 and 12, 2017. JX-0134 at 2.

Further, after he was presented with Fujifilm’s line of questioning for the first time at the hearing and asked to explain, Dr. Bogy testified that the date on the screenshot “is something that’s called an attribute and is put in by the operator, not coming from the measurement software.” Tr. at 272:15-273:21. He explained that the operator of the equipment is not necessarily concerned with setting the date because the screenshots are not intended to be used as evidence. *Id.* And, when describing his own experience with the testing equipment, Dr. Bogy testified that the date stamped on the results by the equipment does not correspond to the date the test was taken if he does not change the date shown on the system. *Id.*; *see id.* at 273:25-274:3 (“I have recently . . . noticed that the date on my Zygo screen was 2008.”).

The documentary evidence corroborates Dr. Bogy’s testimony. The screenshots excerpted and annotated by Fujifilm’s counsel in its post-hearing brief are for samples V-6, VI-1, IV-1, III-1, I-1, V-1, IV-6, VI-6, and II-1. RIB at 15-17. The Final Report states that MAC received on October 5 and 12, 2017, the magnetic tape media cartridges labeled “I-1~4, II-1~4, III-1~4, IV-1~9, V-1~10, VI-1~10, VII-1~4, and VII-6~9,” where the tilde supposedly represents

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a range such that I-1~4 comprises four cartridges labeled I-1, I-2, I-3, and I-4. JX-0134 at 2. That the sample numbers are identical between the Final Report and the labels affixed to the cartridges received by MAC as described by Dr. Bogy is evidence that the screenshots were taken for the same tapes described in the report.

The raw data underlying the Final Report also shows a date for each test that comports with the timeline proffered by Dr. Bogy. For example, CX-0074C is a spreadsheet that contains the surface roughness data for the Fujifilm LTO-4 product. CX-0002C at Q/A 311. This spreadsheet has a date of "10/10/17" for sample "QE-G4-001." CX-0074C. As shown in CX-0021C, a single physical tape cartridge is labeled with both "TV-1" and "QE-G4-001." The raw data is therefore evidence that the tapes received by MAC on October 5 and 12, 2017, were tested by MAC after they were received.

Viewing the evidence as a whole establishes that the accused products purchased on September 27, 2017, and received by MAC on October 5 and 12, 2017, are more likely than not the same tapes whose measurements appear in the Final Report dated October 25, 2017, and in the underlying data relied on by Dr. Bogy. Fujifilm has therefore failed to establish that the opinions of Sony's expert based are unreliable on this basis.

**2. Sony properly relied on evidence of the claimed physical characteristics to establish that the accused products more likely than not have "a backside surface . . . configured to decrease embossment of the recording surface."**

Fujifilm argues that Sony failed to present evidence that the accused products have "a backside surface . . . configured to decrease embossment of the recording surface" as required by independent claims 1 and 15. RIB at 18. Fujifilm's argument, however, is not persuasive because Fujifilm misunderstands the evidence proffered by Sony.

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Fujifilm's support for its argument comes solely from its cross-examination of Sony's expert, Dr. Bogy:

Q. Okay. Now, Doctor, when it says decrease embossment, what does that mean? Decrease relative to what?

A. Relative to what it would have been if they did not have the surface properties in the claims of the patent.

Q. Okay. Now, you did not do any comparative testing showing embossment levels in the accused products as compared with some other products; correct?

A. I did not.

Tr. at 205:9-22. From this testimony, Fujifilm concludes that Sony was required to conduct "relative" or "comparative" testing of the accused products. RIB at 18-19. Fujifilm does not suggest or propose how such testing would be done or which reference products the accused products could be tested against. Fujifilm only argues that Sony's failure to perform this comparative test requires a finding of non-infringement.

Dr. Bogy's testimony on this issue was more thorough than Fujifilm presents. His testimony that led up to the cross-examination questions was that a backside surface is configured to decrease embossment if it has the claimed surface characteristics. CX-0002C at Q/A 304-307. For support, he relies to the disclosure in the '774 patent that decreasing specific surface measurement values leads to "a decrease in the number of and/or level of pits or embossments formed in adjacent layers of tape . . . ." *Id.* at Q/A 305 (citing '774 patent at 9:62-66). He also relies on the deposition of an inventor of the '774 patent, who testified that "the surface structure of the backside coating" "allowed it to minimize embossment into the magnetic coating." *Id.* at Q/A 306 (citing JX-0026 at 36:9-37:1).

Dr. Bogy's complete testimony establishes that the accused products more likely than not have a backside configured to decrease embossment because they have surface characteristics

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that a person of ordinary skill in the art would understand results in decreased embossment. This indirect evidence of infringement is sufficient. *See Spansion*, 629 F.3d at 1352 (“[The patent owner’s] burden to show infringement by a preponderance of the evidence does not require physical validation of all indirect evidence.”).

Fujifilm argues that this “configured to decrease embossment: limitation will be improperly read out of the claims if it can be met by simply showing that the accused products have the claimed surface characteristics. RIB at 19 (citing *Texas Instruments Inc. v. United States Int’l Trade Comm’n*, 988 F.2d 1165, 1171 (Fed. Cir. 1993)); RRB at 27-28 (same). Fujifilm’s argument is misplaced because this limitation has not been construed (nor did Fujifilm propose that it should be construed) such that it will always be satisfied when the claimed surface characteristics are met. Instead, Sony established that the accused products satisfy this limitation under the specific facts in this investigation through indirect evidence. Fujifilm could have attacked Sony’s evidence that a person of ordinary skill in the art would understand that certain surface characteristics would result in decreased embossment, or put forth evidence of its own that its products did not decrease embossment even though they had the claimed surface characteristics. Fujifilm chose not to present any such evidence or argument, so the evidence offered by Sony on this matter is unrebutted in the record, and convincing. *See* SIB at 28.

### **3. Sony’s measurements and calculations of “skew” are sufficient to show that the accused products satisfy the limitation.**

As set forth above, the limitation “skew” in asserted claims 1 and 16 is construed as “the third moment of a roughness distribution and measures the asymmetry of the surface profile about a mean plane of the surface being evaluated.” Section IV.C.1, *supra*. Fujifilm argues that Sony failed to provide evidence of infringement under this construction because its expert “relies solely upon  $R_{sk}$  evaluated about a mean line, rather than a mean plane.” RIB at 20. Fujifilm

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clarifies that the issue “isn’t whether the *data* is 2D or 3D; it’s whether the *calculations* are about a mean line or plane.” *Id.* (emphasis in original). Fujifilm contends that Sony’s expert did not calculate the surface profile about a mean plane because he calculated  $R_{sk}$  separately for each row and then averaged the rows together. *Id.* (citing CX-0002C at Q/A 64 (“If the measurements are over an area, then the summation series would be data points in an area and not just a line.”).)

Regardless of whether Fujifilm’s interpretation of the construction of “skew” is correct, the evidence shows that Sony’s measurements and calculations of skew were about a mean plane. Sony’s expert, Dr. Bogoy, testified that skew is calculated according to the following formula, where “n” is the number of surface height data points in the sample:

$$R_{sk} = \frac{1}{n(R_q)^3} \sum_{i=1}^{i=n} (Y_i)^3$$

CX-0002C at Q/A 62. Fujifilm’s expert states, without explanation, that this formula “is a one-dimensional summation that measures asymmetry about a mean line.” RX-0583C at Q/A 149. But Dr. Bogoy explains that “this formula applies whether the measurements are over a single trace (line) or over multiple traces (lines) that form a scanned area,” and that, for a scanned area (or plane), “the summation series would be data points in an area and not just a line.” *Id.* at Q/A 64; *cf.* Tr. at 227:9-228:5 (Dr. Bogoy explaining that a measurement along a line is in two dimensions because the line is one dimension and the height of every point on the line is the second dimension).

As for the measurements taken of the accused products, Dr. Bogoy testified that each sample comprised measurements at 1000 points along a line, and 1000 lines within the sample window. Tr. at 227:16-229:22 (“1000 rows and 1000 columns” results in “a million data points in that measurement”); CX-0002C at Q/A 128-131 (“MAC took 3D measurements”); JX-0134 at 5. Dr. Bogoy further testified that the software used by MAC calculated the surface parameters,

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including skew, by taking into account all of the measured data points. CX-0002C at Q/A 128, 140-141; JX-0134 at 5 (“The 3D topographic data was used to calculate . . .  $R_{sk}$  (Skewness) . . .”).

The evidence therefore shows that Sony’s measurements of the data used to calculate skew were “about a mean plane” and its calculations were also “about a mean plane.” Accordingly, Fujifilm’s argument that skew must be calculated “about a mean plane,” even if correct, has no impact on Sony’s infringement analysis.

**4. Sony’s measurements of the “peak-to-valley roughness” are sufficient to show that the accused products satisfy the limitation under any proposed construction.**

Staff contends that Sony’s measurements of the accused products are not sufficient to establish that the “peak-to-valley roughness is less than about 300 nm” limitation of asserted claims 5 and 17, and the “peak-to-valley roughness less than about 325 nm” limitation of independent claim 15 upon which asserted claim 16 depends, are met. SIB at 42. Staff similarly contends that Sony’s measurements are not sufficient to establish that the “plateau ratio of less than or equal to about 0.65” limitation of asserted claim 6 is met because each proposed construction for “plateau ratio” is based in part on “peak-to-valley roughness.” *Id.*; see Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 10 (May 25, 2018).

Specifically, Sony and Fujifilm propose that “peak-to-valley roughness ( $R_z$ ) is an average maximum profile of the ten greatest peak-to-valley separations in the evaluation area,” which is taken verbatim from the specification. Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 10-11 (May 25, 2018); JX-0003 at 8:38-40. Staff’s proposed construction inserts an additional requirement that “the peak-to-valley separations are determined by measuring the distance from the top of a peak to the bottom of an adjacent

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valley,” which is also taken verbatim from the specification. Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 10-11 (May 25, 2018); JX-0003 at 8:40-42. Staff also proposes that the measurement be taken by “an optical interferometer, such as a Wyko® Optical Interferometer” for the same reasons as discussed above in relation to the construction of the “skew” limitation. Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 10-11 (May 25, 2018); SIB at 34; Section IV.C.1, *supra*.

Sony contends that the difference between their construction and Staff’s construction “has no impact on infringement/invalidity because meeting Sony’s/Fujifilm’s proposed construction necessarily meets Staff’s construction.”<sup>6</sup> SIB at 18. Sony’s expert, Dr. Bogy, explains “the numbers that we get from taking the highest peaks and lowest valleys without regard to the adjacent issue is greater than the number you would get if you restricted the valleys - - lowest valleys to be adjacent to the highest peaks.” Tr. at 255:14-259:1. Fujifilm’s expert, Dr. Wang, agrees that calculating “the 10 greatest peak-to-valley separations in the area regardless of whether those peaks and valleys [are] adjacent . . . is necessarily greater than or equal to a measure that is limited to adjacent peaks and valleys.” RX-0003C at Q/A 703. In

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<sup>6</sup> Staff contends that Sony waived its ability to argue that its measurements necessarily produce greater values than measurements performed under Staff’s construction. SRB at 8-9. Sony’s pre-hearing brief on this issue states only that “Fujifilm’s LTO-4 tapes have a backside surface having a peak-to-valley roughness of 135.39 nm, and Fujifilm’s LTO-6 tapes have a backside surface having a peak-to-valley roughness of 119.84 nm.” SPreB at 31. Sony’s pre-hearing brief did not specifically call out the mathematical tautologies underlying its argument here, but Fujifilm’s expert had done so in his direct witness statement that was exchanged prior to the pre-hearing brief deadline. RX-0003C at Q/A 703. Staff does not contend any party is prejudiced by Sony repeating Fujifilm’s experts’ opinions in its post-hearing brief, nor did Staff object to the relevant testimony of Sony’s expert at the hearing. *See* Tr. at 255:14-259:1 (Dr. Bogy). I will therefore consider Sony’s argument in this instance.

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other words, because the claim limitations require the peak-to-valley roughness to be less than a certain value, an incorrect measurement that necessarily creates a higher number than a correct measurement will show infringement if the resultant measurement falls below the claimed value. Sony's measurements therefore constitute acceptable evidence of infringement if Staff's construction of the limitation is correct. *See Spansion*, 629 F.3d at 1352.

Assuming that Sony's measurements sufficiently establish that the accused products have a peak-to-valley roughness under the claimed limit, Staff contends that the measurements are insufficient to satisfy the "plateau ratio of less than or equal to about 0.65" limitation of claim 6. SRB at 9. Staff explains that the "peak-to-valley roughness" measurement is the denominator in the "plateau ratio" calculation, so a measurement that results in a necessarily greater peak-to-valley roughness value than required will also necessarily reduce the resulting plateau ratio. *Id.*; *see* JX-0003 at 8:55-57 (defining plateau ratio as " $R_{pm} / R_z$ " where  $R_{pm}$  is the peak height mean and  $R_z$  is the peak-to-valley roughness value). For example, where the numerator is constant (*e.g.*, 1), the value of a ratio with a denominator of 2 (*i.e.*,  $\frac{1}{2}$ ) is greater than the value of a ratio with a larger denominator of 4 (*i.e.*,  $\frac{1}{4}$ ).

Staff's argument as to "plateau ratio" appears correct according to basic mathematics, but Staff raised this argument for the first time in its reply post-hearing brief. Staff does not cite to the transcript or any other part of the record to show that Sony was put on notice of Staff's argument. Accordingly, Sony did not have the opportunity to present counterarguments or citations to the evidence that might explain how its measurements might still establish that the accused products more likely than not infringe claim 6 in light of Staff's assertions. For example, as Staff recognizes, it is "unclear how much larger the actual plateau ratios would be" under a measurement done according to Staff's proposed construction. SRB at 9. Further, it is

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unclear if or how Sony's measurement of peak-to-valley roughness also impacts the measurement of peak height mean, which is the numerator of the plateau ratio, such that any increase in the value of the peak-to-valley roughness measurement would be negated by a corresponding increase in the value of the peak height mean measurement. Sony might have put evidence in the record that the plateau ratios calculated pursuant to Staff's proposed construction of "peak-to-valley roughness" would still fall below the limit in claim 6, but Sony was not given the opportunity to cite to any such evidence in response. And Fujifilm did not present any argument or evidence that its products do not satisfy the "plateau ratio" limitation under Staff's proposed construction. RIB at 15-25; RRB at 24-29. Because Sony was not able to respond to Staff's argument raised for the first time in its reply brief, I will not consider it. *See* G.R. 11.3 ("The post-trial reply brief shall discuss the issues and evidence discussed in the initial post-trial briefs of each opposing party . . .").

In sum, Sony's measurements constitute proper direct evidence under Sony's and Fujifilm's proposed construction of "peak-to-valley roughness" and proper indirect evidence under Staff's proposed construction. Accordingly, a construction of "peak-to-valley roughness" to resolve the differences between the parties' constructions will not resolve a controversy between the parties in this investigation. *See Vivid Techs.*, 200 F.3d at 803.

**5. Sony's expert properly relied on the specifications associated with the accused products to measure "skirt signal-to-noise ratio" and "small error rate."**

Fujifilm argues that Complainant's expert, Dr. Bogy, "applied a flawed methodology for measuring" the skirt signal-to-noise ratio ("skSNR") of asserted claim 8 and the small error rate of asserted claim 10. RIB at 20-24. Claim 8 requires that "the magnetic recording medium has a **skirt signal-to-noise ratio** of greater than about 0.2 relative dB along a substantial entirety of a total length of the magnetic recording medium," and claim 10 requires "the magnetic recording

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medium has a **small error rate** of less than about 0.5 errors/m along a substantial entirety of a total length of the magnetic recording medium.” JX-0003 at 13:11-14 (emphasis added), 13:21-14 (same).

The fundamental disagreement between the parties is whether these two measurements must be made according to the ECMA-319 specification, also known as the LTO-1 specification, or whether the measurements can be guided by the specifications of the individual products, as Sony did in this investigation. Specifically, Sony tested Fujifilm’s LTO-4 products using an LTO-4 drive head and reference tape as set forth in the LTO-4 specification, and it tested Fujifilm’s LTO-6 products using an LTO-6 drive head and reference tape as set forth in the LTO-6 specification. CX-0002 at Q/A 166-174, 194-199 (Dr. Bogy’s direct witness statement). Fujifilm argues that Sony should have tested Fujifilm’s LTO-4 and LTO-6 products using an LTO-1 drive head and reference tape pursuant to the ECMA-319 specification as Fujifilm’s expert, Dr. Wang, did in this investigation for non-LTO-1 prior art tapes. RIB at 21; SIB at 47.

The claims do not specify a particular method of measuring the properties at issue. Nor does the specification of the ’774 patent, which teaches only that “[o]ne example method of measuring the skirt signal to-noise ratio is described in ECMA International Standard 3.19.” JX-0003 at 12:27-29. As Staff and Sony recognize, there is no legal basis for importing this “one example” from the specification into the claims. SIB at 27 (citing *Varco, L.P. v. Pason Sys. USA Corp.*, 436 F.3d 1368, 1373 (Fed. Cir. 2006); *Gillette Co. v. Energizer Holdings, Inc.*, 405 F.3d 1367, 1374 (Fed. Cir. 2005)); CIB at 32-33 (citing *Phillips*, 415 F.3d at 1320). Fujifilm’s counterargument that there is no basis for reading the commercial specifications for the accused products into the claims is also correct. RIB at 23.

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Indeed, there is no basis for reading any specific measurement methodology into the claims, and thus no reason to construe these limitations to impose such a requirement. A person of ordinary skill in the art would recognize that the skSNR and small error rate values required by the claims would be measured in a way appropriate for the specific magnetic tapes. This is because different types of magnetic tapes can have a different properties, “including the number of data tracks, the locations of the data tracks, the width of gap between data tracks, the width of a data track, and the length of each bit recorded on a data track.” CX-0012C at Q/A 194 (rebuttal witness statement of Dr. Bogy); CX-0002C at Q/A 168 (direct witness statement of Dr. Bogy); *see* RX-0583C at Q/A 177 (Fujifilm’s expert, Dr. Wang, testifying that “ECMA-319 and the LTO specifications require a reference tape that is selected as the standard reference for the product generation for various measurements including skirt SNR”). In particular, the measurement of both skSNR and small error rate requires writing and measuring data from the data tracks, and using a drive head that does not match up with the specific tape parameters will “result in improper and inaccurate measurements.” CX-0012C at Q/A 197; Tr. 225:4-17.

Whether skSNR and small error rate were measured in a way appropriate for the specific tapes is a factual question of infringement, not a legal question of claim construction. *Cf. ADC Telecommunications, Inc. v. Switchcraft, Inc.*, 281 Fed. Appx. 989, 992-993 (Fed. Cir. 2008) (nonprecedential) (holding that, because the claims did not require any particular testing method for the disputed limitations and the specification lacked clear guidance of a particular testing method, “[t]he parties’ dispute over the proper testing method is therefore a factual question that the district court properly submitted to the jury”).

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Fujifilm argues that Sony's measurements of the LTO-4 and LTO-6 products that Sony took pursuant to the respective LTO-4 and LTO-6 specifications are not sufficient to show infringement for three reasons.<sup>7</sup>

First, Fujifilm points out that the LTO-4 and LTO-6 specifications are confidential such that a person of ordinary skill in the art would not necessarily have access to the specifications. RIB at 21-22; Tr. at 262:5-266:14 (Dr. Bogy testifying that a person needs to be a member of the LTO consortium to access the LTO specifications). This matters, according to Fujifilm, because using confidential specifications to determine infringement "deprives the '774 [p]atent of its public notice function." RIB at 22 (presenting this assertion as attorney argument without any citations, and not explaining what "public notice function" it is referring to, or what such "public notice function" requires). Fujifilm's angst is misdirected. A company who manufactures an LTO-compliant tape according to the relevant LTO specification would necessarily have access to the LTO specification to properly measure the skSNR and small error rate of the tape in order to determine if the tape falls within the claimed limitations. Measuring the physical properties of LTO-4 and LTO-6 tapes according to their respective specifications is therefore proper.

Second, Fujifilm points out that the LTO-4 and LTO-6 specifications did not yet exist at the time of the invention of the '774 patent. RIB at 24. Fujifilm argues that a person of ordinary skill in the art at the time of the invention could not have performed the measurements in the same way as Sony's expert, which makes Sony's measurements improper. *Id.* But, as discussed above, such a person would have recognized that a tape should be measured in a way appropriate

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<sup>7</sup> Fujifilm also contends that Dr. Bogy did not follow the IBM 3592 specification when measuring the IBM 3592 tapes. RIB at 22-23. But the IBM 3592 tapes are not accused of infringement, and Fujifilm does not explain how its contention, even if true, would result in non-infringement of the accused products.

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for the specific magnetic recording medium. *See* Tr. 692:8-693:16 (Dr. Wang testifying that skSNR “is a relative measurement made in comparison to a reference tape,” and that a person of ordinary skill in the art “would have known at the time of the invention that a standard reference tape is tied to a particular specification”). A person of ordinary skill in the art would have understood that the asserted claims are not limited to products that exist only before or at the time of the invention, and that after-arising products would have to be measured in ways appropriate for those products. *See Innogenetics, N.V. v. Abbott Laboratories*, 512 F.3d 1363, 1371-72 (Fed. Cir. 2008) (“Our case law allows for after-arising technology to be captured within the literal scope of valid claims that are drafted broadly enough.”); *SuperGuide Corp. v. DirecTV Enterprises, Inc.*, 358 F.3d 870, 878-80 (Fed. Cir. 2004) (finding that the claim limitation “regularly received television signal” was broad enough to encompass digital signals even though no televisions that could receive digital signals existed as of the filing date).

Third, Fujifilm argues that Sony’s approach improperly requires that an accused product be commercialized with an associated specification. RIB at 23. Fujifilm points out that the embodiments in the ’774 patent were not commercial products, and that the claims are directed to the magnetic tape rather than to a cartridge that embodies a commercial product. But neither Sony nor Staff assert that the claims can only cover commercial products or that only commercial specifications can be used to determine whether the physical properties of magnetic tape satisfies the claim limitations. The claims only require that the magnetic tapes at issue have certain properties. Whether or not the properties were properly measured is a factual infringement issue. The magnetic tapes at issue here happen to be commercial products and an acceptable standard for measuring their physical properties happens to be set forth in a corresponding commercial specification. To answer the hypothetical posed to Dr. Bogy at the

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hearing, “a tape engineer working at a new start-up company in Silicon Valley [would] be able to determine whether or not they are infringing claims 8 and 10” by measuring the physical properties of its tape according to an appropriate method, which might be specific to that specific tape. *See* Tr. 180:10-15.

In sum, claims 8 and 10 set forth values for skSNR and small error rate that fall within the scope of the invention. The claims do not specify a specific methodology for measuring those values, nor does the specification require a single methodology be used for every type of tape. A person of ordinary skill in the art at the time of the invention would understand that the values would be measured in a way appropriate for the specific tape at issue, as different types of tapes with different properties may require different measurement methodologies. Sony established that the properties of the accused LTO-4 and LTO-6 products can be appropriately measured by following the respective LTO-4 and LTO-6 specifications. Sony’s expert therefore properly relied on the measurements of the skSNR and small error rate of the accused products performed according to those specifications.

**6. Sony’s measurements of the “peak height mean” are sufficient to show that the accused products satisfy the limitation under any proposed construction.**

Fujifilm argues that the “measurement methodology” of Complainant’s expert, Dr. Bogy, “does not satisfy any party’s proposed constructions . . . [that] require ‘peak height mean’ to include the mean height of all peaks.” RIB at 5 (emphasis added). Asserted claims 16 and 17 depend on claim 15, which requires “a peak height mean less than about 200 [nm].” JX-0003 at 14:1-16.

Fujifilm contends that Dr. Bogy “used only . . . ‘the single highest peak found in each sampling area’” and discarded the remaining peaks, instead of using all peaks. RIB at 25 (quoting CX-0002C at Q/A 68). But that is not what Dr. Bogy did. The support for Fujifilm’s

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contention comes from the portion of Dr. Bogy's direct witness statement where he discusses general technical concepts. For peak height mean, Dr. Bogy explained that, "[i]n mathematical terms, Peak Height Mean for a measured sample area is determined by dividing the evaluated surface into multiple sampling areas and calculating the mean average of the single highest peak found in each sampling area." CX-0002C at Q/A 68.

Dr. Bogy's statement of peak height mean "in mathematical terms" is not relevant for two reasons. *See* CIB at 30.<sup>8</sup> First, the '774 patent defines peak height mean as "the mean height of peaks 42 extending above a standard plane of backside surface 42 over the length of the magnetic recording medium," which all parties regurgitate in their proposed constructions for the term. JX-0003 at 8:30-33; Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 9-10 (May 25, 2018). Second, the measurements relied on by Dr. Bogy comply with this definition. As he testified, "MAC obtained the peak height mean based on the full set of the 1000x1000 data set by deriving the mean height of the peaks extending above the standard plane in the full data set." CX-0002C at Q/A 141. Staff also points out that the device MAC used to obtain the peak height mean value calculates "the arithmetical average height of all peaks," which complies with the proposed constructions. SIB at 50 (quoting Tr. at 712:9-713:16 (Dr. Wang testifying about the manual for the software used in connection with the Zygo machine) and citing CX-0275 at 487 (the manual for the software used in connection with the Zygo machine)).

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<sup>8</sup> Sony's arguments regarding "peak height mean" are included in the "Direct Infringement of Claim 6" section of its "Corrected Initial Post-Hearing Brief," even though the "peak height mean" limitation only appears in asserted claims 16 and 17 through their dependency on claim 15. CIB at 30.

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Sony's measurements therefore constitute proper evidence of "peak height mean" as required by claims 16 and 17.

### **E. Domestic Industry – Technical Prong**

Sony alleges that (1) its LTO-4 and LTO-5 products practice claims 1, 5, 6, 7, 10, 16, and 17 of the '774 patent; (2) its LTO-6 products practice claims 1, 5, 6, 7, 8, 10, 16, and 17; (3) the IBM 3592 Gen 2 (JB, JX) products practice claims 1, 5, 6, 7, 8, 10, 16, and 17; (4) the IBM Gen 3 (JC, JY, JK) products practice claims 16 and 17; and (5) the IBM 3592 Gen 4 (JD, JZ, JL) products practice claims 1, 5, 6, 7, 10, 16, and 17. CIB at 37. Sony's evidence that these products practice the claims is from "the same testing protocols that it used to evaluate infringement" of the accused products. CX-0002 at Q/A 355-519 (Sony's expert, Dr. Bogy, citing to and explaining documentary evidence to provide a limitation-by-limitation analysis of how the domestic industry products practice the asserted claims); CIB at 37-40 (citing evidence); SIB at 51-52 (same).

For the same reasons as set forth in its infringement analysis, Staff agrees that the domestic industry products satisfy the limitations of the claims except for the "peak-to-valley roughness" and "plateau ratio" limitations of claims 5, 6, 16, and 17. SIB at 52. Staff concludes that the technical prong is therefore satisfied because "Sony's LTO-4 and LTO-5 tape products and IBM's 3592 Generation 4 products practice claims 1, 7, and 10 of the '774 patent, and . . . Sony's LTO-6 tape products and IBM's Generation 2 tape products practice claims 1, 7, 8 and 10 of the '774 patent." *Id.*

Fujifilm's initial post-hearing brief states only that "Sony has failed to show the DI Products practice these claims for the same reasons" as it argued for infringement, and its reply post-hearing brief states only that "Sony's DI arguments fail for the same reasons as its infringement analysis." RIB at 26; RRB at 30.

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As discussed above, I rejected Fujifilm's and Staff's arguments that the evidence relied on by Sony is insufficient to establish infringement. Accordingly, based on the evidence and the arguments of the parties, I find that Sony established by a preponderance of the evidence that (1) its LTO-4 and LTO-5 products practice claims 1, 5, 6, 7, 10, 16, and 17 of the '774 patent; (2) its LTO-6 products practice claims 1, 5, 6, 7, 8, 10, 16, and 17; (3) the IBM 3592 Gen 2 (JB, JX) products practice claims 1, 5, 6, 7, 8, 10, 16, and 17; (4) the IBM Gen 3 (JC, JY, JK) products practice claims 16 and 17; and (5) the IBM 3592 Gen 4 (JD, JZ, JL) products practice claims 1, 5, 6, 7, 10, 16, and 17. The technical prong of the domestic industry is therefore satisfied. See 19 U.S.C. § 1337(a)(2) and (3); *Certain Microsphere Adhesives, Process for Making Same and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op., 1996 WL 1056095, at \*8 (U.S.I.T.C. Jan. 16, 1996).

### F. Invalidity and Unpatentability

Fujifilm contends that the IBM 3592 Generation 1 tapes render invalid asserted claims 1, 5, 6, 7, 8, 10, 16, and 17 of the '774 patent and the Sony AIT-3<sup>9</sup> tapes render invalid asserted claims 1, 5, 6, 7, 16, and 17 under 35 U.S.C. § 102. RIB at 26-36. Fujifilm also contends that both tapes render claims 8 and 10 obvious under 35 U.S.C. § 103 in view of the knowledge and experience of a person of ordinary skill in the art. *Id.* at 36-37. Next, Fujifilm contends that the asserted claims are rendered obvious over the Sasaki patent in view of the knowledge and experience of a person of ordinary skill in the art. *Id.* at 37-40. Fujifilm further contends that the

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<sup>9</sup> Sony states that Fujifilm's invalidity contentions are not directed to all AIT-3 tapes, but only the SDX3-100C product. CIB at 40 n.9. Fujifilm explains that "SDX3-100C refers to a model of AIT-3 compatible tape cassette." RIB at 22 n.3. Staff clarifies that Sony's SDX3-100C tapes are compatible with Sony's AIT-3 format. SIB at 60. No party provides a reason why the distinction is relevant. I therefore refer to the prior art product as "AIT-3" without determining whether the moniker applies to all AIT-3 tapes or only to the SDX3-100C product.

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asserted claims are invalid under 35 U.S.C. § 112 for failing to satisfy the written description and enablement requirements,<sup>10</sup> and that the claims are unpatentable under 35 U.S.C. § 101 for claiming “the abstract idea of a tape with a normal backside distribution.” *Id.* at 40-47.

Sony disagrees with Fujifilm’s contentions of invalidity. CIB at 40-62. Staff agrees with Sony that Fujifilm has not met its burden to establish that the claims are invalid under any of its theories. SIB at 53-70.

A patent is presumed valid. 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 100 (2011). A respondent who has raised patent invalidity as an affirmative defense, whether through section 102, 103, or 112, has the burden of overcoming this presumption by clear and convincing evidence. *See Microsoft*, 564 U.S. at 101-114. “Although not susceptible to precise definition, clear and convincing evidence has been described as evidence which produces in the mind of the trier of fact an abiding conviction that the truth of [the] factual contentions are highly probable.” *Buildex Inc. v. Kason Indus., Inc.*, 849 F.2d 1461, 1463 (Fed. Cir. 1988) (internal quotations and citations omitted).

The respondent’s ultimate burden to prove invalidity never shifts to the complainant to prove validity, but once the respondent satisfies its burden of persuasion, the complainant has “the burden of going forward with the evidence” that the prior art does not anticipate the claim, that the written description supports the claim, or whatever is necessary to respond to the respondent’s theory of invalidity. *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327

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<sup>10</sup> Fujifilm also contends that the claims are invalid as indefinite under 35 U.S.C. § 112 because a person of ordinary skill in the art would not understand, with reasonable certainty, the meaning of the term “skew.” RIB at 12-14, 45. This contention is addressed in the claim construction section above, as the parties briefed this issue in the claim construction portions of their post-hearing briefs. Section IV.C.1, *supra*.

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(Fed. Cir. 2008). Regardless of the evidence put forth by both sides, “the risk of decisional uncertainty stays on the [respondent]” such that “if the fact trier of the issue is left uncertain, the [respondent] loses.” *Id.*

Based on the evidence and arguments of the parties set forth in detail in the following subsections, I find that Fujifilm did not present clear and convincing evidence that (1) the IBM 3592 Generation 1 and Sony AIT-3 tapes anticipate or render obvious the asserted claims, (2) Sasaki renders obvious the asserted claims, (3) the asserted claims are not enabled, and (4) the asserted claims are not adequately described. I also find that the asserted claims are directed to patentable subject matter as required by 35 U.S.C. § 101.

**1. Fujifilm did not prove by clear and convincing evidence that the IBM 3592 Generation 1 and Sony AIT-3 tapes anticipate or render obvious the asserted claims.**

Fujifilm contends that two commercial products that existed at the time of the '774 invention—IBM's 3592 Generation 1 tapes and Sony's AIT-3 tapes—anticipate asserted claims 1, 5, 6, 7, 16, and 17, that IBM's 3592 Generation 1 tapes anticipate asserted claims 8 and 10, and that both products render obvious asserted claims 8 and 10 when combined with the knowledge and experience of a person of ordinary skill in the art. RIB at 26-37 (citing evidence).

Sony and Staff do not contest that the products qualify as prior art under the relevant provisions of 35 U.S.C. § 102. Sony and Staff also do not contend that the products were considered by the Patent Office during the prosecution of the '774 patent. *See* JX-0003 at cover page.

Regarding the IBM 3592 Generation 1 tapes, the evidence shows that the tapes were sold, offered for sale, and used in the United States by September 2003, which was before the asserted invention date of the '774 patent. RIB at 26-27 (citing RX-0003C at Q/A 575-588 (explaining

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JX-0028C; RX-0023; RX-0109; RX-0110; RX-0301; RX-0304; RX-0312; RX-0316)). Fujifilm retained two experts, Dr. Wang and Dr. Raeymaekers, to measure surface roughness values for eight different IBM 3592 Generation 1 tapes, although Fujifilm only offered up Dr. Wang as a witness at the hearing. See RX-0003C (direct witness statement of Dr. Wang); CX-1544C (expert report of Dr. Raeymaekers). Both experts independently directed Evans Analytical Group Laboratories (“EAG”) to measure surface roughness parameters (*e.g.*, skew, kurtosis, peak-to-valley roughness, plateau range, and peak height means) of the tapes using the Contour GT-X8 optical profilometer manufactured by Bruker Corporations. RX-0003C at Q/A 656, 659; CX-1544C ¶ 13. Dr. Wang also relies on skSNR and small error rate measurements of the IBM 3592 Generation 1 tapes conducted by a technician at the Fujifilm Recording Media Research Laboratories in Odawara, Japan. RX-0003C at Q/A 730, 738. Dr. Wang then walked through the evidence to provide a limitation-by-limitation anticipation and obviousness analysis for the asserted claims. RX-0003C at Q/A 575-591, 617-640, 656-665, 671-760, 783-793 (citing to and explaining documentary evidence).

As to the Sony AIT-3 tapes, the evidence shows that the tapes were made, used, and offered for sale in the United States in 2000 and 2001, which was before the filing date of the ’774 patent. RIB at 33 (citing RX-0003C at Q/A 603-615 (explaining JX-0012C, JX-0013C, RX-0305, RX-0308, RX-0309, RX-0310, RX-0311, RX-0403C, RX-0407C, RX-0411C, RX-0412C)). For these tapes, Fujifilm retained only Dr. Raeymaekers to measure the surface roughness values, and Dr. Wang relied on his review of Dr. Raeymaekers’ expert report to form his opinions on the methodology and measurements underlying his conclusions. RIB at 33; RX-0003C at Q/A 643-649; Tr. at 696:7-10. The AIT-3 tapes were not tested for skSNR or small error rate values as required by claims 8 and 10 of the ’774 patent. Dr. Raeymaekers directed the

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same company (EAG) to measure the same values using the same equipment as was used for the IBM 3592 Generation 1 tapes, although there were “minor differences in mounting and measurement parameters” that no party contends are relevant. RIB at 33 (citing RX-0003C at Q/A 641, 660, 666-668). Dr. Wang then walked through the evidence to provide a limitation-by-limitation anticipation and obviousness analysis for the relevant claims. RX-0003C at Q/A 592-615, 641-649, 666-742, 761-783, 794-797 (citing to and explaining documentary evidence).

Sony contends that Fujifilm’s acquisition, preparation, mounting, measurements, and calculations of measured values of the prior art tapes are all unreliable. For the reasons discussed below, the evidence shows that Fujifilm reliably acquired and prepared samples of the tapes, but did not reliably mount, measure, or calculate some of the measured values of the samples. Fujifilm has therefore failed to prove by clear and convincing evidence that the prior art tapes anticipate or render obvious the asserted claims of the ’774 patent.

**a) The evidence does not indicate irregularity in the sample preparation of IBM 3592 Generation 1 tapes by Fujifilm’s experts.**

Both of Fujifilm’s experts, Dr. Wang and Dr. Raeymaekers, directed EAG to measure the same physical IBM 3592 Generation 1 tapes. Sony and Staff contend that their reports of the measurements are not reliable because their descriptions of the tape preparations are inconsistent. Sony and Staff, however, selectively cite to portions of Dr. Wang’s testimony and ignore other portions where Dr. Wang explains how his report is consistent with Dr. Raeymaekers report.

Sony and Staff argue that the reliability of the measurements directed by Dr. Wang and Dr. Raeymaekers is called into question because their descriptions of the preparation of the tape samples for testing cannot coexist. CIB at 43; SIB at 53-54. Each expert describes opening the same tape cartridge, removing the tape reel from the cartridge, and cutting about 20 meters from the front of the reel. Specifically, Dr. Wang testified that he instructed EAG to “open the

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cartridge by removing the screws,” “remov[e] the reel of magnetic tape” and cut away “at least about 20 meters of the tape . . . to ensure that we were past the leader portion.” RX-0003C at Q/A 657. Dr. Raeymaekers similarly reported that a “testing sample was prepared . . . by unscrewing the screws holding both halves of the cartridge together, and pulling the cartridge apart,” removing the tape reel from the cartridge, and removing “[t]he first 20 meters or more of the tape on the reel . . . starting from the leader pin” to “ensur[e] that a portion of the magnetic recording tape (not the leader tape) was sampled.” CX-1762 ¶¶ 15-17. According to Sony and Staff, only one of the experts, not both, could have removed the first 20 meters of the tape from the tape reel, starting from the leader pin, as there is only one first 20 meters of tape starting from the leader pin. CIB at 43; SIB at 53-54; CX-0012C at Q/A 153-154.

Fujifilm points to other testimony from Dr. Wang that seems to explain this inconsistency. RRB at 10. Dr. Wang testified that the technician at EAG opened the cartridge, cut the samples, mounted some of the samples, and performed some measurements while Dr. Wang was physically present. Tr. at 717:12-713:4. He elaborated that the technician “collected two sample segments spaced about a few meters apart . . . to create one test sample for my surface roughness measurements, and a second sample for Dr. Raeymaekers’ measurements” after “first remov[ing] the leader tape.” RX-0003C at Q/A 659. This explanation makes sense. Dr. Wang’s report that EAG prepared both samples at the same time is consistent with Dr. Raeymaekers’ report. CX-1762 ¶ 16 (“A testing sample was prepared as follows.”). The description by both experts that the first 20 meters of the tape was removed credibly refers to the same action by EAG in preparing samples for both experts, not two separate conflicting events.

Perhaps anticipating Fujifilm’s response, Sony and Staff both contend that taking two samples from the same tape at the same time exposes the second sample to the environment

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while it is waiting to be prepared and tested. CIB at 43; SIB at 54. Sony and Staff rely on the testimony of Sony's expert that taking two samples could be problematic because it could "alter[] the properties of the surfaces of the tapes and impact the results of [the] measurements." CX-0012C at Q/A 161. However, Dr. Wang testified that "EAG measured the surface roughness of the mounted samples shortly after they were cut and mounted" or, if the "samples were measured within a day or two," EAG "placed the slides in plastic clean room containers, which kept the tape surface from contact with any other surface or air currents, and stored them in laboratory conditions." RX-0003C at Q/A 661. He concluded that storing the tape in this manner "would not impact its surface roughness measurements." *Id.* The testimony of Sony's expert that storing a sample before measuring it "could" alter its properties does not directly address or rebut Dr. Wang's testimony of what actually occurred.

The preparation of the samples tested by EAG for Dr. Wang and Dr. Raeymaekers therefore appears to be reliable.

**b) The evidence indicates that the IBM 3592 Generation 1 and Sony AIT-3 tapes tested by Fujifilm have the same characteristics as the same tapes that existed as of the critical prior art dates.**

Fujifilm asserts that the IBM 3592 Generation 1 and Sony AIT-3 tapes qualify as prior art to the '774 patent because they were sold or offered for sale more than one year before the invention of the subject matter claimed by the '774 patent. *See* RIB at 26-27. Sony does not challenge that, as a general matter, IBM 3592 Generation 1 and Sony AIT-3 tapes were sold or offered for sale during the relevant time, but Sony argues that Fujifilm failed to establish that the tapes that were tested for this investigation "are representative of products as they were on-sale or in use in the United States" 13 to 15 years prior. CIB at 47.

Fujifilm provided evidence to establish that some of the IBM 3592 Generation 1 tapes it tested were acquired during the relevant timeframe and stored pursuant to Fujifilm's standard

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archival policies procedures. RX-0002C at Q/A 27-57 (witness statement of Hiroaki Takano). For the Sony AIT-3 tapes, Fujifilm showed that its expert opened new tapes with markings that indicated manufacturing dates before May 2003. RX-0003C at Q/A 642-649. Fujifilm's expert also testified that the tapes appeared new with no signs of damage due to exposure to extreme conditions that might damage the tape. *Id.* at 618-649.

Sony complains that Fujifilm did not do enough to show that the surface roughness and signal measurements of the prior art tapes were not affected by temperature or humidity variations during the period of time the tapes were in storage. CIB at 47-48. For example, Sony states that Fujifilm's expert did not perform an independent investigation of the temperature and humidity variations over this period of time for the facility where the tapes were stored. *Id.* at 48 (citing Tr. at 673:19-679:10). Sony's expert explains that such an investigation is necessary because the characteristics of tapes "change over time depending on the environment in which they are maintained and what the tapes are subject to, such as humidity, temperature, dusts, impurities, gas, and physical transportation or movements of the tapes." CX-0012C at Q/A 208-217.

Sony's complaints do not sufficiently rebut Fujifilm's evidence because they are not directed to these specific facts. For example, Sony does not assert that Fujifilm's archival process actually, or even likely, fell outside of the proper temperature and humidity ranges, despite deposing Fujifilm's employee who testified on this topic. Similarly, Sony's expert asserts that the passage of time can erode characteristics of the tapes, but he does not provide an opinion as to whether the amount of time that passed in this case would be likely to have an effect, and if so, what effect it would have. *See* CX-0012C at Q/A 206-217.

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The evidence does not show any irregularities in treatment of the prior art tapes that could impact their physical characteristics in a way that would cause them to wrongly satisfy the claim limitations 13 to 15 years after they were manufactured. Sony's complaints are theoretical in nature and divorced from specific facts of the physical tapes relied on by Fujifilm, and therefore do not sufficiently disrepute Fujifilm's evidence.

**c) Fujifilm did not establish that the tape mounting procedure used by its experts resulted in reliable measurements.**

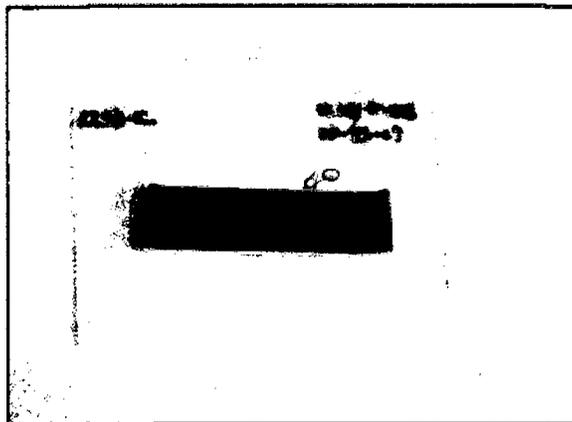
Fujifilm's experts instructed EAG to measure the surface roughness values of the prior art IBM 3592 Generation 1 and Sony AIT-3 tapes by stretching the tape samples between two pieces of double-sided tape. Sony and Staff point to evidence that indicates this specific mounting procedure can produce unreliable measurements, and that it likely did produce unreliable measurements in this case. Fujifilm does not sufficiently rebut this evidence, and accordingly does not clearly and convincingly establish that that values produced by its measurements of the prior art tapes are reliable.

Sony and Staff argue that Fujifilm's surface roughness measurements of the prior art tapes are not reliable because the samples were "mounted onto a glass slide that had two pieces of double-sided tape affixed at two ends, so that the sample was stretched taut between the two pieces of double-sided tape . . . ." SIB at 54-55 (quoting RX-0188 ¶ 38 (purportedly Appendix 6 to Dr. Wang's expert report), which not in evidence (see Respondents' Final Exhibit List at 7 (May 25, 2018) (listing RX-0188 at "withdrawn")), and citing CX-0012C at Q/A 136-140, which is Dr. Bogy's rebuttal witness statement where he quotes and characterizes RX-0188 ¶ 38); *id.* at 55 (quoting CX-1544 ¶ 17 (Dr. Raeymaekers' expert report)); CIB at 42; Tr. at 831:14-834:9 (testimony of Dr. Bogy); *contra* RX-0003C (Dr. Wang's direct witness statement, where he uses the phrase "gently laid" to replace the "stretched taut" language he used in his expert report).

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Staff and Sony also point out that Dr. Raeymaekers placed a metal washer on top of the magnetic tape after it was taped to the slide. SIB at 55; CIB at 4; see RX-0003C at Q/A 660 (embedding RDX-0002C at 88).

Sony and Staff contend that this mounting method is not reliable because (1) stretching the sample taut could subject the sample to mechanical strain that materially changes the surface roughness characteristics, and (2) using double-sided tape could cause the mechanical tape to float or curve above the slide that prevents a proper measurement. SIB at 55; CIB at 42-43; CX-0012C at Q/A 141-151. Sony's expert, Dr. Bogy, testified that proper surface measurements of magnetic tapes requires the tape sample to lie flat without curvature or deformations, and without being subject to tension or force. CX-0012C at Q/A 132-133. This is particularly the case here, according to Dr. Bogy, because the measurements are on the nanometer scale. Tr. 834:21-835:6. He explains that using double-sided tape, which at a thickness of 50  $\mu\text{m}$  is thicker than magnetic tape at 8.9  $\mu\text{m}$ , can cause the measured part of the tape to be "not flat." CX-0012C at Q/A 144. He opines that the picture of Dr. Wang's sample, which is embedded below, shows "some curvature in the sample." *Id.*



*Id.* (embedding RDX-0002C at 96); see RX-0003C at Q/A 660 (same).

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In addition to testimony by Dr. Bogy, Sony and Staff cite to admissions by Fujifilm's expert that this mounting method can lead to unreliable results. At the deposition of Dr. Raeymaekers, which was read into the record during the cross-examination of Dr. Wang, he testified that "it's possible in the general context" that the mounting method "may have caused local defect[s] that would have caused some outliers." Tr. at 696:11-697:10. Dr. Raeymaekers further declared that certain measurements "were, in my opinion, outliers, possibl[y] caused by a local surface defect due to tape cutting, mounting, or handling and shipping." CX-0012C at Q/A 149 (Dr. Bogy testifying about CDX-0006C at 1, which embeds Table 1 and paragraph 92 from CX-1760, a declaration from Dr. Raeymaekers that is not in evidence); *see id.* at Q/A 150 (Dr. Bogy testifying about CDX-0006C at 2, which embeds lines 99:17-100:17 from the deposition transcript of Dr. Raeymaekers that is not in evidence). Dr. Bogy points out that these outliers resulted in measurements that were more than 1000% and more than 2000% different than other measurements for the same characteristics. *Id.*

Fujifilm responds that Sony and Staff's criticism is mere speculation because Dr. Bogy did not observe the tests performed by Dr. Wang and Dr. Raeymaekers, and that Sony did not test the tapes itself. RIB at 31-32. But Sony was not required to observe Fujifilm's measurements or perform its own measurements as Fujifilm's burden to prove invalidity never shifts to Sony to prove validity. *Tech. Licensing*, 545 F.3d at 1327. Sony's and Staff's arguments about the curvature in the tape samples and resulting outliers is based on the evidence presented by Fujifilm, and is not mere speculation by Sony's expert.

Fujifilm also points to Dr. Wang's testimony on redirect that the results of the nine measurements from three different regions of the tape "are very consistent," which, according to Fujifilm's attorneys, contradicts Sony's and Staff's "speculation." *Id.* at 31 (citing Tr. at

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718:19-719:13). However, Dr. Wang's testimony that the measurement values "are very consistent" does not indicate whether the values are consistently correct or consistently incorrect. Dr. Wang's testimony is also of limited value because he admitted that, outside this investigation, he never "personally used any device to measure surface roughness of the backside of a magnetic tape." Tr. at 697:20-698:4.

Finally, Fujifilm argues that its expert's use of double-sided tape was appropriate because a different expert for Sony in the -1012 investigation testified that he mounted the magnetic tape using "scotch tape," and another of Sony's experts in this investigation, Dr. Bhushan, testified that he has previously used double-sided tape to mount tape samples. *Id.* at 13 (citing Tr. at 824:3-825:2, 357:25-358:3). But Sony's expert in the -1012 investigation testified that he used scotch tape, not double-sided scotch tape, and Fujifilm does not explain how the different mounting method applied to different products for measuring properties claimed by different patents informs the mounting method of the products in this investigation for the properties claimed by the '774 patent. And Dr. Bhushan's testimony does not help Fujifilm's argument. He testified: "So using double-sticky adhesive tape, in my opinion, is less desirable. Although I've used it, I would prefer to use water, but I love the Vacuum Chuck [used by Sony's experts]. That's a perfect way to mount a sample." Tr. at 357:1-358:3. Dr. Bhushan never testified that he used double-sticky adhesive tape to measure the prior art products for the properties claimed by the '774 patent, or that doing so would create reliable results.

I find that Sony and Staff have pointed to sufficient evidence to establish that Fujifilm's mounting procedure for the prior art magnetic tapes was not clearly and convincingly reliable. The evidence shows that the tape samples were stretched and/or positioned to float above the slide, instead of lying flat against the slide. The experts are in general agreement that this

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mounting procedure can lead to unreliable results, and Dr. Raeymaekers' measurements indeed shows outliers. Even if outliers were corrected for, the evidence shows that this mounting procedure is not one that produces reliable results, particularly where the measurements are taken on the nanometer scale.

**d) Fujifilm did not establish that its measurements and calculations of the surface roughness values of the IBM 3592 Generation 1 and Sony AIT-3 tapes result in reliable values.**

Fujifilm's two experts—Dr. Wang and Dr. Raeymaekers—directed EAG to measure the same properties of different physical tapes for both the IBM 3592 Generation 1 and Sony AIT-3 products, and to measure some of the same properties in different ways. Sony and Staff assert that the same measurements of different tapes for the same product should result in the same or similar values, but Fujifilm's measurements resulted in significantly different values. They argue that these different values “indicate a serious, potentially systematic flaw with [Fujifilm's] testing.” SIB at 57-59; *see* CIB at 45.

Sony and Staff first point out that Dr. Wang measured skew and kurtosis three different ways, and they argue that these measurements are not reliable because the values resulting from the respective measurements should be, but are not, substantially equivalent. CIB at 44; SIB at 56. The evidence shows that Dr. Wang measured skew as  $R_{sk}$ , which is a 2D measurement, once according to the ISO 4287 standard and once according to the ASME B46.1 standard, and as  $S_{sk}$ , which is a 3D measurement. RX-0003C at 674-678; CX-0012C at Q/A 170. He also measured kurtosis as  $R_{ku}$ , which is a 2D measurement, once according to the ISO 4287 standard and once according to the ASME B46.1 standard, and  $S_{ku}$ , which is a 3D measurement. RX-0003C at Q/A 685-686; CX-0012C at Q/A 170. He reported his result of measurements from samples from eight different tapes as follows:

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	$S_{sk}$	$R_{sk}$ (ISO)	$R_{sk}$ (ASME)
IBM 3592 Gen 1	0.35±0.05	0.20±0.03	0.27±0.04
Sony SDX3-100C	0.14±0.18	0.30±0.06	0.40±0.08

	$S_{ku}$	$R_{ku}$ (ISO)	$R_{ku}$ (ASME)
IBM 3592 Gen 1	3.41±0.12	2.80±0.04	3.19±0.08
Sony SDX3-100C	3.56±0.69	3.08±0.40	3.98±0.58

RX-0001C at Q/A 679, 682, 689, 691 (embedding RDX-0002C at 52-55).

Sony and Staff next point out that Dr. Raeymaekers measured five Sony AIT-3 (SDX3-100C) tapes, and they argue that these measurements are not reliable because the values are not substantially equivalent.<sup>11</sup> CIB at 44-45; SIB at 56-57. Dr. Bogy's testimony compared some of the measurements taken by Dr. Raeymaekers, embedded below, to highlight the discrepancies. CX-0012C at Q/A 183 (embedding CDX-0006C at 11 (excerpting CX-1761, which is not in evidence but is described by Dr. Bogy as Appendix D to Dr. Raeymaekers' expert report)).

Tape Type	Tape ID	Loc	Rpm [nm]	Rz [nm]	Rpm/Rz	Rsk	Rku	Ssk	Sku
Sony SDX3-100C	R399-1	3	53	101	0.52	0.35	3.49	0.01	2.97
Sony SDX3-100C	R672-BOT-2	3	133	215	0.62	0.49	4.31	0.40	4.66

Tape Type	Tape ID	Loc	Rpm [nm]	Rz [nm]	Rpm/Rz	Rsk	Rku	Ssk	Sku
Sony SDX3-100C	R672-BOT-2	3	133	215	0.62	0.49	4.31	0.40	4.66
Sony SDX3-100C	Q802-3	1	177	150	0.51	0.36	4.14	0.02	3.56

<sup>11</sup> Sony and Staff also rely on Dr. Bogy's testimony regarding discrepancies in Fujifilm's measurements of Sony LTO-1 and HP LTO-1 tapes. CIB at 44 (citing CX-0012C at Q/A 171-177); SIB at 56-57 (citing CX-0012C at Q/A 168-177). Even though those tapes are not asserted as prior art against the '774 patent, Dr. Bogy concludes that "the discrepancies, regardless of the product tested, indicate to me that there are problems with their testing methodology." CX-0012C at Q/A 173. Without more explanation or evidence, I fail to see how measurements of non-prior art tapes informs the reliability of the measurements of the prior art tapes. I will therefore only consider the evidence relating to the prior art tapes for this issue.

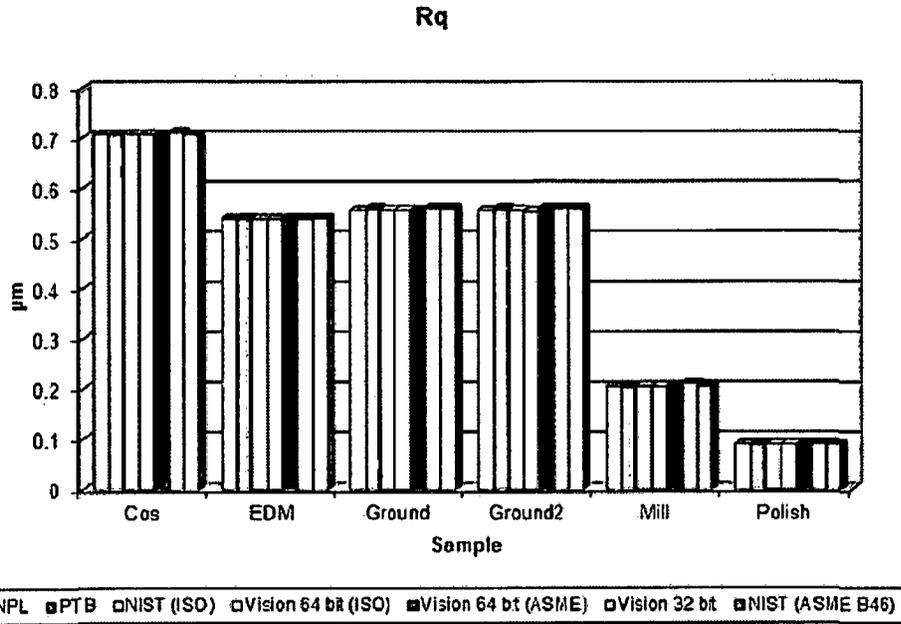
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Dr. Bogy concludes that discrepancies from 50% to over 100% undermine Dr. Wang's conclusions regarding reliability. *Id.* at Q/A 184-185. Dr. Wang reaches the opposite conclusion, that these measurement values are "remarkably consistent, as evident from the tight distribution of measurements and the low standard deviation values." RX-0003C at Q/A 664.

Unfortunately, neither expert provides any credible evidence to back up their opposite conclusions about the reliability of the data. Dr. Bogy's explanation that the 3D measurement is just a collection of 2D measurements and therefore should result in substantially equivalent values makes sense. CX-0012C at Q/A 174. But so does Dr. Wang's explanation that 2D and 3D measurements might result in different values because the averaging of the individual measurements occur at different stages. RX-0583C at Q/A 151. The evidence on this issue therefore consists of competing conclusory statements by both experts.

Dr. Bogy's conclusion that the values resulting from the ISO and ASME standard should be substantially equivalent also makes sense, but he does not provide any reliable evidence backing up his assertions that (1) the values should be substantially equivalent or (2) the resulting values are not substantially equivalent. To support his conclusion, he refers to the documentation for the machine used by Fujifilm's experts used to obtain measure and calculate their values. CX-0012C at Q/A 174-177. This document contains a chart, embedded below that illustrates the results of measurements performed by the manufacture under different measurement and calculation standards. Tr. at 839:2-22; CX-0276 at 25. Dr. Bogy testified that this chart shows that the surface roughness values should be "substantially equivalent" between the ISO (yellow) and ASME B46 (dark blue) standards. CX-0012C at Q/A 174-177.

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However, Dr. Bogy failed to explain how the chart showing  $R_q$  in tenths-of-micrometers translates to skew and kurtosis. He only testified that  $R_q$  appears in the denominator outside the summation for skew and kurtosis, but he did not explain how the units for  $R_q$  (micrometers) translates to the units for skew and kurtosis, or how equivalence between  $R_q$  measurements would inform equivalence between skew or kurtosis calculations. Tr. at 835:13-21, 840:6-22.

In its reply brief, Fujifilm responds that the measurements by its experts show differences that are less than the measurements between Sony, as reported in the complaint filed in this investigation, and the measurements of Sony's expert. RRB at 6-9. This response, however, is waived because Fujifilm did not allude to this argument in its pre-hearing brief or its initial post-hearing brief. See R. 8.2, 11.1. Sony therefore did not have an opportunity to respond to this argument in order to disagree with or explain such differences. For example, in compiling its complaint, Sony may have measured different tapes using different equipment than its expert, unlike Fujifilm's experts who measured the same tapes using the same equipment.

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As a result, I am left with competing expert testimony that different measurements and calculations of the same products are either “remarkably consistent” or unreliable because they are “not substantially equivalent.” The raw data, however, leans against Dr. Wang’s conclusion that the results are remarkably consistent. For example, his  $S_{sk}$  measurements of the eight IBM 3592 Generation 1 tapes range from 0.30 to 0.40, and his measurements for all three skew values range from 0.17 to 0.40. RX-0003C at Q/A 679 (showing  $S_{sk}$  measurements of  $0.35 \pm 0.05$ ,  $R_{sk}$  (ISO) measurements of  $0.20 \pm 0.03$ , and  $R_{sk}$  (ASME) values of  $0.27 \pm 0.04$ ). Dr. Raeymaekers’  $S_{sk}$  measurements of five Sony AIT-3 (SDX3-100C) tapes range from -0.04 to 0.32, and his measurements for all three skew values range from -0.04 to 0.48. *Id.* at Q/A 682 (showing  $S_{sk}$  measurements of  $0.14 \pm 0.18$ ,  $R_{sk}$  (ISO) measurements of  $0.30 \pm 0.06$ , and  $R_{sk}$  (ASME) values of  $0.40 \pm 0.08$ ). The kurtosis measurements have similar variance.<sup>12</sup>

Fujifilm has therefore not met its burden to establish that the prior art products invalidate the claims of the ’774 patent because I am uncertain whether or not Fujifilm’s measurements and calculations resulted in reliable values. *Tech. Licensing*, 545 F.3d at 1327 (“the risk of decisional uncertainty stays on the [respondent]” such that “if the fact trier of the issue is left uncertain, the [respondent] loses”).

**e) Fujifilm did not establish that the LTO-1 specification discloses an appropriate methodology for measuring the IBM 3592 Generation 1 tapes for skSNR and small error rate.**

Claims 8 and 10 of the ’774 patent require that the values of skirt signal-to-noise ratio (“skSNR”) and small error rate fall within the claimed limits. Fujifilm only relies on

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<sup>12</sup> Fujifilm argues that documents reflecting Sony’s own testing of the AIT-3 tapes in August 2003 shows values for peak-to-valley roughness that falls within the claimed range. RIB at 34-36. Even if this evidence is persuasive, it does not address Fujifilm’s measurements for the other claimed characteristics of the magnetic tapes, such as skew and kurtosis.

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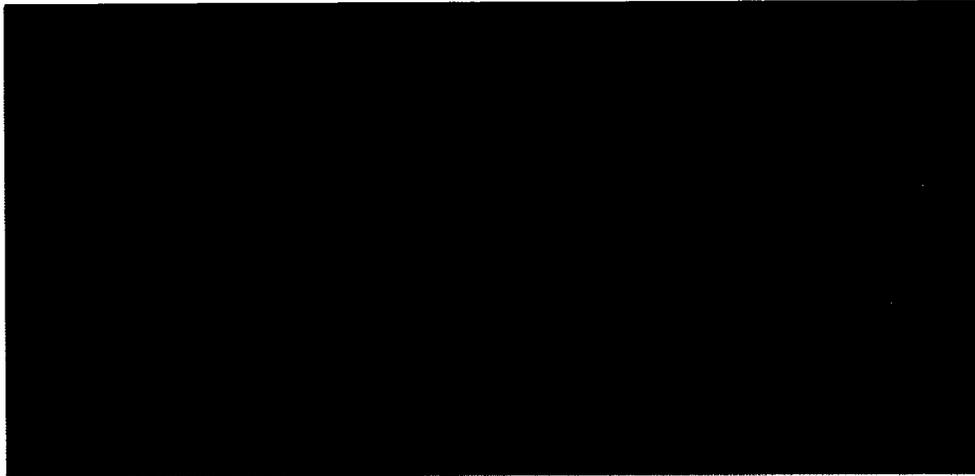
measurements of the IBM 3592 Generation 1 tapes, not the Sony AIT-3 tapes, as directly disclosing these limitations. To establish that the IBM 3592 Generation 1 tapes satisfy the limitations, its expert, Dr. Wang, relied on measurements performed by a Fujifilm engineer who used an LTO-1 drive head and reference tape. Sony and Staff argue that the use of the LTO-1 drive head and reference tape was improper for measuring the IBM 3592 Generation 1 tapes because the IBM 3592 Generation 1 tapes do not comply with the LTO-1 specification.

As explained above in response to Fujifilm's assertion that Sony's measurement of the accused products was inappropriate because Sony measured the tapes according to their respective specifications, "[a] person of ordinary skill in the art at the time of the invention would understand that the [skSNR and small error rate] values would have to be measured in a way appropriate for the specific tape at issue, as different types of tapes may require different measurement methodologies." Section IV.D, *supra*. I held that Sony established that the LTO-4 and LTO-6 specifications disclosed appropriate methodologies for measuring the respective LTO-4 and LTO-6 products. *Id.* Sony now poses the reverse question: whether the LTO-1 specification discloses an appropriate methodology for measuring the non-LTO-1 IBM 3592 Generation 1 tapes.

Fujifilm's expert justifies his use of the LTO-1 specification to measure characteristics of the IBM 3592 Generation 1 tapes because, as he concludes, "a [person of ordinary skill in the art] would understand to be appropriate given the guidance in the patent specification and ECMA-319 itself." RX-0003C at Q/A 720. I rejected Fujifilm's similar assertion regarding infringement that the '774 patent teaches such a person that all magnetic tapes should be tested according to the LTO-1 specification. Section IV.D, *supra*.

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Sony presents convincing evidence that measuring the IBM 3592 Generation 1 tapes according to the LTO-1 specification was not appropriate. Its expert, Dr. Bogy, testified that measuring skSNR and small error rate requires reading and writing data from data tracks on the magnetic tape. CX-0012C at Q/A 197. He explained that performing this measurement on an IBM 3592 Generation 1 tape using an LTO-1 drive head “would result in improper and inaccurate measurements” because the LTO-1 drive head has larger dimensions relative to the tracks of the IBM 3592 Generation 1 tape. *Id.* at Q/A 197-198 (embedding CDX-0006C at 16 (excerpting and annotating JX-0128 at 60 (LTO-1 specification) and JX-0099C (IBM 3592 Generation 1 specification))), which is reproduced in relevant part below and shows relevant properties of the EEMA-319 / LTO-1 specification on the left and the same properties of the IBM 3592 Generation 1 specification on the right).



Dr. Bogy further explained that Fujifilm’s unexpectedly low small error rate measurement of 0.008 errors/m for the IBM 3592 Generation 1 tapes is “consistent with the improper use of an incompatible drive head” because “the measured signal would be expected to be stronger than if the tapes were measured using their appropriate read and write heads.” *Id.* at Q/A 198-199 (“This [small error rate] is far lower than later generations of tape of the same format”); see RX-0003C at Q/A 739. As to skSNR, Dr. Bogy explained that the errors are

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compounded because the values measured from an IBM 3592 Generation 1 tape are compared the values measured from an LTO-1 reference tape to compute a final skSNR value. CX-0012C at Q/A 200. According to Dr. Bogy, the only proper way to measure skSNR is to compare the tape being tested against “a reference tape corresponding to the type of magnetic tape being tested.” *Id.* at 201-202.

Fujifilm’s expert testified on redirect that the “plated test” that he used to measure skSNR did not create issues with the track being aligned because the writing and reading are “essentially performed simultaneously.” Tr. at 719:14-720:12. However, he did not directly address Dr. Bogy’s criticisms regarding small error rate, or explain how the “plated test” values for a reference tape with different dimensions than the tape being tested results in a reliable skSNR value.

Fujifilm attempts to justify its expert’s use of the LTO-1 specification for the IBM 3592 Generation 1 tapes by arguing that Sony’s measurements of the IBM 3592 Generation 2, 3, and 4 products for its domestic industry had the same alleged deficiencies. RRB at 12-13. Fujifilm contends that Sony’s testing firm, MAC, could not have matched the tapes with an LTO drive head because [REDACTED]

at 13 (citing JX-0096C at 65 (IBM 3592 Generation 4 specification)). But Fujifilm does not contend that Sony’s measurements of its domestic industry products were deficient for this reason. *See* RIB at 26; RRB at 30. Nor does Fujifilm sufficiently rebut Dr. Bogy’s testimony that MAC chose an appropriate drive head and “adjust[ed] parameters in the testing system, such as to make it equal to what’s in the IBM 3592 head.” Tr. at 279:19-280:22.

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In view of Sony's evidence, Fujifilm's evidence that the IBM 3592 Generation 1 tapes disclose the skSNR and small error rate values required by claims 8 and 10 is not clear and convincing.

Fujifilm then argues, in the alternative, that the IBM 3592 Generation 1 and Sony AIT-3 tapes render claims 8 and 10 obvious because the skSNR and small error rate values in those claims "would have been obvious based on the backside roughness" values and the knowledge of a person of ordinary skill in the art. RIB at 36-37. As evidence, Fujifilm relies on the deposition testimony of one of the inventors of the '774 patent, Dr. Ebner, who stated that he was not aware of anything else that contributes to the claimed skSNR and small error rate properties other than achieving the skew, kurtosis, peak height mean, and peak-to-valley roughness values that are claimed by the '774 patent. JX-0026C at 99:17-100:7. Fujifilm's expert also testified that a person of ordinary skill in the art would have known that embossment "can lead to decreased skirt SNR" and would have been motivated to achieve skSNR values that "are significantly higher than the minimum requirements of the tape specification." RX-0003C Q/A 785-793.

As explained above, Fujifilm did not meet its burden to establish that the IBM 3592 Generation 1 and Sony AIT-3 tapes had the backside roughness values claimed by the '774 patent at the time of the invention. Fujifilm's assertion that the claimed backside roughness values would obviously result in the claimed skSNR and small error rate values therefore lacks its antecedent reliance.

Further, Fujifilm's obviousness arguments are presented as inherency arguments: that satisfying the claimed skew, kurtosis, peak height mean, and peak-to-valley roughness values will necessarily satisfy the claimed skSNR and small error rate values. The testimony of its expert and the '774 patent inventor, however, only indicate that the claimed skew, kurtosis, peak

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height mean, and peak-to-valley roughness values may result in the claimed skSNR and small error rate values. This is not sufficient. *Continental Can Co. USA v. Monsanto Co.*, 948 F.2d 1264, 1269 (Fed. Cir. 1991) (“The mere fact that a certain thing may result from a given set of circumstances is not sufficient.”) (citations omitted); see *Ecolab, Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1375 (Fed. Cir. 2002) (“each claim in a patent is presumptively different in scope”).

Fujifilm does not brief this issue in the framework provided by *KSR* or *Graham*, but the testimony of its expert (which Fujifilm does not cite to in its opening post-hearing brief) uses the language from *KSR* that “a combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” RX-0003C at 788; see *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007); *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). Fujifilm’s expert, however, only testifies generally that a person of ordinary skill in the art would have known that decreasing backside protrusions would have led to increased signal output which would have resulted in higher skSNR, and therefore would have been motivated to adjust those parameters affecting backside protrusions to achieve higher skSNR. RX-0003C at Q/A 788-789; see *id.* at 792-793 (corresponding testimony for the small error rate limitation). Its expert does not explain why the specific values claimed in the ’774 patent would have been obvious, or that a person of ordinary skill in the art would have been motivated to achieve those specific values, instead of skSNR and small error rate values that were improved but were still outside of the claimed values.

Fujifilm has therefore failed to prove by clear and convincing evidence that the IBM 3592 Generation 1 tapes anticipate claims 8 and 10 of the ’774 patent, or that the IBM 3592 Generation 1 or Sony AIT-3 tapes render obvious those claims.

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### 2. Fujifilm did not prove by clear and convincing evidence that Sasaki renders obvious the asserted claims.

Japan Unexamined Patent Application Number P2002-121324 published on November 7, 2003, as JPA2003-317228 (“Sasaki”), and lists Sony Corporation as the applicant and Futoshi Sasaki as the inventor. RX-0117 at 1. Fujifilm contends that Sasaki renders the asserted claims of the ’774 patent obvious in view of the knowledge of a person of ordinary skill in the art. RIB at 37-40 (citing evidence). Fujifilm’s expert, Dr. Wang walked through the evidence to provide a limitation-by-limitation obviousness analysis for the asserted claims. RX-0003C at Q/A 798-827 (citing to and explaining documentary evidence).

Sony and Staff do not contend that Sasaki was considered by the PTO during the prosecution of the ’774 patent. See JX-0003 at cover page. Sony and Staff also do not contest that Sasaki qualifies as prior art to the ’774 patent under the relevant provisions of 35 U.S.C. § 102.

Sasaki is directed to improving the durability of a magnetic tape by specifying limits for the size and frequency of “excessively large protrusions.” RX-0003C at Q/A 800-801 (quoting RX-0017 at [0014]-[0015]). Sasaki teaches that these limits will reduce the damage to the magnetic layer and “minimize the amount of structural imprints of the protrusions from the back coat imprinted onto the magnetic layer when wound.” *Id.* at 6.

Sony and Staff point out that Sasaki does not mention the skew, kurtosis, peak height mean, peak-to-valley roughness, plateau ratio, skSNR, or small error rate characteristics that are claimed by the ’774 patent, nor values within the claimed limits for those characteristics. CIB at 52; SIB at 63. Fujifilm does not argue that Sasaki directly discloses any parameter other than peak height mean. RRB at 18 (citing Tr. at 818:23-819:1 (Sony’s expert admitting that “the average height of all the backside peaks for the magnetic tape taught by Sasaki is less than 100

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nanometers”)). Based on Sasaki’s supposed disclosure of peak height mean, Fujifilm’s expert concludes that a person of ordinary skill in the art would have understood that reducing the peak height mean would also reduce the peak-to-valley roughness. RX-0003C at Q/A 809. However, he provides no support that Sasaki’s teachings would make it obvious to reduce the peak-to-valley roughness below the claimed value. RX-0003C at Q/A 809. Since no asserted claim of the ’774 patent requires only the peak height mean limitation, Fujifilm has not met its burden to prove that Sasaki clearly and convincingly discloses all of the characteristics for any claim even if it discloses the peak height mean.

Regarding the other limitations, Fujifilm argues that a person of ordinary skill in the art would have found it obvious to follow the teachings of Sasaki to produce a magnetic tape with values within the claimed limits because Sasaki is directed to addressing the same problem as the ’774 patent. RIB at 38 (citing RX-0003C at Q/A 800, 803). Fujifilm’s support for this statement comes from the deposition of one of the inventors of the ’774 patent, Dr. Ebner, who testified that “there’s nothing unique about the materials and the manufacturing process” described in the ’774 patent. RX-0003C at Q/A 803; JX-0026C at 117:6-10, 148:1-8; *see* JX-0026C at 37:9-22 (Dr. Ebner testifying that “the novelty was the tape construction – the tape itself, the roughness of the backside, regardless of the formulation or process used, that structure”). Fujifilm then concludes, without explanation, that “a [person of ordinary skill in the art] could have followed the teachings of Sasaki to make a tape with reduced larger surface protrusions, resulting in lower skew, kurtosis, peak height mean, and peak-to-valley roughness.” RIB at 38 (citing RX-0003C at Q/A 800-804). As to the skSNR and small error rate characteristics being obvious, Fujifilm relies on the same arguments it made with regards to the prior art tapes, which was rejected above. RIB at 39.

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Fujifilm's inapt extrapolation of Dr. Ebner's statement and the resulting conclusory testimony of its expert do not satisfy its burden to prove by clear and convincing evidence that Sasaki, which fails to teach or disclose every characteristic of any asserted claim, renders the asserted claims of the '774 patent obvious. Nor has Fujifilm established that a person of ordinary skill in the art would be motivated to modify the teachings of Sasaki to make the magnetic tape claimed by the '774 patent. Sasaki teaches the "excessively large protrusions" on the backside of the tape should be reduced to prevent damaging the magnetic tape, whereas the '774 patent teaches how to decrease embossment and improve signal-to-noise ratios and small error rates by creating a magnetic recording medium with a number of specific values for various backside surface roughness characteristics. *Compare* RX-0117 at [0015], [0018]-[0019] *with* JX-0003 at 3:33-67; *see* CX-0002C at Q/A 57-60; CX-0012C at Q/A 269-294. Sasaki's teachings are simply different than what is claimed by the '774 patent.

**3. Fujifilm did not prove by clear and convincing evidence that the asserted claims are not enabled.**

Fujifilm contends that the asserted claims "are not enabled for their full ranges." RIB at 41. Specifically, Fujifilm argues that "a skew less than about 0.5" is not enabled for values less than zero, "kurtosis less than about 4.0" is not enabled for values less than about three, "greater than about 0.2 relative dB" is not enabled for values greater than about one relative dB, and "peak height mean less than about 200 nm" and "peak to valley roughness less than about [325/300] nm" is not enabled for a perfectly flat surface. *Id.*

The evidence Fujifilm relies on for its argument comes from the testimony of Sony's expert, Dr. Bogy, who Fujifilm cross-examined at the hearing. *See* RIB at 41-43. Dr. Bogy testified that a person of ordinary skill in the art would understand that the claimed values approach "approximately a Gaussian distribution, which has a skew of zero and a kurtosis of

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three.” CX-0012C at Q/A 338. Fujifilm then elicited testimony from Dr. Bogy that the specification does not enable skew values below about zero. Tr. at 809:15-17.

Fujifilm does not cite the testimony of its expert witness, Dr. Wang, in its initial post-hearing brief, but Dr. Wang’s testimony on this issue focuses on the embodiments in the specification. See RX-0003C at Q/A 866-877. Specifically, Dr. Wang testified that the skew limitation is not enabled because “the smallest skew value achieved by the inventors . . . is 0.30” and the ’774 patent “does not disclose what modifications would be needed to obtain a skew value of less than 0.30.” *Id.* at Q/A 866 (citing JX-0003 at Table 1, 10:1-15).

The basic test for determining whether a claim is enabled is to ask whether a person of ordinary skill in the art can practice the invention without undue experimentation. *In re Wright*, 999 F.2d 1557, 1561 (Fed. Cir. 1993). “The boundary between a teaching sufficient to enable a person of ordinary skill in the field, and the need for undue experimentation, varies with the complexity of the science.” *Storer v. Clark*, 860 F.3d 1340, 1350 (Fed. Cir. 2017).

Fujifilm did not present any evidence as to what experimentation a person of ordinary skill in the art would have to engage in to practice the invention. For example, neither the testimony of its expert or its cross-examination of Sony’s expert steps through any of the “*Wands* factors” that “may be considered when determining if a disclosure requires undue experimentation.” See *Cephalon, Inc. v. Watson Pharma., Inc.*, 707 F.3d 1330, 1336 (Fed. Cir. 2013) (citing *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988) (enumerating the factors as: “(1) the quantity of experimentation necessary, (2) the amount of direction or guidance presented, (3) the presence or absence of working examples, (4) the nature of the invention, (5) the state of the prior art, (6) the relative skill of those in the art, (7) the predictability or unpredictability of the art, and (8) the breadth of the claims.”)). In its reply post-hearing brief, in response to this

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criticism, Fujifilm attempts to shoehorn its expert's testimony into the *Wands* factors. However, the gloss put on the expert's testimony by Fujifilm's attorneys belies that his actual testimony does not address how much experimentation would be needed to practice the invention, and whether such experimentation is undue. *See* RX-0003C at Q/A 866-877.

Further, “[o]pen-ended claims are not inherently improper . . . [and] may be supported if there is an inherent, albeit not precisely known, upper limit and the specification enables one of skill in the art to approach that limit.” *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1376-77 (Fed. Cir. 2007) (quoting *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1572 (Fed. Cir. 1991)). Both experts here recognize that a person of ordinary skill in the art would understand that “[t]he claimed ranges for these parameters approach Gaussian distributions.” RX-0003C at Q/A 809 (Dr. Wang); CX-0012C at Q/A 338 (Dr. Bogy). Fujifilm does not address whether the specification enables such a person to approach Gaussian distributions for the claimed parameters, or what amount of experimentation might be needed to do so.

Some amount of routine experimentation is permitted, but whether the experimentation is undue or not is Fujifilm's burden to prove by clear and convincing evidence. *Cephalon*, 707 F.3d at 1336. Fujifilm does not satisfy its burden here.

**4. Fujifilm did not prove by clear and convincing evidence that the specification of the '774 patent does not adequately describe the asserted claims.**

Fujifilm's arguments that the claims do not satisfy the written description requirement are premised on the same arguments that it makes for why the claims are not enabled; that the inventors did not have possession of the full scope of the claimed ranges. RIB at 44-45. The Federal Circuit has made clear, however, that “[a] claim will not be invalidated on section 112 grounds simply because the embodiments of the specification do not contain examples explicitly

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covering the full scope of the claim language.” *Falko-Gunter Falkner v. Inglis*, 448 F.3d 1357, 1366 (Fed Cir. 2006) (quoting *LizardTech, Inc. v. Earth Resource Mapping, Inc.*, 424 F.3d 1336, 1345 (Fed. Cir. 2005)).

Fujifilm has not presented any non-conclusory evidence that the embodiments in the specification are not sufficient to reasonably convey to one of ordinary skill in the art that the inventors had possession of the claimed invention. Its expert simply testifies that the inventors did not describe lower values than those disclosed in the specification. See RX-0003C at Q/A 878-887 (“As Table 1 of the ’774 Patent shows, the species disclosed by the ’774 Patent do not support the broad ranges recited in the claim.”). This evidence is not sufficient to prove by clear and convincing evidence that the inventors did not possess the claimed invention. See *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1320 (Fed. Cir. 2003).

### **5. The asserted claims are directed to patentable subject matter.**

Fujifilm’s final argument is that the claims of the ’774 patent are directed to an abstract idea and are, therefore, unpatentable. Specifically, Fujifilm asserts that the claims “are directed to the abstract idea of magnetic media with a normal back surface distribution and beyond” and that the claims “recite no significant structures or manufacturing methods.” RIB at 46. Fujifilm is incorrect. The claims are plainly directed to an article of manufacture, which is patent-eligible subject matter. 35 U.S.C. § 101; *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980).

The specific structures of the claims include “a substrate,” “a magnetic side formed over the first surface of the substrate, defining a recording surface,” and “a backside coated on the second surface of the substrate . . . the backside defining a backside surface opposite the recording surface.” JX-0003 at 12:51-61. Indeed, entire sections of the patent, entitled “The Substrate,” “The Magnetic Side,” and “The Backside,” are devoted to describing the different portions of the claimed structure. *Id.* at 3:63-6:62.

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The backside surface of the claimed structure also has certain physical characteristics that the patent teaches must be specifically configured, for example using certain manufacturing methods and compositional factors, including the selection of the type and specific size of particles, to produce a backside surface of the magnetic tape that has a distribution approaching a Gaussian or normal service. *Id.* at 4:65-6:62. Thus, a magnetic tape with the claimed backside surface structure is not a result of random chance, or a naturally occurring phenomenon. It must be specifically manufactured, and the '774 patent discloses to those skilled in the art how to do so. *Id.*

Accordingly, the asserted claims of the '774 patent recite an article of manufacture that is eligible for patent protection under 35 U.S.C. § 101.

### V. U.S. PATENT NUMBER 6,979,501

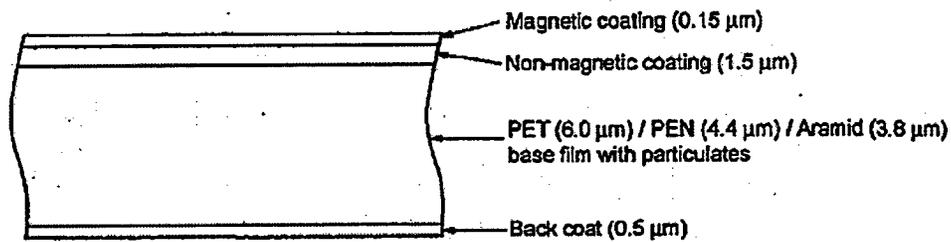
United States Patent Number 6,979,501, entitled "Magnetic Recording Medium Having a Smooth Biaxially Tensitized Film Substrate," issued to Christopher A. Merton on December 27, 2005. JX-0002 at cover page ('501 patent). The patent issued from Application Number 10/822,885 filed on April 13, 2004. *Id.* The patent is assigned on its face to Imation Corporation. *Id.* The evidence indicates that Imation assigned this patent to Sony on August 3, 2015. CX-0007C at Q/A 58-67 (direct witness statement of Hiroshi Kamitani); CX-1081 at 3; JX-0139C.

The invention disclosed in the '501 patent concerns the "dimensional stability" of magnetic tapes. JX-0002 at 2:3-9. If the dimensions of a tape fluctuate by expanding or shrinking, the tracks on the tape shift so that the recording head fails to properly align to the data tracks. CX-0001C at Q/A 97 (direct witness statement of Dr. Bhushan). The patent explains that due to "increases in track density and the like, dimensional stability of the tape has become an issue." JX-0002 at 5:2-7. In other words, as data track density increases, small fluctuations in

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tape dimension can result in the head being off-track. CX-0001C at Q/A 97. To mitigate these problems, the '501 patent postulates that it would be beneficial if the dimensions of a tape do not shrink or expand due to changes in temperature or humidity. JX-0002 at 2:5-9; CX-0001 at Q/A 84-95.

To achieve dimensional stability in the tape, the '501 patent teaches using a "biaxially tensilized substrate." JX-0002 at 5:8-11. To understand that term as it is used in the patent, some background about a typical tape structure will be helpful. The patent lists as prior art a "Magnetic Tape Storage Roadmap," published by the National Storage Industry Consortium in February 2002. *Id.* at cover ("NSIC Roadmap"). The NSIC Roadmap illustrates the layers of a typical magnetic tape as follows:



JX-0115 at 13 (Figure 18).

In the prior art figure above, the layer with the label beginning "PET" is the substrate. The '501 patent teaches the substrate is a non-magnetic layer. JX-0002 at 1:53-54. The patent lists exemplary substrate materials for tapes, including "polyesters such as polyethylene terephthalate (PET), polyethylene naphthalate (PEN), a mixture of polyethylene terephthalate and polyethylene naphthalate; polyolefins (e.g., polypropylene); cellulose derivatives; polyamides; and polyimides." JX-0002 at 1:54-59.

The '501 patent calls the layer on top of the substrate the front coating. *Id.* at 1:28-39. The front coating may itself comprise two layers: a support layer formed on the substrate and a thin magnetic layer formed on the support layer. *Id.* The support layer is typically non-magnetic

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and generally comprised of a non-magnetic powder dispersed in a binder. *Id.* The magnetic layer comprises a metal particle powder or pigment dispersed in a binder. *Id.* Data is recorded on the tape by using electromagnetic fields to configure the position of particles in the magnetic layer. *See* RX-0003C at Q/A 83. Magnetic tapes may also have a backside coating applied to the opposing side of the substrate. *Id.* at 1:43-46.

With this background in mind, I return to the patent's teachings about a biaxially tensilized substrate. The patent teaches that substrate films traditionally have been tensilized—or stretched—in the down-web, or machine direction, in order to improve the ability of the film to handle the accelerations and decelerations of linear tape drives. *Id.* at 4:65-5:2. The patent proposes to improve the dimensional stability of the tape by stretching the substrate in two directions (biaxially), not just one. The patent teaches that biaxial tensilization decreases the coefficient of thermal expansion of the substrate and decreases the coefficient of hygroscopic expansion of the substrate. *Id.* at 5:8-11. In other words, a tape that has been stretched in two directions will hold its shape better through changes in temperature and humidity.

The '501 patent describes at least one embodiment in which a substrate film is stretched in two directions. *See id.* at 5:18-31. In the embodiment, the substrate film is preheated and then passed through two sets of nip rolls, which operate at different speeds to stretch the film longitudinally. *Id.* at 5:22-24. The substrate film is then stretched in the cross-web direction by holding the outer edges of the film in gripping devices and moving the gripping devices apart by about 325% or more. *Id.* at 5:25-31. The substrate film is heated as the width increases. *Id.* at 5:29-31.

The patent teaches using biaxial tensilization to match the dimensional stability of a tape to the dimensional stability of the magnetic recording head. *Id.* at 4:13-14, 11:5-18. The patent

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describes an embodiment in which the substrate is biaxially tensilized to such an extent that the resulting composite magnetic tape “has a thermal expansion similar or equal to the thermal expansion of the magnetic head, generally from about 5 ppm/C to about 10 ppm/C.” *Id.* at 4:44-50; *see also id.* at 2:43-47. In comparing the thermal expansion of the inventive tape to that of a magnetic head, the patent teaches that “[m]ost magnetic recording heads are manufactured on Al<sub>2</sub>O<sub>3</sub>-TiC wafers, which have a thermal expansion of 7 ppm/C.” *Id.* at 4:49-51; *see also id.* at 2:48-49.

The patent also discloses a range of conditions in which the invention should exhibit dimensional stability. It explains that the cross-web dimensional difference between the magnetic and recording head should be less than 900 microns per meter over a 35 degree temperature range and over a 70% relative humidity range. *Id.* at 4:30-33.

### A. The Asserted '501 Patent Claims

Sony asserts independent claim 1 and dependent claims 2, 4, 5, 6, and 8 of the '501 patent. The asserted claims are reproduced below:

1. A magnetic recording medium comprising a biaxially tensilized substrate having a front side and a backside, a longitudinal direction and a crossweb direction, said substrate having a magnetic layer formed over said front side of said substrate comprising magnetic pigment particles, and a binder system therefor; said magnetic recording medium having a cross web dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>—TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%, and a coefficient of thermal expansion having a value said magnetic recording medium having a coefficient of thermal expansion of from about 5 ppm/C to about 10 ppm/C, said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer.

\* \* \* \* \*

2. A magnetic recording medium according to claim 1 having a Wyko surface roughness of less than 10 nm.

\* \* \* \* \*

4. A magnetic recording medium according to claim 1 wherein said biaxially

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tensilized substrate is selected from the group consisting of polyesters, polyolefins, cellulose derivatives, polyamides, and polyimides.

\* \* \* \* \*

5. A magnetic recording medium according to claim 1 wherein said biaxially tensilized substrate comprises a substrate subjected to film tensilization, said substrate being selected from the group consisting of polyethylene naphthalate and polyethylene terephthalate.

\* \* \* \* \*

6. A magnetic recording medium according to claim 1 wherein said substrate has a thickness of from about 1 to about 10 microns.

\* \* \* \* \*

8. A magnetic recording medium according to claim 1 wherein the magnetic recording medium has a hygroscopic expansion coefficient of less than about 7 ppm/% RH.

JX-0002.

**B. Level of Ordinary Skill in the Art**

Sony, Fujifilm, and Staff all agree that with respect to the '501 patent, a person of ordinary skill in the art would have a bachelor's degree in materials science, physics, electrical engineering, mechanical engineering, chemistry, or a closely related field, and at least five years of experience in the magnetic recording media field or a master's degree or higher in materials science, physics, electrical engineering, mechanical engineering, chemistry, or a closely related field, with an emphasis in magnetic recording media, and at least three years of experience in the magnetic recording media field. CIB at 66; RIB at 50; SIB at 77. Based on the evidence of record, I adopt the level of skill proposed by the Sony, Fujifilm, and Staff. CX-0001C at Q/A 206; RX-0003C at Q/A 120-22.

**C. Claim Construction and Indefiniteness**

The private parties and Staff have agreed to the construction of the following terms in the asserted claims of the '501 patent:

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<b>Claim Number</b>	<b>Term</b>	<b>Agreed Construction</b>
<b>1, 4, 5</b>	biaxially tensilized	having been subjected to tensilization in both the machine direction and the crossweb direction
<b>1</b>	35 degrees	35 degrees Celsius
<b>1</b>	longitudinal direction	machine direction (MD)
<b>1</b>	crossweb direction	transverse direction (TD)
<b>2</b>	Wyko surface roughness	surface roughness measured by an optical interferometer, such as a Wyko optical interferometer

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 1 (May 25, 2018); Order No. 39 (June 29, 2018) (granting motion). Accordingly, I adopt the agreed-upon constructions for the purposes of this investigation.

There are three disputed claims relevant to the asserted claims of the '501 patent:

1. tensilized/tensilization;
2. dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%; and
3. said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer.

*Id.* at 4-5.

**1. “tensilized” / ”tensilization”**

The words “tensilized” and “tensilization” appear in claims 1, 4, and 5 of the '501 patent. Fujifilm and Staff argue that Sony has not timely preserved a construction of these terms beyond the agreed construction of “biaxially tensilized” noted in the chart above. Sony argues that “tensilized” should be interpreted according to its plain and ordinary meaning, which Sony contends means “subjected to a process of heating and stretching, followed by heat setting or stabilization.”

I find that Sony has forfeited any argument that “tensilized” requires any additional construction beyond the interpretation the parties agreed to for the phrase “biaxially tensilized.”

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When the parties exchanged proposed constructions according to the deadlines in the procedural schedule, no party argued that “tensilized” required a separate construction outside of the phrase “biaxially tensilized.” Later, the parties jointly moved for leave to amend their constructions, and leave was granted. *See* Order 25. But even at that late stage no party argued that “tensilized” required a separate construction. Fujifilm and Staff formulated their positions and defenses based on Sony’s representations in the claim construction phase. Sony, the complainant, has not explained why it could not have timely alerted the other parties to the specialized interpretation it now seeks. In these circumstances, I find Fujifilm and Staff are entitled to hold Sony to the agreed upon construction of “biaxially tensilized” without further interpretation of the term “tensilized.” And in any event, I find that the construction of “biaxially tensilized” originally agreed by the parties is not erroneous.

**2. “dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%”**

The limitation “dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” appears in asserted claim 1, and is incorporated by dependency into asserted claims 2, 4, 5, 6, an

8. The parties propose the following constructions for this term:

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<b>Sony</b>	<b>Fujifilm</b>	<b>Staff</b>
plain and ordinary meaning, i.e., difference in dimensional change from a Al <sub>2</sub> O <sub>3</sub> -TiC substrate wafer having 7ppm/C coefficient of thermal expansion and 0 ppm/%RH coefficient of hygroscopic expansion of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%	indefinite	indefinite

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 4-5 (May 25, 2018).

The dispute with respect to this limitation turns on the aluminum oxide titanium carbide (Al<sub>2</sub>O<sub>3</sub>-TiC) term. All parties agree the claim requires a comparison between the expansion of the claimed magnetic recording medium and a ceramic substrate wafer made from Al<sub>2</sub>O<sub>3</sub>-TiC. Fujifilm and Staff recognize that the coefficient of hygroscopic expansion (CHE) property of an Al<sub>2</sub>O<sub>3</sub>-TiC substrate wafer “is known to be 0,” but they contend that the coefficient of thermal expansion (CTE) property can vary “from about 6 to about 8 ppm/C.” RIB at 80; SIB at 94. Without knowing the specific coefficient of thermal expansion in question, Fujifilm and Staff argue that claim 1 is indefinite because it is impossible for one skilled in the art to determine whether a product falls within the scope of the claimed invention with reasonable certainty.

Sony, on the other hand, contends that this limitation should be interpreted according to its plain and ordinary meaning. Sony asserts that the plain meaning of the aluminum oxide titanium carbide term requires an Al<sub>2</sub>O<sub>3</sub>-TiC wafer with a CTE of 7 ppm/C. CIB at 68-71.

Sony’s assertion is supported by the intrinsic record. The ’501 patent teaches that an Al<sub>2</sub>O<sub>3</sub>-TiC wafer has a CTE of 7 ppm/C: “Most magnetic recording heads are manufactured on

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Al<sub>2</sub>O<sub>3</sub>-TiC wafers, which have a thermal expansion of 7 ppm/C.” JX-0002 at 4:49-51 (emphasis added).

Fujifilm and Staff point to extrinsic evidence indicating that a person of ordinary skill in the art may have known that an “Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic” can have “different proportions of the alumina phase and the titanium carbide phase” resulting in an “Al<sub>2</sub>O<sub>3</sub>-TiC substrate [with] CTE values at least ranging from about 6 ppm/°C to about 8 ppm/°C.” RX-0003C at Q/A 102. However, even if some substrate wafers of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic could have CTE values that are slightly above or below 7 ppm/C, the evidence shows that a person of ordinary skill in the art would have known that an Al<sub>2</sub>O<sub>3</sub>-TiC substrate has standard properties that include a CTE of 7 ppm/C. CX-0001C at Q/A 263-275 (Dr. Bhushan testifying that the “CTE of Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic is a known, standard value to a person of ordinary skill”). For example, the inventor of the '501 patent testified that the Al<sub>2</sub>O<sub>3</sub>-TiC substrate were “known” by a person of ordinary skill in the art, and could be “looked up.” JX-0027C at 96:97-113 (deposition transcript of Dr. Merton). The NCIS Roadmap also states that the thermal expansion of a tape drive head substrate is 7 ppm/°C. JX-0005 at 39; JX-0115 at 13-14.

The '501 patent makes clear that the claims refer to the well-known “substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic,” not an outlier or theoretical Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic substrate wafer. The specification states that the CTE of the “most commonly used magnetic recording heads is about 7 ppm/C,” and that “[m]ost magnetic recording heads are manufactured on Al<sub>2</sub>O<sub>3</sub>-TiC wafers, which have a thermal expansion of 7 ppm/C. JX-0002 at 2:48-49, 4:49-51. The specification also compares the thermal expansion of one embodiment of the invention to other tapes that have not been tensilized. The right column (with the heading “Gen

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1 PEN Biaxially tensilized (balanced)”) reflects one embodiment of the invention incorporating a substrate that has been biaxial tensilized:

Tape type		Gen 1	Gen 1	Gen 1
Substrate type		PEN	PEN	PEN
Tensilization		MD	Semi-MD	Biaxially
		tensilized	tensilized	tensilized
				(balanced)
thickness substrate	microns	6.0	6.0	6.0
MD modulus substrate	GPa	8.8	7.8	6.9
TD modulus substrate	GPa	5.9	6.4	7.2
TD thermal substrate	ppm/C	12.9	8.7	2.9
TD hygroscopic substrate	ppm/% RH	12.6	10.6	8.7
thickness tape	microns	8.9	8.9	8.9
TD thermal tape	ppm/C	14.0	12.0	7.2
TD thermal relative head	ppm/C	7.0	5.0	0.2
TD hygroscopic tape	ppm/% RH	8.9	8.6	6.8

*Id.* at 11:5-19. The table reproduced above shows “TD thermal relative head” for each of three examples, and in each case the values in the row labeled “TD thermal relative head” are 7 ppm/C less than the values in the row labeled “TD thermal tape.” JX-0002 at 11:5-18. This indicates that the dimensional change per degree Celsius for the magnetic recording head used in all three examples was 7 ppm/C. CX-0001C at Q/A 219, 262. Therefore, the ’501 patent indicates that a person of skill in the art would know that the claimed “substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic” has a CTE of 7 ppm/C.

The prosecution history is consistent with the disclosures of the specification. During prosecution, the applicant originally presented an independent claim reciting, *inter alia*, a magnetic recording medium “for use with a magnetic recording head,” wherein the magnetic recording medium had “a cross web dimensional difference from said magnetic recording head” of certain claimed amounts. *See* JX-0005 at 20, claim 1 (emphasis added). The examiner rejected the original claim for various reasons and noted that the claim was “directed to a

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magnetic recording medium” and therefore the phrase “for use with a magnetic recording head” would be “considered a statement of intended use and not a claim limitation.” The examiner also noted that “limitations to the magnetic head do not further limit the medium.” *Id.* at 45.

In response to examiner’s statements, the applicant disagreed with the examiner’s decision “not to give any weight” to the features of the recording head recited in the claim. *Id.* at 75. The applicant explained that the invention included a discovery that a more stable magnetic tape can be made “by equalizing certain physical properties such as thermal and hydroscopic expansion of the magnetic recording tape to similar physical properties present in the magnetic recording head.” *Id.* The applicant presented a new claim 12 and stated that the new claim “relates the properties of the magnetic recording tape to the properties of the material of which *the industry standard magnetic recording head* is formed.” *Id.* (emphasis added). Claim 12 was then allowed and issued as claim 1.

Viewing the applicant’s statement in the prosecution history that the issued claims are directed to “the industry standard magnetic recording head” together with the specification’s teachings that “most” heads in the industry “are manufactured on Al<sub>2</sub>O<sub>3</sub>-TiC wafers, which have a thermal expansion of 7 ppm/C,” it is clear that a person of skill in the art would understand that claim 1 is directed to the standard “substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic,” which has a CTE of 7 ppm/C. *See* JX-0002 at 4:49-51.

Fujifilm next argues that a person of ordinary skill in the art would not know with reasonable certainty how to measure the “dimensional difference” because the “claims, the specification, and the prosecution history are silent on the instruments, methods, and conditions to measure the CTE or CHE of a given sample.” RIB at 83-85. Specifically, claim 1 requires a “difference in dimensional change . . . over a temperature range of about 35 degrees, and over a

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relative humidity range of about 70%,” and Fujifilm contends that a person of ordinary skill in the art would not know the starting and ending temperature and humidity values to perform this differential analysis, or what instrument to use. *Id.*

Different tapes have different operating ranges, as Sony recognizes, but the claims inform a person of ordinary skill in the art that they cover a magnetic recording medium with an operating range “over a temperature range of about 35 degrees, and over a relative humidity range of about 70%.” JX-0002 at cl. 1; CIB at 71. The patent further teaches such a person that a magnetic recording medium with a “dimensional difference from a substrate wafer of an  $\text{Al}_2\text{O}_3\text{-TiC}$  bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter” over this operating range “will provide superior smoothness and recording medium.” JX-0002 at 2:22-30.

Tapes with an operating range “over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” were (and are) well-known in the art, and are referenced in the '501 patent. For example, the LTO-1 specification, also known as the ECMA-319 specification, specifies that the operating range is over a temperature range from 10-45°C, and over a relative humidity range from 10-80%. JX-0128 (LTO-1 specification); CX-0001C at Q/A 98-104, 111. Sony’s expert, who “published a number of peer-reviewed papers” on CTE, CHE, and the dimensional stability of magnetic tape media, testified that “[g]iven how long magnetic recording media, particularly LTO, has been around, a person of ordinary skill in the art” would know that “typical” operating conditions for these tapes describes “a range of 10 to 45 C and 10 to 80% relative humidity.” CX-0001C at Q/A 98-100, 111 (citing JX-0114). The '501 patent also used the “Ultrium® Generation 1 [tape], commercially available from Imation Corp.,” which is an LTO-1 tape, to record and disclose the decrease in the “thermal and hygroscopic

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expansion coefficients . . . when there is an increase in the cross web modulus of the substrate.”  
JX-0002 at 10:60-11:19.

A person of ordinary skill in the art would therefore understand with reasonable certainty that the claims cover magnetic recording media with an operating range “over a temperature range of about 35 degrees, and over a relative humidity range of about 70%,” of which the LTO-1 tapes referenced in the specification are an example. The starting and ending temperatures and humidity values of these tapes are well known, as are the instruments and parameters to test the tapes. *See* CX-0001C at Q/A 98-116, 142-188.

Accordingly, claim 1 is not indefinite because a person of ordinary skill in the art would understand with reasonable certainty that the claim covers the standard  $\text{Al}_2\text{O}_3$ -TiC substrate with a CTE of 7 ppm/C. Sony’s proposed construction of the “dimensional difference from a substrate wafer of an  $\text{Al}_2\text{O}_3$ -TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” limitation as “difference in dimensional change from a  $\text{Al}_2\text{O}_3$ -TiC substrate wafer having 7ppm/C coefficient of thermal expansion and 0 ppm/%RH coefficient of hygroscopic expansion of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” is thereby adopted.

**3. “said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer”**

The limitation “said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer” appears in asserted claim 1, and is incorporated by dependency into asserted claims 2, 4, 5, 6, and 8. The parties propose the following constructions for this term:

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<b>Sony</b>	<b>Fujifilm</b>	<b>Staff</b>
plain and ordinary meaning, i.e., the coefficient of thermal expansion of the medium being from about 3.5 to 10.5 ppm/C	indefinite	indefinite

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 5 (May 25, 2018).

Fujifilm and Staff both contend that this limitation “suffers from the same indefiniteness defects discussed” with the “dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>-TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” limitation, above. RIB at 85; SIB at 97.

Accordingly, for the same reasons as set forth above, claim 1 is not indefinite because a person of ordinary skill in the art would understand this limitation with reasonable certainty. Sony’s proposed construction of the “said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer” limitation as “the coefficient of thermal expansion of the medium being from about 3.5 to 10.5 ppm/C” is thereby adopted.

**D. Infringement**

Sony alleges that Fujifilm’s LTO-4, LTO-5, and LTO-6 tape products infringe claims 1, 2, 4, 5, and 6 of the ’501 patent, and that Fujifilm’s LTO-5 and LTO-6 tape products infringe claim 8. CIB at 72. Sony relies on measurements of the physical characteristics of the products, specifications for the accused products, Fujifilm’s documents, admissions of Fujifilm witnesses, and its expert’s opinions to support its allegations. *Id.* at 72-83 (citing evidence). Sony’s expert, Dr. Bhushan, provided his opinions on the evidence and set forth a limitation-by-limitation

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infringement analysis for the asserted claims. CX-0001C at Q/A 310-590 (citing to and explaining evidence).

Sony's measurements of the accused products were conducted by MAC under the direction of its expert, Dr. Bhushan, on a "Universal Tape Evaluation System" (UTES) using laser scanning microscopy (LSM), following the relevant LTO specifications for measuring CTE. CX-0001C at Q/A 103-104, 142-159 (citing JX-0134C (summary report created by MAC); CX-0045C), 174-188. Dr. Bhushan testified that he used the same instrument and method that MAC uses in its regular course of business to "certify that the various LTO-1 tapes made by different manufacturers met the TDS [transverse dimensional stability] requirements of the LTO-1 specification," and that Fujifilm and Sony also use in the ordinary course of their businesses to test the later generations of LTO tapes. *Id.* at Q/A 112-116 (citing CX-0052C; JX-0131C), 142, 164-188. Dr. Bhushan concluded that a person of ordinary skill in the art "would have considered an LSM-based method to be appropriate, accurate, and reliable for determining the TDS, CTE, and CHE of magnetic recording media." *Id.* at Q/A 170. Staff agrees that the UTES instrument and LSM method used by Sony's expert was appropriate for measuring the CTE values of the accused products. SIB at 76-78.

Fujifilm responds that Sony failed to meet its burden to prove that the accused products infringe the asserted claims because the UTES instrument "was neither the type of instrument that the inventor used, nor was it a commonly accepted instrument for measuring CTE at the time of the alleged invention," and accordingly, it "yield[ed] materially different results from then-commonly accepted instrument used by the inventor." RIB at 54-56. Fujifilm points out that the inventor of the '501 patent used a "Thermomechanical Analysis" (TMA) instrument, not a UTES instrument, and "held the TMA chamber at constant dew point or constant humidity and

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measured the CTE over a temperature range of 23 °C to 45 °C.” RX-0583C at Q/A 60-62 (citing JX-0027C). Fujifilm’s expert, Dr. Wang, testified that the difference between the UTES and TMA instruments is significant because they apply different types and amounts of tension to the tape: UTES applies tension in the machine direction while measuring dimensional differences in the transverse direction, while TMA applies tension in the direction being measured. *Id.* at Q/A 64. For support, Dr. Wang measured the same IBM 3592 Generation 3 tape using both MAC’s UTES instrument and a TMA instrument, and found that the UTES measurement resulted in a CTE of 9.1 ppm/C whereas the TMA measurement resulted in a CTE of 2.7 ppm/C. *Id.* at Q/A 66.

The claims of the ’501 patent do not require a specific instrument or method be used for measuring the CTE values of the magnetic recording media. Nor does the specification inform a person of ordinary skill in the art of a specific measurement instrument or method. Fujifilm’s only evidence of the instrument and method used by the inventor comes from the deposition of the inventor, but this was not knowledge within the realm of information available to a person of ordinary skill in the art. *See* Tr. at 657:5-659:24 (Dr. Wang agreeing that his knowledge of the instrument, method, conditions, and tension to be applied when measuring the tape examples in the specification of the ’501 patent came from the deposition of the inventor). Instead, as Dr. Wang testified, the ’501 patent “presumed [that a person of ordinary skill in the art] knows how to do CTE measurements.” *Id.*

A person of ordinary skill in the art would recognize that the CTE values required by the claims would be measured in a way appropriate for the specific magnetic tapes. Here, the LTO specifications associated with the accused products specify how CTE should be measured, and the evidence shows that MAC’s UTES instrument and method is the industry standard for

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measuring the CTE values of the accused products. Fujifilm notes that the '501 patent is not limited to LTO tapes, which is true. However, a person of ordinary skill in the art may recognize that different types of tapes may require different types of instruments and methods to measure CTE values, such that a person measuring a non-LTO tape may not follow the guidance of the LTO specification to determine whether the tape fell within the scope of the claim. Whether CTE is measured in a way appropriate for the specific tapes is a factual question of infringement. *Cf. ADC Telecommunications, Inc. v. Switchcraft, Inc.*, 281 Fed. Appx. 989, 992-993 (Fed. Cir. 2008) (nonprecedential) (holding that, because the claims did not require any particular testing method for the disputed limitations and the specification lacked clear guidance of a particular testing method, “[t]he parties’ dispute over the proper testing method is therefore a factual question that the district court properly submitted to the jury”).

Regarding Fujifilm’s contention that the UTES instrument and a TMA instrument apply different types and amounts of tension to the tape, Dr. Bhushan explained that the “tension at which you make a measurement, as long as it’s below or equal to the drive tension, should have no bearing on the value of thermal expansion or dimensional stability or hygroscopic expansion.” Tr. at 328:3-8. And there is no evidence that the amount of tension applied by MAC to the accused products was not below or equal to the drive tension. *See* CRB at 35 (citing to JX-0134 at 3, JX-0128 at 21, 59, JX-0104C at 22, 65, CX-0029C at 22, 65 and CX-0030C at 25, 66, to explain that the tension magnitude and direction applied by MAC to the accused products was “well-within the tension used in the normal operation . . . as evidenced by the tension tolerances set forth in the LTO specifications”). Further, Dr. Wang’s criticisms of the UTES instrument are of questionable credibility in part because Dr. Wang had “never used a MAC instrument” and

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“never observed a MAC instrument being operated by someone else” prior to this investigation. Tr. at 611:20-612:17.

As evidence that the UTES instrument used by Sony produced incorrect CTE values, Fujifilm put forth its own measurements of the accused products using a TMA instrument that resulted in values outside of the asserted claims. RIB at 56; RX-0583C at Q/A 115-116, 118 (Dr. Wang testifying that the Fujifilm LTO-4, LTO-5, and LTO-6 were measured using the TMA instrument to have CTE values of 2.7 ppm/C, 1.4 ppm/C, and 3.3 ppm/C, respectively). However, as Staff notes, Fujifilm’s measurements of its own products are of questionable reliability because “the testing was performed by a Fujifilm employee[,] Fujifilm’s expert omitted key information about the testing protocol[,] sample preparations are not documented or provided[,] Fujifilm’s expert did not observe the testing in person[, and] Fujifilm’s expert did not have extensive experience using the thermomechanical analyzer used for the measurements.” SIB at 78 (citing CX-0001C at Q/A 457-479). Sony further points to evidence that the TMA instrument used by Fujifilm was not properly calibrated. CIB at 77-78 (citing CX-0011C at Q/A 778-781; RX-0202C; Tr. at 366:6-367:23, 623:4-625:16).

The conclusion above that the measurements from the MAC UTES instrument were reliable further supports Sony’s argument that Fujifilm’s measurements from the TMA instrument were not reliable. Both experts agree that the UTES and TMA instruments, if used correctly, should produce similar CTE values for the same tape, yet the values generated by the Fujifilm employee using the TMA instrument were significantly different than those of the professional independent testing firm using the UTES instrument. Tr. at 328:3-8 (Dr. Bhushan), 598:11-17 (Dr. Wang); CX-0001C at Q/A 105-107 (“CTE and CHE are material properties that are determined by the material itself. It would be like saying that the boiling point of water was

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different depending on if you used a digital thermometer or a mercury thermometer.”), 171-173. Dr. Wang further agreed that a person of ordinary skill in the art could use the MAC UTES instrument and method to measure the CTE of a magnetic recording medium. *Id.* at 611:10-25. The evidence therefore supports Sony’s contention that the UTES instrument and method was appropriate for measuring CTE values of the accused products.

Based on the evidence and arguments of the parties, I find that Sony has established by a preponderance of the evidence that Fujifilm’s LTO-4, LTO-5, and LTO-6 tape products infringe claims 1, 2, 4, 5, and 6 of the ’501 patent, and that Fujifilm’s LTO-5 and LTO-6 tape products infringe claim 8, so long as those claims are valid.

### **E. Domestic Industry – Technical Prong**

Sony asserts that its LTO-5 tape products and the IBM 3592 Generation 3 (JY, JC) tape products practice claims 1, 2, 4, 5, 6, and 8 of the ’501 patent, and that its LTO-6 tape products practice claims 1, 2, 4, 5, and 6. CIB at 83-87; SIB at 79-80. Sony’s expert, Dr. Bhushan, cites to and explains the evidence to provide a limitation-by-limitation analysis of how the domestic industry products practice the asserted claims. CX-0001C at Q/A 608-907.

Fujifilm argues that Sony failed to prove that the Sony LTO-5 and LTO-6 tapes and the IBM 3592 tapes do not practice the claims of the ’501 patent because “Dr. Bhushan used the same inappropriate instrument and high stress conditions to measure CTE” and “Dr. Wang used a TMA to measure the CTE of an IBM 3592 Gen 3 tape at 2.7 ppm/C, which is outside the claimed range of ‘from about 5 ppm/C to about 10 ppm/C.’” RIB at 57. These arguments mirror Fujifilm’s non-infringement arguments and are therefore rejected for the same reasons as discussed above. *See* Section V.D, *supra*; RRB at 35-36 (“Sony’s DI arguments are unpersuasive for the same reasons as their infringement analysis.”); SRB at 18 (“Fujifilm relies on the same arguments that it made in connection with Sony’s infringement analysis . . . these

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arguments fail because the evidence shows that Sony's testing was appropriate and reliable, whereas Fujifilm's testing was not.").

For the IBM 3592 tapes, Fujifilm argues that the tapes have an operating range of 16-32°C, which does not satisfy the 35-degree temperature range of claim 1. RIB at 57 (citing Tr. at 338:3-14; CX-0011C at Q/A 404). As Staff notes, Fujifilm failed to assert this argument in its pre-hearing brief, and it is therefore waived. G.R. 8.2; SRB at 18; *see* RPB at 86-87.

Accordingly, based on the evidence and the arguments of the parties, I find that Sony established by a preponderance of the evidence that its LTO-5 tape products and the IBM 3592 Generation 3 (JY, JC) tape products practice claims 1, 2, 4, 5, 6, and 8 of the '501 patent, and that its LTO-6 tape products practice claims 1, 2, 4, 5, and 6. The technical prong of the domestic industry is therefore satisfied, so long as those claims are valid. *See* 19 U.S.C. § 1337(a)(2) and (3); *Certain Microsphere Adhesives, Process for Making Same and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op., 1996 WL 1056095, at \*8 (U.S.I.T.C. Jan. 16, 1996).

### F. Invalidity

Fujifilm contends that (1) the Imation 9840<sup>13</sup> tape cartridge renders asserted claims 1, 2, 4, 5, 6, and 8 invalid under 35 U.S.C. § 102; (2) the Meguro reference renders asserted claims 1, 2, 4, 5, 6, and 8 invalid under 35 U.S.C. § 102; (3) the Meguro-2 reference renders asserted claims 1, 2, 4, 5, and 6 invalid under 35 U.S.C. § 102; (4) the Imation LTO-1 tape medium

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<sup>13</sup> Fujifilm refers to this product as "Imation 9840" whereas Sony and Staff refer to this product as "StorageTek 9840." Sony assigns the "StorageTek 9840" label to the product apparently in an attempt to distinguish a product measured in 2002 from a product measured within the past year, which it labels the "Imation BlackWatch 9840" tape. For the reasons discussed below, I reject Sony's distinction. I will therefore refer to the product as "Imation 9840," as that is the label that the party with the burden of proof has chosen to assign.

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renders asserted claims 1, 2, 4, 5, 6, and 8 invalid under 35 U.S.C. § 103 in view of the knowledge and experience of a person of ordinary skill in the art and/or the NSIC Roadmap; (5) the Imation 9840 tape cartridge renders asserted claims 1, 2, 4, 5, 6, and 8 invalid under 35 U.S.C. § 103 in view of the knowledge and experience of a person of ordinary skill in the art and/or the NSIC Roadmap; (6) the Imation 9840 tape cartridge renders asserted claim 2 invalid under 35 U.S.C. § 103 in view of the knowledge and experience of a person of ordinary skill in the art and Imation LTO-1; and (7) the Takahashi reference renders asserted claims 1, 2, 4, 5, 6, and 8 invalid under 35 U.S.C. § 103 in view of the knowledge and experience of a person of ordinary skill in the art and/or the Kobayashi reference. RIB at 58-79. Fujifilm further contends that the asserted claims are invalid under 35 U.S.C. § 112 for failing to satisfy the written description and enablement requirements.<sup>14</sup> *Id.* at 86-89.

As an initial matter, Sony contends that Fujifilm is estopped from proffering Megura, Megura-2, Takahashi, Kobayashi, and the NSIC Roadmap as invalidating references in this investigation because it relied on, or could have reasonably raised, those references when it filed an *inter partes* review (IPR) challenge to the '501 patent at the U.S. Patent Office. Under the estoppel provisions for IPR proceedings in 35 U.S.C. § 315(e)(2), Sony asserts that Fujifilm is prohibited from asserting these prior art references in this investigation. CIB at 87-88 (noting

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<sup>14</sup> Fujifilm also contends that the claims are invalid as indefinite under 35 U.S.C. § 112 because a person of ordinary skill in the art would not understand, with reasonable certainty, the meaning of the limitations (1) “dimensional difference from a substrate wafer of an Al<sub>2</sub>O<sub>3</sub>—TiC bi-phase ceramic formed from aluminum oxide and titanium carbide of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%” and (2) “said coefficient of thermal expansion being from about 50% to about 150% of the coefficient of thermal expansion for the substrate wafer.” RIB at 52-54, 79-85. These contentions are addressed in the claim construction section above. *See* Sections V.C.2 and 3, *supra*.

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that “the PTAB recently issued a Final Written Decision rejecting Fujifilm’s validity challenge in Fujifilm’s IPR proceeding on the ’501 patent, finding Claims 1-10 patentable”); *id.* at 88 n.35 (citing the public version of the final written decision from the PTAB). Staff argues that 35 U.S.C. § 315(e)(2) only estops the “petitioner in an inter partes review,” and Staff notes that it was not a petitioner or even a party to the IPR. SRB at 19. Staff is correct. Regardless of whether 35 U.S.C. § 315(e)(2) estops Fujifilm, as contended by Sony, the statute does not prevent Staff from raising the references in this investigation, which it did. Staff’s contentions that these references invalidate the asserted claims of the ’501 patent must therefore be addressed.<sup>15</sup>

Regarding the substance of Fujifilm’s invalidity contentions, Sony disagrees with Fujifilm. CIB at 87-100. Sony’s main response regarding anticipation and obviousness appears to be that the Imation 9840 product, Megura reference, Meguro-2 reference, and Takahashi reference all fail to expressly or inherently disclose (1) “a biaxially tensilized substrate,” (2) “a cross web dimensional difference” over the claimed conditions, (3) “a coefficient of thermal expansion” over the claimed conditions, and (4) “said coefficient of thermal expansion” required by claim 1. CIB at 88-89. As an initial matter, Sony’s expert appears to rely at least in part on a construction for “tensilized” that was rejected. *See* Section V.C.1, *supra*. Sony also appears to assert that the prior art must disclose CTE and CHE over the entire “a temperature range of about 35 degrees and over a relative humidity range of about 70%” in order to satisfy claim 1. CIB at 89 (citing CX-0011C at Q/A 178-185, 260-271, 346-357, 410-421). Sony is correct that claim 1

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<sup>15</sup> Additionally, I find below that the ’501 patent is invalid based on the sale and use of a prior art product before the priority date for the ’501 patent. Arguments based on the on-sale bar are not allowed in IPR proceedings and no estoppel applies to such arguments. *See* 35 U.S.C. §§ 311(b), 315(e)(2).

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requires a “cross web dimensional difference from a substrate wafer . . . of less than 900 microns/meter over a temperature range of about 35 degrees, and over a relative humidity range of about 70%.” However, neither the claims nor the specification requires that test measurements be taken at each degree of temperature or at each percentage point of humidity. If the prior art discloses representative CTE or CHE measurements that would be understood by person of ordinary skill in the art to demonstrate the claimed range, it is enough. *Cf. ClearValue, Inc. v. Pearl River Polymers, Inc.*, 668 F.3d 1340, 1345 (Fed. Cir. 2012) (holding that a prior art range of “150 ppm or less” disclosed the claimed “50ppm” limitation because there was “no evidence demonstrating any difference across the range”); *In re Peterson*, 315 F.3d 1325, 1329 (Fed. Cir. 2003) (recognizing that a prior art reference discloses a claim limitation “when the claimed range and the prior art range do not overlap but are close enough such that one skilled in the art would have expected them to have the same properties”); *see* JX-0027C at 73:23-82:5 (Dr. Merton, the inventor of the ’501 patent, testifying that CTE of the magnetic recording medium disclosed in the specification is uniform between 25 to 35 to 45 degrees, and down to 10 degrees, when measured using a constant dew point or humidity level). Sony’s overarching argument is therefore rejected, and its specific arguments for each prior art product or reference will be addressed below.

Based on the evidence and arguments of the parties set forth above, and in detail in the following subsections, I find that Fujifilm presented clear and convincing evidence that (1) the Imation 9840 product renders claims 1, 2, 4, 5, 6, and 8 of the ’501 patent invalid as anticipated; (2) Meguro renders claims 1, 2, 4, 5, 6, and 8 invalid as anticipated; (3) Meguro-2 renders claims 1, 2, 4, 5, and 6 invalid as anticipated; (4) the Imation LTO-1 product in combination with the knowledge and experience of a person of ordinary skill in the art and/or the NCIS Roadmap

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renders claims 1, 2, 4, 5, 6, and 8 invalid as obvious; and (5) Takahashi in combination with the knowledge and experience of a person of ordinary skill in the art renders claims 1, 2, 4, 5, 6, and 8 invalid as obvious. I also find that Fujifilm did not present clear and convincing evidence that the asserted claims of the '501 patent are not enabled or adequately described in the specification.

### 1. The Imation 9840 product anticipates claims 1, 2, 4, 5, 6, and 8.

Fujifilm asserts that Imation exclusively manufactured the magnetic recording media and cartridges for the 9840 product, which was sold to the public starting in the late 1990s. RIB at 58 (citing RX-0003C at Q/A 156; Tr. at 662:19-22). For evidence of the relevant properties of the 9840 product, Fujifilm relies on a June 2002 presentation by Dr. Merton, the inventor of the '501 patent, that documents his measurements of the tape, the testimony of Dr. Merton, and testing done by Fujifilm's expert within the last year.<sup>16</sup> *Id.* (citing RX-0003C at Q/A 158-160). Fujifilm's expert, Dr. Wang, stepped through the evidence to provide a limitation-by-limitation explanation of how the 9840 product he tested satisfies each limitation of the asserted claims. RX-0003C at Q/A 296-341.

Sony first asserts that Fujifilm failed to prove that the 9840 product was commercially available during the relevant time such that it qualifies as prior art. CIB at 90. However, Fujifilm presented overwhelming evidence to show that the 9840 product was commercially

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<sup>16</sup> Unlike the measurements of the accused products that Staff noted were "performed by a Fujifilm employee[,] Fujifilm's expert omitted key information about the testing protocol[,] sample preparations are not documented or provided[,] Fujifilm's expert did not observe the testing in person[, and] Fujifilm's expert did not have extensive experience using the thermomechanical analyzer used for the measurements," the measurements of the Imation 9840 product were performed by "a well-known independent lab, EAG Laboratories" under Dr. Wang's direction. SIB at 78; RX-0003C at Q/A 305.

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available at the relevant time. JX-0002C at 120:12-21, 230:8-24, 261:1-262:14; Tr. at 661:6-25; RX-0003C at Q/A 156-157; RX-0328; RX-0330; RX-0337; RX-0338; RX-0360; RX-0379; RX-0397; RX-0398; RX-0399; RX-0400.

Second, Sony asserts that Fujifilm failed to prove that the “Imation BlackWatch 9840” tapes tested by Dr. Wang for this investigation are the same as the “StorageTek 9840” tape measured by Dr. Merton, and therefore have the same relevant properties. CIB at 90-91. Again, the evidence shows that Imation only produced one type of 9840 tape media, all with the same features, and Sony does not present convincing evidence to show otherwise. Tr. at 662:19-22; 663:7-11.

Third, Sony asserts that Fujifilm failed to show that the 9840 product had a biaxially tensilized substrate. CIB at 91. The evidence here shows that the 9840 product used a Q11 substrate, which is the same substrate used in the inventive embodiment of the '501 patent and is therein described as having a biaxially tensilized substrate, and Sony did not present convincing evidence to call Fujifilm's evidence into doubt. JX-0027C at 120:12-21, 145:20-22, 213:13-215:17, 230:25-231; RX-0003C at Q/A 299.

Fourth, Sony asserts that Dr. Merton's measurements of the 9840 products depicted in his June 2002 presentation were unreliable because the instrument he used to obtain those measurements was later replaced by a more reliable instrument. CIB at 91-92. Although modern instruments are more reliable, the evidence shows that the instrument used by Dr. Merton was sufficiently reliable to perform the relevant measurements, and the measurements, even after applying the margin of error, satisfy the claim limitations. RX-0034C at 8 (showing the measurement accuracy of Dr. Merton's machine as 15 ppm, resulting in a measurement of 518 ppm  $\pm$  15 ppm, which falls below the 900 microns/meter limit of claim 1); RX-0003C at

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Q/A 309-314; *compare* RX-0003C at Q/A 308 (Dr. Merton's measurements showing CTE of 8.4 ppm/C and CHE of 6.7 ppm/%RH) *with id.* at Q/A 321 (Dr. Wang's measurements showing CTE of 8.6 ppm/C and CHE of 6.6 ppm/%RH).

Fifth, Sony asserts that Fujifilm's measurements of the 9840 product for this investigation are not reliable because Dr. Wang failed to apply a correction factor to the resulting measurements. CIB at 91. However, Dr. Wang explained that he did apply a correction factor, which was less than 0.1%. Tr. at 621:12-622:7, 650:21-25.

For claim 2, Sony argues that Fujifilm has not met its burden to establish that the 9840 products satisfy the surface roughness limitation because the product measured by Dr. Wang "does not demonstrate surface roughness for the StorageTek 9840 tested in 2002 at Imation." CIB at 93. As I found above, the evidence shows that the 9840 product measured by Fujifilm for this investigation reliably informs the characteristics of the 9840 product. Sony makes no assertion that Dr. Wang's measurements do not satisfy the "Wyko surface roughness of less than 10 nm." Because I have credited Dr. Wang's measurements, I need not address Fujifilm's contention that "the knowledge and experience of a [person of ordinary skill in the art and/or the NSIC Roadmap] or the Imation LTO-1 product can be combined with the 9840 product to arrive at an invention with the requisite Wyko surface roughness. *See* RIB at 75-76.

For the foregoing reasons, Fujifilm showed by clear and convincing evidence that the Imation 9840 product anticipates claims 1, 2, 4, 5, 6, and 8 of the '501 patent.

### **2. Meguro anticipates claims 1, 2, 4, 5, 6, and 8.**

Japanese Patent Application Number P2001-3412160 published on May 16, 2003, as Publication Number 2003-141708 ("Meguro"), and lists Katsuhiko Meguro and Masatoshi Takahashi as the inventors. RX-0124 at 1. Fujifilm and Staff assert that Meguro anticipates claims 1, 2, 4, 5, 6, and 8 of the '501 patent. CIB at 62-66; SIB at 87-88. Fujifilm's expert, Dr.

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Wang, stepped through the evidence to provide a limitation-by-limitation explanation of how Meguro satisfies each limitation of the asserted claims. RX-0003C at Q/A 138-140, 214-256.

Sony first argues that Meguro does not disclose a “biaxially tensilized substrate,” but Sony’s argument relies on a construction of “tensilized” that has been rejected. CIB at 93. Sony next argues that Meguro only discloses CTE between 23-50°C, not the 35°C range required by claim 1, and a CHE of 50-80 %RH, not the 90% range required by claim 1. *Id.* at 94. As discussed above, the prior art need not disclose measurements at every degree or percentage of humidity in the claimed range, as long as a person of ordinary skill in the art would understand that the cross web dimensional difference of the disclosed tape remains linear over those ranges. *See* Section V.F, *supra*. Dr. Wang testified that the temperature and relative humidity ranges disclosed in Meguro would be understood by a person of skill in the art to demonstrate that the disclosed tape demonstrates CTE and CHE across the ranges in claim 1, and Sony did not present any compelling contrary evidence. RX-0003C at Q/A 239-240.

Regarding claim 2, Sony argues that Meguro’s disclosure of “center-line surface roughness average of 0.1 to 4.0nm” does not disclose the “Wyko surface roughness of less than 10 nm” limitation. CIB at 94. Sony explains that the surface roughness of claim 2 is that of the recording medium, whereas the surface roughness of Meguro is only of the nonmagnetic supporting member. *Id.*; CX-0011C at Q/A 286-288. Sony’s expert concludes that “the surface roughness of the supporting member does not necessarily indicate anything about the surface roughness of the magnetic recording medium.” CX-0011C at Q/A 289. Although Sony’s expert may be correct in the abstract, the full quote from Meguro that Sony excerpted is that “[t]he magnetic recording medium according to the present invention is preferable because the surface has extremely superior smoothness, as indicated by the center-line surface roughness average of

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0.1 to 4.0 nm with the cutoff value of 0.25 mm but preferably within the range of 0.5 to 3.0 nm.” RX-0124 ¶ 0082 (emphasis added). Meguro therefore discloses the limitation of claim 2.

Regarding claim 6, Sony argues that the thickness of the substrate in Meguro for example 9, which Fujifilm relies on for the disclosure of claim 2, is 62 microns, which does not satisfy the “about 1 to about 10 microns” limitation. CIB at 94. Fujifilm, on the other hand, relies on the teaching of Meguro that the “thickness of the nonmagnetic supporting member used for a computer tape is within the range of 3.5 to 7.5  $\mu\text{m}$  (preferably 3 to 7  $\mu\text{m}$ ).” RX-0124 ¶ 0075. Meguro’s “computer tape” teaching relied on by Fujifilm is different than the teaching in relation to example 1 relied on by Sony that a “floppy® disk” has a thickness of 62 microns, and a person of ordinary skill in the art would have recognized that the 62 micron substrate of example 1 did not inform the thickness of the substrate in example 9. *Id.* ¶ 94. Although Meguro states that example 9 was “fabricated through the same method as that was used for the working example 6” with some caveats, and that example 6 was “fabricated through the same method used for working example 1,” nothing in Meguro suggests that examples 6 or 9 use the same 62 micron substrate as example 1. *Id.* ¶¶ 0101, 0104. As Dr. Wang testified, a person of ordinary skill in the art “would have understood that a magnetic tape medium is much thinner than a magnetic floppy disk,” that 10 microns was “very thick for the early 2000s,” and that a thickness greater than 50 microns would have been impossible. RX-0003C at Q/A 254. Meguro therefore discloses the limitation of claim 6.

Accordingly, for the foregoing reasons, Fujifilm showed by clear and convincing evidence that the Meguro anticipates claims 1, 2, 4, 5, 6, and 8 of the ’501 patent.

### **3. Meguro-2 anticipates claims 1, 2, 4, 5, and 6.**

United States Patent Application Number 10/413,510 was published on December 4, 2003, as Publication Number 2003/0224213 (“Meguro-2”), and it lists Katsuhiko Meguro and

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Masatoshi Takahashi as the inventors. RX-0366 at cover page. Fujifilm and Staff assert that Meguro anticipates claims 1, 2, 4, 5, and 6 of the '501 patent. CIB at 66-68; SIB at 88-89. Fujifilm's expert, Dr. Wang, stepped through the evidence to provide a limitation-by-limitation explanation of how Meguro satisfies each limitation of the asserted claims. RX-0003C at Q/A 147-149, 257-295.

For the same reasons as with Meguro, Sony argues that Meguro-2 does not disclose a "biaxially tensilized substrate" or CTE and CHE values across the entire ranges claimed by the '501 patent. CIB at 95-96. These same arguments have been rejected above.

Accordingly, for the foregoing reasons, Fujifilm showed by clear and convincing evidence that the Meguro anticipates claims 1, 2, 4, 5, and 6 of the '501 patent.

**4. The Imation LTO-1 product in combination with the knowledge and experience of a person of ordinary skill in the art and/or the NCIS Roadmap renders claims 1, 2, 4, 5, 6, and 8 invalid as obvious.**

The Imation LTO-1 product, also referred to as the Ultrium Generation 1 product, is identified in the '501 patent as a prior art magnetic recording medium manufactured by Imation. JX-0002 at 10:60-66. The NCIS Roadmap is a document titled "Magnetic Tape Storage Roadmap February 2002" that was published by National Storage Industry Consortium ("NSIC"), as noted above in the background description of the '501 patent. JX-0115; RX-0003C at Q/A 150. NCIS was, at the time of the Roadmap, "a leading consortium of more than 50 companies and universities in the field of magnetic tape." RX-0003C at Q/A 151-155. Fujifilm specifically relies on the section of the NSIC Roadmap titled "Recording Media Technology" that discusses optimizing linear density, track density, and layer density of magnetic media to increase tape capacity and performance. *Id.* at Q/A 154. Fujifilm's expert, Dr. Wang, stepped through the evidence to provide a limitation-by-limitation explanation of how the Imation LTO-1

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product in combination with the knowledge and experience of a person of ordinary skill in the art and/or the NSIC Roadmap satisfies each limitation of the asserted claim. *Id.* at Q/A 352-386.

As explained in the '501 patent, the inventor changed “the substrate used in a magnetic recording medium, Ultrium® Generation 1, commercially available from Imation Corp., from a tensilized polyethylene naphthalate to a polyethylene naphthalate film having been biaxially tensilized.” JX-0002 at 10:60-66. In other words, the '501 patent teaches that the LTO-1 product was not biaxially tensilized as required by claim 1. *See* CX-0001C at Q/A 511. According to Dr. Wang, the NSIC Roadmap discloses the same biaxially tensilized substrate used by the inventor of the '501 patent for the invention. RX-0003C at Q/A 359 (citing JX-0115 at Table 12 (NSIC Roadmap); JX-0027 at 198:5-199:12 (deposition transcript of Dr. Merton); JX-0002 at Table 1).

Sony does not appear to dispute the disclosure of the NSIC Roadmap, but does dispute that a person of ordinary skill in the art would be motivated to use the disclosure of the NSIC Roadmap to change the medium in the Imation LTO-1 product in a way to make the claimed invention. CIB at 98. Sony's expert, Dr. Bhushan, explains that such a combination would make the LTO-1 tape inoperable for its intended purpose of “interchangeability and performance with LTO-1 certified drives” because of the “strict and numerous requirements . . . as set forth in the LTO-1 format specification.” CX-0011C at Q/A 506-514. Dr. Bhushan's explanation presupposes that a person of ordinary skill in the art would not alter an LTO-1 product if such an alteration would make the product non-compliant with the LTO-1 format specification. However, there is no evidence that a person of skill in the art motivated to “improve the dimensional stability of a magnetic recording medium” (*see* RIB at 73) would only consider the LTO-1 format specification to the exclusion of a different or new format specification. Indeed,

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the NSIC Roadmap appears format-agnostic. *See* JX-0115 at 2 (referring generally to “linear tape recording formats”). The evidence therefore shows that a person of ordinary skill in the art would be motivated to combine the biaxially tensilized substrate disclosed in the NSIC Roadmap with the LTO-1 product to improve the dimensional stability of the tape. *See* RIB at 73 (citing RX-0003C at Q/A 353).

Sony next argues that Dr. Wang improperly relies on the inventor’s testimony, impermissible hindsight, and incorrect claim interpretation. CIB at 98. Sony, however, fails to identify the supposed error in Dr. Wang’s evaluation of the inventor’s testimony. Sony also never states what impermissible hindsight or incorrect claim construction Dr. Wang applied. Similarly, Sony asserts that “Dr. Wang fails to demonstrate how this combination renders [the dependent] claims obvious and [that] Dr. Wang’s proposed combinations are improper” without explaining the shortcomings in Dr. Wang’s analysis. *Id.* Fujifilm has put forth clear and convincing evidence, and I decline to make Sony’s rebuttal arguments for them. As the Seventh Circuit observed in its now familiar maxim, “[j]udges are not like pigs, hunting for truffles buried in briefs.” *United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir.1991).

Accordingly, the evidence shows that the combination of the Imation LTO-1 product with the NSIC Roadmap discloses each limitation of the asserted claims, and that a person of ordinary skill in the art would have been motivated to make this combination.

Sony argues that secondary considerations of non-obviousness preclude finding that the combination of the Imation LTO-1 product with the NSIC Roadmap renders the asserted claims obvious. CIB at 100. Sony specifically asserts that the “knowledge at the time taught away from the ’501 invention” such that a person of ordinary skill in the art would not “consider matching CTE and CHE of composite recording media to standard Al-TiC, as required by the ’501

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invention.” *Id.* (emphasis in original). Sony explains that the knowledge at the time was that “substrate properties dominate tape properties” so that “it was desirable to match the CTE of the substrate to the standard Al-TiC substrate CTE (7ppm/C)” instead of matching the CTE of the tape to the Al-TiC substrate. *Id.* (emphasis added). To support its assertion, Sony points to the NSIC Roadmap, which states that “it is desirable to match thermal expansion of the tape substrate with that of the head substrate.” *Id.* (citing CX-0011 at Q/A 675 (citing JX-0115 at 13-14)). However, the NCIS Roadmap also states that the “physical properties of both the substrate and the magnetic/nonmagnetic layers affect the properties of a tape and should be taken into account” and that “the goal is to match thermal expansion of the tape in the TD to that of the head substrate.” JX-0115 at 13, 14 (emphasis added).

Sony also points to the “Richards” publication that states that “mechanical properties of tapes are dominated by substrate properties.” *Id.* (citing CX-0011 at Q/A 676 (citing RX-0127 at 5)). The Richards publication states that “the best that a tape designer can do is try to match the thermal expansion of the head.” RX-0127 at 5. Sony’s evidence is not a “clear discouragement” of matching the CTE and CHE of the tape to the Al-TiC substrate. *See Santarus, Inc. v. Par Pharm., Inc.*, 694 F.3d 1344, 1356 (Fed. Cir. 2012).

Accordingly, Fujifilm has shown by clear and convincing evidence that the combination of the Imation LTO-1 product with the knowledge and experience of a person of ordinary skill in the art and/or the NSIC Roadmap renders invalid as obvious claims 1, 2, 4, 5, 6, and 8 of the ’501 patent.

**5. Takahashi in combination with the knowledge and experience of a person of ordinary skill in the art renders claims 1, 2, 4, 5, 6, and 8 invalid as obvious.**

Japanese Patent Application Number P2000-311769 published on April 26, 2002, as Publication Number P2002-123928 (“Takahashi”) and lists Takahashi Masatoshi and Doshita

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Hioaki as inventors. RX-0123 at 1. United States Patent Application Number 10/203,346 published on June 12, 2003, as Publication Number 2003/0108775 (“Kobayashi”) and lists Ieyasu Kobayashi, Shinji Muro, and Hirofumi Murooka as inventors. RX-0378 at cover page. Fujifilm only asserts that Kobayashi is part of an invalidating combination in the event that Sony’s proposed construction of “tensilized” is adopted, which it is not. RIB at 78-79; *see* Section V.C.1, *supra*. Therefore, only the combination of Takahashi with the knowledge and experience of a person of ordinary skill in the art is effectively asserted as an invalidating combination. Fujifilm’s expert, Dr. Wang, stepped through the evidence to provide a limitation-by-limitation explanation of how the Imation LTO-1 product in combination with the knowledge and experience of a person of ordinary skill in the art satisfies each limitation of the asserted claims. RX-0003C at Q/A 165-213, 449-456.

Sony argues that a person of ordinary skill in the art would not modify Takahashi to use Kobayashi’s “biaxially oriented polyester film” because such a person would not “merely swap” substrates because substrate selection can affect performance. CIB at 99. However, Sony does not dispute that Takahashi discloses a “biaxially tensilized substrate” if its untimely construction of “tensilized” is rejected. CRB at 42-43. Thus, there is no need to rely on Kobayashi for that limitation.

Sony also argues that Takahashi does not disclose CTE and CHE values that compass the entire ranges claimed by the ’501 patent, but this argument has been rejected above. *Id.* at 43; *see* Section V.F, *supra*.

To the extent that Sony intends its statement that “Takahashi fails to disclose all the limitations of the Asserted Claims” to preserve arguments not articulated, it does not. I decline to make Sony’s arguments for them. *See Independent Towers, WA v. Washington*, 350 F.3d 925,

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929 (9th Cir. 2003) (“We decline, however, to sort [through] the noodles in search of [the plaintiff’s] claim.”).

Finally, as explained above, Sony’s argument that secondary considerations of non-infringement teach away from the combination has been rejected. *See* Section V.F.4, *supra*.

Accordingly, Fujifilm has shown by clear and convincing evidence that the combination of Takahashi with the knowledge and experience of a person of ordinary skill in the art renders invalid as obvious claims 1, 2, 4, 5, 6, and 8 of the ’501 patent.

**6. Fujifilm did not prove by clear and convincing evidence that the specification of the ’501 patent does not adequately describe the asserted claims.**

Fujifilm advances two arguments that all of the asserted claims of the ’501 patent are invalid for lack of written description. CIB at 86.

First, Fujifilm asserts that claim 1 and dependent claim 8 include limitations drawn to broad ranges, but that the specification describes only a single example within those claimed ranges. *See id.* From that assertion, Fujifilm summarily concludes, without any supporting citation, that a person of ordinary skill in the art “would have understood that a single example is insufficient to support that the inventor had possession of the entire claimed range.” Fujifilm’s conclusion is flatly at odds with controlling precedent from the Federal Circuit, which states that “[a] claim will not be invalidated on section 112 grounds simply because the embodiments of the specification do not contain examples explicitly covering the full scope of the claim language.” *Falko-Gunter Falkner v. Inglis*, 448 F.3d 1357, 1366 (Fed Cir. 2006) (quoting *LizardTech, Inc. v. Earth Resource Mapping, Inc.*, 424 F.3d 1336, 1345 (Fed. Cir. 2005)). Fujifilm’s attempt to distinguish *Falko-Gunter Falkner* based on comparing the particular claims at issue there from the claims of the ’501 patent is unpersuasive. *See* CRB at 44. Fujifilm cannot, by presenting an undeveloped written description argument, shift onto Sony a burden to show that the asserted

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claims satisfy the written description requirement of § 112. The asserted claims are presumed to be valid, and thus to satisfy all the requirements of § 112. Here, the conclusory assertions in Fujifilm's briefing, and the single conclusory question and answer pair of its expert, Dr. Wang, do not amount to clear and convincing evidence that any of the asserted claims fail to satisfy the written description requirement of § 112. RIB at 86 (citing RX-0003C at Q/A 527).

Fujifilm's second written description argument appears to be contingent in nature. Particularly, Fujifilm argues that, "under Dr. Bhushan's interpretation of the claim, the '501 Patent discloses no embodiments that meet the claim limitations and fails to describe the claimed invention in sufficient detail that a POSA can reasonably conclude that the inventor had possession of the claimed invention." RIB at 86 (citing RX-0003C at Q/A 528). The underlying reasoning is that, during the deposition of the inventor of the '501 patent, he disclosed that the "single embodiment example disclosed in the '501 Patent was not measured under" testing conditions that Sony's expert, Dr. Bhushan, indicated were necessary to determine infringement. *See id.* (citing JX-0027, 73-75, 78; CX-0011C at Q/A 337, 734). Fujifilm then appears to reason that, because the inventor did not measure the properties that appear in the table presented with example 1 of the '501 patent according to the protocol presented by Dr. Bhushan, example 1 cannot provide written description support for the asserted claims. *See id.*

Fujifilm's second written description argument, like its first, is unpersuasive. Particularly, Fujifilm's argument strays from the relevant test for written description, which asks "whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date." *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (*en banc*). Instead,

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Fujifilm presents extrinsic evidence, in the form of inventor testimony, that the properties reported for example 1 in the '501 patent were obtained via a method that might not be suitable to establish infringement. In so doing, Fujifilm, and its expert, fail to address what a person of ordinary skill would understand from the '501 patent's actual disclosure. Moreover, Fujifilm's argument erroneously suggests that, because the inventor's measurement methods may not suffice to show infringement, the embodiment he disclosed in the '501 patent would not indicate to a person of ordinary skill that he possessed the invention claimed therein. That conclusion simply does not follow. Accordingly, Fujifilm has also failed to prove, by clear and convincing evidence, that any asserted claim of the '501 patent lacks written description based on its second argument.

**7. Fujifilm did not prove by clear and convincing evidence that the asserted claims are not enabled.**

Fujifilm argues that all asserted claims of the '501 patent are invalid for lack of enablement. RIB at 87. However, Fujifilm's briefing falls well short of establishing invalidity due to lack of enablement by clear and convincing evidence. Particularly, neither Fujifilm in its briefing, nor its expert in his testimony, address the underlying factors that govern the enablement inquiry. *Compare In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988) with RIB at 87-88 and RX-0003C at Q/A 529-531. While it is possible that some portion of the two pages of Fujifilm's briefing and three question and answer pairs from Fujifilm's expert may read on one or more of the eight factors that inform whether a disclosure would require undue experimentation, the Commission is not in the business of completing a party's arguments for them. As Staff correctly notes, "[a] patent is presumed valid, and, as the challenger, it is Fujifilm's 'burden to show by facts supported by clear and convincing evidence that the patent was not enabling.'" SIB at 98 (citing *U.S. v. Telectronics, Inc.*, 857 F.2d 778, 785 (Fed. Cir.

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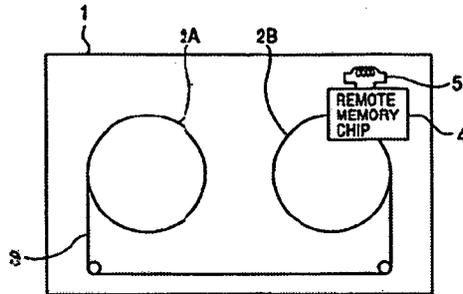
1988); *Cephalon, Inc. v. Watson Pharmaceuticals, Inc.*, 707 F.3d 1330, 1339 (Fed. Cir. 2013) (“Watson had the burden to show by way of testimony or documentary evidence the amount of experimentation needed”). Here, the conclusory assertions in Fujifilm’s brief and its expert’s witness statement, which are ambiguous at best in their relation to the factors underlying a proper undue experimentation determination, do not amount to clear and convincing evidence of a lack of enablement. Accordingly, I find that Fujifilm has failed to establish, by clear and convincing evidence, that any of the asserted claims are invalid for lack of enablement.

### VI. U.S. PATENT NUMBER 6,674,596

United States Patent Number 6,674,596 is entitled “Memory In Cassette Has Use Restriction Recorded In Read-Only Memory.” JX-0001 at cover page (’596 patent). The patent issued from Application Number 09/524,909, and claims priority to Japanese Patent Application Number P11-072042 having a date of March 17, 1999. *Id.* It issued on January 6, 2004, and lists Yoshihisa Takayama as the sole inventor and Sony Corporation as the assignee. *Id.*

The ’596 patent claims a tape drive for reading from and writing to a specific type of tape cassette that has solid-state memory in addition to a magnetic tape. *Id.* at Abstract. The solid-state memory, which is also referred to as nonvolatile memory on remote memory chip 4 shown in figure 3A of the ’596 patent, below, can store management information such as “manufacture information and serial number information of each tape cassette, the tape width and length, the tape material, information relevant to a record of using recorded data in each partition, user information, and the like,” which “are used for management of the writing/reading to/from the magnetic tape 3.” *Id.* at 4:6-30, figure 3A; *see also id.* at 4:48-55, figure 3B (showing the nonvolatile memory on a contact chip instead of a remote chip).

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According to the '596 patent, the solid-state memory can allow the recording media to function as a write-once read-many ("WORM") storage device. *Id.* at 1:35-37, 17:19-18:65. The '595 patent describes other WORM storage devices that existed at the time of the invention, such as compact disks, but asserts that it was not possible to prevent re-writing of data on magnetic tapes before the invention. *Id.* at 1:12-43.

### 4. The Asserted '596 Patent Claims

Sony asserts claims 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13 of the '596 patent in this investigation. Asserted claims 2, 3, 6, 7, and 8 depend on independent claim 1, asserted claim 4 depends on claim 3, and asserted claim 5 depends on claim 4. Asserted claims 10, 11, 12, and 13 depend on independent claim 9. These claims provide:

1. A tape drive apparatus comprising:  
tape drive means for running a magnetic tape and writing/reading information to/from the magnetic tape, wherein the magnetic tape is enclosed in a tape cassette;  
memory drive means for reading and writing management information by performing a predetermined communication process with a memory, wherein the memory is included in the tape cassette for storing the management information for managing the writing/reading of information to/from the magnetic tape by the tape drive means;  
a use-recognition information detector for detecting from the memory use-recognition information designating a use for the tape cassette; and  
a controller for controlling an operation of the tape drive means based on the use-recognition information detected by the detector, wherein the use-recognition information is stored in a read-only area in said memory.

\* \* \* \* \*

2. The tape drive apparatus according to claim 1, wherein, when said

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controller controls the tape drive means for writing data to the magnetic tape, said controller controls said tape drive means to use a last writing position on the magnetic tape as a writing start position.

\* \* \* \* \*

3. The tape drive apparatus according to claim 1, wherein said controller controls the tape drive means to write an identification information of the tape cassette stored in said memory together with write data on the magnetic tape.

\* \* \* \* \*

4. The tape drive apparatus according to claim 3, further comprising: an identification-information comparator for comparing the identification information stored in said memory and the identification information written on the magnetic tape.

\* \* \* \* \*

5. The tape drive apparatus according to claim 4, wherein said controller controls the operation of the tape drive means based on a result of a comparison of the identification information comparator.

\* \* \* \* \*

6. The tape drive apparatus according to claim 1, wherein said controller performs data reading based on the use-recognition information detected by the detector.

\* \* \* \* \*

7. The tape drive apparatus according to claim 1, wherein said memory comprises a read-only area and a rewritable area.

\* \* \* \* \*

8. The tape drive apparatus according to claim 1, wherein said memory drive means comprises interface means for transmitting data between the memory and the memory drive means.

\* \* \* \* \*

9. A tape drive apparatus comprising:  
tape drive means in which, when a tape cassette including a magnetic tape is loaded, said tape drive means runs the magnetic tape and writes/reads information to/from the magnetic tape;  
memory drive means in which, when the tape cassette includes a memory for storing management information for managing the writing/reading of information to/from the magnetic tape, said memory drive means reads or writes the management information by performing a predetermined communicating process with the memory;  
a first identification-information detector for detecting first identification information of said tape cassette stored in said memory;  
a second identification-information detector for detecting second identification information of said tape cassette stored on the magnetic tape;  
identification-information determining means for determining whether the first and second identification information detected respectively by the first and second identification-information detectors coincide with each

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other;  
a controller for executing only a particular operation based on a result of a determination by said identification-information determining means.

\* \* \* \* \*

10. The tape drive apparatus according to claim 9, wherein when said controller controls the tape drive means for writing data to the magnetic tape and said controller further controls said tape drive means to use a last writing position on the magnetic tape as a writing start position.

\* \* \* \* \*

11. The tape drive apparatus according to claim 9, wherein said controller controls the tape drive means to write on the magnetic tape an identification information of the tape cassette stored in said memory, as well as to write data on the magnetic tape.

\* \* \* \* \*

12. The tape drive apparatus according to claim 9, wherein said controller performs data reading based on the use-recognition information.

\* \* \* \* \*

13. The tape drive apparatus according to claim 9, wherein said memory comprises a read-only area and a rewritable area.

JX-0001 at 21:21-22:43.

**B. Level of Ordinary Skill in the Art**

Sony, Fujifilm, and Staff largely agree on the level of a person of ordinary skill in the art as of the date of the '596 invention, with only slight differences in their proposals that do not affect the substantive analysis in this investigation. CIB at 105 (citing CX-0003C at Q/A 132-138); RIB at 90 (citing RX-0004C at Q/A 60-66; CX-0003C at Q/A 136); SIB at 99 (citing CX-0003C at Q/A 132-133; RX-0004C at Q/A 63). Given the evidence of the record cited by the private parties and Staff, and that the parties' positions would not be changed or materially altered under either of the proposed definitions, I find that a person of ordinary skill in the art can be either of the following:

1. A person with "a bachelor's degree in mechanical engineering, electrical engineering, or a closely related field, and at least two to three years of experience in the field of magnetic tape systems. A person with less education but more relevant practical experience (or vice versa) may also meet this standard." CX-0003C at Q/A 133.
2. "[A] person with a bachelor's degree in mechanical engineering, electrical engineering, or a closely related field, and two to three years of experience in the field of magnetic

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tape systems. A person with less education but more relevant practical experience may also meet this standard.” RX-0004C at Q/A 63.

### C. Claim Construction and Indefiniteness

The parties agreed upon the constructions of the following terms:

1. “management information” as “[m]anufacture information, serial number information, the tape width and length, the tape material, information relevant to a record of using recorded data in each partition, user information, and other information that can be used in the managing of the writing/reading of data to/from the magnetic tape”;
2. “identification information” as “[i]nformation that can be used to identify”; and
3. “identification-information determining means [for determining whether the first and second identification information . . . coincide with each other]” as “Function: determining whether first and second identification information coincide with each other / Structure: system controller 15, and equivalents.”

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 1-2 (May 25, 2018); Order No. 39 (June 29, 2018) (granting motion). Accordingly, I adopt the agreed-upon constructions for the purposes of this investigation.

The parties also agree that the following limitations are *not* governed by 35 U.S.C. § 112, ¶ 6:

“a controller for controlling an operation of the tape drive means based on the use-recognition information detected by the detector”;

“controller [that] controls the tape drive means for writing data to the magnetic tape [and said controller further] controls said tape drive means to use a last writing position on the magnetic tape as a writing start position”;

“controller [that] controls the tape drive means to write an identification information of the tape cassette stored in said memory together [as well as to / with] write data on the magnetic tape”;

“controller [that] controls the operation of the tape drive means based on a result of a comparison of the identification information comparator”;

“controller [that] performs data reading based on the use-recognition information [detected by the detector]”; and

“a controller for executing only a particular operation based on a result of a determination by said identification-information determining means.”

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*Id.* at 2-4. Accordingly, these limitations will not be treated as means-plus-function limitations for the purposes of this investigation.

The parties assert a dispute over seven claim terms in the '596 patent:

1. tape cassette;
2. use-recognition information;
3. read-only area;
4. writing/reading, writes/reads and to/from;
5. a) tape drive means for running a magnetic tape and writing/reading information to/from the magnetic tape [claim 1],  
b) said tape drive means runs the magnetic tape and writes/reads information to/from the magnetic tape [claim 9];
6. memory drive means [for reading and writing/that reads or writes] management information by performing a predetermined communication process with a memory; and
7. interface means for transmitting data [between the memory and the memory drive means/of the management information].

*Id.* at 5-9.

Notwithstanding the parties' assertions, only three groups of terms require construction for resolution of this investigation: (1) "tape cassette," (2) "writing/reading," "writes/reads," "to/from," and (3) "memory drive means [for reading and writing/that reads or writes] management information by performing a predetermined communication process with a memory." The construction of the other terms do not affect any issue in this investigation, and therefore the terms need not be construed. *See Vivid Techs., Inc. v. American Sci. & Eng'g, Inc.*, 202 F.3d 795, 803 (Fed. Cir. 1999); *Vanderlande Indus. Nederland BV v. Int'l Trade Comm.*, 366 F.3d 1311, 1323 (Fed. Cir. 2004).

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**1. “tape cassette”**

The term “tape cassette” appears in asserted independent claims 1 and 9 and dependent claims 3 and 11, and is incorporated by dependency into asserted claims 2, 4, 5, 6, 7, 8, 10, 12, and 13. The parties propose the following constructions for this term:

<b>Sony</b>	<b>Fujifilm</b>	<b>Staff</b>
housing with magnetic tape	housing with magnetic tape wound around two reels	Construction of this term is unnecessary. If construction is required, however, this term should be construed as “housing with magnetic tape.”

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 5 (May 25, 2018).

The core dispute between the parties is whether a “tape cassette” must have two reels, or if a tape with a single reel can satisfy the limitation. The language of the claims only requires the tape cassette to enclose the magnetic tape, and does not specify a limit to the number of reels the cassette may or may not contain. *See* JX-0001 at 21:24. Nor does any party argue that the specification limits a tape cassette to two reels. RRB at 48; CIB at 106; CRB at 47; SIB at 102.

Fujifilm’s argument instead starts with the premise that the plain and ordinary meaning of “tape cassette” requires two reels, and that the specification does not expand the ordinary meaning of “tape cassette” to encompass a single-reel housing. RRB at 48. To establish that the plain and ordinary meaning of “tape cassette” requires two reels, Fujifilm attempts to differentiate the term “cartridge” from the term “cassette.” Fujifilm argues that “cartridge” is a reel-ambiguous genus whereas “cassette” is a specific two-reel species. RIB at 92; RRB at 48. As evidence, Fujifilm points to the hearing transcript from the 337-TA-1050 investigation, which is not part of the record in this investigation, the testimony of its expert on direct and cross examination, technical books and articles, and dictionary definitions. RIB at 92-93 (citing Tr. at

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741:19-742:7 (“Cartridge is a superset, if you will, more expansive than a cassette. Cassette is limited to two reels, in my opinion”); RX-0004C at Q/A 163-180 (discussing RX-0214 to RX-0220); CX-0411 at 4 (defining a cassette as having “reels which are driven on their axis”); RRB at 48-49 (citing RX-0216 at 147, 149). For example, Fujifilm cites a textbook published in 1999 entitled “Magnetic Recording: The First 100 Years” has the section heading “Cassette (Two Reels) or Cartridge (One Reel).” RX-0214 at 186.

Sony counters that the '596 patent uses “cartridge” and “cassette” interchangeably, not as a genus and species. CIB at 106 (citing JX-0001 at 9:50-55, 14:23-28, 20:3-18, figure 23; CX-0003C at Q/A 273-276; CX-0013C at Q/A 130). Sony then argues that cartridges were understood to have one or more reels, and by implication so were cassettes. *Id.* As evidence, Sony points to the cross-examination testimony of Fujifilm’s expert, an inventor of the '596 patent, dictionary definitions, Fujifilm’s asserted prior art, and Fujifilm’s patent applications. CIB at 47-48 (citing Tr. at 742:1-7; JX-0081C at 29:17-30:9, 33:4-37:13; CX-0410; CX-0411; CX-0412; CX-0413; RX-0211; RX-0212; RX-0224 at 1:16-17; CX-0413 at [0008]). For example, a U.S. Patent Application listing Fujifilm as the assignee that published as 2003/0025021 states that “magnetic tape cassettes are available in two types . . . the second type comprising magnetic tape wound around a single reel which is also housed rotatably in the case (this is a so-called one-reel type).” CX-0413 at [0008]. As to Fujifilm’s evidence that shows a cassette would be understood as limited to two reels, Sony argues that those sources “are largely irrelevant because they define analog A/V cassettes” instead of cassettes in general. *Id.* (citing CX-0013C at Q/A 131-132).

I find the specification uses “cartridge” and “cassette” interchangeably. For example, the specification states that “when writing is performed *using the tape cassette 1 . . . a cartridge*

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*serial number* stored in the remote memory chip 4 as identification information of the tape cassette 1 is written in the data area A1 . . . .” JX-0001 at 9:50-55 (emphasis added). Similarly, the specification also states that: “a serial number that is ASCII-based 32-character information is stored *as a cartridge serial number*, and the code number of the manufacturer *of the tape cassette 1*, which is a manufacture identifier, is stored as manufacturer ID.” JX-0001 at 14:23-28 (emphasis added). In addition, in the Object and Summary of the Invention section, when describing this same operation, the specification refers to “tape cassette’s serial number” rather than “cartridge serial number,” again suggesting the interchangeability of “cartridge” and “cassette.” JX-0001 at 2:48-56; *see id.* at 4:21-25, 20:44-49. While Fujifilm is correct that such language could be consistent with a definition of cartridge that is a superset of cassette, the better reading is that the specification does not make such a distinction.

Moreover, the extrinsic evidence and associated expert testimony cuts both ways. The evidence relied on by Fujifilm largely supports the understanding that the cassette being discussed had two reels, and the evidence relied on by Sony largely supports the understanding that a cassette was defined based on it having a magnetic tape within in, not based on the number of reels.

The invention described and claimed in the ’596 patent is not concerned with the number of reels in the tape cassette. Nor does the evidence show that a person of ordinary skill in the art would understand the ’596 patent to be directed to only those housings that have two reels. Accordingly, the term “tape cassette” is construed to mean “housing with magnetic tape” and does not require a particular number of reels.

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**2. “writing/reading,” “writes/reads,” and “to/from”**

The terms “writing/reading,” “writes/reads,” and “to/from” appear in asserted independent claims 1 and 9, and are incorporated by dependency into asserted claims 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, and 13. The parties propose the following constructions for these terms:

<b>Sony</b>	<b>Fujifilm</b>	<b>Staff</b>
plain and ordinary meaning, i.e., “writing or reading, writes or reads, and to or from, respectively”	indefinite	<p>Construction of this term is unnecessary. If construction is required, however, this term should be construed with its plain and ordinary meaning, which is the claim language itself.</p> <p>Alternatively, this term should be construed as “writing or reading,” “writes or reads,” and “to or from, respectively.”</p>

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 6 (May 25, 2018).

Thus, the question is whether these terms are indefinite. Fujifilm argues that the terms are indefinite because a person of ordinary skill in the art would not have known what the forward-slash (“/”) in the term refers to. RIB at 96-97. For example, in claim 1, Fujifilm asserts that such a person would not have known whether the limitation “tape drive means for running a magnetic tape and writing/reading information to/from the magnetic tape” requires a tape drive that can write to *and* read from a magnetic tape, or a tape drive that can only write to *or* read from a magnetic tape. *Id.*

“Definiteness is to be evaluated from the perspective of someone skilled in the relevant art . . . at the time the patent was filed.” *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2128 (2014). In order to be sufficiently definite, the “claims, viewed in light of the

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specification and prosecution history, [must] inform those skilled in the art about the scope of the invention with reasonable certainty.” *Id.* at 2129.

The specification uses the forward-slash convention to describe reading and writing functionality. For example, the specification describes an interface for “writing/reading to/from the nonvolatile memory to a tape streamer drive” and then “writing and reading management information concerning data writing to and data reading from the nonvolatile memory” so that “the operations of writing to and reading from the magnetic tape 3 can be efficiently performed.” JX-0001 at 4:31-39 (emphasis added). The specification also uses the forward-slash convention in other contexts as an “and” or an “inclusive or.” For example, the specification describes “loading/unloading” as “loading and unloading.” *Id.* at 4:40-47. Indeed, it would make little sense if a tape drive could perform only one of these functions. The specification similarly describes a “compression/decompression circuit” that can perform both compression and decompression functionality. *Id.* at 7:3-20, 7:50-57.

Further, as Sony and Staff point out, the extrinsic record is replete with evidence that a forward slash was a well-known and widely-used convention in the magnetic storage field. *See* CIB at 112; SIB at 107-108. For example, Fujifilm’s own marketing literature and patent filings, and the patent filings of Fujifilm’s expert, use the forward slash to indicate reading and writing capabilities. Tr. at 780:6-19 (Fujifilm’s expert testifying that “full read/write capability” in a Fujifilm document “refers to the tape drive being capable of reading and writing the identified media”), 783:14-25 (Fujifilm’s expert testifying that he used the phrase “read/write channel” in a patent application on which he is listed as an inventor), 784:5-16 (same), 784:14-785:20 (Fujifilm’s expert testifying that he used the phrase “[t]he controller 42 provides a control signal to a R/W channel circuit 44 during read/write operations” in a patent on which he is listed as an

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inventor), 787:14-788:2 (Fujifilm's expert testifying that a patent assigned to Fujifilm uses the phrases "read/write of data" and "read/write controller"), 788:5-789:8 (Fujifilm's expert testifying that a patent assigned to Fujifilm uses the phrases "read/write device" and "the present invention related to a cartridge memory read/write device reading/writing data signals of a cartridge memory"), 789:9-791:2 (Fujifilm's expert testifying that a patent application assigned to Fujifilm uses the phrase "reading/writing data from/to said first memory," although the claims issued without the slashes).

Fujifilm focuses on the cross-examination testimony of Sony's expert, Dr. Mowry, to support its position. RIB at 98-99. Dr. Mowry testified that the best interpretation of the forward-slash is that it is neither an "and" nor an "or, but it is "an association of writing of information to the magnetic tape, reading information from the magnetic tape." *Id.* at 98 (quoting Tr. at 439:19-23). However, he then went on to testify that "inclusive 'or' is probably the best way to interpret this claim language if we need to replace the slash" and that "inclusive or . . . [is] very close to the concept." CX-0003C at Q/A 363; Tr. at 439:24-440:2. Fujifilm has not established that a person of ordinary skill in the art would not understand what a forward-slash means in the context of the '596 patent. Fujifilm has therefore not met its burden to establish that claims 1 and 9 are indefinite. *See Nautilus*, 134 S. Ct. at 2130 n.10.

Accordingly, Sony's proposed construction is adapted, with the understanding that the term "or" in Sony's construction is an inclusive or (sometimes written as "and/or"), not an exclusive or. *See* CIB at 113 n.42. "Writing/reading" is construed as "writing or reading," "writes/reads" is construed as "writes or reads," and "to/from" is construed as "to or from."

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**3. “memory drive means”**

The memory drive means limitation appears in asserted independent claims 1 and 9 from which claims 2-8 and 10-13 respectively depend.<sup>17</sup> As discussed in more detail below, this term is relevant to Fujifilm’s prior art defenses.

All parties agree that the claimed “memory drive means” should be construed as a means-plus-function limitation pursuant to 35 U.S.C. § 112, ¶ 6, and all parties agree that the function of the means is reading and writing management information, which is information that can control whether the tape can be written to or not. The dispute arises over the structure disclosed in the ’596 patent that corresponds to the function. The parties propose the following constructions for this term:

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<sup>17</sup> Although the memory drive means term is recited differently in each of independent claims 1 and 9, the parties do not contend that the differing recitations affect the determination of whether SCSI buffer controller is a corresponding structure required for all of the embodiments of the memory drive means.

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Sony's Proposed Construction	Fujifilm's Proposed Construction	Staff's Proposed Construction
<p>This limitation is governed by 35 U.S.C. § 112 ¶ 6.</p> <p><u>Function:</u> reading and writing management information by performing a predetermined communication process with a memory</p> <p><u>Structure:</u> System Controller 15 of Figure 1 with SCSI Buffer Controller 26 and Remote Memory Interface 30 of Figures 1 and 2 (for tape cassettes with remote memory chips) or predetermined connector part of 9:10-20 (for tape cassettes with contact memory) and their equivalents</p>	<p>This limitation is governed by 35 U.S.C. §112 ¶ 6.</p> <p><u>Function (claim 1):</u> reading and writing management information</p> <p><u>Function (claim 9):</u> reads or writes the management information</p> <p><u>Structure:</u> System Controller 15 of Figure 1 with SCSI Buffer Controller 26 and Remote Memory Interface 30 of Figures 1 and 2 (for tape cassettes with remote memory chips) or predetermined connector part of 9:10-20 (for tape cassettes with contact memory) and their equivalents</p>	<p>This limitation is governed by 35 U.S.C. § 112 ¶ 6.</p> <p><u>Function:</u> reading and writing management information by performing a predetermined communication process with a memory</p> <p><u>Structure:</u> System Controller 15 of Figure 1 with SCSI Buffer Controller 26 and Remote Memory Interface 30 of Figures 1 and 2 (for tape cassettes with remote memory chips) or predetermined connector part of 9:10-20 (for tape cassettes with contact memory) and their equivalents</p>

Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 7-8 (May 25, 2013).

To understand the dispute over the corresponding structure, it helps to know that all parties agree the '596 patent discloses two embodiments of the invention. See CIB at 109; RIB at 95. In both embodiments, the tape cassette has a memory that contains management information. In one embodiment, the memory on the cassette is called a "remote memory" and it communicates with the drive wirelessly. JX-0001 at 7:59-8:9. In another embodiment, the memory on the cassette is called the "contact memory" and it communicates with the drive through contact pins. *Id.* at 9:10-20. As can be seen from the above table, the parties generally agree that the structure corresponding to the "memory drive means" includes SCSI buffer

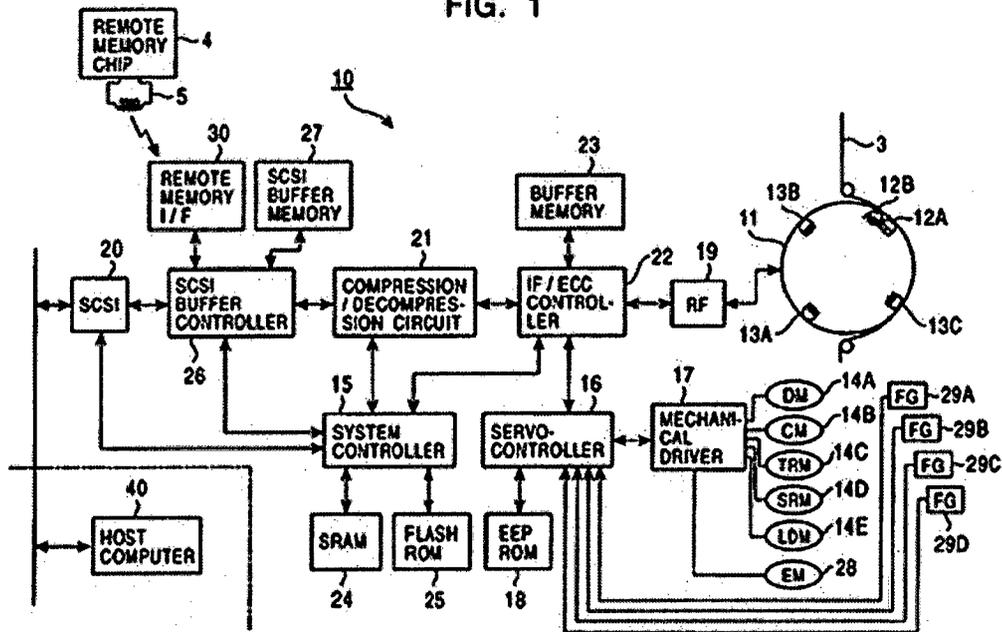
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controller 26. *See* RIB at 94; *see also* CIB at 109; SIB at 106. The parties dispute, however, whether the SCSI buffer controller 26 is corresponding structure in both the remote memory embodiment and the contact memory embodiment. *See* CIB at 109; RIB at 95.

Sony and Staff contend that SCSI buffer controller 26 is a corresponding structure for the memory drive means for both the remote and contact memory embodiments. CIB at 109-110; SIB at 106; SRB at 23-24. According to Sony and Staff, SCSI buffer controller 26 is directly involved with the function performed by the memory drive means for both embodiments, *i.e.*, reading and writing management information. CIB at 109-110; RRB at 23-24. Sony and Staff each contend that the SCSI buffer controller 26 is necessary structure and thus corresponds (along with other components) to the recited memory drive means for all embodiments covered by the asserted claims.

Fujifilm asserts that SCSI buffer controller 26 is not part of the memory drive means in the contact memory embodiment for two reasons. RIB at 95. First, Fujifilm argues that the contact memory embodiment disclosed in the '596 patent does not describe or depict the use of SCSI buffer controller 26 for reading and writing management information. RIB at 95-96; RRB at 52. Fujifilm contrasts this lack of express disclosure by pointing out that Figure 1 of the '596 patent expressly illustrates the remote memory embodiment in which remote memory chip 4 communicates with system controller 15 by way of remote memory interface 30 and SCSI buffer controller 26:

FIG. 1



RIB at 95.

Second, Fujifilm points out that the '596 patent states that system controller 15 may “directly access” the contact memory in the contact memory embodiment. RIB at 95-96 (citing JX-0001 at 9:18-20); RRB at 52 (citing same). Fujifilm argues that SCSI buffer controller 26 is not a corresponding structure because it is not “required” or “needed” for writing to or reading from the memory in the contact memory embodiment given that contact memory can be “directly” accessed by system controller 15. RIB at 96; RRB at 52.

In assessing means-plus-function claims, “[s]tructure disclosed in the specification qualifies as ‘corresponding structure’ if the intrinsic evidence clearly links or associates that structure to the function recited in the claim.” *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1352 (Fed. Cir. 2015). Thus, the issue here is whether the '596 patent clearly links or associates SCSI buffer controller 26 with the functions performed by the memory drive means in the

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contact memory embodiment. That issue is difficult to resolve because the '596 patent disclosure is open to alternative interpretations.

In particular, the '596 patent explains that in the contact memory embodiment, the terminals of contact memory are "electrically connected" to system controller 15 such that system controller 15 can "directly access" contact memory:

By connecting the connector part to the terminal part 106, the five terminals of the contact memory, 105A, 105B, 105C, 105D, and 105E are electrically connected to the system controller 15. This enables the system controller 15 to directly access the contact memory 104 of the loaded tape cassette 1.

*See* JX-0001 at 9:10-20. This disclosure is ambiguous. The disclosure could be understood to mean that system controller 15 is electrically connected to contact memory without the need for intervening components, but there is no express disclosure of which intervening components could be eliminated. Fujifilm contends that the passage means there is no need for the intervening SCSI buffer controller 26, but it might just as well mean that there is no need for remote memory interface 30, for example.

The parties' experts disagree as to the correct interpretation of this disclosure. Sony's expert, Dr. Mowry, testified that SCSI buffer controller 26 is part of the tape drive hardware irrespective of the memory type. *See* CX-0003C at Q/A 388-393. Accordingly, "there needs to be a SCSI buffer controller, which will deal with the differing data transfer speeds between the tape drive's system controller and the host computer, on the one hand, and the system controller and the memory, on the other." *Id.* at Q/A 390. Fujifilm's expert, Dr. Messner, testified that a SCSI buffer is only needed for temporary data storage when data is being moved from one region to another in order to account for speed mismatch. RX-0004C at Q/A 237. According to Dr. Messner, there would be no speed mismatch, and therefore no need for a SCSI buffer, in the contact memory embodiment. *Id.*

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What is disclosed by a patent specification is a question of fact, and I find that the evidence of record favors interpreting the SCSI buffer controller as corresponding structure for the memory device means in the contact memory embodiment.<sup>18</sup> See *In re Hayes Microcomputer Prods., Inc.*, 982 F.2d 1527, 1541-43 (Fed. Cir. 1992); *Ranpak Corp. v. Storopack, Inc.*, 168 F.3d 1316 (Fed. Cir. 1998) (unpublished) (holding that the determination of the corresponding structure may include questions of fact). The parties agree that the function performed by the memory drive means relates to reading and writing management information stored on remote memory chip 4 (in the remote memory embodiment) or in contact memory 104 (in the contact memory embodiment).<sup>19</sup> The nature of the management information stored does not differ based upon the type of memory; the only difference is the manner in which the management information is retrieved from the memory by system controller 15. See, e.g., JX-0001 at 4:54-55, 12:4-17:18, 20:31-35. In addition, there is no indication in the '596 patent that the use of the management information changes depending upon its source (*i.e.*, whether it is retrieved from remote memory chip 4 or contact memory 104) or the mechanism by which it is retrieved by system controller 15. The '596 patent does teach, however, that the management information from the memory chip is shared with a host computer in order to determine subsequent read/write operations. *Id.* at 18:1-12, 48-65; see also CX-0003C at Q/A 390-392.

For example, the '596 patent explains that management information stored on the memory chip is used to restrict reading and writing to the tape media in WORM operations. JX-

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<sup>18</sup> The parties do not dispute that the SCSI buffer controller is a corresponding structure for the memory device means in the remote memory embodiment.

<sup>19</sup> The '596 patent collectively refers to the remote memory chip 4 and contact memory 104 as "memory-in-cassette" or "MIC." See JX-0001 at 4:56-58; 12:4-16.

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0001 at 17:20-25; 19:56-62; 20:3-18. In describing these functions, the '596 patent expressly indicates that they are performed in both the remote and contact embodiments. *Id.* at 20:31-35. In addition, the '596 patent explains that "when writing is performed, identification information, such as the serial number of the tape cassette stored in the memory, is written on the magnetic tape together with write data. This enables the magnetic tape and the memory in the tape cassette to have common information." *Id.* at 20:44-49. Sony's expert explained that a SCSI buffer controller is necessary for this type of function to occur where there are different data transfer speeds between the system controller and host computer and the system controller and the memory on the cassette. *See CX-0003C at Q/A 390; see also RX-0004C at Q/A 237.* I find that the SCSI buffer controller is clearly associated with the reading and writing function performed by the memory drive means. The '596 patent specification links the recited functions of the memory drive means to the SCSI buffer in relation to communicating with a host computer and writing information to the tape media. *See Williamson, 792 F.3d at 1352.* Accordingly, a SCSI buffer controller shall be considered to be a part of the corresponding structure of the recited memory drive means for both the remote and contact memory embodiments.

### D. Infringement

Sony alleges that Fujifilm's WORM LTO-4, LTO-5, and LTO-6 tape products infringe claims 1-13 of the '596 patent when used with compatible tape drives, and that Fujifilm's rewritable LTO-4, LTO-5, and LTO-6 tape products infringe claims 1, 3, and 6-8 when used with compatible tape drives.<sup>20</sup> CIB at 118-139; SIB at 112. Sony's evidence of Fujifilm's direct

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<sup>20</sup> Allegations that Fujifilm's LTO-4, LTO-5, and LTO-6 non-WORM products infringe claims 4, 5, 9, 11, 12, and 13 are foreclosed. Order No. 19.

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infringement activities consists of documents, emails, deposition testimony, and the testimony of its expert. CIB at 139-140 (citing evidence); CX-0003C at Q/A 773-885 (same). Sony's evidence of literal infringement consists of Fujifilm documents, website printouts, deposition transcripts, format specifications, and its expert's analysis of the products. CIB at 118-139 (citing evidence); CX-0003C at Q/A 139-176, 423-772 (same). Sony's expert, Dr. Mowry, walked through the evidence to provide a limitation-by-limitation infringement analysis for the asserted claims. *Id.* at Q/A 29-30, 139-176, 423-772.

Sony also alleges that Fujifilm indirectly infringes claims 1-13 of the '596 patent by inducing and contributing to the direct infringement by others, including customers and users of the accused Fujifilm products. CIB at 140-144 (citing evidence); CX-0003C at Q/A 30, 808-893 (same). Sony's evidence of the underlying acts of direct infringement by others consists of public reports, sales information, emails, test specifications and agreements, deposition testimony, testimony of a Fujifilm's witness, and the testimony of its expert. CIB at 140-141 (citing evidence); CX-0003C at Q/A 808-841 (same). Sony's evidence of induced infringement consists of documents provided from Sony to Fujifilm, test specifications and agreements, website printouts, product brochures and presentations, deposition testimony, testimony of a Fujifilm witness, and the testimony of its expert. CIB at 141-143 (citing evidence); CX-0003C at Q/A 842-883 (same). Sony's evidence of contributory infringement consists of documents provided from Sony to Fujifilm, specifications, deposition testimony, testimony of a Fujifilm witness, and the testimony of its expert. CIB at 144 (citing evidence); CX-0003C at Q/A 842-866, 884-893 (same).

Staff agrees with Sony that Fujifilm directly infringes the asserted claims by testing its accused tapes in compatible tape drives in the United States, but Staff asserts that this infringing

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activity is not a violation of section 337 because the evidence does not show that Fujifilm imports both the accused tape products and the compatible tape drives together. SIB at 120 (citing *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, Comm'n Op. at 13-19, USITC Pub. 4374 (Feb. 2013)). Staff further agrees with Sony that Fujifilm induces and contributes to the direct infringement by others in the United States, and this act of inducement is a violation of section 337. SIB at 120-124.

Fujifilm argues that it does not directly infringe the '596 patent (1) by importing the accused tapes because the tapes as imported do not meet the claim limitations, or (2) by testing the accused tapes after importation because it uses either licensed IBM drives or specialized hardware that does not have the required features. RIB at 102-103. Fujifilm argues that the accused tapes do not literally infringe the asserted claim because (1) the tapes contain a single reel instead of two reels, (2) Sony did not prove that the tapes have the required memory drive means or interface means, (3) the tapes do not store use-recognition information in a read-only area of memory, and (4) the tapes do not have identification information at the time of manufacture and sale by Fujifilm. RIB at 103-112. Fujifilm argues that it does not induce the direct infringe infringement of others because Sony did not prove that Fujifilm had the specific intent to induce infringement. RIB at 115-117. Finally, Fujifilm argues that it does not contribute to the direct infringement by others because use of the accused tapes with licensed IBM tape drives constitutes a substantial non-infringing use. RIB at 112-115.

Based on the evidence and arguments of the parties set forth in detail in the following subsections, I find that Sony has proven by the preponderance of the evidence that Fujifilm's inducement of and contribution to the predicate acts of direct infringement by others can form a

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basis for a violation of section 337. I therefore need not reach the question of whether Fujifilm's own acts of direct infringement can form a basis for a violation of section 337.

**1. The claimed "tape cassette" is not limited to products that have two reels.**

Fujifilm argues that its accused tape cartridges do not satisfy the "tape cassette" limitations of claims 1, 3, 9, and 11 because they contain a single reel. RIB at 103. Fujifilm's non-infringement argument requires that its proposed construction for "tape cassette" be adopted, but its proposed construction was rejected. Section VI.C.1, *supra*; see RIB at 103; SIB at 113. This non-infringement argument is therefore also rejected.

**2. Section 112 does not require the LTO CM Reader in the accused products to have an internal structure that is equivalent to the internal structure of the remote memory interface described in the specification.**

Independent claims 1 and 9 both require a "memory drive means [for reading and writing/that reads or writes] management information by performing a predetermined communication process with a memory." JX-0001 at 21:21-39, 22:1-27. Dependent claim 8 further requires an "interface means for transmitting data [between the memory and the memory drive means/of the management information]." *Id.* at 21:64-67. All parties agree that the "memory drive means" and "interface means" limitations are means-plus-function limitations governed by 35 U.S.C. § 112 ¶ 6. Joint Motion for Leave to File Second Amended Joint List of Proposed Claim Terms, Exhibit A at 6-7 (May 25, 2018). All parties also agree that the corresponding structure for these limitations requires a "remote memory interface 30." *Id.*

Figure 1 of the '596 patent, embedded below, shows the remote memory interface 30 in the top-left corner of the block diagram of the inventive tape streamer drive:

FIG. 1

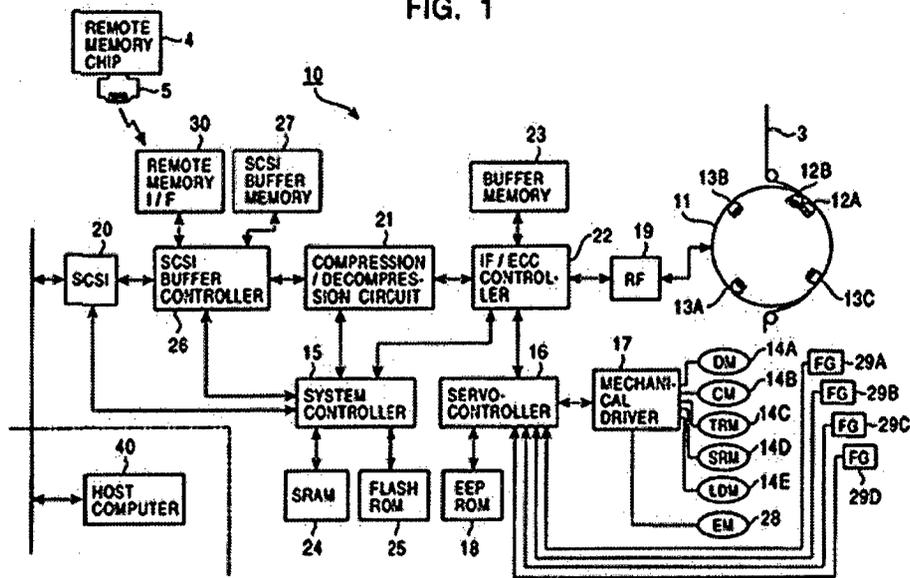
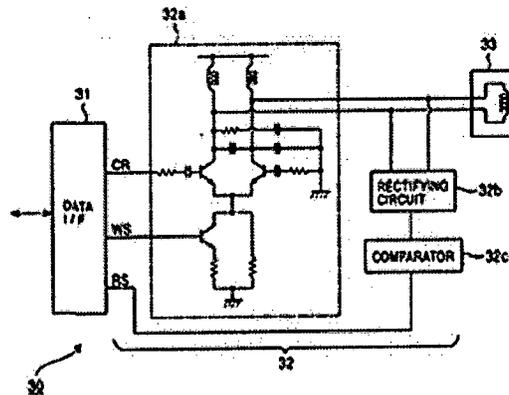


Figure 2 of the patent, embedded below, shows a block diagram of the internal structure of the remote memory interface 30:

FIG. 2



According to the '596 patent, the remote memory chip 4 of a tape cassette "can transmit data by performing radio communication with a remote memory interface 30 of FIG. 1, in a tape streamer drive using an antenna 5." *Id.* at 4:17-20. Specifically, when a tape cassette is loaded into the "tape streamer drive, 10 of FIG. 1," "the remote memory chip is set to be in condition

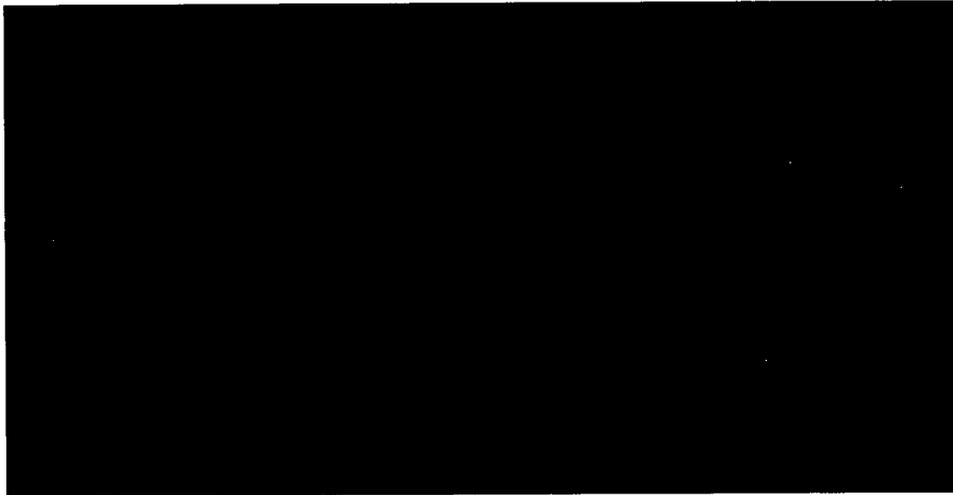
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capable of performing data input/output with the system controller 15 via the remote memory interface 30.” *Id.* at 7:59-64.

Sony points to the “LTO CM Reader” of an LTO tape drive as satisfying the remote memory interface structure. CIB at 121-122. Sony’s expert, Dr. Mowry, testified that the LTO CM Reader is depicted in Figure F.5 of the LTO-4, LTO-5, and LTO-6 specifications, and that

[REDACTED]

[REDACTED] CX-0003C at Q/A 507-508 (referring to CDX-0003C at 319 (embedding Figure F.5 from the LTO-6 specification)). This figure with descriptive text is embedded below.



JX-0090C at 188.

Sony also points to a Fujifilm marketing brochure that depicts a CM (cartridge memory) reader. Dr. Mowry included a demonstrative, excerpted below, where he identified the cartridge memory in the brochure in green with a green arrow, and where he highlighted the relevant text from the brochure in yellow. *Id.* at Q/A 512 (embedding CDX-0003C at 320 (embedding CX-0392)).

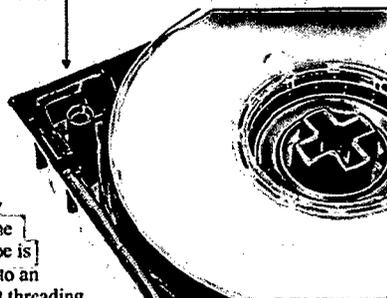
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### Fujifilm 13.56 MHz LTO Cartridge Memory (LTO-CM)

LTO Cartridge Memory (LTO-CM) uses Inductive Coupling. An inductive coil in the drive, library picker or external LTO CM-Reader powers and communicates with the LTO CM electronic module (EEPROM/antenna) inside the data cartridge shell.

This passive RF interface has a range of up to 20mm from the reader-coil to the cartridge CM (the closer the better). The CM stores 4 KB of information as 128 X 32 byte blocks and data transfers to and from the CM in 32 byte blocks.

CM for Ultrium2 is the same as Ultrium1; however, it is factory programmed with new Ultrium2 parameters. As a tape is loaded, the drive's CM-Reader reads the CM and the tape is identified. If an Ultrium2 tape is inserted into an Ultrium1 drive it immediately ejects without threading.



See also *id.* at Q/A 513-525 (testifying about JX-0023C, CX-0561, CX-0562, CX-0564, CX-1149C).

Finally, Sony points to the testimony of Fujifilm's expert, Dr. Messner, who testified that "each LTO tape drive has a CM reader in it." Tr. at 745:15-17. Dr. Messner also agreed that the LTO specifications "include some requirements with respect to how the LTO CM reader communicates with the memory in the cartridge" and that the LTO CM reader has an antenna. *Id.* at 745:4-19.

Despite this undisputed evidence, Fujifilm argues that Sony did not meet its burden to show that the accused products have a "memory drive means" because Sony did not identify in the accused product the same internal structures of the remote memory interface 30 depicted in Figure 2 of the '596 patent. RIB at 104. In other words, Fujifilm asserts that the remote memory interface structure identified in the accused products must have every internal component as shown in Figure 2 and as described in the '596 patent. *Id.* at 105-106 (arguing that the following components are necessary structures: "a data interface (I/F) 31; an RF interface 32 (which includes RF-modulation/amplification circuit 32a), a rectifying circuit 32b, a comparator 32c, and an antenna 33"). Fujifilm then argues that Figure F.5 of the LTO specifications cannot

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satisfy Sony's burden because it is a "cartoon" [REDACTED]

[REDACTED] *Id.* (citing JX-0090C at 188).

Fujifilm is correct that Sony is required to "point to structure in the accused products that corresponds to the Remote Memory Interface 30 of Figures 1 and 2," but Fujifilm is incorrect that the structure in the accused products must have the same components or internal structure as the remote memory interface in the '596 patent. Section 112 does not require a component-by-component equivalence between the relevant structure identified in the patent and the portion of the accused device asserted to be structurally equivalent. *Odetics, Inc. v. Storage Tech Corp.*, 185 F.3d 1259, 1266-68 (Fed. Cir. 1999) ("The individual components, if any, of an overall structure that corresponds to the claimed function are not claim limitations. Rather, the claim limitation is the overall structure corresponding to the claimed function."). Fujifilm's reliance on *Intellectual Sci. & Tech., Inc. v. Sony Elecs., Inc.*, is misplaced because, in that case, the expert's conclusory statement did not pinpoint where the accused structure was found in the accused devices. 589 F.3d 1179, 1184-85 (Fed. Cir. 2009). Here, Dr. Mowry identified with particularity where the accused remote memory interface—the LTO CM Reader—was found in the accused products.

In sum, Sony pointed to sufficient evidence that the accused products perform the identical function as the "memory drive means" and "interface means" limitations, and that they perform that function in relevant part with the LTO CM Reader, which is equivalent to the remote memory interface as disclosed in the specification. *See Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1548 n.8 (Fed. Cir. 1994) (quoting *Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573, 1578 (Fed. Cir. 1993)). Fujifilm's assertion that Sony did not establish that the internal structure of the LTO CM Reader is not the same as the internal

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structure of the remote memory interface described in the '596 patent is premised on an incorrect legal requirement.

**3. The evidence shows that the accused products comprise a read-only area of memory in which use-recognition information is stored.**

Claim 1 of the '596 patent requires "use-recognition information" that is "stored in a read-only area" of the tape cassette memory. JX-0001 at 21:21-39. Dependent claims 7 and 13 require that the tape cassette memory "comprises a read-only area and a rewriteable area." *Id.* at 21:61-63, 22:41-43.

Sony identifies the "Cartridge Type" and "Format Type" fields of the accused products as meeting the "use-recognition information" limitation, and asserts that "the LTO specifications

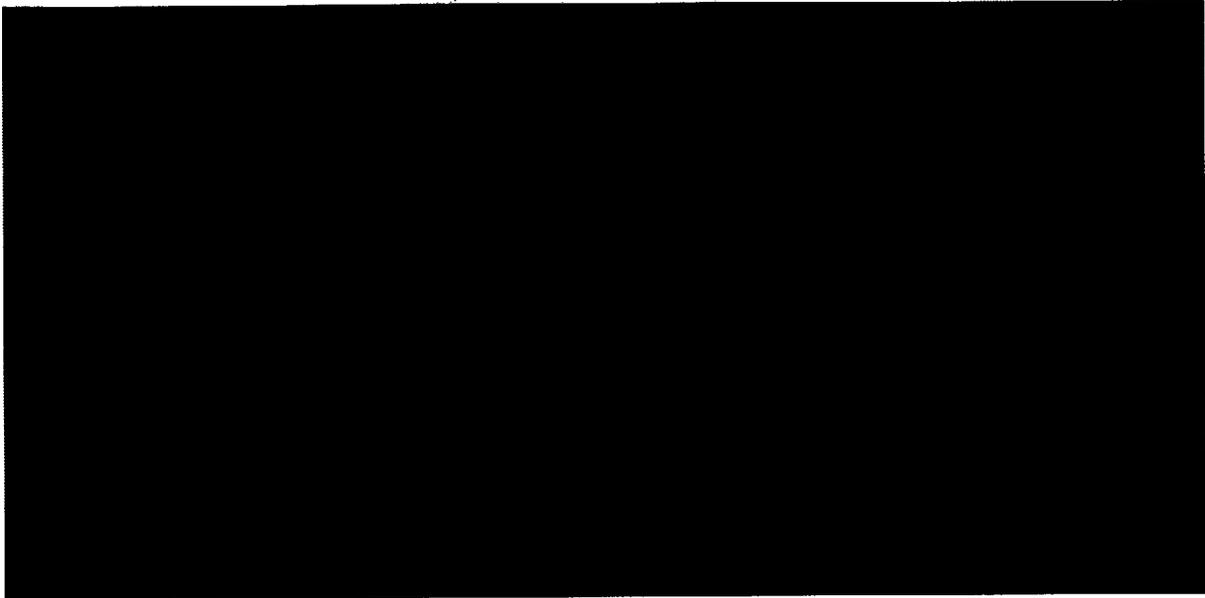
[REDACTED]

[REDACTED]." CIB at 127-128 (citing CX-0003C at Q/A 600-646; JX-0090 at 144; JX-0091C at 143; JX-0104C at 140). Staff agrees that these fields satisfy the "use-recognition information" that is "stored in a read-only area" limitations. SIB at 115-118.

Sony's expert, Dr. Mowry, explains that the LTO specifications, excerpted below as highlighted by Sony, [REDACTED]

[REDACTED]." CIB at 128; CX-0003C at Q/A 601-607 (explaining Table D-1 from the LTO-4, LTO-5, and LTO-6 specifications), 613-622. He further explains that the LTO specifications mandate that the [REDACTED]

[REDACTED]. CX-0003C at Q/A 605-609.



According to Sony's expert, the [REDACTED]

*Id.* at Q/A 610, 623. The [REDACTED]



[REDACTED] *Id.* at Q/A 611-612, 614-629; Tr. at 484:11-485:22 (Dr. Mowry testifying that [REDACTED]



Fujifilm argues that Sony did not establish that the accused products store the Cartridge Type and Format Type data in read-only memory for three reasons. First, Fujifilm points to a portion of the LTO specification that describes the [REDACTED]

[REDACTED] RIB at 108-109 (citing EX-0090C at 145-146; RX-0584C at Q/A 245-247, 255; Tr. at 796:2-7). Fujifilm admits that it [REDACTED]



[REDACTED] *Id.* at 109-110 (citing RX-0584C at Q/A 246-250; Tr. at 458:17-460:4, 796:2-20). This argument does not discount Sony's evidence because Fujifilm does not point to

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any evidence, or even make an assertion, that the [REDACTED]  
[REDACTED]. See Tr. at 765:12-766:13 (Dr. Messner testifying that  
a change to the [REDACTED]  
[REDACTED]  
[REDACTED]. And, even if it does change, the  
evidence shows that it only [REDACTED]  
[REDACTED]. See CX-0003C at Q/A/ 633. Fujifilm's speculation  
that the Protected Pages could become writable does not, in view of Sony's evidence, support an  
implication that the Protected Pages ever become writable. See Tr. at 467:3-11 (Dr. Mowry  
testifying that an [REDACTED]  
[REDACTED]

Further, even if Fujifilm did establish that the Protected Pages on some of the accused  
products became writable prior to initialization, there are other accused products where the  
Protected Pages remain read-only, and those products meet this limitation. *Cf. Virnetx, Inc. v.  
Cisco Systems, Inc.*, 767 F.3d 1308, 1322 (Fed. Cir. 2014) (holding that the patent owner does  
not bear the burden to show that the accused product "has no non-infringing mode of operation,"  
and citing *Z4 Technologies, Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1350 (Fed. Cir. 2007)  
("[I]nfringement is not avoided merely because a non-infringing mode of operation is  
possible.")). And the evidence shows that the Protected Pages are read-only after initialization  
and thus meet this limitation after that point. Tr. at 484:12-485:22. There is ample  
circumstantial evidence that the accused products are initialized in the United States when users  
insert the tapes into compatible drives for the first time, thereby forming the basis for an  
underlying act of direct infringement necessary for Sony's indirect infringement allegations. See

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SIB at 121 (citing evidence that “Fujifilm sells [REDACTED] of LTO-4, LTO-5 and LTO-6 tape products in the United States annually” and that its “customers use[] the tapes according to their intended use”).

Second, Fujifilm argues that the memory containing the Cartridge Type and Format Type is not read-only upon importation, [REDACTED]. RIB at 109-110. Fujifilm’s argument is only relevant if its actions of direct infringement under 35 U.S.C. § 271(a) form the basis for a violation of section 337. As discussed in Section VI.D.4, *infra*, I need not reach this issue because I find other acts sufficient to support a finding of infringement and a violation of section 337.

Third, Fujifilm argues that Sony has not established that the [REDACTED] [REDACTED] instead of physically reviewing of the accused products. RIB at 110-111. Sony’s reliance on the LTO specifications, which the accused products undisputedly comply with, is sufficient to establish by a preponderance of the evidence that the [REDACTED]. *See Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1349 (Fed. Cir. 2010). Fujifilm could have rebutted Sony’s evidence by putting forth contrary evidence, for example, that its products do not comply with the relevant LTO specifications, but it did not do so. *See Tr.* at 801:12-802:2 (Fujifilm’s expert testifying that the accused products comply with the LTO specifications); *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008).

**4. The imported tape cartridges cannot satisfy the tape drive limitations of the asserted claims, and therefore are not articles that directly infringe the claims at the time of importation.**

The parties agree that Fujifilm imports the accused LTO-4, LTO-5, and LTO-6 tape cartridges into the United States. JX-0007C. The parties also agree that the claims require a tape drive in addition to the tape cartridges, and that Fujifilm does not import the tape drives with the

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tape cartridges. The question, therefore, is whether Fujifilm's importation of the tape cartridges is the importation of an article that infringes the '596 patent. 19 U.S.C. § 1337(a)(1)(B)(i).

In *Suprema Inc. v. International Trade Commission*, the Federal Circuit held that the importation of an article that infringes under 35 U.S.C. § 271(b) (the inducement statute) can support a section 337 violation when the predicate acts of direct infringement occur in the United States. *Suprema Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338, 1345, 1352-53 (Fed. Cir. 2015) (en banc). That is the controlling law.

Sony alleges that third parties directly infringe the asserted claims in the United States by "offering to sell, selling, and using the accused Fujifilm LTO products in LTO drives in the US." CIB at 140. Specifically, Sony provides evidence that "Fujifilm sells ██████ of LTO tapes in the US each year" to "vendors who re-sell the tapes" and "enterprise customers who either sell or use them." *Id.* (citing CX-0003C at Q/A 809-826, 860-866; CX-0552; CX-1326C; CX-1133C; RX-0014C; JX-0022C; JX-0025C; JX-034C; JX-0043C; JX-0053C; JX-0054C). Sony also alleges and provides evidence that downstream purchasers of the accused products "infringe by using them in their intended manner of use (*i.e.*, with drives to store data in an LTO-compliant manner)." *Id.* (citing CX-0003C at Q/A 814-27, 837, 860-893; JX-0039, JX-0040, JX-0041, JX-0042, JX-0043, JX-0044, JX-0045C). Sony's evidence does not include proof of actual use or sales in the United States by Fujifilm's customers or downstream purchasers of the accused products; Sony instead relies on circumstantial evidence that the vast amount of accused products in the United States being used according to their intended purpose, and the accompanying sales of the accused products, are acts of direct infringement. *Id.* (citing *In re Bill of Lading Transmission and Processing Sys. Patent Litig.*, 681 F.3d 1323, 1336 (Fed. Cir. 2012)).

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Staff agrees that Sony's evidence is sufficient to meet its burden of establishing the underlying acts of direct infringement. SIB at 120-122 (“[I]t is a more than reasonable inference that Fujifilm’s customers used Fujifilm’s LTO-4, LTO-5, LTO-6 products that they purchased according to their intended use in compatible LTO-4, LTO-5, LTO-6 tape drives . . .”).

Fujifilm does not dispute Sony’s evidence of direct infringement by third parties. *See* RIB at 112-117. Instead, Fujifilm argues that the accused tape cartridges as imported cannot be “articles that infringe” under section 337 for the purposes of direct or indirect infringement because the asserted claims require a tape drive in addition to the tape cartridges. *Id.* at 102. *Suprema* forecloses Fujifilm’s argument. In *Suprema*, the Federal Circuit affirmed the Commission’s finding that the respondent induced infringement of the asserted claims at the time of importation by importing accused scanners into the United States with the requisite knowledge and intent, where the underlying act of direct infringement occurred when the scanners were integrated with software and used in the United States. 796 F.3d at 1342-43, 1352.

Here, the evidence shows that third parties more likely than not use the accused products with compatible LTO drives in a way that infringes the asserted claims of the ’596 patent. As discussed below, Fujifilm induces that infringement, just as the respondent induced infringement in *Suprema*.

**5. The evidence shows that Fujifilm had the requisite knowledge of the ’596 patent and of infringement of the patent as required for induced and contributory infringement, and the specific intent to bring about the infringement as required for induced infringement.**

Liability for both induced and contributory infringement “requires knowledge of the patent in suit and knowledge of patent infringement.” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015) (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S.

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476, 488 (1964)). Fujifilm asserts that it did not possess the requisite knowledge because Sony only accused Fujifilm of infringing claims 14-19 of the '596 patent, not the asserted claims, prior to 2016. RIB at 116. Fujifilm also asserts that knowledge of how the LTO drives operate "is within the purview of the drive manufacturers, not Fujifilm," so it could not have known that the drives met the claim limitations. *Id.*

The evidence shows that Fujifilm [REDACTED]. See CIB at 141 (citing evidence); SIB at 122 (same). For example, a deputy manager in Sony's Intellectual Property division testified that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] CX-0007C at Q/A 51-54 (testimony of Hiroshi Kamitani).

The evidence also shows that Fujifilm knew that its accused tape cartridges infringed the asserted claims of the '596 patent when used with a corresponding LTO tape drive, or that Fujifilm was willfully blind to the infringement. See *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 824 F.3d 1344, 1347 (Fed. Cir. 2016) ("[W]illful blindness can satisfy the knowledge requirement for active inducement under § 271(b) (and for contributory infringement under § 271(c)), even in the absence of actual knowledge." (citing *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011))). In September 2015, Sony provided Fujifilm with a claim chart showing how Fujifilm's accused products infringed non-asserted claims 14-16 of the '596 patent, which are directed only to the tape cartridges, [REDACTED]

[REDACTED] CX-0007C at Q/A 16-25; CX-0565C (the claim chart); CX-0566C (letter from Sony to Fujifilm on February 25, 2016, where Sony notified that its LTO tape

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cartridges practiced the '596 patent); *see* CX-0003C at Q/A/ 855-859. Fujifilm is correct that unasserted claims 14-16 contain limitations directed only to tape cartridges, not tape drives. But this distinction does not negate Fujifilm's undisputed knowledge of the '596 patent and how relevant claim elements map to Fujifilm products. Tr. at 93:18-24 (Fujifilm's counsel in opening statement stating that claims 14-19 of the '596 patent "are very similar" to the claims at issue here), 94:6-11 (stating that, in comparison to claim 14, "claim 1 adds, we believe, nothing new, nothing unique"). For example, unasserted independent claim 14 requires a recording medium with a memory that stores "use-recognition information" in a read-only area. JX-0001 at 22:44-52. Asserted independent claim 1 requires a tape drive apparatus that reads the memory of the recording medium, including the "use-recognition information [that] is stored in a read-only area" of the memory. *Id.* at 21:21-39, 22:1-27. Further, as discussed above, the accused tape cartridges are intended to be used with compatible LTO tape drives that have the functionality described in the asserted claims, and Fujifilm either knew or was willfully blind to the use by third parties. *See also* CX-0003C at Q/A 884-92.

Liability for induced infringement, but not contributory infringement, also requires specific intent to bring about the infringement. *Commil*, 135 S. Ct. at 1928; *Nalco Co. v. Chem-Mod, LLC*, 883 F.3d 1337, 1357 (Fed. Cir. 2018). Circumstantial evidence can support a finding of specific intent to induce infringement. *Vanda Pharm. Inc. v. W.-Ward Pharm. Int'l Ltd.*, 887 F.3d 1117, 1129 (Fed. Cir. 2018). "Inducement can be found where there is '[e]vidence of active steps taken to encourage direct infringement,' which can in turn be found in 'advertising an infringing use or instructing how to engage in an infringing use.'" *Takeda Pharm. U.S.A., Inc. v. W.-Ward Pharm. Corp.*, 785 F.3d 625, 630-31 (Fed. Cir. 2015) (quoting *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005)).

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To establish Fujifilm's intent, Sony points to Fujifilm's product literature, website, and domestic customer support for the accused products. CIB at 141-142 (citing evidence); *see* SIB at 122-123 (same). This evidence shows that Fujifilm instructs and encourages customers to use the accused products with compatible LTO drives to store and protect data. *See* CX-0003C at Q/A 867-883 (Sony's expert, Dr. Mowry, explaining CX-0135C; CX-0400; JX-0045C; JX-0092, JX-0093, JX-0094). For example, a Fujifilm product brochure for the accused products instructs users on which drive models are compatible with which cartridges. CX-0400. When users use the accused products with compatible LTO drives, the cartridges are initialized and operate pursuant to the LTO specifications. CX-0003C at Q/A 561-573, 861-862, 888. In this case, Fujifilm's advertising and instructing users how to perform infringing actions evidences that Fujifilm had specific intent to bring about the infringement. *See Vanda Pharm.*, 887 F.3d at 1129-1133.

Fujifilm argues that the use of the accused products in licensed tape drives is a substantial non-infringing use that negates any specific intent that it might have to infringe the patents. RIB at 115 (citing *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365 (Fed. Cir. 2003); *Takeda Pharm.*, 785 F.3d at 630). Fujifilm's argument is unavailing to avoid liability for inducement of infringement. A company that supplies an article that can be used in noninfringing ways (sometimes called a "staple article") may yet be liable for infringement when that company has knowledge of the patent and intends others to use the staple article to infringe.

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The drafters of the Patent Act<sup>21</sup> understood this from the beginning. Giles S. Rich explained, “There is no reason to construe paragraph (c) [of section 271 of the Patent Act] as in any way a limitation on paragraph (b), which stands by itself. There have been recent cases of active inducement wherein the thing sold had non-infringing uses but acts additional to the mere sale resulted in active inducement and liability for infringement.” Rich, *Infringement under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521, 539 (1953). Another drafter, L. James Harris, explained that potential noninfringing uses of a staple article are no defense to liability for inducement under section 271(b): where one supplies a staple article and induces others to use that article for infringement, “a person would be guilty of the something more than merely selling a staple article of commerce. It then would be an infringement whether it concerned a staple article or not.” Harris, *Some Aspects of the Underlying Legislative Intent of the Patent Act of 1952*, 23 Geo. Wash. L. Rev. 658, 696 (1954-55) (citing testimony of Giles S. Rich before Congress). The Supreme Court has interpreted the Patent Act consistently with the drafters’ understanding. In *Grokster*, the Supreme Court explained that “the Patent Act’s exemption from liability for those who distribute a staple article of commerce, 35 U.S.C. § 271(c),” does not extend “to those who induce patent infringement, § 271(b).” 545 U.S. 913, 935 n.10 (2005). *Cf. Sanofi v. Watson Labs. Inc.*, 875 F.3d 636, 646 (Fed. Cir. 2017) (noting that

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<sup>21</sup> Congressman Crumpacker stated that “[w]hen the courts, in seeking to interpret the language of the [Patent] Act, go through the ritual of seeking to ascertain ‘the intent of Congress’ in adopting same, they would do well to look into the writing of these men--[P.J.] Federico, [Giles S.] Rich, [L. James] Harris--as they, far more than any member of the House or Senate, knew and understood what was intended by the language used.” “Symposium on Patents,” Summary of Proceedings, Section of Patents, Trademark and Copyright Law (Chicago: American Bar Center, 1962) 143. The Supreme Court has also heavily relied on Judge Rich’s testimony when interpreting section 271 of the Patent Act. *Dawson Chem. Co. v. Rohm & Hass Co.*, 448 U.S. 176, 204-14 (1980).

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“[s]ection 271(b), on inducement, does not contain the ‘substantial noninfringing use’ restriction of section 271(c), on contributory infringement,” and that “a person can be liable for inducing an infringing use of a product even if the product has substantial noninfringing uses”); *see also Certain Products Containing Interactive Program Guide and Parental Control Technology*, Inv. No. 337-TA-845, Comm’n Op., at 18 (Nov. 12, 2013).

Here, the evidence shows that Fujifilm had knowledge of the ’596 patent, had knowledge of the direct infringement by third parties in the United States, and had the specific intent to induce that infringement. The potential of non-infringing uses for some Fujifilm tapes in some drives does not shield Fujifilm from liability for inducing infringement. I find that Fujifilm induced infringement under 35 U.S.C. § 271(b), and that it imported articles that infringe under section 271(b) of the Patent Act in violation of section 337 of the Tariff Act of 1930.

**6. The authorized sale of IBM tape drives constitutes a substantial non-infringing use to defeat Fujifilm’s liability for contributory infringement.**

Liability for contributory infringement requires, among other things, that the accused party sells, offers to sell, or imports a component of a patented machine, where the component constitutes a material part of the invention and is not suitable for substantial non-infringing use. 35 U.S.C. § 271(c). Fujifilm imports the accused tape cartridges, which are components of the asserted claims of the ’596 patent that require both a tape drive and a tape cartridge. An accused tape cartridge therefore must constitute a material part of the invention claimed in the ’596 patent, and not be suitable for substantial non-infringing use, in order for Fujifilm to be held liable for contributory infringement.

Fujifilm argues that the accused tape cartridges are suitable for substantial non-infringing use because the tape cartridges can be used in LTO tape drives manufactured by IBM. RIB at 112-113. Fujifilm asserts that the use of its cartridges in IBM’s drives do not infringe the

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asserted claims because IBM licenses the '596 patent from Sony. *Id.*; CX-1044C. Fujifilm relies on the doctrine of patent exhaustion to argue that “Sony cannot assert its patent rights in the combination of an IBM LTO drive and a Fujifilm LTO cartridge,” which makes the combination a non-infringing use. RIB at 112. All parties appear to agree that IBM’s tape drive constitute approximately [REDACTED] the use of Fujifilm’s accused tape cartridges in the United States, which Fujifilm argues is substantial. RIB at 114 (citing RX-0584C at Q/A 326–333); SRB at 71 (citing RIB at 114).

The doctrine of patent exhausting imposes a limit on the patent owner’s right to exclude. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1531 (2017) (*Lexmark*). Specifically, when a patent owner sells an item, that item “is no longer within the limits of the monopoly” and instead becomes the property of the purchaser “with the rights and benefits that come along with ownership.” *Id.*

As an initial matter, Fujifilm presents only tenuous evidence to support its assertion that IBM has a license to the '596 patent such that a sale of an IBM tape drive is an authorized sale. Fujifilm’s initial brief only cites to the Sony-IBM agreement (CX-1044C) and another document that is not in evidence (CX-1419C) for its assertion. RIB at 112. The Sony-IBM agreement, however, [REDACTED] CX-1044C. The agreement on its face appears to be a cross-license between Sony and IBM to certain patents and certain products, [REDACTED]” but Fujifilm does not cite any evidence that the language of the cross-license includes a license to the '596 patent or covers the relevant IBM LTO tape drives. *Id.*

Fujifilm’s reply brief provides only a general citation to the economic domestic industry portion of Sony’s initial post-hearing brief, at pages 174-175, for the proposition that the Sony-

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IBM agreement “grants IBM a ‘broad’ right to ‘sell and otherwise transfer’ products practicing the ‘596 Patent.” RRB at 64. In footnote 50 on page 174 of its reply brief, Sony does state that IBM LTO drives are “IBM Licensed Products” pursuant to the agreement. SIB at 174-175 n.50 (citing CX-0007C at Q/A 89). And, although Fujifilm does not make this assertion, the Sony-IBM license does appear include [REDACTED]

[REDACTED] CX-1044C [REDACTED] As patent exhaustion is an affirmative defense, Fujifilm bears the burden to prove by a preponderance of the evidence that IBM’s sale of authorized tape drives exhausts Sony’s rights to the ‘596 patent. *Jazz Photo Corp. v. ITC*, 264 F.3d 1094 (Fed. Cir. 2001), abrogated on other grounds by *Lexmark*. Fujifilm’s post-hearing briefing skated over the predicate requirement that Sony authorized IBM’s sale of its LTO drives, but the evidence in the record discussed in Sony’s brief indicates that IBM’s tape drives are more likely than not licensed under the ‘596 patent.

The next question is whether IBM’s sale of its LTO tape drives for use with Fujifilm’s unlicensed tape cartridges is an authorized sale. If IBM complies with the license when selling the LTO drives, then Sony has, in effect, authorized the sale, even if purchasers did not comply with any post-sale restriction imposed by IBM. *Lexmark*, 137 S. Ct. at 1535. If Sony has not given IBM the authority to sell the LTO tape drives for use with Fujifilm’s unlicensed tape cartridges, then such a sale cannot exhaust Sony’s rights. *Id.*

Sony points to [REDACTED] of the Sony-IBM agreement to argue that “third-party infringers like Fujifilm” are specifically excluded. SIB at 165-166. [REDACTED]:

[REDACTED]

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[REDACTED]

CX-1044C [REDACTED] This section does not restrict IBM's sale of the LTO tape drives, and therefore Sony's right to exclude how a third-party purchaser uses the LTO tape drives appears to be exhausted.

The remaining question for the issue of patent exhaustion is whether Sony's rights to exclude others from practicing a claim that requires both a tape drive and a tape cartridge can be exhausted by the authorized sale of the tape drive alone. In other words, does a person have authority to practice a claim to a system requiring both a tape drive and a tape cartridge if the person has authority to use the tape drive without restriction?

The facts of *Quanta Computer, Inc. v. LG Elecs., Inc.*, are similar enough to these facts here for that precedent to be dispositive of this issue. 553 U.S. 617 (2008). *Quanta* involved method claims that covered the reading and writing of data between microprocessors and memory using buses. *Id.* at 621-623. The accused infringer combined authorized microprocessors with unauthorized memory and buses in a way that practiced the claimed inventions. *Id.* at 624. The Supreme Court held that the authorized sale of the microprocessors exhausted the claims that included limitations to the microprocessors as well as limitations to the memory and buses. *Id.* at 630-632.

The Court in *Quanta* first reasoned that the authorized microprocessors substantially embodied the patent because there was no reasonable use for the microprocessors other than incorporating them into computer systems that practice the asserted patents, and a microprocessor "cannot function until it is connected to buses and memory." *Id.* at 632. Similarly, the Fujifilm tape cassettes have no reasonable use other than incorporating them with associated LTO tape drives that practice the asserted claims, and vice versa, because there is no

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evidence that the cassettes can function as intended until they are used with the drives, and vice versa. *See* RIB at 113 (quoting Sony’s pre-hearing brief).

The Court in *Quanta* next reasoned that the authorized microprocessors “embodied essential features of the patented invention” because they “constitute a material part of the patented invention and all but completely practice the patent.” *Quanta*, 533 U.S. at 632-633 (“Everything inventive about each patent is embodied in the [microprocessors].”). The Court explained that “the only step necessary to practice the patent is the application of common processes or the addition of standard parts” to the microprocessors. *Id.* at 633. The “nature of the final step” to practice the patent of connecting the microprocessor to buses and memory was “common and noninventive.” *Id.*

Like the claims in *Quanta*, the asserted claims of the ’596 patent cover the authorized product—the IBM LTO tape drives—in combination with an unauthorized component—the accused Fujifilm LTO tape cartridges. For example, claim 1 requires a “tape drive means” for reading/writing information to/from a magnetic tape in a tape cassette, where the tape drive comprises a “memory drive means” for reading and writing management information from and to a memory in the tape cassette, a “use-recognition information decoder for detecting from the memory use-recognition information designating a use for the tape cassette,” and a “controller for controlling an operation of the tape drive means based on the use-recognition information.” JX-0001 at 21:21-39. The magnetic tape, memory, management information, and use-recognition information recited by the claims are all part of the tape cassette. *Id.*

There is no evidence that the limitations directed to the tape cassette comprise only “standard” or “common” parts. *See Quanta*, 533 U.S. at 632-633. However, Fujifilm has established that the limitations directed to the tape cassette are “noninventive.” *Id.* Fujifilm

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points out that the USPTO invalidated claims 14-19, which only contain limitations to the tape cassette, not the tape drive, because those claims were known in the prior art, or were obvious. RIB at 113-114 (citing RX-0128). The limitations directed to the tape cassette in claims 1-13 mirror the limitations in the now-invalid claims 14-19, and are accordingly non-inventive. This situation is similar to *LifeScan Scotland, Ltd. v. Shasta Techs., LLC*, where the Federal Circuit held that method claims directed to two components were exhausted by the sale of one of the components because the other component was known in the prior art. 734 F.3d 1361, 1369-70 (Fed. Cir. 2013); *see id.* at 1372 (“[I]f one item in the patented combination is either unpatented or if the patent on it is invalid, and the inventive concept resides in the second item, then the sale of the second item exhausts a product patent in the combination.”).

Accordingly, IBM’s authorized sale of LTO tape drives exhausts Sony’s rights to exclude others from using those drives in combination with Fujifilm’s tape cartridges in a way that practices the asserted claims of the ’596 patent. A third party that uses IBM’s LTO tape drives in combination with the accused products is not a direct infringer of these claims.

Even though the use of IBM’s LTO tape drives in combination with the accused products is a non-infringing use, it must be a “substantial non-infringing use” to escape liability under 35 U.S.C. § 271(c). Fujifilm argues that such use is substantial because the evidence shows that IBM’s market share of LTO tape drives averages around [REDACTED] in the United States. RIB at 114 (citing RX-0584 at Q/A 326-333 (Fujifilm’s expert, Dr. Messner, explaining RX-0263C

[REDACTED]

[REDACTED], RX-0264C [REDACTED]

[REDACTED]

[REDACTED] and RX-0401C [REDACTED]

[REDACTED]

[REDACTED] JX-0140C [REDACTED]

[REDACTED]; see CRB at 59 [REDACTED]

[REDACTED]. This use is substantial because it is “not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1327 (Fed. Cir. 2009).

Accordingly, Sony has not met its burden to prove that Fujifilm contributes to the direct infringement of third parties in the United States by selling or importing the accused tape cartridges. I do not find a violation of section 337 based on the importation of articles that contribute to infringement of the '596 patent.

**E. Domestic Industry – Technical Prong**

Sony alleges two main categories of products to be articles protected by the '501 patent. The first category comprises LTO-4, LTO-5, and LTO-6 tape cartridges manufactured by Sony.<sup>22</sup> The Sony-manufactured cartridges are labeled with the Sony brand or are labeled as OEM products [REDACTED]. See Complaint ¶¶ 86, 87; CIB at 9 (citing CX-0008C at Q/A 8-13; CX-1229C). The second category of alleged domestic industry articles comprises IBM 3592 products. Sony contends that IBM produces the 3592 products under a license from

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<sup>22</sup> Section VII.B below discusses the nature and location of Sony’s alleged domestic industry activities.

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Sony.<sup>23</sup> IBM 3592 tape cartridges have a proprietary format and can only be used in an IBM 3592 drive.<sup>24</sup>

With respect to the first category of products, Sony contends (1) its LTO-4, LTO-5, and LTO-6 Read/Write tape cartridges, when used with compatible LTO drives, practice claims 1, 3, and 6-8 of the '596 patent, and (2) its LTO-4, LTO-5, and LTO-6 WORM cartridges, when used with compatible LTO drives, practice all of the asserted claims. CIB at 145. Sony's evidence that these products practice the claims when used as intended mirrors the evidence it relies on for proving that the accused products infringe. *Id.* at 144-145 (citing CX-0003C at Q/A 159, 177-185, 861, 894-1004, 1286-1300 (citing evidence); CX-0346; CX-0727; CX-0881; CX-0882; JX-0106). Staff agrees. SIB at 124.

Fujifilm's initial and reply post-hearing briefs simply state that "[f]or the same reasons the Fujifilm LTO cartridges do not infringe, the Sony LTO cartridges do not practice the Asserted Claims." RIB at 117; RRB at 66. As discussed above, I have rejected those arguments. I found that third parties practice each element of the asserted claims of the '596 patent by using Fujifilm tapes in drives in the intended manner. Accordingly, based on the evidence and the arguments of the parties, I find that Sony established by a preponderance of the evidence that that (1) its LTO-4, LTO-5, and LTO-6 Read/Write tape cartridges, when used with compatible LTO drives, practice claims 1, 3, and 6-8 of the '596 patent, and (2) its LTO-4, LTO-5, and LTO-6 WORM cartridges, when used with compatible LTO drives, practice all of the asserted

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<sup>23</sup> Section VII.C below discusses the nature and location of the alleged IBM domestic industry activities.

<sup>24</sup> IBM 3592 tape cartridges differ from LTO tape cartridges in this respect. LTO tape cartridges made by one manufacturer are interoperable with LTO drives made by various manufacturers. This difference will be discussed in the sections below.

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claims. The technical prong of the domestic industry is therefore satisfied. See 19 U.S.C. § 1337(a)(2) and (3); *Certain Microsphere Adhesives, Process for Making Same and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op., 1996 WL 1056095, at \*8 (U.S.I.T.C. Jan. 16, 1996).

With respect to the second category of alleged domestic industry products—the licensed IBM 3592 products—Sony contends that (1) the Generation 1-4 IBM 3592 WORM products (JA, JB, JC, JD, JJ, JK, JL, JR, JW, JX, JY, and JZ), when used with compatible IBM 3592 tape drives, practice claims 1-13 of the '596 patent, and (2) the Generation 1-4 IBM 3592 Read/Write products practice claims 1, 3, and 6-8. CIB at 145-151. Sony provides evidence that the “3592 products operate in the same way using virtually the same information as LTO products” for the purposes of the asserted claims. *Id.* (citing CX-0003C at Q/A 193-212, 1015, 1023-1027, 1301-1313; CX-0406; CX-0580; CX-0849; CX-1152C; CX-1304 at Q/A 25-30, 58-86; CX-1330C; JX-0028C at 68:21-69:16; JX-0046C at 34:22-35:2, 40:3-10, 41:19-42:14; JX-0095C; JX-0096C; JX-0097C; JX-0098C; JX-0099C; JX-0137; JX-0138; JX-0101C; JX-0138C).

Staff agrees that the evidence shows that “the IBM domestic industry products practice claims 1-13 of the '596 patent.” SIB at 124-125 (citing CX-0003C at Q/A 1005-1254).

Fujifilm argues that Sony’s evidence regarding the IBM 3592 products “suffer[s] from the same failure of proof as for the LTO products.” RIB at 117 (citing RX-0584C at Q/A 384-446). I rejected Fujifilm’s arguments that Sony failed to prove that the Sony LTO products practice the asserted claims of the '596 patent, and I similarly reject Fujifilm’s blanket argument here.

For the IBM 3592 products, Fujifilm further argues that “Dr. Mowry’s analysis for DI is additionally unreliable, because he uses the LTO Specifications to fill in gaps in the

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documentation for IBM 3592 products.” *Id.* at 117-118. Fujifilm’s argument is unpersuasive. The practice of a patent claim can be inferred through circumstantial evidence. Sony has carried its burden to show that it is more likely than not that the IBM 3592 products when used with compatible 3592 drives practice each limitation of each asserted claim of the ’596 patent. Fujifilm’s conclusory argument does not overcome Sony’s showing. Sony has satisfied the technical prong of the domestic industry requirement.

### F. Invalidity

#### 1. Fujifilm did not prove by clear and convincing evidence that Platte anticipates the asserted claims.

Fujifilm contends that U.S. Patent No. 6,128,148 (“Platte”) anticipates claims 1-13 of the ’596 patent. RIB at 118-127. Platte discloses an electronic memory device for use on a magnetic tape cassette. RX-0224 at 1:12-15. The electronic memory device of Platte can contain information relating to the type of cassette or tape media, or can store information relating to authorized uses (*e.g.*, types of playback and protections against unwanted overwriting, erasure, or copying) of the tape media. *Id.* at 2:35-45, 3:22-39, 5:41-62. The stored information in the memory device can be communicated to a memory tape device. *Id.* at 4:39-53. Platte describes that the memory tape device, such as a camcorder or video recorder, can read and write data to the magnetic tape cassette based upon the information received from the memory device. *Id.* at 2:52-57, 3:33-35, cl. 2.

Sony and Staff argue that Platte does not anticipate claims 1-13 because it fails to teach a memory drive means that includes a SCSI buffer controller as a component of the corresponding

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structure. *See* CIB at 153-154; SIB at 125-126.<sup>25</sup> In response, Fujifilm does not identify any structure or component in Platte that constitutes a SCSI buffer controller but instead asserts that a SCSI buffer controller is not a corresponding structure required in all of the embodiments of the asserted claims. *See* RIB at 121; *see also* RRB at 70 and SIB at 126.

In my claim construction above, I determined that a SCSI buffer controller is a part of the corresponding structure of the recited memory drive means. Platte discloses a memory drive means for performing the function of reading and writing management information to and from a memory chip on a tape cassette, but it does not teach the structure linked to the claim term “memory drive means” or any equivalent to that structure. Specifically, Platte does not teach a SCSI buffer controller, and Fujifilm has not argued that some other structure in Platte is equivalent to the structure covered by the claim term. Therefore, Platte fails to disclose the memory drive means of independent claims 1 and 9 as well as claims 2-8 and 10-13 depending respectively therefrom. Accordingly, I find that Fujifilm has failed to demonstrate by clear and convincing evidence that Platte anticipates claims 1-13 of the '596 patent under 35 U.S.C. § 102.

**2. Fujifilm did not prove by clear and convincing evidence that Sawada anticipates asserted claims 1, 6, 7, and 8.**

Fujifilm contends that Japanese Patent Publication Number H6-60470 (“Sawada”) anticipates independent claim 1 and dependent claims 6-8 of the '596 patent. *See* RIB at 127-132. Sawada discloses a recording medium cassette with a mounted memory and a recording and playback device for use with the cassette. The mounted memory includes information that

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<sup>25</sup> Sony and Staff also contend that Platte fails to teach other features of the asserted claims. *See* CIB at 153-157; SIB at 126. I do not address these additional arguments given my determination that Platte fails to teach a SCSI buffer controller or equivalent structure as a component of the structure corresponding to the claimed memory drive means.

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prevents impermissible “dubbing” of sound and data signals recorded on the cassette. *See* RX-0213 ¶¶ [0001], [0008], [0010]. The mounted memory includes a plurality of terminals that enable dubbing prohibition and other information to be communicated to the recording and playback device. *Id.* ¶ [0010]. Example recording and playback devices include video tape recorders and video cassette recorders. *Id.* ¶ [0001]. The dubbing prohibition information is stored in a non-rewriteable portion of the memory, which can also include other data pertaining to the characteristics of the tape and cassette (*e.g.*, type, format, length, and hub diameter) and manufacturing information (*e.g.*, manufacturer name, manufacture date, country of origin). *Id.* ¶ [0035].

Sony and Staff assert that Sawada does not anticipate claims 1 and 6-8 of the '596 patent because Sawada does not disclose “use-recognition information designating a use for a tape cassette” or a detector for detecting the same. CIB at 159; RIB at 127. Sony also contends that Sawada fails to teach a memory drive means that includes a SCSI buffer controller as a component of the corresponding structure for performing the functions of the memory drive means. CIB at 158.<sup>26</sup> I address each of these arguments in turn.

Fujifilm contends that use-recognition information includes the dubbing protection disclosed in Sawada. *See* RIB at 130-131 (citing RX-0004C at Q/A 578-580). Fujifilm argues that this is so because dubbing protection constitutes a use for which a storage tape is adapted. *Id.* Sony and Staff respond that the use-recognition information described in the '596 patent

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<sup>26</sup> Sony also contends that Sawada fails to teach several other features of claims 1 and 6-8. *See* CIB at 157-160. I do not address these additional arguments given my determination that Sawada fails to teach “a controller for controlling an operation of the tape drive means based on the use-recognition information detected by the detector” or a SCSI buffer controller or equivalent structure to the structure corresponding to the claimed memory drive means.

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delimits reading and writing activities performed on the loaded tape (e.g., to prevent the information stored on the tape from being erased or rewritten), where the cassette information in Sawada controls writing activities on *other* tapes, not the tape with the memory. CIB at 159; RIB at 127. Put differently, Sony and Staff argue that the dubbing protection of Sawada does not affect the reading and writing operations performed on the tape itself thereby protecting the content of the tape.

Even if Fujifilm is correct that the dubbing protection of Sawada constitutes use-recognition information, Sawada would nevertheless fail to anticipate claims 1 and 6-8 because the dubbing protection of Sawada is not utilized “for managing the writing/reading of information to/from *the* magnetic tape,” as required by the claims. JX-0001 at cl. 1. The claims also require a controller that responds to use-recognition information from the magnetic tape to control the writing of information to or the reading of information from that same magnetic tape. *Id.* at 2:29-34, 21:15-19; *see also* CX-0013C at Q/A 353, 354. The dubbing protection of Sawada, however, does not provide information by which the tape drive can be controlled with respect to the writing of information to or the reading of information from the loaded tape; instead the dubbing protection places restrictions on reading and writing operations that occur on other tapes located in other tape drives. Thus, even if the dubbing protection of Sawada constitutes use-recognition information, it is not information used by a controller to control the operation of the tape drive whereby information is written to or read from the loaded tape as is required by independent claim 1 and the claims depending therefrom, including dependent claims 6-8.

In addition, as discussed above, I have determined that a SCSI buffer controller should be considered to be a part of the corresponding structure of the memory drive means recited in

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independent claim 1. Fujifilm does not identify any structure or component in Sawada that constitutes or is equivalent to a SCSI buffer controller, and instead asserts that a SCSI buffer controller is not a corresponding structure required by independent claim 1. *See* RIB at 130; RRB at 76. Fujifilm has not shown that Sawada teaches structure covered by the “memory drive means” of the ’596 patent or equivalents to that structure.

For the forgoing reasons I find that Fujifilm has failed to establish by clear and convincing evidence that Sawada anticipates claims 1 and 6-8 of the ’596 patent under 35 U.S.C. § 102.

**3. Fujifilm did not prove by clear and convincing evidence that Platte in view of the knowledge of a person of ordinary skill in the art and/or Kano renders obvious asserted claims 1-13.**

Fujifilm contends that Platte renders claims 1-13 of the ’596 patent invalid as obvious in view of the knowledge of a person of ordinary skill in the art and/or Japanese Patent Publication Number H09-161451 (“Kano”) (RX-0095). *See* RIB at 132-137. Kano discloses a data library system in which writing operations are performed in parallel across multiple tape cassettes where the tape cassettes have a built-in nonvolatile memory. *See* RX-095 at Abstract, ¶¶ [0001], [0005]. The nonvolatile memory of Kano stores “volume information and partition information set for the tape by the system at initialization of the tape, and header information that is maintenance information related to the tape.” *Id.* ¶ [0005]. The data library system of Kano also includes a SCSI interface by which data can be exchanged with a host computer and which can be recorded on the tape media. *Id.* at [0004]. Among other things, Fujifilm relies on Kano as disclosing the use of a SCSI interface for exchanging information between a nonvolatile memory 4 and a host computer 25. *See* RIB at 133. Fujifilm contends that the SCSI components of Kano could be adapted for use with Platte. *Id.* at 133 and 137.

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Sony and Staff assert that Platte alone or in combination with the knowledge of a person of ordinary skill in the art and/or Kano would not render claims 1-13 of the '596 patent obvious because Fujifilm failed to demonstrate by clear and convincing evidence that a person of ordinary skill in the art would combine the video cassettes disclosed by Platte with the data library system of Kano. *See* CIB at 161-165; RIB at 128-129. For example, Sony contends that there is no basis to combine the teachings of Platte and Kano to arrive at the claimed "memory drive means" that includes a SCSI buffer controller as a component of the corresponding structure. *See* CRB at 69-70. I analyze the Fujifilm's proposed obviousness combinations in turn below.

**a) Platte in view of the knowledge of a person of ordinary skill in the art.**

As discussed above, Platte does not teach the memory drive means of claims 1-13 of the '596 patent because it does not disclose a SCSI buffer controller or equivalent structure for performing the recited function of the memory drive means. In this regard, Fujifilm has failed to adduce evidence that the knowledge of a person of ordinary skill in the art would supply that deficiency. Instead Fujifilm relies on Kano for that teaching. *See* RIB at 133; RRB at 79-80. I therefore find that Fujifilm has failed to demonstrate by clear and convincing evidence that the combination of Platte and the knowledge of a person of ordinary skill in the art would render claims 1-13 of the '596 patent invalid as obvious.

**b) Platte in view of Kano.**

The primary dispute between the parties is whether a person of ordinary skill in the art would combine the teachings of Platte and Kano. Fujifilm contends that it is appropriate to combine the teachings of Platte and Kano because they utilize similar hardware and are also both directed "to the same field of use and applications for the cassettes and drives." RIB at 136.

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Fujifilm asserts that combining the features disclosed in Kano (*e.g.*, a SCSI buffer controller) with Platte would be “trivial” and could be accomplished with a reasonable expectation of success. *Id.* at 135. Fujifilm’s expert Dr. Messner testified that Platte and Kano “are each directed to providing tape cassettes for use in similar fields” and that the ’596 patent “does not purport to have invented a new technique for communicating between a video recording and playback device and the memory in a tape cassette, and discloses only known components for communication between a memory and a tape drive.” RX-0004C at Q/A 933, 945. Dr. Messner contends that it would have been obvious to combine known components “to communicate between the tape-cassette memory and the video recording and playback device, so that data could be transferred back and forth.” *Id.* at Q/A 945. Dr. Messner also pointed to similarities between the teachings of Platte and Kano that would motivate their combination, such as they each “disclose tape cassettes in which magnetic tape is wound around two reels.” *Id.* at Q/A 934.

Sony and Staff argue that those skilled in the art would not combine Platte and Kano. CIB at 161-165; SIB at 129. In particular, both argue that those having ordinary skill in the art would not combine the tape/video cassettes of Platte with the complex data library described in Kano. CIB at 163; SIB at 129. Sony argues that there would be no expectation of success for combining Platte and Kano given that there would be significant design and programming challenges for doing so. CIB at 164-165.

Sony’s expert Dr. Mowry testified that those skilled in the would not be motivated to combine Platte and Kano because “Platte is directed to users of camcorders who make home videos and to video rental stores who lend prerecorded cassettes to customers to take back to their homes” whereas Kano “relates to enterprise grade tape library systems.” CX-0013C at Q/A 587. Dr. Mowry asserted that the “technical and practical disconnect” between Platte and

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Kano would prevent those skilled in the art from being motivated to combine their teachings. *Id.* Dr. Mowry also explained that “Kano and Platte target different categories of tape media products, and are directed to different levels of hardware,” and therefore those skilled in the art would not have looked to Kano to supply the deficiencies of Platte. *Id.* at Q/A 593; *see also id.* at Q/A 590 (“The attempt to combine Platte, which pertains to prerecorded cassettes for video rental stores and blank cassettes for use in personal camcorders, and Kano, which pertains to a large-scale tape library system for enterprise storage, would require substantial design and programming work.”).

The experts also provided conflicting testimony regarding whether there would be an expectation of success from combining Platte and Kano. For example, with respect to the tape cassette of Platte and the tape drive means of Kano, Fujifilm’s expert Dr. Messner opined that their combination would be successful because “[o]ne of skill in the art would look to Kano to provide the details of the helical scanning recorder to read from and write to the camcorder and videocassettes of Platte.” RX-0004C at Q/A 939. Dr. Messner also asserted that “[a]ccessing the tape-cassette memory of Platte in the tape streamer drive of Kano using the interface of Kano is a simple use of known elements to achieve a predictable result.” *Id.* at Q/A 946. In contrast, Sony’s expert Dr. Mowry stated that there would be no expectation of success from combining Platte and Kano because “[c]ombining Platte and Kano implicates an array of hardware and firmware design challenges that, in my opinion, would have been very difficult for one of ordinary skill in the art to implement.” CX-0013C at Q/A 590; *see also id.* at Q/A 599. Dr. Mowry argued that it would be incorrect to assume that Platte and Kano could be successfully combined. *Id.* at Q/A 589.

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The determination of “whether there is a reason to combine prior art references is a question of fact.” *See Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1367 (Fed. Cir. 2012). Here, the parties have each made arguments as to whether a person of ordinary skill in the art would combine the teachings of Platte and Kano. Although Fujifilm has offered evidence that one skilled in the art would and could successfully combine the teachings of Platte and Kano, there is also evidence of record to the contrary. *Cf.* RX-0004C at Q/A 928-950 and CX-0013C at Q/A 457-469, 585-594, 597-608. The experts also offered contradictory testimony regarding other bases purportedly motivating the combination of Platte and Kano. *Compare* RX-0004C at Q/A 950 *with* CX-0013C at Q/A 603-605; *compare* RX-0004C at Q/A 947-949 *with* CX-0013C at Q/A 600-602.

“The burden falls on the challenger of the patent to show by clear and convincing evidence that a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the skilled artisan would have had a reasonable expectation of success in doing so.” *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1361 (Fed. Cir. 2007); *see also Kinetic Concepts*, 688 F.3d. at 1360. Given the significant conflicting testimony, I find that Fujifilm has failed to establish by clear and convincing evidence that one skilled in the art would combine the teachings of Platte and Kano thus rendering claims 1-13 of the '596 patent invalid as obvious. *See Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008) (“Failure to prove the matter as required by the applicable standard means that the party with the burden of persuasion loses on that point—thus, if the fact trier of the issue is left uncertain, the party with the burden loses.”).

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In view of the forgoing, I find that Fujifilm has failed to establish by clear and convincing evidence that Platte renders the claims 1-13 of the '596 patent invalid as obvious in view of the knowledge of a person of ordinary skill in the art and/or Kano.

**4. Fujifilm did not prove by clear and convincing evidence that Sawada in view of Kano renders obvious asserted claims 1-13.**

Fujifilm contends that Sawada renders the claims 1-13 of the '596 patent invalid as obvious in view of Kano. RIB at 137-141. Sony and Staff disagree. CIB at 165-166; SIB at 128. The parties' respective arguments generally parallel those made with respect to the combination of Platte and Kano discussed above. Namely, the parties dispute whether those skilled in the art would be motivated to combine the teachings of Sawada and Kano as proposed by Fujifilm and whether there would be an expectation of success from doing so.

Fujifilm asserts that those skilled in the art would have been motivated to combine Sawada and Kano and would have had a reasonable expectation of success from the combination. *See* RIB at 138. Fujifilm contends Sawada and Kano both relate to tape media cassettes and therefore a person skilled in the art would combine their teachings. *Id.* Fujifilm also asserts that the "there is no 'fundamental incompatibility' that would prevent such a combination." *Id.* (citing *Certain Magnetic Data Storage Tapes*, Inv. No. 337-TA-1012, Comm'n Op. at 47 (Mar. 8, 2018)).

Sony and Staff contend that Fujifilm has not established a motivation for why a person of ordinary skill in the art would combine the teachings of Sawada and Kano, or that there would be a reasonable expectation of success from doing so. For example, Sony contends that "Sawada and Kano are completely different and non-compatible systems each with their own hardware, software, and data formats." CIB at 165. In this regard, Sony posits that the design and

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programming challenges would present significant challenges for combining Sawada and Kano. *Id.* Staff agrees. SIB at 128.

As was the case with Platte and Kano, there is competing testimony as to whether those skilled in the art would combine the teachings of Sawada related to video cassettes with the data library described in Kano, and whether there would be a reasonable expectation of success from doing so. *Compare* RX-0004C at Q/A 804-902 *with* CX-0013C at 471-533. For example, Fujifilm's expert Dr. Messner testified that Sawada and Kano both "both disclose a similar tape cassette. The tape cassettes in each reference have magnetic tape wound around two reels, and also have built-in memory for storing operational information (including management information and identification information)." RX-0004C at Q/A 809; *see also id.* at Q/A 810-811. Dr. Messner further testified that those skilled in the art would have an expectation of success from combining the components of Sawada and Kano because doing so would constitute "nothing more the use of known elements to yield predictable results." *Id.* at Q/A 839; *see also id.* at 812.

Sony's expert Dr. Mowry disagreed with each of Dr. Messner's contentions regarding the motivation to combine Sawada and Kano. *See* CX-0013C at 473-475 (addressing RX-0004C at Q/A 809-811). For example, Dr. Mowry contended that the mere fact that Sawada and Kano disclose tape cassettes and refer to video tape recorders does not provide sufficient basis to combine their respective teachings. *Id.* at Q/A 473; *see also id.* at Q/A 482-483, 486. In addition, Dr. Mowry testified that there are "significant differences between the tape library system of Kano and the personal entertainment application of Sawada" and that they each "pertain to different technology and different products and address different market needs." *Id.* at Q/A 477-478. According to Dr. Mowry, Fujifilm and Dr. Messner also failed to explain how

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those skilled in the art would integrate the “disparate technology” described in Sawada and Kano. *Id.* at Q/A 478.

Although Fujifilm has offered evidence that one skilled in the art would and could successfully combine the teachings of Sawada and Kano, Sony has offered at least equally compelling testimony and evidence to the contrary. I therefore find that Fujifilm has failed to establish by clear and convincing evidence that one skilled in the art would combine the teachings of Sawada and Kano thus rendering claims 1-13 of the '596 patent invalid as obvious. *See Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008).

In view of the forgoing, I find that Fujifilm has failed to establish by clear and convincing evidence that Sawada renders the claims 1-13 of the '596 patent invalid as obvious in view of Kano.

## VII. DOMESTIC INDUSTRY – ECONOMIC PRONG

### A. Introduction

Sony argues that it has satisfied the economic prong of the domestic industry requirement under section 337(a)(3)(B) based upon (i) the investment and economic activities of three Sony Corporation subsidiaries (Sony Latin America Inc. (“SOLA”), Sony DADC US Inc. (“Sony DADC”), and Sony Services and Operations of Americas (“SSOA”)) and (ii) the maintenance and research and development expenses of its cross-licensee IBM related to IBM’s 3592 products.<sup>27</sup> CIB at 9-10, 166, 174. Sony contends that the combined expenditures of the Sony subsidiaries and IBM amount to at least [REDACTED] attributable to the '596 patent, at least [REDACTED]

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<sup>27</sup> The 3592 products include Generation 1-4 IBM 3592 tapes (JA, JB, JC, JD, JJ, JK, JL, JR, JW, JX, JY, and JZ) and the TS1120, TS1130, TS1140, TS1150, and TS1155 tape drives in which the 3592 tapes operate. *Id.* at 146, 186-187; *see also* CX-1304C at Q/A 13-16.

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█████ attributable to the '501 patent, and at least █████ attributable to the '774 patent. *Id.* at 166. Sony also asserts that IBM's research and development expenditures satisfy the economic prong under section 337(a)(3)(C). *Id.* at 186-187. Sony argues that the above expenditures associated with the domestic industry products are quantitatively and qualitatively significant and substantial. *Id.* at 187-191. Sony asserts that these expenditures are significant and substantial whether considered together or broken apart as follows:

	'596 Patent	'501 Patent	'774 Patent
<b>IBM's R&amp;D Investments</b>	█████	█████	█████
<b>Sony and IBM's Remaining Prong (B) Investments</b>	█████	█████	█████
<b>Total</b>	█████	█████	█████

*Id.* at 188 (citing CX-0004C at Q/A 235).

Fujifilm disputes that the investments of either the Sony subsidiaries or IBM are sufficient to satisfy the economic prong. RIB at 142-144. With respect to the Sony subsidiaries, Fujifilm argues that Sony's activities are akin to those of an ordinary importer given that all of the Sony domestic industry products are made in Japan. *Id.* Fujifilm contends that the domestic activities performed by the Sony subsidiaries do not, on their own, show the type of significant investments required to satisfy the economic prong of the domestic industry requirement. *Id.* at 144-150. For example, Fujifilm argues that Sony's domestic labeling activities are not sufficient to constitute a domestic industry. *Id.* at 145. Fujifilm also asserts that other of Sony's expenses, such as those ascribed to "distribution and logistics" and overhead (*e.g.*, rent, insurance, utilities), are unrelated to design, engineering, manufacturing, and assembly; or do not add value to the imported products and therefore should not be considered for determining whether a domestic industry exists. *Id.* at 147-150. Fujifilm further contends that the Sony subsidiary costs

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incurred outside of the United States for certain non-technical employees (*i.e.*, Mr. Clark and Mr. Sasaki) should not be considered for establishing a domestic industry. *Id.* at 150-155.

As to IBM's activities and expenditures, Fujifilm primarily argues, as detailed below, that the Sony-IBM license does not cover the IBM 3592 products. *Id.* at 156-166. Fujifilm contends that Sony cannot rely on expenditures associated with the IBM 3592 products to satisfy the domestic industry requirement. *Id.* at 157.

Fujifilm also argues that even if the IBM 3592 products were licensed, it would be improper to impute IBM's expenditures associated with 3592 tape drives to the '774 and '501 patents because they are directed only to tape media. *Id.* at 167-173. And even if it was appropriate to consider expenses for the 3592 tape drives with respect to the '774 and '501 patents, Sony has nevertheless failed to allocate its expenses to only those portions of the 3592 tape drive that are necessary to exploit those patents. *Id.* at 172 (citing *Certain Video Game Systems and Wireless Controllers and Components Thereof*, Inv. No. 337-TA-770, Comm'n Op. at 67-68 (Oct. 28, 2013)).

Fujifilm additionally argues that Sony cannot rely on IBM's research and development expenses to establish the economic prong under section 337(a)(3)(B). *Id.* at 174-175; RRB at 92-94. Rather, Fujifilm contends that such expenses can only be properly credited under section 337(a)(3)(C), and that Sony has failed to demonstrate the required nexus between those expenditures and the patented technology. RIB at 174-175.

Finally, Fujifilm asserts that Sony's and IBM's expenditures are neither qualitatively nor quantitatively significant. *Id.* at 176-180.

Staff contends that the investments of the Sony subsidiaries are insufficient to satisfy the economic prong. *See* SIB at 130-141. Staff argues that the activities of the Sony subsidiaries are

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not the type of expenditures that can satisfy the economic prong in the first instance, but even if they were, Sony has failed to demonstrate that those expenditures are qualitatively and quantitatively significant. *Id.* at 131, 140-141. For example, Staff asserts that SOLA and Sony DADC's labeling activities may be a qualifying activity, but that Sony failed to adduce evidence sufficient to demonstrate that those labeling activities are "significant" within the meaning of section 337. *Id.* at 134, 136.

Staff asserts that IBM's maintenance and research and development expenditures do not satisfy the economic prong under section 337(a)(3)(B) with respect to the '774 and '501 patents, but do satisfy it with respect to the '596 patent. *Id.* at 130, 145-152. Staff finds that IBM's expenditures for maintenance and research and development associated with articles protected by the '596 patent are quantitatively and qualitatively significant. *Id.* at 150-151.

Finally, Staff asserts that Sony has failed to demonstrate that IBM's investments satisfy the economic prong under section 337(a)(3)(C) because Sony has failed to establish a nexus between IBM's research and development expenditures and the patented technology. *Id.* at 152.

### **B. A Domestic Industry Does Not Exist Based on Sony Subsidiaries**

As to its subsidiaries, Sony asserts that they employ labor and capital in support of the Sony domestic industry products in the United States, and that these "investments relate to custom labeling, customer service, warehousing and logistics, distribution, and order management" falling within the scope of section 337(a)(3)(B). CIB at 166. I consider the economic activity of each subsidiary below.

#### **1. SOLA**

SOLA, which is based in Miami, Florida, and has facilities in Park Ridge, New Jersey, through its Americas Media and Energy Group ("AMEG"), supports Sony's LTO business in the United States by performing warehousing, distribution, labeling, packaging and customer

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support activities. CIB at 167. SOLA employees “track sales and inventory, maintain supply chains and distribution channels, process orders, respond to customer complaints, provide customer service, and package and label products.” *Id.* Approximately ██████ square feet of SOLA’s facilities are dedicated to LTO operations. *Id.* (citing CX-0004C at Q/A 108-120; CX-0006C at Q/A 20-25). Sony explains that the “B2B tape group” within AMEG employs ██████ individuals and is responsible for LTO and other storage products. *Id.*

Sony argues that SOLA incurred both fixed costs (*e.g.*, wages, expenses from business trips, rent for office space, and some indirect personnel costs) and variable costs (*e.g.*, advertising and promotion, logistics, customer service and warranty, commissions, and royalties) for the domestic B2B tape business. *Id.* After excluding advertising, promotion, and commission expenses, Sony estimates that the combined fixed and variable costs for SOLA including fiscal year 2015 through September of fiscal year 2017 were approximately ██████. *Id.* at 168 (citing CX-0004C at Q/A 118-121; CX-0006C at Q/A 28-60; CX-0862C; CDX-0004C at 26; JX-0149C; JX-0150C).

Sony also relies on expenses related to SOLA employee Mr. Charlie Clark. *Id.* Mr. Clark “leads a team that interfaces with Sony’s OEM customers and serves as a conduit between Sony’s development team in Japan and its OEM customers in the United States.” *Id.* According to Sony, total investments related to Mr. Clark for fiscal year 2015 through September of fiscal year 2017 were approximately ██████. *Id.* (citing CX-0004C at Q/A 135-138; CX-0006C at Q/A 83-90; CX-0008C at Q/A 53; CDX-0004C at 27; CX-1097C; CX-1098C).

SOLA’s investments and expenditures are not tracked on a per-product basis. *Id.* at 169-170. Sony employed a sales-based method to allocate a portion of SOLA’s investments

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and expenditures to the domestic industry products. *Id.* The results of that allocation method are reproduced below:

	<b>FY 2015 Revenue</b>	<b>Percent of B2B Tape Media Revenue</b>	<b>FY 2016 Revenue</b>	<b>Percent of B2B Tape Media Revenue</b>	<b>FY 2017 (through September) Revenue</b>	<b>Percent of B2B Tape Media Revenue</b>
<b>LTO-4</b>	██████████	██████████	██████████	██████████	██████████	██████████
<b>LTO-5</b>	██████████	██████████	██████████	██████████	██████████	██████████
<b>LTO-6</b>	██████████	██████████	██████████	██████████	██████████	██████████
<b>LTO-4 OEM<sup>28</sup></b>	██████████	██████████	-	██████████	-	██████████
<b>LTO-5 OEM</b>	██████████	██████████	-	██████████	-	██████████
<b>LTO-6 OEM</b>	██████████	██████████	-	██████████	-	██████████

*Id.* at 170 (citing CX-4C at Q/A 122-130; CX-6C at Q/A 65-81; CDX-4C at 23-25; JX-135C; JX-149C; JX-150C; CX-1225C).

Sony conducted a “unit-based allocation” with respect to Mr. Clark’s expenses because he deals with Sony’s OEM products ██████████. *Id.* The results of that analysis are reproduced below:

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017 (through September)</b>	<b>Total</b>
<b>SOLA’s Investments in the ’596 and ’774 Patents (LTO-4, 5, 6)</b>	██████████	██████████	██████████	██████████
<b>SOLA’s Investments in the ’501 Patent (LTO-5, 6)</b>	██████████	██████████	██████████	██████████

<sup>28</sup> According to Sony, SOLA handled a portion of Sony’s OEM sales in the United States for a portion of fiscal year 2015. *Id.* (citing CX-6C at Q/A 72-74).

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*Id.* at 170-171 (citing CX-4C at Q/A 131, 140; CDX-4C at 22, 26). Sony contends that Fujifilm has not challenged the above calculations. *Id.* at 171.

Fujifilm argues that SOLA imports Sony domestic industry products from SSMS in Japan and sells the Sony-branded LTO tape products in the United States, Canada, and Latin America, and that it does not manufacture LTO tape products in the United States. RIB at 7. Fujifilm also contends that the expenses attributed to SOLA are overstated and should not be considered because they include “cost of goods” (*a/k/a* “COGS”) that were manufactured in Japan. *Id.* at 151 (citing CX-0004C (Prowse WS) at Q/A 121-123, 129-130; CDX-0004C at 0023-0025; JX-0149C, CX-0862C; JX-0150C; JX-0082C (Taniguchi Dep.) at 85:3-12, 105:6-15).

Fujifilm also disputes that the expenses associated with Mr. Clark’s activities can be properly considered. *Id.* at 153-154. Fujifilm argues that the evidence of record demonstrates that “no one at SOLA (including Mr. Clark) designs, researches or develops, manufactures, or assembles LTO products in the United States.” *Id.* at 153 (citing JX-0074C (Murai Dep.) at 26:20-29:9). Fujifilm points out that Sony’s expert, Dr. Prowse, testified that Mr. Clark merely “acts as a liaison to Sony’s OEM customers” and “is a contact person between Sony and its OEM customers and handles negotiations and other tasks related to implementing Sony’s LTO business plan in the United States.” *Id.* (citing CX-0004C (Prowse WS) at Q/A 135). Fujifilm also points out that Mr. Clark has authored internal Sony documents stating that “all tape development and quality control/failure analysis” is performed in Japan. *Id.* (citing JX-0140C at 4). Fujifilm also argues that Mr. Clark’s compensation consists of [REDACTED] [REDACTED] unrelated to product development. *Id.* (citing Prowse, Tr. 146:20-148:19; CX-0006C (Murai WS) at Q/A 90; CX-1097C; CX-1098C). Fujifilm reasons that Mr. Clark performs nothing other than sales and marketing activities. *Id.* at 154.

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Staff reaches the same general conclusion as Fujifilm. SIB at 132-135. Staff asserts that Sony's evidence demonstrates the following SOLA expenses:

<b>Year</b>	<b>Appx. Fixed Costs</b>	<b>Variable Costs</b>	<b>% of Total B2B Media Sales</b>	<b>Total Investments</b>
<b>2015</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>2016</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>First Half 2017</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Fixed &amp; Variable Costs Investments</b>				[REDACTED]

*Id.* at 133 (citing CX-0004C at Q/A 131-132). Staff also cites to the expenses Sony identified for Mr. Clark. *Id.* at 133-134 (citing CX-0004C at Q/A 135-138; CX-0006C at Q/A 83-90; CX-0008C at Q/A 53; CDX-0004C at 27; CX-1097C; CX-1098C). Staff concludes, however, that none of the identified expenses are qualifying investments for purposes of satisfying the economic prong of the domestic industry requirement. *Id.* at 134-135.

With respect to SOLA's expenses, Staff contends that they consist of "tracking sales and inventory, maintaining supply chains and distribution channels, processing orders, responding to customer complaints and offering customer service, and packaging and labeling products," and that SOLA employees do not provide technical support. *Id.* at 134 (citing Prowse, Tr. at 143:14-144:9, 145:3-15). Staff also notes that Sony's expert admitted that the warehousing, distribution, and logistics activities performed by SOLA's B2B tape group are akin to the activities of an importer. *Id.* (citing Prowse, Tr. at 144:10-24). Staff concludes that "SOLA's investments are the type incurred by any importer, and are therefore not qualifying investments under the Section 337 statute." *Id.* (citing *Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm'n Op. at 39 (August 1, 2017)).

Staff reaches a similar conclusion regarding Mr. Clark's activities. *Id.* at 134-135.

According to Staff, the evidence shows that Mr. Clark performs sales and marketing activities,

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such as “interfacing with Sony’s OEM customers” and “developing Sony’s OEM business in the United States.” *Id.* at 134 (citing CX-0006C at Q/A 90; Prowse, Tr. at 146:20-148:19). In this regard, Staff notes that the vice president of SOLA’s AMEG group (Mr. Murai) testified that a significant portion of the money Mr. Clark was paid was for [REDACTED]

[REDACTED] *Id.* at 135. Staff agrees with Fujifilm that Mr. Clark performs nothing other than non-qualifying sales and marketing activities. *Id.*

### 2. Sony DADC

Sony indicates that Sony DADC’s facilities in New York, New York; Agoura Hills, California; Terre Haute, Indiana; and Bolingbrook, Illinois, support Sony’s OEM LTO business. CIB at 171. Sony contends that there are four categories of Sony DADC expenses associated with the Sony domestic industry products: (1) labor related to management distribution, packaging, and labeling services for LTO products; (2) facilities costs associated with activities involving the Sony domestic industry products; (3) customer service activities associated with the Sony domestic industry products, including Sony DADC’s Global Platform Service (GPS); and (4) transportation services associated with the Sony domestic industry products. *Id.* at 171-174; CX-0004C at Q/A 47; CX-0005C at Q/A 7-39.

With respect to labor related to distribution, packaging, and labeling services for LTO products, Sony contends that Sony DADC receives imported shipments of LTO products from SSMS in Japan, checks for inventory discrepancies, validates label sequences, visually inspects products, and ships products to Sony’s OEM customer warehouses or end users. *Id.* at 171-172. In addition, Sony DADC employs [REDACTED] full-time employees that apply customer-specific bar codes to LTO tapes pursuant to customer requirements. *Id.* Sony argues that this custom labeling is a “value-added step” and a “critical service” because “[m]any DADC customers view LTO tapes

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as unusable unless they are labeled.” *Id.* (citing CX-0004C at Q/A 48-51; CX-0005C at Q/A 18-37; CX-0008C at Q/A 51-52; JX-0043C at 128:3-18; JX-0054C at 202:21-203:1).

Regarding facilities costs associated with activities involving the Sony domestic industry products, Sony contends that Sony DADC’s domestic industry activities occur in the approximately [REDACTED] square foot Building F at its Bolingbrook facility, and that “approximately [REDACTED] square feet of Building F is specifically used for LTO operations, such as shipping, receiving and storage” and include LTO-dedicated equipment. *Id.* at 172 (citing CX-0004C at Q/A 54-61; CX-0005C at Q/A 37-46). Sony estimates, based on square footage used, that rent and fixed costs of Building F allocable to LTO products is [REDACTED] percent of the rent and [REDACTED] percent of the fixed costs. *Id.* at 172-173 (citing CX-0004C at Q/A 57-62; CX-0005C at Q/A 40-41; CX-0860C; JX-0144C).

As to customer service activities associated with the Sony domestic industry products, including Sony DADC’s GPS, Sony asserts that there are [REDACTED] full-time employees in its GPS division “who perform customer service, interface with OEM customers, and handle finance activities related to LTO Products.” *Id.* at 173 (citing CX-0004C at Q/A 63-72; CX-0005C at Q/A 9, 48-52).

Finally, regarding transportation services associated with the Sony domestic industry products, Sony states that “Sony DADC employees deal with LTO-related transportation issues and communicate with FedEx and UPS, for example, regarding LTO shipments.” *Id.*

Sony identifies the following expenses for the Sony DADC activities set forth above:

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	Prior to FY 2015	FY 2015	FY 2016	FY 2017 (through September)	Total
Distribution, Packaging, and Labeling	██████████	██████████	██████████	██████████	██████████
Building F		██████████	██████████	██████████	██████████
GPS		██████████	██████████	██████████	██████████
Transportation		██████████	██████████	██████████	██████████
Total LTO Related Expenditures	██████████	██████████	██████████	██████████	██████████

*Id.* (citing CX-0004C at Q/A 52-85 CDX-0004C at 18; CX-0860C, CX-1223C; JX-0132C; JX-0143C; JX-0144C). Sony performed a further allocation of Sony DADC’s expenses as a function of the number of units processed by Sony DADC related to the Sony domestic industry products:

	2015	Percent of Total	2016	Percent of Total	2017	Percent of Total
LTO-4	██████████	██████████	██████████	██████████	██████████	██████████
LTO-5	██████████	██████████	██████████	██████████	██████████	██████████
LTO-6	██████████	██████████	██████████	██████████	██████████	██████████
Total Units to U.S. Customers	██████████		██████████		██████████	

*Id.* at 174 (citing CX-0004C at Q/A 93; CDX-0004C at 17; JX-0132C; JX-0146C). Sony contends that, based on this allocation, “Sony DADC’s domestic investments in labor and capital for the Sony DI Products totaled ██████████” all of which is attributable to the ’596 and ’774 patents, and approximately ██████████ of which is attributable to the ’501 patent. *Id.* (citing CX-0004C at Q/A 97-107; CDX-0004C at 16, 18).

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Fujifilm offers several arguments disputing that Sony DADC's expenses can be utilized to establish a domestic industry. As an initial point, Fujifilm contends that none of Sony DADC's entities design, engineer, manufacture, assemble, or perform any R&D on any Sony domestic industry product. RIB at 148 (citing JX-0063C (Buchicchio Dep.) at 5:8-6:7; JX-0062C (Buchicchio Dep.) at 21:2-6, 180:3-13; JX-0074C (Murai Dep.) at 26:20-29:2; JX-0082C (Taniguchi Dep.) at 31:1-15, 65:1-5, 66:3-14). In this regard, Fujifilm points out that the activities in Bolingbrook consist primarily of "shipping, receiving and storage, including performing the labeling activities" for imported Sony domestic industry products. *Id.* (quoting CX-0004C (Prowse DWS) at Q/A 58). Fujifilm also contends that Sony DADC's GPS labor relates only to financial and non-technical customer service. *Id.* at 148-149 (citing JX-0062C (Buchicchio Dep.) at 75:16-76:1, 102:18-103:4). Given that Sony DADC's GPS labor does not relate to product design, development, and manufacture, Fujifilm argues that it is inappropriate to consider any associated overhead expenditures (*e.g.*, building rent, utilities, and telecommunications equipment) in determining whether a domestic industry has been established. *Id.*

Fujifilm also argues that Sony has failed to establish how, and to what extent, the activities performed by Sony DADC add value to the imported domestic industry products. *Id.* at 149-150. According to Fujifilm, the only "evidence" of an added value came from Sony's economic expert who opined that "meeting customer requests adds value." *Id.* (citing CX-0004C (Prowse WS) at Q/A 275; RX-0585C (Vander Veen WS) at Q/A 163-164). Fujifilm contends that the lack of evidence showing that Sony DADC's activities add value to the domestic industry products further demonstrates that Sony DADC's overhead expenses should not be considered as domestic industry investments.

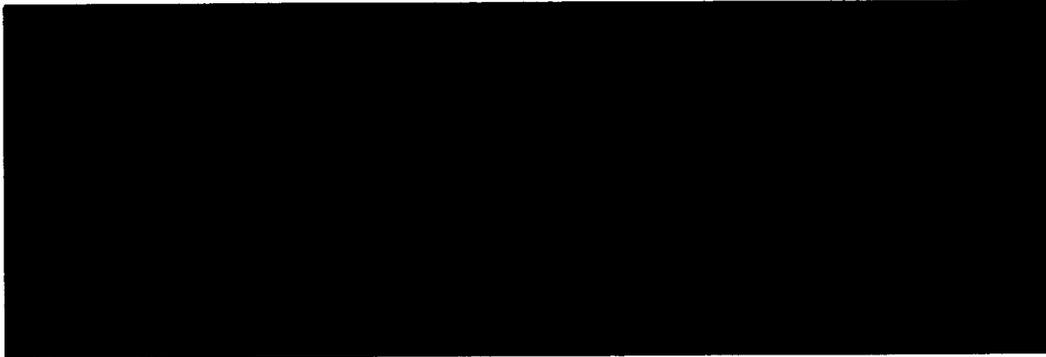
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Fujifilm also levels several criticisms at the analysis performed by Sony's economic expert, Dr. Prowse. First, Fujifilm argues that Dr. Prowse should not have considered pre-2015 expenses when calculating Sony DADC's expenses. *Id.* at 150. Fujifilm contends that Sony did not manufacture products in the United States between 2011 and 2015, and that expenses dating from 2011 are too remote to be given weight. *Id.* (citing CX-0004C (Prowse WS) at Q/A 82-85; RX-0585C (Vander Veen WS) at Q/A 30-35; *Certain Video Game Systems & Controllers, Inv. No. 337-TA-743*, ID at 169-170 (Nov. 2, 2011)).

Next, Fujifilm asserts that Dr. Prowse's unit-based allocation improperly "accounted for all LTO-4, LTO-5 and LTO-6 products that were imported from Japan, despite that DADC only labels a small subset of them." *Id.* at 152 (citing CX-0004C (Prowse WS) at Q/A 88-90, 93, 98; CDX-0004C at 18). Fujifilm argues that this approach failed to differentiate between "the labor used to perform labeling operations from labor that is simply used to receive and ship the imported products." *Id.* (citing Prowse, Tr. at 131:2-17, 142:3-18, 143:14-144:2, 145:3-15). According to Fujifilm this distinction is important because Sony DADC's activities as to tapes that are not domestically labeled are no different than the actions of a normal importer. *Id.* In this regard, Fujifilm notes that only between [REDACTED] percent of all imported domestic industry products in the last two years were labeled by Sony in the United States.

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	Labeled as a Percent of Units Sold		
	FY 2015	FY 2016	FY 2017 (Apr - Sept)
LTO-4	[REDACTED]	[REDACTED]	[REDACTED]
LTO-5	[REDACTED]	[REDACTED]	[REDACTED]
LTO-6	[REDACTED]	[REDACTED]	[REDACTED]
Labeled LTO 4-6 as % of Total	[REDACTED]	[REDACTED]	[REDACTED]
LTO 6-7	[REDACTED]	[REDACTED]	[REDACTED]



*Id.* at 147 (citing J 0-0145C; RX-0585C (Vander Veen RWS) at Q/A 60-61). In addition, the applied labels only cost [REDACTED] each. *Id.* at 176 (citing JX-0062C (Buchicchio Dep.) at 63:18-21).

Finally, Fujifilm argues that Dr. Prowse incorrectly included Sony DADC’s “transportation services” where those activities merely consisted of expenses for employees who “deal with LTO-related transportation issues and communicate with FedEx and UPS, for example, regarding LTO shipments.” *Id.* at 152-153 (citing CX-0014C (Prowse WS) at Q/A 73). According to Fujifilm, Dr. Prowse testified that such expenditures are those of an ordinary importer. *Id.* (citing Prowse, Tr. at 135:11-20, 138:20-140:7, 144:14-24).

Staff cites the same financial data cited by Sony and discussed above. Staff concludes, however, that the data fails to establish a domestic industry. SIB at 135-140. First, Staff concludes that “[t]he evidence does not show that the expenses for distribution, packaging, and labeling are qualitatively or quantitatively significant.” *Id.* at 136. Staff observes that the Sony domestic industry products are not manufactured in the United States and points out that Sony and its expert characterized this subset of investments as only covering checking for inventory

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discrepancies, validating the correct label sequences, dealing with shipping or distribution issues, and then shipping the product to Sony's OEM customers or customer warehouses. *Id.* In Staff's view "[t]here appears to be no activities of the type described in the statute—such as engineering or research and development—at all." *Id.* Staff reasons that there is nothing qualitatively or quantitatively significant about the distribution and packaging services, and that they are more like the activities of an importer. *Id.* With respect to the labeling activities, Staff observes that Sony failed to identify the expenses solely related to that activity. *Id.* at 137 (citing Prowse, Tr. at 130:11-131:17; 132:10-133:6). Staff also posits that, to the extent Sony DADC's labeling expenses may qualify toward establishing a domestic industry, such expenses are not significant since the evidence shows that only a small percentage of imported tapes are domestically labeled. *Id.* (citing Prowse, Tr. at 130:3-8; JX-0145C; RX-0585C (Vander Veen WS) at Q/A 60-61).

Second, with respect to facilities costs associated with Building F activities at the Bolingbrook facility, Staff asserts that none of the activities in the Bolingbrook facility involve the types of activities normally considered as part of a domestic industry. *Id.* at 138. Rather, they merely relate to shipping, receiving, storage, and labeling. *Id.*

Third, as to Sony DADC's GPS, Staff compares them to SOLA's distribution, packaging, and labeling activities, and concludes that these activities "are neither qualitatively nor quantitatively significant" and "are not the types of investments that typically qualify for purposes of satisfying the economic prong of the domestic industry requirement." *Id.* at 138-139.

Fourth, Staff concludes that the evidence fails to show that Sony DADC's transportation expenses are attributable to the Sony domestic industry products in order to satisfy the economic

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prong of the domestic industry requirement. *Id.* at 139. Staff reasons that the transportation services are the type usually performed by an ordinary importer. *Id.*

Staff also agrees with Fujifilm that Sony DADC's pre-2015 expenses should not count towards satisfying the economic prong. *Id.* at 139-140. According to Staff, Sony's expert testified that the pre-2015 expenses did not relate to technical support "and that it was not possible to determine how much of the investments were attributable to the labeling activities alone." *Id.* (citing Prowse, Tr. at 140:8-142:18).

### 3. SSOA

Sony indicates that SSOA includes [REDACTED] employees in Laredo, TX who "provide technical support and quality assurance work related to Sony's LTO and other tape products." CIB at 173 (citing CX-0004C at Q/A 141-159; CX-0006C at Q/A 21-26, 91-96). According to Sony, one of these employees, Mr. Sasaki, "spends approximately [REDACTED] percent of his time supporting Sony's OEM LTO business."<sup>29</sup> *Id.* Based on this estimation and the fact that Mr. Sasaki works on other non-DI LTO products, Sony estimates that SSOA's domestic investments totaled approximately [REDACTED] (from fiscal year 2015 through September 2017), all of which is attributable to the '596 and '774 patents and approximately [REDACTED] of which is attributable to the '501 patent. *Id.* (citing CX-0004C at Q/A 141-159; CX-0006C at Q/A 91-96; CX-0863C; CX-1099C; CX-1173C; CDX-0004C at 28-29).

Fujifilm argues that SSOA's expenses associated with Mr. Sasaki's salary do not establish a domestic industry because the evidence fails to show that he handles technical issues related to the Sony domestic industry products. RIB at 154. For example, Fujifilm points to the

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<sup>29</sup> Sony does not appear to allocate any expenses for the other SSOA employee, Mr. Nakashima.

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fact that only a very small number of calls to SSOA were for complaints regarding the Sony domestic industry products:

Year	Total Calls	Calls Related to Domestic Industry Products
2017	n/a	█
2016	█	█
2015	█	█

*Id.* (citing RX-0089C; RX-0585C (Vander Veen WS) at Q/A 100-108). Fujifilm also notes that Dr. Prowse acknowledged that there was no information available to measure Mr. Sasaki's contributions to the development of Sony's domestic industry products. *Id.* (citing Prowse, Tr. at 149:16-150:10). Fujifilm also points to evidence demonstrating that when Mr. Sasaki did provide technical support he did so from outside of the United States. *Id.* (citing RX-0090C; RX-0088C; JX-0080C (Sasaki Dep.) at 12:15-13:25, 23:2-24:2, 61:10-62:1, 79:9-17).

Staff relies on the same financial data cited by Sony and discussed above. SIB at 140-141. Staff acknowledges that “[t]echnical support is ordinarily considered an appropriate domestic industry expense,” but questions whether Mr. Sasaki's work actually qualifies as “technical support.” *Id.* According to Staff, the evidence shows that Mr. Sasaki “provides customer sales support, such as dealing with discrepancies in price or quantity of tapes sold to customers” and that when a customer does have a technical problem with a product, Mr. Sasaki refers them to technicians in Japan. *Id.* Staff also asserts that Sony's expert was unable to identify any contributions made by Mr. Sasaki to the development of Sony's domestic industry products. *Id.* at 141 (citing Prowse, Tr. at 149:16-150:10). Finally, Staff notes that Sony's expert did not provide testimony that SSOA's expenditures on their own are quantitatively and qualitatively significant. *Id.*

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### 4. Analysis

The Commission has explained that “[t]he economic prong requirement exists to assure that domestic production-related activities, as opposed to those of a mere importer, are protected by the statute.” *Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm’n Op. at 39 (August 1, 2007). This distinction assesses, in part, the qualitative significance of an investment. *See Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm’n Op. at 27 (Feb. 17, 2011) (explaining that “the magnitude of the investment 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”). However, such “qualitative factors alone are insufficient” to show that an investment is significant or substantial. *Lelo Inc. v. Int’l Trade Comm’n*, 786 F.3d 879, 885 (Fed. Cir. 2015). Rather, section 337(a)(3) “requires a quantitative analysis to determine whether there is a ‘significant’ increase or attribution by virtue of the claimant’s asserted commercial activity in the United States.” *Id.* at 883.

In addition, for purposes of section 337(a)(3), the Commission has determined that the term “significant” requires “an assessment of the relative importance of the *domestic activities*.” *Certain Concealed Cabinet Hinges and Mounting Plates*, Inv. No. 337-TA-289, Comm’n Op. at 11 (Jan. 8, 1990) (emphasis added); *see also Certain Printing and Imaging Devices and Components Thereof*, Inv. 337-TA-690, Comm’n Op. at 27 (Feb. 17, 2011) (explaining that in assessing significance, “[t]he Commission has also assessed the relative domestic contribution to the protected article by comparing complainant’s product-related domestic activities to its product-related foreign activities”).

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Within the above framework, I find that the expenditures of the Sony subsidiaries fail to establish the economic prong of the domestic industry requirement under section 337(a)(3)(B) because they are not qualitatively and quantitatively significant.<sup>30</sup>

First, I agree with both Fujifilm and Staff that the Sony subsidiaries' activities regarding the domestic industry products are largely those of an ordinary importer, and are thus not quantitatively or qualitatively significant. In making this determination I have considered whether the Sony subsidiaries perform any significant qualifying activities in the United States sufficient to elevate them from simply being importers of the Sony domestic industry products. In this regard, I find that the actions of the Sony subsidiaries do not contribute in any significant manner to the manufacture of, or an increased value for, the Sony domestic industry products.

For example, the evidence clearly shows that the domestic industry products are fully manufactured in Japan, and that no further steps are required for them to operate upon arrival in the United States. *See* JX-0063C (Buchicchio Dep.) at 18:20-19:2. The only additional "manufacturing" Sony does in the United States is labeling a fraction the imported cartridges. Sony characterizes this work as "a critical service" because "[m]any DADC customers view LTO tapes as unusable unless they are labeled." CIB at 170. The evidence shows, however, that the labeling activities consist of adding a [REDACTED] label to only approximately [REDACTED] percent of the imported Sony domestic industry products. *See* JX-0062C (Buchicchio Dep.) at 63:18-21; Prowse, Tr. at 128:15-24. Based on these facts, such labeling activities do not have a sufficiently significant economic and financial impact to demonstrate the type of significant investment that is required by the economic prong of the domestic industry requirement.

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<sup>30</sup> Sony does not assert that the expenditures of the Sony subsidiaries satisfy either of section 337(a)(3)(A) or section 337(a)(3)(C).

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I also note that much of Sony's argument with respect to labeling is not supported by record evidence. For instance, Sony does not cite to any evidence of record supporting its assertion that domestic labeling is "a critical service" or that any, much less many, of Sony DADC's customers considered unlabeled LTO tapes to be unusable. *See* CIB at 170. Indeed, it is unclear from the record how the lack of a label makes an LTO tape functionally unusable. Instead, Sony's argument appears to conflate "saleable" with "marketable." *See Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, at 42 ("[T]he bulk condoms [are] not useable or saleable as imported, the lubrication added in the United States is directed to the practice of certain patent claims...."). As noted above, there is no evidence that the imported Sony domestic industry products cannot be used or sold without domestically added labels. Indeed, there is evidence to the contrary. *See* JX-0063C (Buchicchio Dep.) at 18:20-19:2 (indicating that that Sony domestic industry products for [REDACTED] are shipped unlabeled). Moreover, as noted above, the evidence establishes that only between [REDACTED] percent of the Sony domestic industry products are domestically labeled. *See* JX-0145C; RX-0585C (Vander Veen RWS) at Q/A 60-61. It certainly cannot be the case that the remainder of the imported Sony domestic industry products are not "saleable" to or "useable" by consumers.

In addition, to the extent Sony contends that domestic labeling is a "value added" activity, Sony has failed to quantify the value actually added from that activity. *See Lelo*, 786 F.3d at 883. This point is particularly significant given that Sony's own witness testified that Sony labels just a "small subset" of the imported domestic industry products. *See* RX-0585C (Vander Veen WS) at Q/A 60. Thus, based on the forgoing, I find that the application of a [REDACTED] label on only approximately [REDACTED] per cent of the imported Sony domestic industry

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products does not constitute a quantitatively or qualitatively significant activity or expense alone, or in conjunction with, any other activity of the Sony subsidiaries.

The majority of the remaining domestic support activities of the Sony subsidiaries consist of sales, warehousing, and distribution. These activities do not constitute significant “domestic production-related activities,” and do not have any meaningful bearing on the practice of the Sony domestic industry products given that those products are manufactured entirely outside of the United States. *See, e.g., Certain Printing and Imaging Devices and Components Thereof*, Inv. 337-TA-690, Comm’n Op. at 30 (Feb. 17, 2011). I note particularly that the evidence fails to show that Mr. Clark performs anything other than sales and marketing activities. *See* CX-0006C at Q/A 90; Prowse, Tr. at 146:20-148:19; CX-0004C (Prowse WS) at Q/A 135; JX-0140C; CX-0006C (Murai WS) at Q/A 90; CX-1097C; CX-1098C.

Finally, Sony offered evidence that Mr. Sasaki provides technical support to purchasers of Sony’s domestic industry products. *See* CIB at 173 (citing CX-0004C at Q/A 141-159; CX-0006C at Q/A 91-96; CX-0863C; CX-1099C; CX-1173C; CDX-4C at 28-29). Providing technical support constitutes an activity that can be credited toward satisfying the economic prong. The evidence shows, however, that when Mr. Sasaki provided technical support that he did so from outside of the United States. *See* RX-0090C; RX-0088C; JX-0080C (Sasaki Dep.) at 12:15-13:25, 23:2-24:2, 61:10-62:1, 79:9-17. The evidence also shows that SSOA fielded very few calls related to the domestic industry products:

<b>Year</b>	<b>Total Calls</b>	<b>Calls Related to Domestic Industry Products</b>	<b>Percent</b>
2017	n/a		
2016			
2015			

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See RX-0089C; RX-0585C (Vander Veen WS) at Q/A 100-108. As can be gleaned from the above data, of the ■■■ calls to SSOA during 2015 and 2016, only ■■ percent related to the Sony domestic industry products. Moreover, no evidence has been cited establishing that any of those ■■ calls related to a technical issue. Thus, while it may be the case that Mr. Sasaki provided some domestic technical support regarding the Sony domestic industry products, the evidence fails to demonstrate that the expenditures associated with his doing so were qualitatively or quantitatively significant.

In view of the foregoing, I find that the expenditures of the Sony subsidiaries are quantitatively and qualitatively insignificant and therefore fail to satisfy, alone or in conjunction with the IBM expenses (discussed below), the economic prong of the domestic industry requirement under section 337(a)(3)(B).

### **C. A Domestic Industry Exists Relating to IBM 3592 Products**

#### **1. The Sony-IBM License.**

Sony and IBM have entered into two cross-license agreements relevant to this investigation. The first is dated March 30, ■■■. CX-1058C. The second is dated March 25, ■■■. CX-1044C. The two licenses are identical in all respects relevant to this investigation and therefore will be referred to as the “Sony-IBM license.” See CX-1058C, CX-1044C; CIB at 174 n. 49; SIB at 141. According to Sony, IBM is a licensee of the Asserted Patents and the economic prong of the domestic industry requirement is satisfied based on IBM’s expenditures relating to the IBM 3592 products. CIB at 9-10, 174. Staff agrees. SIB at 141. Fujifilm contends that the Sony-IBM license is defective and does not cover certain IBM 3592 products. RIB at 178-179. Accordingly, Fujifilm asserts Sony cannot rely on expenditures related to IBM 3592 products to support its domestic industry claim.

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The dispute regarding the Sony-IBM license concerns three sections of the license. First, [REDACTED] of the license grants IBM a license to [REDACTED] CX-1044C at 6. Second, [REDACTED] grants IBM the right to [REDACTED]. [REDACTED] *Id.* The parties call this the “[REDACTED]” provision. Finally, [REDACTED] states that that the [REDACTED]. [REDACTED] *Id.* (emphasis added). The source of the dispute arises from this last section: Why is there a reference to the claims of [REDACTED] in a section concerning the right to [REDACTED].

Sony contends that [REDACTED] grants IBM a license under the Asserted Patents [REDACTED]. [REDACTED]. CIB at 175. Staff agrees. SIB at 142-143. Sony further asserts that [REDACTED] allows IBM [REDACTED] including the 3592 and LTO products at issue. CIB at 175, 178. Sony argues that, when read in the context of [REDACTED] the subsequent recitation in [REDACTED] is a clear typographical error. *Id.* at 179 (citing CX-1058 at 15-16). According to Sony, any other conclusion is nonsensical and inconsistent with the intent of Sony and IBM because “Sony has no reason to condition a license to infringe Sony’s patents on simultaneous infringement of IBM’s patents” and “IBM likewise has no reason to bargain for a license from Sony that only covers products simultaneously covered by IBM’s own patents.” *Id.*; see also CX-1230C; CX-1046C; CX-1047C; CX-0007C at Q/A 71, 85. Staff agrees. SIB at 143. Given their mutual understanding of the operation of the license agreements, Sony and IBM agree that the licensed products include: “(i) IBM 3592 tape products: JA; JB; JC; JD; JJ;

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JK; JL; JR; JW; JX; and JY; and (ii) IBM LTO tape products LTO-1, LTO-2, LTO-3, LTO-4, LTO-5, LTO-6, and LTO-7” and 3592 tape drives. CX-1046C.

Fujifilm disagrees that Sony can rely on IBM’s 3592 tapes and 3592 tape drive products to establish the economic prong of the domestic industry requirement. RIB at 156. Fujifilm argues that the Sony-IBM license—as written—does not cover IBM’s 3592 tapes, and therefore prevents Sony from relying on IBM’s 3592 tapes to establish the economic prong. *Id.* at 156-166. According to Fujifilm, [REDACTED] of the Sony-IBM license allows IBM to [REDACTED] covered 3592 tapes but not to have 3592 tapes [REDACTED]. *Id.* at 159. In Fujifilm’s view, the [REDACTED] rights are addressed separately and exclusively in [REDACTED] of the license. *Id.* at 159-160. Fujifilm contends that [REDACTED] further limits IBM’s [REDACTED]. Putting it all together, Fujifilm argues that the only products IBM can have others make are products that practice the claims of [REDACTED] that IBM has cross-licensed to Sony under the agreement. RIB at 160-162; *see* CX-1058C at 15, 16. Thus, Fujifilm contends that Sony must demonstrate that the IBM 3592 tapes [REDACTED] before it may assert that the IBM 3592 tapes are licensed domestic industry products. *Id.* at 162; *see id.* at 8 (citing RX-0005C (Vander Veen WS) at Q/A 27). Fujifilm argues that the reference to [REDACTED] has a valid business purpose and is not a typographical error. Fujifilm further argues that even if the reference to IBM is an error, it was not timely corrected so as to be applicable in this investigation. *Id.* at 156-162.

Staff contends that the Sony-IBM license covers the IBM 3592 family of products by virtue of the [REDACTED] grant to IBM [REDACTED] SIB at 142. Staff contends that [REDACTED] applies regardless of who designs or

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manufactures products for IBM, and that such an interpretation is consistent with the understanding of Sony and IBM. *Id.* (citing CX-1046C; CX-1047C; *Cyrix Corp. v. Intel Corp.*, 77 F.3d 1381, 1384-87 (Fed. Cir. 1996)). With respect to [REDACTED], Staff asserts that the evidence demonstrates that [REDACTED] includes a typographical error that as written “does not make much sense and does not grant anything to IBM.” *Id.* at 143-144 (citing CX-1230C). Staff contends that the typographical error in [REDACTED] creates an “ambiguity” leading to an “absurd result where IBM gains nothing from a cross-license.” *Id.* at 144-145. Because the Sony-IBM license is governed by New York law, Staff asserts that the Sony-IBM license should be interpreted to carry out the intention of the parties, and that [REDACTED] should be read as referring to [REDACTED]” *Id.* at 145 (citing CX-1230C; *1414 APF, LLC v. Deer Stags, Inc.*, 834 N.Y.S. 2d 133, 135 (1st Dept. 2007)).

In evaluating Sony’s domestic industry assertions based on IBM’s activities, I begin with the language of the statute. Section 337 requires that an industry in the United States exist, or be in the process of being established, with respect to the articles protected by a patent. *See* 19 U.S.C. § 1337(a)(2). The statute also requires certain types of investments in the United States with respect to such articles. *See* 19 U.S.C. § 1337(a)(3). Articles protected by the patent include those articles that practice the claims of the patent under authorization from the patent owner. *See Certain Electronic Imaging Devices*, Inv. No. 337-TA-850, Comm’n Op. at 92-95. (April 21, 2014). Because the test for determining whether an article is protected by the patent “is essentially same as that for infringement,” the Patent Act informs the issue. *See Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003). In this regard, the Patent Act describes infringement as action by those who make and use the invention “without authority.” *Id.* § 271(a).

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Notably, the Patent Act does not state that authority to practice a patented invention must be granted in writing. *See Waymark Corp. v. Porta Systems Corp.*, 334 F.3d 1358, 1364 (Fed. Cir. 2003) (“Only assignments need be in writing under 35 U.S.C. § 261. Licenses may be oral.”). While a written contract or license may provide evidence of permission to practice a patented invention, such writing are not the only acceptable form of evidence. Thus, the question before me is whether there is adequate evidence in the record establishing that IBM is practicing the Asserted Patents with Sony’s permission. Sufficient evidence of authorization from Sony for IBM to practice the patent claims, even if not reduced to writing, can suffice to bring the IBM 3592 tape products within the umbrella of domestic industry products upon which Sony may rely.

Here, the evidence shows that since at least as early as 2010, IBM has had Sony’s authorization to manufacture articles and/or have articles manufactured on IBM’s behalf that are both protected by the Asserted Patents and that would otherwise be subject to a claim of infringement but for Sony’s authorization. For example, by letter dated August 21, 2017, Sony and IBM memorialized that both parties have been operating with the mutual understanding that [REDACTED] of both the [REDACTED] licenses grant IBM the right to [REDACTED]. *See* CX-1230C at 1. Similarly, by letters dated October 25, 2017, and November 9, 2017, Sony and IBM again confirmed that [REDACTED] of the licenses allows IBM to [REDACTED] the IBM 3592 products and that [REDACTED] allows IBM to [REDACTED]. *See* CX-1046C and CX-1047C. Sony also provided testimony from Mr. Hiroshi Kamitani, a participant in the license negotiations between Sony and IBM, explaining that the letters exchanged between Sony and IBM were intended to confirm “the understanding of the

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agreement that Sony and IBM have had all along with respect to the language of the agreement.” CX-0007C at Q/A 85. Mr. Kamitani further testified that [REDACTED] of the Sony-IBM license (the [REDACTED] section) was always intended to allow IBM to [REDACTED]. *Id.* at Q/A 90-95.

The evidence of record establishes that the IBM 3592 products are manufactured with authority from Sony, regardless of whether the Sony-IBM license fully and accurately reflects that intention. I conclude, therefore, that Sony can rely on IBM’s 3592 products as domestic industry products.

Alternatively, to the extent I am required to interpret the Sony-IBM license to determine whether it covers IBM 3592 tape products, I find that it does. The Sony-IBM license is governed by New York law. *See* CX-1058C at 42-43; *see also* CIB at 3, 176; RIB at 158; SIB at 144. Under New York law, “courts may as a matter of interpretation carry out the intention of a contract by transposing, rejecting, or supplying words to make the meaning of the contract more clear” when “some absurdity has been identified or the contract would otherwise be unenforceable either in whole or in part.” *Wallace v. 600 Partners*, 634 N.Y.S.2d 669, 717 (1995).

Here, there is no credible evidence or explanation as to why Sony and IBM would have entered into a contract in which IBM licensed itself to [REDACTED] practice its own patents. Although Fujifilm offers a theory explaining how the Sony-IBM licenses could be interpreted as written, that theory does not square with the weight of the evidence of record. *See* RIB at 161. As explained above, Sony has offered evidence regarding Sony’s and IBM’s intentions when they entered into the license agreements, and Sony has also provided evidence

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demonstrating that Sony and IBM have acted in accord with that mutual understanding. *See* CX-1230C at 1; CX-1046C; CX-1047C; CX-0007C at Q/A 85, 90-95.

The mostly likely explanation here is that there is a mistake in [REDACTED] of the license. *See, e.g., Ross v. Shearman*, 95 A.D.3d 1100, 1101 (2d Dep't 2012) (holding that a contract providing for payment of a losing party's attorney's fees was absurd and reading the contract to require payment of the prevailing party's attorney's fees). Therefore, I find that a New York court would interpret the Sony-IBM license to include products [REDACTED] that are covered by the licensed Sony's patents regardless of whether those products also practice IBM patents. For this additional reason, I find that Sony can rely on domestic investments related to IBM 3592 products when proving a domestic industry.

### **2. Issues unique to the '774 and '501 patents.**

As discussed above, Fujifilm and Staff disagree with Sony as to whether IBM's maintenance and research and development expenditures can be relied upon to satisfy the economic prong under sections 337(a)(3)(B) or (C) with respect to the '774 and '501 patents.

Fujifilm asserts that the domestic industry for the '774 and '501 patents extends at most to expenditures relating to IBM 3592 tape cartridges and cannot include expenditures relating to IBM 3592 tape drives. Fujifilm contends that the '774 and '501 patent claims are directed to tape media and that tape drives are not articles protected by the patents. RIB at 167 (citing *Certain Video Game Systems & Wireless Controllers*, Inv. No. 337-TA-770, Comm'n Op. at 66 (Oct. 28, 2013)). In support of its position, Fujifilm asserts that magnetic tape cartridges are a separate article of commerce from tape drives, and therefore Sony's ability to rely on IBM's expenditures beyond those tape cartridges is limited. *Id.* at 167-168 (citing *Modular Structural Systems*, Comm'n Op. at 12-13; *Cell Culture Microcarriers*, Comm'n Action and Order at 37; *Certain Concealed Cabinet Hinges & Mounting Plates*, Inv. No. 337-TA-289, ID, 1989 WL

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608804, at \*55, \*147 (Sep. 28, 1989)); *see id.* at 144. Fujifilm argues that it does not matter that IBM 3592 tapes and 3592 drives are designed to be used together. *Id.* (citing *Modular Structural Systems*, Comm'n Op. at 37; *Cell Culture Microcarriers*, Comm'n Action and Order at 37; *Concealed Cabinet Hinges*, 1989 WL 608804, at \*55, \*150). Fujifilm further argues that the domestic industry is limited to the article of commerce in which a patented component is physically incorporated. *Id.* (citing *Personal Computers*, Comm'n Op. at 41; *Certain Double-Sided Floppy Disk Drives & Components Thereof*, Inv. No. 337-TA-215, USITC Pub. 1860, ID at 56 (May 1986); *Certain Kinesiotherapy Devices & Components Thereof*, Inv. No. 337-TA-823, Comm'n Op. at 35 (Jul. 12, 2013); *Integrated Circuit Chips*, Comm'n Op. at 48). Fujifilm also asserts that the media of the '774 and '501 patents can be utilized in non-3592 drives. *See id.* at 169-172. Finally, Fujifilm contends that IBM's expenditures for maintenance and research and development can only be attributed to 3592 tape drives, and not 3592 tape cassettes or media. *Id.* at 173 (citing CX-0004C (Prowse WS) at Q/A 167; RX-0585CX (Vander Veen WS) at Q/A 122, 124-127).

Staff comes to the same conclusion as Fujifilm. SIB at 145-148. Staff reasons that because the '774 and '501 patents claim tape media the articles protected by the patents "at most extend to tape cartridges, but do not properly extend to tape drive products." *Id.* at 146. In this regard, Staff asserts that Sony's expert failed to allocate IBM's expenditures only to 3592 tapes, and the evidence of record demonstrates that the majority of IBM's investments were directed to tape drives, not tape cartridges. *Id.* at 147 (citing Tr. at 152:15-22; RX-0585C at Q/A 126, 127 (citing JX-0034C at 90-93; JX-0046C at 108; JX-0028C at 121-125; JX-0037C at 25-27; RX-0454C at 4018; CX-0721C)).

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I return again to the words of the statute. In section 337 investigations, the domestic industry is defined by “articles protected by the patent.” *See* 19 U.S.C. § 1337(a)(2)-(3). I have already determined that the IBM 3592 tapes practice the claims of the ’774 and ’501 patents. Thus, IBM 3592 tape cartridges are articles protected by the ’774 and ’501 patents. *See Alloc*, 342 F.3d at 1375.

But that determination is not the end of the question. “The Commission has held that in certain circumstances, the realities of the marketplace require a modification of the principle that the domestic industry is defined by the patented article.” *Video Game Systems & Wireless Controllers & Components Thereof*, Inv. No. 337-TA-770, Comm’n Op. at 66 (Oct. 28, 2013) (citing *Certain Modular Structural Systems*, Inv. No. 337-TA-164, Comm’n Op. at 12 (June 1984).) Thus, I must determine whether the realities of the marketplace for IBM 3592 tapes indicate that the domestic industry includes investments beyond those directly related to the patented article. I find that the realities of the marketplace require further analysis in this investigation.

Sony’s arguments in this regard are similar to those set forth, but ultimately rejected, in *Certain Modular Structural Systems*. Inv. No. 337-TA-164, Comm’n Op., 0084 WL 951886 (June 1984). Specifically, Sony contends that the IBM 3592 tapes and 3592 tape drives form a system despite the fact that neither the ’774 patent nor the ’501 patent is directed to a system.<sup>31</sup> CIB at 182. However, *Certain Modular Structural Systems* is not the only investigation in which the Commission has addressed this issue. In other investigations, the Commission has explained

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<sup>31</sup> Sony also argues that the 3592 tapes and 3592 drives are critical to one another given that they cannot operate independent of one another. CIB at 181-182 (citing Prowse, Tr. at 166:2-4; CX-1304C at Q/A 20, 147).

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that additional components beyond the patented articles can be considered in the domestic industry analysis where those additional products enable exploitation of the claimed subject matter. *See, e.g., Video Game Systems*, Inv. No. 337-TA-770, Comm'n Op. at 68 and 70. An “important” factor in making that determination is whether the alleged domestic activities “have a direct relationship to exploitation of the patented technology.” *Id.* at 67. Activities “far removed from the technology protected by the patent” should not be included. *Id.*; *see also Certain Integrated Circuit Chips and Products Containing The Same*, Inv. No. 337-TA-859, Comm'n Op. at 36 (Aug. 22, 2014).

Although it is possible to exploit the '774 and '501 patents through all manner of tapes, including LTO and other formats, it is *not* possible to exploit IBM 3592 tape cassettes—articles protected by the patent—without an IBM 3592 drive. It is undisputed that IBM 3592 tapes can only be used in an IBM 3592 drive. Thus, the reality of the marketplace developed around the IBM 3592 family of products is that IBM 3592 tape drives are necessary to use IBM 3592 tapes and vice versa.

The IBM 3592 products present a situation quite similar to that in *Video Game Systems*. In that investigation, the Commission found that the domestic industry products included some non-patented components “which enable [Complainant] to exploit the technology of the claimed toy wands.” Inv. No. 337-TA-770, Comm'n Op. at 68. The wands could not be exploited absent certain electronic receivers and software of the devices they attached to. *Id.* at 70. The situation here is similar. Participants in the memory tape marketplace do not purchase an IBM 3592 memory storage tape if they cannot write or read data from it. And data cannot be written or retrieved from an IBM 3592 tape without an IBM 3592 drive. Thus, the evidence of record shows that the “realities of the marketplace” dictate that the IBM 3592 tapes protected by the

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'774 and '501 patents cannot be "exploited" absent their use in conjunction with IBM 3592 tape drives that do not themselves practice the '774 and '501 patent claims. Accordingly, in considering whether the economic prong has been satisfied for the '774 and '501 patents, I find that the unique facts of this investigation indicate that expenditures associated with IBM 3592 tapes and IBM 3592 tape drives should be considered.

**3. Employment of labor and capital for research and development relating to articles protected by all asserted patents under section 337(a)(3)(B).**

Sony asserts that it has satisfied the economic prong of the domestic industry requirement under section 337(a)(3)(B) because "IBM has made significant investments in labor and capital for maintenance operations and development and commercialization work related to its licensed 3592 tape and drive products." CIB at 180-181; *see id.* at 9-10, 146, 166, 174, 186-187. Sony ascribes ██████████ in expenses for labor associated with maintenance and operations for the 3592 family of products between 2014 and September 2017. *Id.* at 183 (citing CX-0004C at Q/A 176-178; CX-0718C; CX-1304C at Q/A 167). Sony also ascribes ██████████ in expenses for labor associated with research and development for the IBM 3592 family of products since 2012. *Id.* at 185 (citing CX-0004C at Q/A 210-215; CX-0870C; CX-1304C at Q/A 145). Sony allocated these expenditures to each Asserted Patent as follows:<sup>32</sup>

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<sup>32</sup> Sony offered two sales-based allocations for IBM's investments in maintenance operations. *See* CX-0004C at Q/A 177-206.

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	Allocation Method 1 Maintenance Operations <sup>33</sup>	Allocation Method 2 Maintenance Operations <sup>34</sup>	Research and Development <sup>35</sup>
'596 Patent	██████████	██████████	██████████
'501 Patent	██████████	██████████	██████████
'774 Patent	██████████	██████████	██████████

*Id.* at 183-184, 186; *see also* CX-0004C at Q/A 196, 205.

Sony indicates that the labor and maintenance operations allocated to the IBM 3592 products include direct labor costs (*i.e.*, account management, project management, and on-site maintenance) and indirect labor costs (*i.e.*, infrastructure support, IT, management staff, and maintenance technicians). *See* CIB at 182-183. According to Sony, “IBM employed approximately █████ full-time equivalents in 2014 for on-site direct labor.” *Id.*

Sony asserts that IBM’s research and development activities for the 3592 products occur primarily in Tucson, Arizona and Almaden, California. *Id.* at 184 (citing CX-1304C at Q/A 87). According to Sony, the Tucson facility utilizes approximately █████ percent of the space in two buildings and houses █████ people (████ percent of whom are engineers) devoted to the development, testing, and support of 3592 products. *Id.* (citing CX-1304C at Q/A 88, 90, 93-95; CX-0004C at Q/A/ 209). The Almaden facility includes a pilot line for developing and testing manufacturing processes and prototype 3592 tape systems. *Id.* (citing CX-0004C at Q/A/ 209). The █████ employees at the Almaden facility devote approximately █████ percent of their time to development work related to 3592 products. *Id.* (citing CX-1304C at Q/A 125-129; CX-0004C at Q/A 209).

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<sup>33</sup> Estimated from fiscal year 2014 through September of fiscal 2017. *See* CX-0004C at Q/A 196.

<sup>34</sup> Estimated from fiscal year 2014 through September of fiscal year 2017 based upon North American revenue. *See* CX-0004C at Q/A 205.

<sup>35</sup> Estimated from fiscal year 2012 to September of fiscal year 2017. *See* CX-0004C at Q/A 205.

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According to Sony, IBM does not track its research and development expenditures for each different 3592 system (*i.e.*, TS1120, TS1130, TS1140, TS1150, and TS1155), but IBM was able to provide an estimate of expenditures devoted to each system between 2012 and 2016:

	2012	2013	2014	2015	2016
TS1120/TS1130					
TS1140					
TS1150					
TS1155					

*Id.* at 185 (citing CX-0004C at Q/A 217-218; CDX-0004C at 33; CX-1304C at Q/A 147-154).

Fujifilm argues that IBM’s expenditures relate to tape drives and cannot be considered to support a domestic industry in tape media practicing the claims of the ’774 and ’501 patents, as discussed above. *See* RIB at 173. As to the ’596 patent, Fujifilm contends that Sony cannot rely on IBM’s tape and drive investments because the Sony-IBM license does not cover the 3592 family of products. *Id.* at 174. Fujifilm also contends that IBM’s research and development expenses can only be properly credited under section 337(a)(3)(C), not subparagraph (B), and that Sony has failed to demonstrate the nexus between IBM’s research and development expenditures and the patented technology required under section 337(a)(3)(C). *Id.* at 174-175.

In assessing IBM’s 3592 expenditures, Staff concludes that IBM’s maintenance and research and development expenditures do not satisfy the economic prong under section 337(a)(3)(B) with respect to the ’774 and ’501 patents, as discussed above, but do satisfy subparagraph (B) with respect to the ’596 patent. *Id.* at 130, 145-152. Staff contends that the ’596 patent claims a tape drive apparatus as well as a tape cassette. RRB at 39. Staff reasons that IBM’s investments related to the 3592 tape drives therefore relate to articles protected by the ’596 patent. *Id.* For example, Staff observes that “the evidence shows that IBM invested at least [REDACTED] and possibly [REDACTED] in labor and capital for maintenance” for articles

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covered by '596 patent.<sup>36</sup> RIB at 148 (citing CX-0004C at Q/A 199-205; CDX-0004C at 31, 36; JX-0125C; CX-0718C; CX-1095C; CX-1101; CX-1190; CX-1729). Staff also points to evidence of record demonstrating that IBM invested ██████████ related to the articles protected by the '596 patent. *Id.* at 151 (citing CX-0004C at Q/A 199-205; CDX-0004C at 33, 35, 36; JX-0125C; CX-0718C; CX-1095C; CX-1101; CX-1190; CX-1729). Thus, Staff submits that IBM's expenditures for maintenance and research and development associated with articles protected by the '596 patent are quantitatively and qualitatively significant. *Id.* at 150-151.

My previous determinations have resolved many of these issues. As discussed above, I have determined that the maintenance and research and development expenditures associated with the IBM 3592 tapes and 3592 tape drives should be considered when determining whether the economic prong has been satisfied for the '774 and '501 patents. I have also rejected Fujifilm's contention that the IBM 3592 products are not authorized by Sony.

The remaining issue is Fujifilm's contention that research and development expenses are the exclusive province of subsection (C), and cannot be considered under subsection (B). The Commission has repeatedly—and again recently—made clear that labor expense associated with research and development can be used to satisfy the economic prong under section (B). Particularly, in *Certain Robotic Vacuum Cleaning Devices*, Inv. No. 337-TA-1057, Comm'n Op. at 11 (August 1, 2018), the Commission noted that it “has rejected the legal theory that labor costs from research and development can only be considered under subparagraph (C).” The Commission explained that this has been the case since the passage of the 1988 Omnibus Trade and Competitiveness Act that codified sections (A) and (B) and added subsection (C). *Id.* at 12

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<sup>36</sup> Based upon the two different sales-based allocations Sony offered for IBM's investments in maintenance operations. *See* SIB at 149.

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(“Since the 1988 Act, the Commission has permitted expenditures on plant and equipment and labor and capital employed in engineering and research and development activities to support a domestic industry under subsections (A) and (B), so long as the asserted expenditures satisfy the plain language of the statutory text.”). This position is consistent with a number of prior Commission decisions.

For example, in *Certain Ground Fault Current Interrupters*, the Commission permitted research and development expenses to be considered under subsection (B). Inv. No. 337-TA-739, Comm’n Op. at 80 (June 11, 2012). In doing so, the Commission explained that “Leviton presented domestic industry evidence organized according to ‘articles protected by the patent’ when evaluating plant, equipment, labor, and capital expenses,” that Leviton GFCIs were articles that practiced the asserted patents, and that “virtually all research and development of the Leviton GFCIs occurs in the United States.” *Id.* at 78-80.

Citing *Certain Ground Fault Current Interrupters*, the Commission arrived at a similar conclusion in *Certain Electronic Imaging Devices*, Inv. No. 337-TA-850, Comm’n Op. at 92-95. (April 21, 2014). In fact, the Commission addressed this issue directly. *Id.* at 92-93 (“In other words, Respondents essentially argued that Apple’s research and development investments should be considered under subsection 337(a)(3)(C) and not under subsection 337(a)(3)(B). The Commission has made no such requirement in the past.”). For example, the Commission indicated that expenses for labor and capital for research and development could be considered under subsection (B) where “Flashpoint provided individual head counts for Apple engineers working on research and development for the iPhone 4S and iPhone 5 in the United States.” *Id.* at 93.

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The Commission also credited research and development work under subsection (B) in *Certain Marine Sonar Imaging Devices, Including Downscan and Sidescan Devices, Products Containing the Same and Components Thereof*, Inv. No. 337-TA-921, Comm'n Op. at 54, 64 (Jan. 6, 2016). In that case, the Commission found that Navico's expenditures from 2009 to 2014 of a confidential amount in the domestic design, development, service, repair, and support of the LSS-1 products constitute a significant employment of labor and capital under section 337(a)(3)(B). In doing so, the Commission again cited evidence of record indicating that "the research and development [was] performed on products practicing each of the asserted patents, [that] resulted in the creation of a new products category that consumers found valuable," and expressly noted that "[t]he record also shows that Navico conducts the vast majority of its research and development in the United States." *Id.* at 63-64.

As can be seen, the Commission has consistently allowed research and development expenses to be included under subsection (B). In some instances, certain research and development expenses may even qualify as both an investment in a domestic industry product under subsection (B) and an investment in a patent covering that product under subsection (C). *See, e.g., Certain Electronic Imaging Devices*, Inv. No. 337-TA-850, Comm'n Op. at 95-96. (affirming the ALJ's finding "that Apple and Motorola made substantial investments in research and development under subsection 337(a)(3)(C) based on the same facts on which he based his finding under subsection 337(a)(3)(B)"); *see also Certain Integrated Circuit Chips*, Inv. No. 337-TA-859, Comm'n Op. at 42 ("Our caselaw demonstrates that a complainant's evidence of its investment in a protected article that practices the patent ordinarily also can support the inference that the investment was itself an exploitation of the patent.").

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Consistent with the precedent reviewed above, I find that IBM's research and development investments can be considered under subsection (B) in order to establish the economic prong of the domestic industry requirement.

In sum, I find that all of the maintenance and research and development expenditures associated with the IBM 3592 products relied upon by Sony shall be considered in determining whether the economic prong of the domestic industry requirement has been satisfied under section 337(a)(3)(B).

**4. Research and development investments relating to articles protected by all asserted patents under section 337(a)(3)(C).**

Sony also argues that IBM's expenditures for labor and capital associated with research and development of 3592 tapes and drives satisfies the domestic industry requirement under section 337(a)(3)(C). CIB at 186. Sony contends that a nexus exists between the IBM 3592 products and the technology of the Asserted Patents. *Id.* In particular, Sony argues that the '501 patent is directed to "increased track density and increased performance when media is used with a drive," that the '596 patent enables "increased reliability and security and improves the interoperation of the cartridge memory, tape media, and drive," and that the '774 patent provides improvements in signal strength and performance. *Id.* (citing CX-0001C at Q/A 221-224; CX-0003C at Q/A 74-76, 98-101; CX-0002C at Q/A 60).

Fujifilm and Staff contend that Sony has failed to demonstrate a nexus between the IBM expenditures and the patented technology, and thus Sony cannot establish the economic prong under section (C). RIB at 174-175; SIB at 152.

For the reasons set forth above, I have determined that research and development expenditures associated with the IBM 3592 tapes and 3592 tape drives constitute domestic industry products with respect to the Asserted Patents. That determination includes findings that

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(i) 3592 tapes and drives are articles practicing the '596 patent and (ii) 3592 tape drives are necessary to exploit 3592 tapes practicing the '774 and '501 patents. *See Certain Integrated Circuit Chips*, No. 337-TA-859, Comm'n Op. at 36 and *Video Game Systems*, Inv. No. 337-TA-770, Comm'n Op. at 68). With that in mind, Commission precedent "demonstrates that a complainant's evidence of its investment in a protected article that practices the patent ordinarily also can support the inference that the investment was itself an exploitation of the patent." *Certain Integrated Circuit Chips*, Inv. No. 337-TA-859, Comm'n Op. at 42. Thus, the question is whether that "ordinary inference" applies here, where the domestic industry products—at least for some of the patents (*i.e.*, the '774 and '501 patents)—include non-patented articles (and their associated research and development expenses) necessary to "exploit" the asserted patents.

Given that I have determined that investments relating to the 3592 tape drives should be considered when evaluating the domestic industry relevant to all of the Asserted Patents, it follows that investments associated with the research and development of those tape drives are an "investment [that is] itself an exploitation of the patent." Therefore, I find that IBM's research and development investments can be considered under subsection (C) in order to establish the economic prong of the domestic industry requirement.

**5. The significance of IBM's investments.**

Sony argues that IBM's expenditures associated with the 3592 products are quantitatively and qualitatively significant and substantial. *Id.* at 187-191. For example, Sony points to IBM's 3592 research and development expenses:

	<b>'596 Patent</b>	<b>'501 Patent</b>	<b>'774 Patent</b>
<b>IBM's R&amp;D Investments</b>			

*Id.* at 188 (citing CX-0004C at Q/A 235).

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Sony further asserts that the quantitative significance of IBM's expenditures is demonstrated when compared to North American sales revenue:

	'596 Patent	'501 Patent	'774 Patent
<b>IBM's Maintenance Investments (2014 – Complaint)</b>	[REDACTED]		
<b>Sales Revenue in Practicing Tape Products</b>	[REDACTED]		
<b>DI as a Percentage of Revenue</b>	[REDACTED]		

	'596 Patent	'501 Patent	'774 Patent
<b>IBM's Development Investments (2014 – Complaint)</b>	[REDACTED]		
<b>Sales Revenue in Practicing Tape and Drive Products</b>	[REDACTED]		
<b>DI as a Percentage of Revenue</b>	[REDACTED]		

*Id.* at 189 (citing CX-0004C at Q/A 197-205, 220-221; CDX-0004C at 31, 33, 35, 36; CX-0718C; CX-0870C; JX-0125C).

Finally, Sony asserts that IBM's domestic industry product expenditures are qualitatively significant within the U.S. marketplace. *Id.* Among other things, Sony cites to the importance of IBM's expenditures as a function of initially creating and now maintaining the 3592 line of products. *Id.* at 190-191 (citing CX-0004C at Q/A 283-287; CX-0008C at 63-64; CX-1304C at Q/A 120-122, 166; JX-0046C at 23:12-30:1, 60:6-22; CX-1729; RX-0450 at 21).

Fujifilm argues that IBM 3592 expenditures lack significance because Sony failed to demonstrate that those expenditures added any value to the IBM 3592 products. *Id.* at 179. Fujifilm points out that this lack of significance is further demonstrated by the fact that IBM's revenue and expenses associated with the 3592 products constitutes only a very small portion of IBM's overall revenue and expenses. *Id.*

Staff finds that IBM's expenditures for maintenance and research and development associated with articles protected by the '596 patent are quantitatively and qualitatively

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significant.<sup>37</sup> *Id.* at 150-151. For example, Staff observes that “the evidence shows that IBM invested at least [REDACTED], and possibly [REDACTED] in labor and capital for maintenance” for articles covered by ’596 patent. *Id.* at 148 (citing CX-0004C at Q/A 199-205; CX-0718C; CX-1095C; CX-1101; CX-1190; CX-1729; CDX-0004C at 31, 36; JX-0125C). Staff also points to evidence of record demonstrating that IBM invested [REDACTED] related to the articles protected by the ’596 patent. *Id.* at 151 (citing CX-0004C at Q/A 199-205; CX-0718C; CX-1095C; CX-1101; CX-1190; CX-1729; CDX-0004C at 33, 35; 36; JX-0125C).

Based on the evidence of record, I find that IBM’s investments are quantitatively significant as required by section 337(a)(3)(B) as well as quantitatively substantial as required by section 337(a)(3)(C). This conclusion is true with respect to the absolute dollar amounts invested to exploit each of the Asserted Patents and as reflected as a percentage of the IBM North American revenue attributable to the products exploiting each of the Asserted Patents. *See* CX-0004C at Q/A 197-205, 220-221, 235; CDX-0004C at 31, 33, 35, 36; CX-0718C; CX-0870C; JX-0125C. That these investments led to a proprietary storage format for IBM supports a finding that they are qualitatively significant as well. *See* CX-0004C at Q/A 283-287; CX-0008C at 63-64; CX-1304C at Q/A 120-122, 166; JX-0046C at 23:12-30:1, 60:6-22; CX-1729; RX-0450 at 21.

Accordingly, I find that Sony has demonstrated that the identified IBM investments exploit the inventions protected by ’596, ’501, and ’774 patents and satisfy the economic prong of the domestic industry requirement under both section 337(a)(3)(B) and section 337(a)(3)(C).

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<sup>37</sup> In view of Staff’s determination that IBM’s expenditures did satisfy the domestic industry requirement under section 337(a)(3)(C) because there was no nexus with the Asserted Patents, Staff did not address whether such expenses are “substantial” as required in subsection (C). *See* SIB at 152.

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### VIII. CONCLUSIONS OF LAW

1. The Commission has personal jurisdiction over the parties, and subject-matter jurisdiction over the accused products.
2. The importation or sale requirement of section 337 is satisfied as to Fujifilm.
3. Fujifilm's LTO-4 and LTO-6 tape products infringe claims 1, 5, 6, 7, 8, 10, 16, and 17 of the '774 patent.
4. Fujifilm's LTO-5 tape products infringe claim 17 of the '774 patent.
5. The asserted claims of the '774 patent are not invalid and are directed to patentable subject matter.
6. Fujifilm's LTO-4, LTO-5, and LTO-6 tape products infringe claims 1, 2, 4, 5, and 6 of the '501 patent.
7. Fujifilm's LTO-5 and LTO-6 tape products infringe claim 8 of the '501 patent.
8. The Imation 9840 product anticipates claims 1, 2, 4, 5, 6, and 8 of the '501 patent.
9. Japanese Patent Publication Number 2003-141708 ("Meguro"), anticipates claims 1, 2, 4, 5, 6, and 8 of the '501 patent.
10. United States Patent Publication Number 2003/0224213 ("Meguro-2"), anticipates claims 1, 2, 4, 5, and 6 of the '501 patent.
11. The combination of the Imation LTO-1 product with the knowledge and experience of a person of ordinary skill in the art and/or the NCIS Roadmap renders invalid as obvious claims 1, 2, 4, 5, 6, and 8 of the '501 patent.
12. The combination of Japanese Patent Publication Number P2002-123928 ("Takahashi"), with the knowledge and experience of a person of ordinary skill in the art renders invalid as obvious claims 1, 2, 4, 5, 6, and 8 of the '501 patent.

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13. The asserted claims of the '501 patent are not invalid for lack of written description or enablement.
14. Fujifilm induces infringement of claims 1-13 of the '596 patent.
15. The asserted claims of the '596 patent are not invalid.
16. The technical prong of the domestic industry requirement for all of the Asserted Patents has been satisfied.
17. The economic prong of the domestic industry requirement has been satisfied for all of the Asserted Patents.

### IX. RECOMMENDED DETERMINATION ON REMEDY & BOND

The Commission's Rules provide that the administrative law judge shall issue a recommended determination concerning the appropriate remedy in the event that the Commission finds a violation of section 337, and the amount of bond to be posted by respondents during Presidential review of the Commission action under section 337(j). *See* 19 C.F.R. § 210.42(a)(1)(ii).

#### A. Limited Exclusion Order

Under section 337(d), the Commission may issue a limited exclusion order directed to a respondent's infringing products. *See* 19 U.S.C. § 1337(d). A limited exclusion order instructs the U.S. Customs Service to exclude from entry all articles that are covered by the patent at issue that originate from a named respondent in the investigation. *See Fuji Photo Film Co. Ltd. v. Int'l Trade Comm'n*, 474 F.3d 1281, 1286 (2007).

Sony argues that an exclusion order and/or a cease and desist order must issue when there has been a violation of section 337. *See* CIB at 197-198. Because Fujifilm has violated section 337, Sony contends, a limited exclusion order is warranted against Fujifilm, its affiliates, parents, subsidiaries, and/or other related business entities, and its successors or assigns. *See* CIB at 198.

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Fujifilm does not dispute that a limited exclusion order should issue if a violation of section 337 has occurred. *See* RIB at 185. Fujifilm argues, however, that any issued exclusion order should (i) be delayed by at least six months, (ii) be limited to Fujifilm-branded LTO-4, LTO-5, and LTO-6 products and components thereof, and (iii) expressly exclude both IBM-branded LTO-4, LTO-5, and LTO-6 products manufactured by Fujifilm for IBM and LTO-7 products that were excluded from this investigation. *Id.* According to Fujifilm, delaying enforcement of the exclusion order would permit affected U.S. customers sufficient time to transition to other storage solutions (*e.g.*, in LTO-7 tapes). *Id.* at 185-186.

Staff submits that the evidence supports recommending a limited exclusion order without delay. According to Staff, there are other suppliers who could supply tapes. SIB at 155 (citing CX-0004C at Q/A 305-309, 313, 344). Staff asserts that Fujifilm's proposed exception for IBM-branded products is unnecessary. *Id.* Staff does support, however, inclusion of a certification provision because Fujifilm makes other LTO tape products that are not accused in this investigation and that are provided to a third-party licensed under the Asserted Patents. *Id.* (citing *Certain Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-615, Comm'n Op. at 28 (March 26, 2009); *Certain MEMS Devices and Products Containing Same*, Inv. No. 337-TA-700, Comm'n Op. at 27 (May 13, 2011)).

In the event the Commission finds a violation, I recommend that a limited exclusion order issue prohibiting the importation of all the accused products found to infringe the Asserted Patents. There should be no delay in issuing the order. I do recommend, however, tailoring the exclusion order to incorporate Fujifilm's proposed exception for IBM-branded LTO-4, LTO-5 and LTO-6 products and their components given that such products are manufactured and

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imported pursuant to a license granted by Sony. I do not recommend including a provision regarding LTO-7 products given that they were not a part of this investigation.

I further note that no party has requested an exception for products sold to or used by the U.S. Government as set forth in 19 U.S.C. § 1337(l), which provides that:

Any exclusion from entry or order under subsection (d), (e), (f), (g), or (i), in cases based on a proceeding involving a patent, copyright, mask work, or design under subsection (a)(1), shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government.

19 U.S.C. § 1337(l). Recognizing that such a provision is typically present in the Commission's exclusion orders, I recommend inclusion of such a provision.

**B. Cease and Desist Order**

Under section 337(f)(1), the Commission may issue a cease and desist order in addition to, or instead of, an exclusion order. *See* 19 U.S.C. § 1337(f)(1). The Commission generally issues a cease and desist order directed to a domestic respondent when there is a "commercially significant" amount of infringing, imported product in the United States that could be sold, thereby undercutting the remedy provided by an exclusion order. *See Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293 USITC Pub. 2391, Comm'n Op. on Remedy, the Public Interest and Bonding at 37-42 (June 1991); *Certain Condensers, Parts Thereof and Prods. Containing Same, Including Air Conditioners for Automobiles*, Inv. No. 337-TA-334 (Remand), Comm'n Op. at 26-28, 1997 WL 817767, at \*11-12 (U.S.I.T.C. Sept. 10, 1997).

In the event a violation of Section 337 is found, Sony contends that a cease and desist order is appropriate because "as of September 30, 2017, [REDACTED]

[REDACTED]

[REDACTED]. *See* CIB at 198 (citing CX-

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0004C at Q/A 355-371; JX-0041C at 326:7-327:4; JX-0007C; CX-0947C). According to Sony, during September 2017, for example, Fujifilm sold approximately [REDACTED]

[REDACTED]. *Id.* at 199 (citing JX-0119C). Similarly, during May 2017, Fujifilm sold approximately [REDACTED]

[REDACTED]. *Id.* (citing CX-0004C at Q/A 364; JX-0119C; JX-0120C). Sony also points to Fujifilm's inventory of components and bulk cartridges for manufacturing LTO-4, LTO-5, and LTO-6 tape products. *Id.* (citing CX-0004C at Q/A 368-369; CX-0950C; CX-0952C; CX-0954C; CX-0955C; CX-0956C; JX-0007C).

Fujifilm contends that Sony has failed to demonstrate that Fujifilm maintains a commercially significant inventory of infringing products in United States. *See* RIB at 186. According to Fujifilm, [REDACTED]

[REDACTED]. *Id.* (citing RX-0585C at Q/A 216, 217; RX-0431C). This inventory includes products for licensed sales to IBM. *Id.* (citing RX-0585C at Q/A 221-222).

Staff recommends issuance of a cease and desist order because “[t]he evidence shows that Fujifilm has a commercially significant inventory of accused products in the United States as well as components that are used to manufacture the accused tapes.” SIB at 156 (citing CX-0004C at Q/A 355-371).

Should the Commission find a violation of section 337, I recommend that a cease and desist order issue to Fujifilm from selling its accused products because Fujifilm maintains a

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commercially significant inventory of the accused products and components thereof in the United States. *See* CX-0004C at Q/A 355-371.

### C. Bond During Presidential Review

Pursuant to section 337(j)(3), the Administrative Law Judge and the Commission must determine the amount of bond to be required of a respondent during the 60-day Presidential review period following the issuance of permanent relief, in the event that the Commission determines to issue a remedy. *See* 19 U.S.C. §1337(j)(3). The purpose of the bond is to protect the complainant from any injury. *See* 19 C.F.R. § 210.42(a)(1)(ii), § 210.50(a)(3).

When reliable price information is available, the Commission has often set the bond by eliminating the differential between the domestic product and the imported, infringing product. *See Microsphere Adhesives, Processes for Making Same, and Prods. Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, USITC Pub. 2949, Comm'n Op. at 24 (Dec. 8, 1995). In other cases, the Commission has turned to alternative approaches, especially when the level of a reasonable royalty rate could be ascertained. *See, e.g., Certain Integrated Circuit Telecomm. Chips and Prods. Containing Same, Including Dialing Apparatus*, Inv. No. 337-TA-337, Comm'n Op. at 41, 1993 WL 13033517, at \*24 (U.S.I.T.C. June 22, 1993). A 100 percent bond has been required when no effective alternative existed. *See, e.g., Certain Flash Memory Circuits and Prods. Containing Same*, Inv. No. 337-TA-382, USITC Pub. No. 3046, Comm'n. Op. at 26-27 (July 1997) (imposing a 100% bond when price comparison was not practical because the parties sold products at different levels of commerce, and the proposed royalty rate appeared to be *de minimus* and without adequate support in the record).

Sony asserts that a 100 percent bond is appropriate. *See* CIB at 199. Sony argues that although the Commission usually sets bond rates based on the price differential between the domestic industry products and the accused products, it will set a 100 percent bond when

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accurate pricing information is unavailable or unreliable. *Id.* at 199-200. According to Sony, accurate pricing information is not available here thus warranting a 100 per cent bond. *Id.* at 200 (citing CX-0004C at Q/A 372-389; JX-0043C at 88:5-10).

Fujifilm argues that Sony has failed to carry its burden of establishing a bond value and in doing so has ignored its own pricing data. *See* RIB at 186-187 (citing CX-0004C at Q/A 388; CX-0008C at Q/A 71). In particular, Fujifilm argues that Sony and its expert have failed to substantiate their claim that it was not possible to determine a price differential. *Id.*

Staff argues that Sony has not carried its burden to prove that a 100 percent bond is warranted given that the parties exchange pricing information and Fujifilm was able to perform a price comparison. *See* SIB at 157 (citing RX-0585C at Q/A 227-268).

Should the Commission find a violation of section 337 by Fujifilm, I do not recommend imposition of a bond. Even though a 100 percent bond may be warranted where price comparison is not practical, Sony has failed to establish that a price differential cannot be determined, especially given that Fujifilm was able to perform a price comparison. *See* RX-0585C at Q/A 227-268; *see also Certain Flash Memory Circuits and Prods. Containing Same*, Inv. No. 337-TA-382, EDIS No. 3046, Comm'n. Op. at 26-27 (July 1997). Given the absence of any evidence or argument by Sony that an alternatively valued bond is appropriate, I find that Sony has failed to carry its burden that any bond is warranted. Accordingly, I do not recommend imposition of any bond during the Presidential review period.

### X. PUBLIC INTEREST

In connection with this Recommended Determination, and pursuant to Commission Rule 210.50(b)(1), 19 C.F.R. § 210.50(b)(1), the Commission ordered that the presiding administrative law judge

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shall take evidence or other information and hear arguments from the parties or other interested persons with respect to the public interest in this investigation, as appropriate, and provide the Commission with findings of fact and a recommended determination on this issue, which shall be limited to the statutory public interest factors set forth in 19 U.S.C. §§ 1337(d)(1), (f)(1), (g)(1).

82 Fed. Reg. 25334 (June 1, 2017).

Before issuing a remedy for a violation of section 337, the Commission must consider the effect of the remedy on the following public interest factors: (1) the public health and welfare; (2) competitive conditions in the U.S. economy; (3) the U.S. production of articles that are like or directly competitive with those that are the subject of the investigation; and (4) U.S. consumers. *See* 19 U.S.C. §§ 1337(d)(1), (f)(1). The Commission begins this analysis with the understanding that the public interest favors the protection of intellectual property rights by excluding infringing products. *See, e.g., Certain Two-Handle Centerset Faucets & Escutcheons & Components Thereof, Inc. No. 337-TA-422, Comm'n Op. at 9 (July 21, 2000)*. It is rare for the Commission to determine that the public interest considerations outweigh the patent holder's rights. *See Spansion Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1360 (Fed. Cir. 2010). The Commission can, however, tailor the remedy to minimize the impact on the public interest. *See e.g., Certain Personal Data and Mobile Commc'ns Devices & Related Software, Inv. No. 337-TA-710, Comm'n Op. at 83 (delaying the effective date of an exclusion order based on competitive conditions in the U.S. economy)*.

### A. Public Health and Welfare

Sony submits that exclusion of magnetic tape products that are primarily used for backing-up and archiving data will not have an adverse effect on the public health and welfare in the United States. *See* CIB at 191 (citing CX-4C at Q/A 296-300); *see also* JX-43C at 150:11-21).

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Fujifilm indicates that the Accused Products do not implicate any critical public health, welfare or safety concerns of the Commission. *See* RIB at 181.

Staff asserts that “[t]here is no allegation that an exclusion order in this investigation would affect the public health and welfare.” SIB at 153 (citing RPB at 263-268).

The evidence shows that the availability of Accused Products has no critical effect on the public health, safety and welfare in the United States. Accordingly, I find that there is no evidence that the public health and welfare will be adversely affected by an exclusion order in this investigation, and I also find there is no reason to forego or delay issuance of an exclusion order on this basis.

**B. Competitive Conditions in the United States Economy**

Sony submits that the requested relief will not diminish competition within the market for LTO tape products. *See* CIB at 192 (citing CX-4C at 76-84, Q/A 310-339). Sony contends there would be little or no impact on the LTO market from the requested relief because (i) Fujifilm will be able to continue to supply LTO-4, LTO-5, and LTO-6 tape products on an OEM basis to licensees such as IBM, and (ii) LTO tape sales are shifting away from the accused products. *Id.* at 192-193 (citing CX-4C at Q/A 305-309, 324-337, 339; JX-43C at 144:20-145:6; CX-1436 at 141-155; CDX-4C at 49-52; JX-119C; JX-121C; CX-8C at Q/A 33; JX-109C; CX-1326C at Q/A 21-22; CX-552 at 9). Sony also notes that Fujifilm’s own sales projections indicate that by time a remedial order issued in this investigation, LTO-4, LTO-5, and LTO-6 tape products would account for less than [REDACTED] Fujifilm’s LTO sales. *Id.* at 193 (citing CX-1326C at Q/A 22; JX-109C). Finally, Sony argues that Fujifilm [REDACTED] [REDACTED]. *See* CIB at 193-195.

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Fujifilm argues that it is the lone domestic manufacturer of LTO tapes. *See* RIB at 181 (citing RX-0005C (Vander Veen DWS) at Q/A 36). Fujifilm accuses Sony of attempting to monopolize the LTO market in the United States. *Id.* (citing RX-0078C (SNY-ITC0922829) at 50-51; RX-0005C (Vander Veen DWS) at Q/A 65). Fujifilm asserts that there will be “disastrous consequences” in the United States if Sony achieves exclusivity in the LTO market because in the past five years Fujifilm has manufactured more than [REDACTED] LTO-4, LTO-5 and LTO6 tapes in the United States at its Bedford, Massachusetts facility. *Id.* (citing RX-0431C (FF-SONY-ITC2\_00317973)). Fujifilm asserts that entry of an exclusion order may cause Fujifilm to close certain of its domestic manufacturing facilities, potentially leaving more than [REDACTED] U.S. residents without jobs. *Id.* at (citing RX-0001C at Q/A 23, 83). Fujifilm also contends that an exclusion order would also potentially jeopardize production of other generations of LTO products (*e.g.*, LTO-7) and would represent an “existential threat” to Fujifilm’s ability to continue any domestic manufacturing, including Fujifilm’s ability to provide licensed products to IBM. *Id.* (citing RX-0005C (Vander Veen DWS) at Q/A 45-47). In contrast, Fujifilm asserts that Sony currently performs no LTO manufacturing in the United States and instead manufactures its LTO tape products exclusively in Japan. *Id.* (citing RX-0005C (Vander Veen DWS) at Q/A 49; JX-0069C (Kato Dep.) at 81:1-85:4; JX-0062C (Buchicchio Dep.) at 21:2-6; JX-0082C (Taniguchi Dep.) at 31:1-15). In this regard, Fujifilm notes that Sony closed its last domestic manufacturing facility in 2009, leaving over 300 employees without jobs. *Id.* (citing JX-0069C (Kato Dep.) at 81:1-85:4). Thus, Fujifilm concludes that “[a]n exclusion order that eliminates domestic manufacturing to reward an outsourcer of manufacturing jobs and importer of foreign-goods is inconsistent with U.S. trade policy and not in the public interest.” *Id.*

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Staff submits that an exclusion order would have little to no impact on the LTO market because Fujifilm would still be able to sell 3592 tapes to IBM. *See* SIB at 153 (citing Vander Veen, Tr. at 574:19-23; CX-0004C at Q/A 305-309, 313). Staff also notes that because the LTO market follows a trend where newer generation LTO tape products overtake market share from older generations, the sale of newer generation tapes, such as LTO-7, will overtake sales of the older LTO-4, LTO-5, and LTO-6 tapes that are the subject of this investigation. *Id.* (citing CX-0004C at Q/A 332, 335-337; JX-109C; CX-1326C at Q/A 21-22). Thus, Staff concludes that exclusion of Fujifilm's LTO-4, LTO-5, and LTO-6 tapes will have minimal effect as LTO-7 sales increase. *Id.*

The evidence shows, based on Fujifilm's own calculations, that a remedial order issued in 2018 as to LTO-4, LTO-5, and LTO-6 products would impact less than [REDACTED] of Fujifilm's domestic LTO sales in view of the transition to newer generation LTO products. *See* CX-1326C at Q/A 22; JX-109C. Given that there is no evidence to conclude that this trend will not continue, any immediate impact on Fujifilm with respect to LTO-4, LTO-5, and LTO-6 products should diminish. *See, e.g.,* CX-0004C at Q/A 332, 335-337; JX-109C; CX-1326C at Q/A 21-22. Moreover, Fujifilm will still be able to manufacture and sell LTO-4, LTO-5, and LTO-6 products pursuant to their license with IBM and to manufacture and sell future generation LTO products. *See* Vander Veen, Tr. at 574:19-23; CX-0004C at Q/A 305-309, 313, 324-337. I am unconvinced by Fujifilm's assertions of dire consequences.

Accordingly, I find that there is no evidence that the competitive conditions in the U.S. economy will be adversely affected by an exclusion order in this investigation, and I also find there is no reason to forego or delay issuance of an exclusion order.

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**C. Production of Like or Directly Competitive Products in the United States**

Sony submits that if the requested relief is granted, “production of like or directly competitive articles with respect to Fujifilm-branded and unlicensed OEM LTO-4, LTO-5, and LTO-6 tape products will remain robust.” CIB at 195 (citing CX-4C at Q/A 301-309). Sony argues that not only will it continue to manufacture and supply LTO-4, LTO-5, and LTO-6 tape products, but that Fujifilm will be able do so also for IBM. *Id.* (citing JX-43C at 141:23-142:6; 145:1-6; JX-54C at 166:1-5). Sony also argues that other manufacturers could enter or re-enter the market as well, and notes that three other manufacturers have obtained authorization to manufacture LTO-4, LTO-5, and LTO-6 tape products. *Id.* (citing CX-8C at Q/A 97-104; CX-4C at Q/A 344; CX-881; CX-882; CX-883; CX-884; CX-1216C).

Sony also asserts that consumers have the option of utilizing non-LTO products as well as newer generation LTO products, including those manufactured and sold by Fujifilm, that would not be subject to an exclusion order and which are progressively replacing the LTO-4, LTO-5, and LTO-6 products. *Id.* at 195-196 (citing JX-43C at 141:23-142:6; Vander Veen, Tr. at 569:20-570:4, 573:25-574:10). Sony further argues (i) that their LTO-6 products are interchangeable with Fujifilm’s LTO-6 products within the marketplace and (ii) that they have the ability and excess capacity to “increase its production of LTO-4, LTO-5, and LTO-6 to meet any shift in demand that results from the exclusion of the Accused Products.” *Id.* at 196 (citing CX-4C at Q/A 322, 324-332; CX-8C at Q/A 55-66; CX-1224C; CX-1229C; CX-1084 at 6). Sony argues that Fujifilm has not correctly estimated the market “shortfall” of LTO-4, LTO-5, and LTO-6 products that would result from an exclusion order. *Id.* at 196-197 (citing RX-5C at Q/A 60, Q63; Vander Veen, Tr. at 561:2-564:3, 567:25-568:10; CDX-4C at 52; CX-1132C). Finally, Sony contends that Fujifilm has not properly assessed whether Sony can meet the resulting demand. *Id.*

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Fujifilm contends that although there is a public interest in protecting intellectual property owners from unfair competition, the public interest requires protecting the *domestic* industry. RIB at 182 (citing *Certain Microprocessors, Components Thereof, & Products Containing the Same*, Inv. No. 337-TA-781, ID at 369 (Dec. 14, 2012)). Fujifilm asserts that as the only domestic manufacturer of LTO tape products that it has the only “real” domestic industry, and that entry of an exclusion order would destroy that industry with respect to not only the accused of LTO-4, LTO-5, and LTO-6 products, but to all LTO generations. *Id.* at 182-183. In making this argument, Fujifilm cites to its argument regarding competitive conditions in the U.S. economy discussed above. *Id.*

Staff asserts that an exclusion order would not affect the production of like or directly competitive articles. *See* SIB at 153. According to Staff there are several reasons for this conclusion: (i) Fujifilm will still be able to permissibly supply IBM with LTO tapes; (ii) Sony will be able to continue production along with three other companies that have been authorized to sell and manufacture LTO-4, LTO-5, and LTO-6 tapes; and (iii) users can also switch to newer generation tape products or to other storage media. *Id.* at 153-154 (citing Vander Veen, Tr. at 568:21-574:23; CX-0004C at Q/A 305-309, 313, 323, 344).

As discussed above, the evidence shows that there will be a diminishing impact, if any, of an exclusion order with respect to Fujifilm’s LTO-4, LTO-5, and LTO-6 products because of Sony’s (and others’) ability to supply the same or similar products to the market, including by Fujifilm by virtue of manufacturing licensed LTO tapes to IBM. *See* Vander Veen, Tr. at 568:21-574:23; CX-0004C at Q/A 305-309, 313, 323, 344; JX-43C at 141:23-142:6; 145:1-6; JX-54C at 166:1-5; CX-8C at Q/A 97-104; CX-881; CX-882; CX-883; CX-884; CX-1216C).

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In view of the forgoing, therefore, I find that there is no evidence that an exclusion order would have an adverse effect on the production of likely or directly competitive products in the United States, and therefore also find there is no reason to forego or delay issuance of an exclusion order on this basis.

### **D. United States Consumers**

Sony submits that an exclusion order will have minimal or no adverse effect on U.S. consumers. *See* CIB at 197. Sony contends the evidence shows that the LTO market would remain robust and competitive were an exclusion order issued. *Id.* Sony further asserts that “if anything, the requested remedies will benefit consumers by promoting innovation and increasing product quality and diversity through enforcement of intellectual property rights.” *Id.* (citing CX-4C at Q/A 340-354).

Fujifilm argues that an exclusion order would harm U.S. consumers because it would likely result in the elimination of domestic companies and jobs. *See* RIB at 183 (citing RX-0602C (SNY-ITC0371630) at 20). Fujifilm also contends that an exclusion order would result in a shortage of LTO-4, LTO-5, and LTO-6 products in the United States that Sony cannot easily supply. *Id.* (citing Complainants’ Responsive Statement of Public Interest Under Section 210.8(b), April 28, 2017, EDIS Doc ID 612038, at 5; JX-0086C (Yamaguchi Dep.) at 18:10-11). According to Fujifilm, Sony has a capacity of producing only [REDACTED] LTO-4, LTO-5, and LTO-6 tapes, and would need to more than [REDACTED] that capacity to ensure a sufficient supply of such tapes to U.S. consumers. *Id.* at 184. Fujifilm argues that this issue is particularly acute because Sony’s tapes are manufactured at Japanese facilities that have previously been damaged and shut down resulting in worldwide shortages of Sony tapes. *Id.*

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Fujifilm also requests, in the event an exclusion order is issued, that it be delayed by at least six months to allow U.S. consumers sufficient time to switch to more current LTO generations (e.g., LTO-7) so as to minimize any negative impact on those consumers. *Id.* at 185.

Staff submits that U.S. consumers will not be negatively affected by an exclusion order because there will still be available competitive LTO products as well as alternative storage systems. *See* SIB at 154. According to Staff, the availability of such alternative storage systems will provide a “check” against Sony unreasonably raising LTO prices due to the exclusion of Fujifilm products. *Id.* (citing Vander Veen, Tr. at 570:17-571:22).

I find that the evidence of record demonstrates that U.S. consumers of LTO products will have ample alternative choices for LTO products, including LTO-4, LTO-5, and LTO-6 products manufactured by Fujifilm for IBM. I find that there is no evidence U.S. consumers will be adversely affected by an exclusion order in this investigation. Therefore, there is no reason to forego or delay issuance of an exclusion order on this basis.

In view of the forgoing, I find that the evidence shows that the public interest considerations do not weigh against or warrant tailoring any remedy in this investigation.

### **XI. INITIAL DETERMINATION**

Based on the foregoing, it is my Initial Determination that the asserted claims of U.S. Patent No. 7,029,774 are not invalid and are infringed by Fujifilm; that the asserted claims of U.S. Patent No. 6,674,596 are not invalid and that Fujifilm induces infringement of those claims; and that the asserted claims of U.S. Patent No. 6,979,501 are invalid. I further find that the domestic industry requirement has been satisfied for U.S. Patent No. 6,674,596 and U.S. Patent

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No. 7,029,774.<sup>38</sup> Accordingly, I find that there has been a violation of section 337 in the importation of articles that infringe U.S. Patent No. 6,674,596 and U.S. Patent No. 7,029,774.

I hereby certify to the Commission this Initial Determination and the Recommended Determination.

The Secretary shall serve the confidential version of this Initial Determination upon counsel who are signatories to the Protective Order (Order No. 1) issued in this investigation. A public version will be served at a later date upon all parties of record.

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 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 therein.

Within seven days of the date of this document, each party shall submit a statement to Cheney337@ustic.gov stating whether or not it seeks to have any portion of this document redacted from the public version. Any party seeking to have any portion of this document redacted from the public version thereof shall attach a copy of this document with red brackets indicating any portion asserted to contain confidential business information.<sup>39</sup> The parties'

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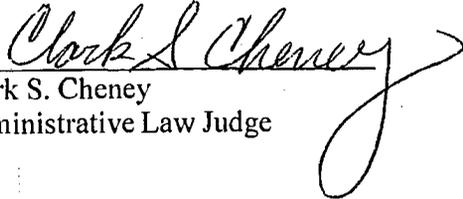
<sup>38</sup> I have found that Sony has shown authorized articles practicing the claims of U.S. Patent No. 6,979,501, but those articles are not protected by the '501 patent because I have found that the claims practiced are invalid.

<sup>39</sup> If the parties submit excessive redactions, they may be required to provide an additional written statement, supported by declarations from individuals with personal knowledge, justifying each proposed redaction and specifically explaining why the information sought to be redacted meets the definition for confidential business information set forth in Commission Rule 201.6(a). 19 C.F.R. § 201.6(a).

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submissions concerning the public version of this document should not be filed with the Commission Secretary.

**SO ORDERED.**

  
Clark S. Cheney  
Administrative Law Judge

**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond** has been served by hand upon the Commission Investigative Attorney, Sarah Sladic, Esq., and the following parties as indicated, on October 2, 2018.



Lisa R. Barton, Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112  
Washington, DC 20436

**On Behalf of Complainants Sony Corporation, Sony Storage Media Solutions Corporation, Sony Storage Media Manufacturing Corporation, Sony DADC US Inc., and Sony Latin America Inc.:**

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- Via Hand Delivery
- Via Express Delivery
- Via First Class Mail
- Other: \_\_\_\_\_

**On Behalf of Respondents FUJIFILM Holdings Corporation, FUJIFILM Corporation, FUJIFILM Media Manufacturing Co., Ltd., FUJIFILM Holdings America Corporation, and FUJIFILM Recording Media U.S.A., Inc.:**

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