

FAQs for the ITC actions and U. S. District Court Lawsuits

1. What is the United States International Trade Commission (“ITC”)?

The ITC is an independent quasi-judicial federal agency with broad investigative responsibilities regarding international trade. Among other responsibilities, the agency investigates the effects of dumping, subsidized imports, and infringement of intellectual property rights on domestic industry. The ITC adjudicates allegations of intellectual property infringement to determine infringement and any impact on domestic industry. The ITC has the authority to issue exclusion orders that direct U.S. Customs to stop infringing products from entering the U.S. and to issue cease and desist orders against named importers and others that engage in unfair competition.

See www.usitc.gov for more information about the ITC.

See <https://edis.usitc.gov/edis3-external/home.svc> for more detailed information about the U.S. ITC action relating to cartridges for Epson printers. (You will need to create an EDIS account with the ITC, login in, click on the Search tab, click on the “Search by Investigation” and enter the number 565 or 946 in the "Investigation Number" field and click on the "Search" button.)

2. How does the ITC adjudicate patent infringement complaints?

Upon the filing of a complaint alleging patent infringement, the ITC decides whether to institute an investigation. After deciding to investigate, the ITC assigns an Administrative Law Judge to preside over the trial and related proceedings. Following discovery and other pretrial proceedings, the Judge conducts a trial to determine patent infringement, any patent validity defenses, and the impact on domestic industry. Following the trial, the Judge issues a decision on the merits called an “Initial Determination” (“ID”). The ID typically consists of detailed findings and conclusions regarding the alleged infringements. Where patent infringement is found, the judge recommends remedies such as exclusion and cease and desist orders.

The Judge’s ID is subject to review by the ITC which issues a Final Determination (“FD”) that includes its findings regarding infringement and remedies. Potential remedies include cease and desist orders that direct named parties to cease unfair competition and general exclusion orders that direct U.S. Customs to exclude imports of infringing products from all worldwide sources. The ITC FD is subject to review by the President of the United States. For more information regarding the ITC’s investigation of patent infringement complaints, see https://www.usitc.gov/intellectual_property.htm

3. Why has Epson filed patent infringement complaints with the ITC?

Prior to filing the 565 complaint with the ITC, Epson had filed patent infringement lawsuits in U.S. District Courts against two of the largest manufacturers of aftermarket ink cartridges for Epson printers. After many years of litigation, both companies settled with Epson and withdrew the infringing cartridges from the market. Even though these lawsuits were well publicized, many other large suppliers entered the U.S. market with infringing cartridges. Seiko Epson, Epson America and Epson Portland, which manufactures large volumes of Epson cartridges in Portland, Oregon, faced unfair competition from hundreds

of importers of infringing cartridges manufactured in Korea, China, Europe and elsewhere. Consequently, in February 2006, Epson filed a patent infringement complaint with the ITC alleging patent infringement by 24 of the largest importers and distributors of Epson cartridges for Epson printers and requested a General Exclusion Order to prevent imports of all infringing cartridges.

Epson filed the 946 complaint with the ITC in December 2014 against nineteen or more companies that manufacture, import or distribute aftermarket ink cartridges in the United States that infringe one or more of five Epson patents. The complaint filed by Epson Portland Inc., Epson America Inc., and Seiko Epson Corp. requested the ITC to institute an investigation and subsequently issue a General Exclusion Order prohibiting these companies and all others from importing and selling the infringing cartridges in the United States.

Epson has made continuous worldwide investments in R&D and large investments in manufacturing in the United States to produce high quality, innovative cartridges. These ITC actions are part of Epson's worldwide efforts to protect the company and its customers from unfair competition of all types, including the sale of patent-infringing ink cartridges.

4. What happened as a result of the 565 complaint filed by Epson in 2006?

The Filing

Epson filed a complaint in February 2006 against 24 companies that manufacture, import, or distribute aftermarket inkjet cartridges for Epson printers in the U.S. The complaint filed by Epson Portland Inc., Epson America Inc., and Seiko Epson Corp. alleged infringement of 11 patents that cover a wide range of cartridge models.

Settlements, Consent Orders, and Defaults

Epson entered settlement agreements with six suppliers. Major manufacturers that settled included Armor SA of France, Ink Lab Co. Ltd. of Hong Kong and Ink Tec Co. of Korea. Major U.S. distributors that settled include Inkjet Warehouse.com Inc., Rhinotek Computer Products Inc., and Nectron International Ltd.

Three companies agreed to ITC Consent Orders that committed them to cease imports of accused cartridges including Master Ink Co. Ltd. of Hong Kong, Ribbon Tree (USA) Ltd. dba CanaPacific Ribbons Inc. of Washington State, and Apex Distributing Inc.

Numerous companies failed to file responses and defaulted including Acujet U.S.A. Inc. of California, Butterfly Print Image Corp. of Hong Kong, Glory South Software Manufacturing Inc. of California, Mipo International Ltd. of Hong Kong, Tully Imaging Supplies Ltd. of Hong Kong, Well Ink Trading Co. Ltd. of Macao and Ribbon Tree Trading Co. Ltd. of Macau.

The companies that settled, entered consent orders or defaulted were collectively responsible for importing and distributing large volumes of accused cartridges in the U.S. in unbranded packaging and under diverse brands such as AcuJet, Amazon Imaging, Basix, Color Jet, Inkees, InkTec, Mipo, Niko, Rhinotek and Staples.

Trial and the Initial Determination

After pretrial proceedings, the Honorable Paul J. Luckern conducted a trial in January 2007 that was defended by Dataproducts USA LLC, a division of Clover Technologies Group LLC, Ninestar Technology Corp. Ltd. of Hong Kong, and Zhuhai Gree Magneto-Electric Co. Ltd., and their affiliated companies. The defending respondents distribute cartridges sold in unbranded packaging and under diverse brands including Dataproducts, G&G, AO-100, MMC, Office Max and Office Depot.

Based on extensive evidence presented at trial, the Judge found that more than 750 models of cartridges infringed Epson's patents. The Judge's findings upheld the validity and enforceability of all 11 Epson patents and found that all of the cartridges at issue infringed one or more of Epson's patents.

Final Determination

On October 19, 2007, the Commission confirmed that all of the accused cartridges infringe one or more of Epson's patents. The ITC issued a General Exclusion Order prohibiting all importers from importing infringing cartridges and Cease and Desist Orders prohibiting the named respondents, including DataProducts (Clover Industries), Townsky and Ninestar, from selling infringing cartridges imported before the ITC orders. The ITC also ordered US Customs to enforce a bond of \$13.60 per imported cartridge during the sixty-day Presidential Review Period that commenced October 19.

Presidential Review

U. S Customs and the ITC are enforcing all the ITC Orders because President George W. Bush and the U. S. Trade Representative declined to modify the Orders during the sixty-day Presidential Review Period.

Affirmed On Appeal

On January 20, 2009 the U.S. District Court of Appeals for the Federal Circuit unanimously and completely affirmed the ITC Final Determination and its Orders.

Enforcement Actions

On April 17, 2009, ITC Judge Luckern ruled that Ninestar, Mipo and Cana-Pacific and their US Subsidiaries violated the ITC Orders and recommended penalties of \$20,504,947 against Ninestar, \$9,700,000 against Mipo and \$700,000 against Cana-Pacific.

5. What has happened as a result of the 946 complaint filed by Epson in 2014?

The Filing:

Epson filed a complaint in December 2014 against 19 companies that manufacture, import, or distribute aftermarket inkjet cartridges for Epson printers in the U.S. The complaint filed by Epson Portland Inc., Epson America Inc., and Seiko Epson Corp. alleged infringement of 5 patents that cover a wide range of cartridge models.

Settlements, Consent Orders, and Defaults

All respondents except one defaulted. Nano Business and Technology, Inc., and Zhuhai Nano Digital Technology Co., Ltd. (collectively “Nano Digital”) participated briefly and ultimately settled with Epson and agreed to a consent order.

Initial Determination

Following the entry of defaults and the consent order, Epson moved for summary determination. ITC Administrative Law Judge Dee Lord issued an initial determination in Epson’s favor in October 2015. The judge found that all defaulting respondents violated Section 337 of the Tariff Act of 1930 by infringing Epson’s patents, and the judge recommended that the Commission issue a GEO.

Final Determination

The ITC decided to review in part the initial determination and reconsidered the importation analysis. Ultimately, the Commission found two additional examples of importation of infringing cartridges and concluded Epson met the importation requirements. The Final Determination and GEO were issued on May 26, 2016.

Presidential Review

After the issuance of a General Exclusion Order, there is a Presidential Review Period during which time the President of the United States can, but rarely does, disapprove of the ITC’s Order. During this period, companies may import product barred by the GEO, but are required to place a bond of 100 per cent of the value of the imported product with either U.S. Customs and Border Patrol (CBP) or the ITC. CBP has also indicated it has begun enforcement of the bonding requirements during the Presidential Review Period.

The Presidential Review Period expires on or about July 26, 2016.

Cease and Desist Orders

In addition to the GEO, the ITC issued cease-and-desist orders against two domestic firms. The cease-and-desist orders were issued against Zinyaw and InkPro2day.

Enforcement Actions

Epson intends vigorous enforcement of the 946 GEO and will update this section as actions proceed.

6. What products are covered by the ITC orders?

The ITC orders apply to infringing cartridges and infringing components of cartridges for Epson printers, including infringing empty cartridges intended for ink fill in the United States. The 565 GEO covered almost all Epson on-carriage ink cartridges. The 946 GEO strengthens the patents claims that cover on-carriage cartridges and extends coverage to off-carriage, such as the ink cartridges used in business inkjet printers and large-format devices. The 946 GEO also covers Epson’s Replaceable Ink Pack system printers. A limited number of older large-format inkjet cartridges are not covered.

See “Home” page of this website for a list of covered off-carriage cartridges and printers. See “Refill Requirements” page of this website for guidelines for importing and selling refilled cartridges.

7. What is the role of the U.S. Customs and Border Protection Service (“U.S. Customs”) in enforcing ITC orders?

U.S. Customs is responsible for enforcing ITC exclusion orders and bond requirements that the ITC orders during the Presidential Review period. Cease and Desist Orders are enforced directly by the ITC. The Intellectual Property Rights Branch of U.S. Customs (“the IPR Branch”) administers enforcement of ITC orders and other intellectual property enforcements.

U.S. Customs devotes substantial resources to target, intercept, detain, seize and forfeit shipments of goods that violate intellectual property rights. Enforcement is targeted both to achieve seizures at the ports of entry and penalties against importers for violations discovered after importation. Violations of ITC exclusion orders, in particular, are punishable even after importation with seizures and very substantial fines. For more information regarding the IPR Branch of U.S. Customs and intellectual property enforcement, see <https://www.cbp.gov/trade/priority-issues/ipr>

In 2015 U.S. Customs and Border Patrol (“CBP”) created the Centers for Excellence and Expertise to more effectively address industry specific Customs issues, including the enforcement of GEOs. Since that time, the imaging supplies industry has seen a very dramatic increase in the number of exclusions and seizures of infringing printer cartridges. Epson expects this trend to continue and anticipates vigorous enforcement by the CBP of both the Epson 565 and 946 General Exclusion Orders.

8. How do the ITC orders affect imports, distribution, and sales of infringing cartridges for Epson printers?

The General Exclusion Orders prohibit all imports of infringing cartridges covered by the GEOs by all importers, not just the named respondents. The Cease and Desist Order prohibits the named respondents from selling infringing cartridges imported prior to the ITC orders.

Accordingly, there are various potential consequences for importers and resellers:

- (a) Importers that violate the General Exclusion Orders are subject to seizure of cartridges by US Customs Respondents that violate the GEOs and Cease and Desist Orders or Consent Judgments are also subject to very substantial fines.
- (b) All new aftermarket cartridges for Epson printers are currently imported, so resellers that resell aftermarket cartridges for Epson printers will not be able to replenish their inventories of infringing cartridges.
- (c) Resellers of infringing cartridges at every level of distribution can be subject to US District Court lawsuits for damages such as the lawsuits Epson has already filed against numerous U.S. resellers.

- (d) Importers and Resellers of refilled cartridges should take precautions to avoid infringement. Large volumes of infringing refilled cartridges were imported after the 2007 ITC Orders which caused Epson to file ITC enforcement actions and U.S. District Court complaints. See “Refill Requirements” page for guidelines for importing and selling refilled cartridges.

Importers and resellers that seek further information should consult with their attorneys, import specialists, or directly access the ITC documents relating to the Epson action at <https://edis.usitc.gov/edis3-external/home.svc>

9. Why does Epson file both ITC complaints and U.S. District Court lawsuits?

Epson filed the 565 and 946 complaints because ITC exclusion orders can be very effective when numerous vendors import large volumes of infringing products.

The previous U.S. District Court lawsuits filed by Epson were effective against the defendants but were ignored by numerous other importers and resellers.

Even though ITC orders can be very effective in excluding infringing imports, Epson also filed District Court lawsuits following the 565 GEO also to collect damages for past infringements, to include new patent claims not included in the ITC action, to enforce against defendants not named in the ITC action, and obtain injunctions that prohibit unfair competition. Epson likewise expects that it may have file District Court lawsuits to further enforce the patents covered in the recent ‘946 GEO.

The ITC actions and District Court lawsuits underscore the responsibility that all companies in the distribution chain have to avoid infringement. Many foreign manufacturers exited the U.S. market following the 565 GEO, apparently to avoid financial responsibility for past infringements.

Extending the lawsuits to U.S. distributors and wholesalers assures that resellers that profit from infringements will be responsible for any damages, especially if their suppliers withdraw from the U.S. market to avoid financial responsibility.

10. What if suppliers promote their cartridges as “patent free”?

Epson will continue to take whatever legal actions may be required to protect Epson and legitimate resellers from patent infringement and other unfair competition. Such actions may include ITC enforcement proceedings, working with CBP to support GEO enforcements and US District Court lawsuits.

Resellers should be cautious about claims that products avoid patents because they may avoid only some patents but not others. Claims that products avoid patents are much easier to make than to substantiate. For example, some of the products found to be infringing by the ITC were described as avoiding patents. Resellers are responsible for avoiding infringement, even if their suppliers claim that their products are “patent free”. Accordingly, Epson recommends resellers be cautious and obtain independent legal counsel when in doubt.

11. What about claims that the ITC Orders are not enforceable or may soon be modified?

All the ITC orders are actively being enforced. Some vendors have irresponsibly made confusing statements and disseminated misinformation. For example, there was considerable misinformation that the ITC judges would deny Epson's petitions, that the ITC would not confirm the rulings by ITC Judge, and that the ITC Orders would be reversed on Appeal. None of this misinformation was later substantiated. All of these repeated efforts to challenge the ITC orders have failed. Accordingly, Epson recommends that resellers be cautious regarding rumors and obtain independent legal counsel when in doubt.

12. How can I obtain additional information?

Epson set up this web site to provide relevant and timely information. Questions regarding the ITC or U.S. Customs enforcement or proceedings should be directed to those entities. Epson recommends that importers and resellers consult independent counsel for any required legal advice. Questions appropriate for Epson can be directed to IPenforcement@ea.epson.com.