

PUBLIC VERSION

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

In the Matter of

**CERTAIN ROAD MILLING
MACHINES AND COMPONENTS
THEREOF**

Inv. No. 337-TA-1067

Order No. 16

On December 5, 2017, complainant Wirtgen America, Inc. (“Wirtgen America”) filed a motion, and memorandum in support thereof, seeking a summary determination that it has satisfied the economic prong of the domestic industry requirement. Motion Docket No. 1067-008. Caterpillar¹ opposed the motion.² On January 5, 2018, Wirtgen America filed a motion seeking leave to file a reply, which Caterpillar did not oppose.³ For the reasons provided below, Wirtgen America’s motion for summary determination is denied.

I. BACKGROUND

Wirtgen America argues, in part:

Wirtgen America is the leading provider of custom-manufacturing and service of, and support for, road-milling machinery in the United States. It maintains a thirty-four-acre multibuilding campus outside Nashville, Tennessee, which includes its post-importation manufacturing and repair workshop, supplies center, customer service center, customer and employee hands-on training facility,

¹ The “Caterpillar” respondents that remain in the investigation are Caterpillar Paving Products, Inc., Caterpillar Prodotti Stradali S.r.L., Caterpillar Americas CV, and Caterpillar Inc.

² Caterpillar filed an unopposed motion seeking two additional business days to file its opposition to Wirtgen America’s motion for summary determination. Motion Docket No. 1067-009. The administrative law judge granted Motion No. 1067-009 on December 13, 2017.

³ Wirtgen America’s motion for leave to file a reply, Motion Docket No. 1047-017, is granted.

classrooms, and machine storage and demonstration grounds. The quality and quantity of service and support that Wirtgen America's Tennessee facility provides is unparalleled in the industry. That service and support adds value to Wirtgen America's domestic industry products as reflected in the premium that customers are willing to pay for Wirtgen America milling machines and in the market share leadership that Wirtgen America maintains.

Wirtgen America is a significant employer in the Nashville area, and the value of the in-person customer support and instruction provided at the Tennessee facility draws customers from across the country. The resulting transportation, lodging, foodservice, and sales of Wirtgen America products constitute a main source of revenue for the local economy. Wirtgen America's past and ongoing economic investments attributable to the domestic industry products across land, infrastructure, equipment, labor, and capital investments total approximately [] in addition to approximately [] in land and capital investments. That amount is substantial in light of the relevant market.

None of the facts about Wirtgen America's domestic operations and investments can be disputed. Respondents deposed Wirtgen America's corporate representative on all 30(b)(6) topics for this issue and did not challenge any of the facts underlying his declaration—the vast majority of which were presented to Respondents when Wirtgen America filed its Complaint. Respondents even declined to inspect Wirtgen America's facilities, and have not subpoenaed any other entity for economic information. Respondents have therefore made no genuine attempt to build a record against Wirtgen America's account of the economics of its domestic industry.

Instead, Respondents' contentions focus on whether Wirtgen America's activities—as Wirtgen America has described them—count towards satisfaction of the domestic industry requirement. The underlying material facts are not in dispute. Ample case law supports Wirtgen America's characterization of its domestic industry. Accordingly, Wirtgen America is entitled to summary determination that the economic prong is satisfied.

Mem. at 1-2 (footnotes omitted).⁴

⁴ Wirtgen America defines the “domestic industry products” or “DI products” as “the 18 models identified in [Statement of Undisputed Material Fact (“SUMF”)] ¶18.” Mem. at 1. Wirtgen America adds that “[f]or purposes of this Motion, Wirtgen America submits that the 7 DI products that practice all of the patents (identified in SUMF ¶19) are sufficient to meet the

Caterpillar argues, amongst other things, that Wirtgen America has selectively relied on inconsistent information concerning its domestic activities, that Wirtgen America has not provided analysis of its domestic investments vis-à-vis its German affiliates, Wirtgen Group and Wirtgen GmbH, and that Wirtgen America has not provided sufficient context for understanding the significance of Wirtgen America's investments in the United States. Opp'n at 1. With specific regard to significance, Caterpillar argues that Wirtgen America "makes only a passing attempt to link its activities to the practice of the asserted patents[,]" that Wirtgen America's market share is not indicative of investment, that Wirtgen America's premium pricing theory is unsupported, and that Wirtgen America has not provided any value-added analysis of the machines it imports from Germany. *Id.* at 13-17. Caterpillar also argues that Wirtgen America cannot prevail because it "completely omitted any analysis of such activities outside the U.S." and that "the reality of the marketplace is that Wirtgen GmbH manufactures the large, complex, and expensive road milling machines in Germany based on work done by German inventors, German engineers, and German factory workers." *Id.* at 18. Finally, Caterpillar devotes two paragraphs to arguing that disputed factual issues remain. *Id.* at 18-19.

Wirtgen America's reply presents a detailed rebuttal to Caterpillar's opposition. *See generally* Reply. In general, Wirtgen America argues that it has presented sufficient evidence to support its motion and that Caterpillar has relied on spurious legal authority. *Id.*

II. APPLICABLE LEGAL STANDARDS

The moving party bears the initial burden of establishing that there is an absence of a genuine issue of material fact and that it is entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). When such an initial showing is made, the burden shifts to

domestic industry requirement." *Id.* SUMF ¶19 states that "Wirtgen America alleges that 7 machines practice all 5 of the Asserted Patents: W200i (1420), W210i (1520), W220 (522), W220i (722), W250i (622), W150i (613), W150CFi (813)."

the opposing party, who “must set forth specific facts showing that there is a genuine issue for trial.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). In response, “[the non-moving party] must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). If the responding party fails to make such a showing, the moving party is then entitled to judgment as a matter of law. *See Celotex*, 477 U.S. at 325.

Summary determination under Commission Rule 210.18 is analogous to summary judgment under Federal Rule of Civil Procedure 56, and may be granted only where the evidence shows “that there is no genuine issue as to any material fact and that the moving party is entitled to summary determination as a matter of law.” *See* 19 C.F.R. § 210.18(b). When ruling on a motion for summary determination, “all reasonable inferences must be drawn in favor of the non-movant . . . and all doubt over factual issues resolved in favor of the party opposing summary judgment.” *Certain Wiper Blades*, Inv. No. 337-TA-816, Comm’n Op. at 7 (Apr. 24, 2013) (citing *Liberty Lobby*, 477 U.S. at 247-52).

A violation of section 337(a)(1)(B), (C), (D), or (E) can be found “only if an industry in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.” 19 U.S.C.

§ 1337(a)(2). Section 337(a) further provides:

- (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.

19 U.S.C. § 1337(a)(3).

These statutory requirements consist of an economic prong (which requires certain activities) and a technical prong (which requires that these activities relate to the intellectual property being protected). *Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm'n Op. at 13 (May 16, 2008). The satisfaction of any one of these criteria (*i.e.*, subparagraph (A), subparagraph (B), or subparagraph (C)) will satisfy the economic prong. *See Certain Agricultural Vehicles and Components Thereof*, Inv. No. 337-TA-487, Final Initial and Recommended Determinations at 76 (Jan. 13, 2004). The burden is on the complainant to show by a preponderance of the evidence that the domestic industry requirement is satisfied. *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm'n Op. at 5 (July 22, 2011).

Regardless of which prong the complainant chooses, however, it remains “incumbent upon the complainant to specifically prove that the separate requirements and standards of each prong have been met based on the specific evidence relied upon for that statutory provision.” *Certain Optoelectronic Devices for Fiber Optic Communications, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-860, Comm'n Op. at 12-13 (May 9, 2014). For subparagraphs (a)(3)(A) and (B), the Commission determines whether significant investments were made related to the domestic industry articles. *See Certain Integrated Circuit Chips and Products Containing the Same*, Inv. No. 337-TA-859, Comm'n Op. at 48 (Aug. 22, 2014).

Whether an investment is significant “is not evaluated according to any rigid mathematical formula.” *Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm'n Op. at 27 (Feb. 17, 2011) (“*Printing and Imaging Devices*”). Rather, it

“entails an examination of the facts of each investigation, the article of commerce, and the realities of the marketplace.” *Id.* In ascertaining whether a complainant has established that its activities are significant with respect to the articles protected by the intellectual property right concerned, the Commission has considered, among other things:

- the nature of the investment and/or employment activities;
- the industry in question;
- the complainant’s relative size;
- the value added to the article in the United States by the domestic activities;
- the relative domestic contribution to the protected article by comparing complainant’s product-related domestic activities to its product-related foreign activities; and
- the nature of complainant’s activities to determine whether they are directed to the practice of one or more claims of the asserted patent.

Id. at 27-28. A complainant must present quantitative data to support its domestic industry claims, as an analysis of the “qualitative factors alone [is] insufficient to show ‘significant investment in plant and equipment’ and ‘significant employment of labor or capital’ under prongs (A) and (B) of the § 337 domestic industry requirements.” *Lelo Inc. v. Int’l Trade Comm’n*, 786 F.3d 879, 884-85 (Fed. Cir. 2015).

Prior decisions at the Commission have analyzed whether a complainant’s service and repair activities may satisfy the domestic-industry requirement’s economic prong. *See generally Printing and Imaging Devices* at 24-34; *Certain Video Displays, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-687, Order No. 20 (Initial Determination) at 7-11 (May 20, 2010) (unreviewed); *Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof*, Inv. No. 337-TA-314, U.S.I.T.C. Pub. No. 2420, Order No. 6 (Initial

Determination) at 20-21 (relevant portions unreviewed) (finding complainant's replacement servicing of defunct toy vehicles constituted a domestic industry).

III. ANALYSIS AND CONCLUSION

Having considered the arguments of the parties, as well as the evidence submitted in conjunction with the pending motion, it is the determination of the administrative law judge that Wirtgen America has failed to show it is entitled to summary determination as a matter of law.

For example, Wirtgen America argues that the instructional courses it offers are "important to Wirtgen America's business and adds significant value to the DI products as reflected in the DI milling machine prices." Mem. at 12 (citing SUMF ¶ 169); *see also* Reply at 5-6 (describing an 8-15% premium price). SUMF ¶¶ 168 and 169 provide:

168. For each DI milling machine sold, Wirtgen America offers [] days of operations training and [] days of maintenance training at the CTT to teach customers to operate, maintain, and troubleshoot the machine. (Ex. 2 to Complaint ¶63.)

169. This training is important to Wirtgen America's business and is reflected in the price of the DI milling machines, as correct operation of the DI milling machines improves performance and decreases downtime. (Ex. 2 to Complaint ¶63.)

Exhibit 2 to the Complaint is the Confidential Declaration of Robert Collins, who is Wirtgen America's Chief Financial Officer. Paragraph 63 of Mr. Collins's declaration provides:

63. For each DI milling machine sold, Wirtgen America offers [] days of operations training and [] days of maintenance training at the CTT to teach customers to operate, maintain, and troubleshoot the machine. This training is important to Wirtgen America's business because correct operation of the DI milling machines improves performance and decreases downtime.

See Ex. 2. Mr. Collins's declaration does not discuss what value, if any, is added through the instructional classes. *See id.* (as there is no discussion of the value added by Wirtgen America's domestic activities, there is also no quantitative analysis of the value added by the domestic

activities). Accordingly, more details are needed to determine whether the instructional activities are significant.

Similarly, Wirtgen America's description of its post-importation manufacturing activities (which appear to encompass customization, modification, service, and repair activities) does not provide a sufficient basis for determining, as a matter of law, that Wirtgen America's activities constitute a significant investment in plant and equipment or a significant employment of labor or capital. For instance, Wirtgen America argues that its post-importation manufacturing activities allow it "to provide milling machines that are tailored to the individual customer's needs." Mem. at 4 (citing SUMF ¶ 76-77). SUMF ¶¶ 76 and 77 provide:

76. Wirtgen America's post-importation manufacturing activities at its Tennessee facilities allow Wirtgen America to provide milling machines that are tailored to the domestic market. (Ex. 2 to Complaint ¶29.)

77. Wirtgen America typically makes modifications to about [] of the DI milling machines sold. (Ex. 2 to Complaint ¶29.)

Exhibit 2 to the Complaint, ¶ 29, provides:

29. The post-importation manufacturing activities allow Wirtgen America to provide milling machines that are tailored to the domestic market. Wirtgen America typically makes modifications to about [] of the DI milling machines sold.

See Ex. 2. Wirtgen's brief, its proposed findings of fact, and the Collins declaration do not provide enough context to ascertain the significance of Wirtgen America's activities.⁵ See, e.g., *Printing and Imaging Devices* at 30 (finding that "complainant failed to submit evidence to substantiate the nature and significance of its activities with respect to the articles protected by the patent" and citing *Certain Male Prophylactic Devices*, Inv. No. 337-TA-546, Comm'n Op. at

⁵ Although Wirtgen America does identify other investments and activities that are not specifically discussed in this order, additional evidence could be helpful in analyzing the significance of Wirtgen America's investments or employment of labor or capital.

39 (Aug. 1, 2007) as an example of an investigation that found “investment and/or employment activities to be significant where complainant’s lubrication, foiling, testing, and packaging of unfinished imported condoms transformed the product into saleable merchandise, resulted in 34% domestic value added, and included operations directed to the practice of certain patent claims.”).

Additionally, Wirtgen Group’s website states that Wirtgen factories and production facilities are located in Germany, Brazil, China, and India. *See* Opp’n, Ex. 3 at 2 (which is a printout of the Wirtgen Group’s website).⁶ The website also explains that there are “55 Group-owned sales and service companies,” which includes Wirtgen America. *Id.*; *see also* Opp’n, Ex. 1 at 82-84 (Mr. Collins testified that Wirtgen America is a “sales and service subsidiary” of the Wirtgen Group and that “all” of the road milling machines purchased by Wirtgen America are manufactured in Germany).⁷ Wirtgen America has not shown that the foreign investments lack significance, as Wirtgen America suggests. *See* Reply at 8 (arguing that there is “no such requirement” of comparative analysis of foreign and domestic expenditures); *Certain*

⁶ The relevant portion of the website states:

Our Group is at home in the world. Success throughout the world is assured by five specialized factories in Germany, three local production facilities in Brazil, China and India, 55 Group-owned sales and service companies, and a global network of dealers. Despite this international orientation, we never lose sight of our roots. Our corporate culture has been shaped by our history as a provider of services – assuring our customers’ success on job sites around the world. It is this which motivates our employees to work together on the development of innovative processes and the manufacture of high-quality products.

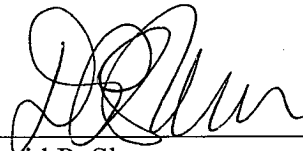
The URL for the website is: <https://www.wirtgen-group.com/en/wirtgen-group/> (last visited Jan. 10, 2018).

⁷ Recently, in opposing a motion to compel (Motion Docket No. 1067-010), Wirtgen America has explained that “Wirtgen GmbH had the primary role in the design, development, and manufacture of the domestic industry articles.” Opp’n to Mot. to Compel at 2-3.

Radiotherapy Systems and Treatment Planning Software, and Components Thereof, Inv. No. 337-TA-968, Order No. 30 at 5 (June 8, 2016) (in denying a motion for summary determination that the economic prong was satisfied, the administrative law judge found that “questions remain as to whether foreign investments are genuinely of no legal significance in this instance.”); *see also Printing and Imaging Devices* at 32 (discussing a lack of evidence regarding the complainant’s “foreign product-related investment and/or employment activities.”).

* * *

Accordingly, Wirtgen America has not shown that it is entitled to summary determination as a matter of law.



David P. Shaw
Administrative Law Judge

Issued: January 12, 2018

CERTAIN ROAD MILLING MACHINES AND COMPONENTS THEREOF

INV. NO. 337-TA-1067

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER NO. 16** has been served on the following parties as indicated, on **JAN 23 2018**.



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

FOR COMPLAINANT WIRTGEN AMERICA, INC.:	
Daniel E. Yonan, Esq. STERNE, KESSLER, GOLDSTEIN & FOX, P.L.L.C. 1100 New York Avenue, N.W. Washington, DC 20005	<input type="checkbox"/> Via Hand Delivery <input type="checkbox"/> Express Delivery <input checked="" type="checkbox"/> Via First Class Mail <input type="checkbox"/> Other: _____
RESPONDENTS CATERPILLAR PAVING PRODUCTS, INC., CATERPILLAR PRODOTTI STRADALI S.r.L., CATERPILLAR AMERICAS CV, and CATERPILLAR, INC.:	
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