

SETTLEMENT AGREEMENT

This Settlement Agreement (hereinafter “SETTLEMENT AGREEMENT”), effective as described herein, is made by and between Canon Inc., a Japanese corporation having its principal place of business located at 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan (“CINC”); Canon U.S.A., Inc., a New York corporation having its principal place of business located at One Canon Park, Melville, New York 11747 (“CUSA”); and Canon Virginia, Inc., a Virginia corporation having its principal place of business located at 12000 Canon Boulevard, Newport News, Virginia 23606 (“CVP”) (collectively, “CANON”); and Ninestar Image Tech Limited, a Hong Kong, China entity having its principal place of business located at 2/F, Building 1, No. 3883, Zhuhai Avenue, Xiangzhou District, Zhuhai, Guangdong, China 519060; Zhuhai Seine Technology Co., Ltd., a China entity having its principal place of business located at 7/F, Building 1, No. 3883, Zhuhai Avenue, Xiangzhou District, Zhuhai, Guangdong, China 519060; Ninestar Technology Company, Ltd., a New Jersey corporation having its principal place of business located at 17950 East Ajax Circle, City of Industry, California 91748; Seine Tech (USA) Co., Ltd., a California corporation having its principal place of business located at 19805 Harrison Avenue, Walnut, California 91789; Seine Image (USA) Co., Ltd., formerly a California corporation having its principal place of business located at 20450 Plummer Street, Chatsworth, California 91311-5372¹; and Nano Pacific Corporation, a California corporation having its principal place of business located at 191 Beacon Street, South San Francisco, California 94080 (collectively, “NINESTAR”).

RECITALS

WHEREAS, CINC is the owner of all right, title, and interest in and to U.S. Patent No. 8,135,304, titled “Process Cartridge Having Regulating Portions and an Inclineable Coupling Member,” duly issued on March 13, 2012; U.S. Patent No. 8,280,278, titled “Process Cartridge, Electrophotographic Image Forming Apparatus, and Electrophotographic Photosensitive Drum Unit,” duly issued on October 2, 2012; U.S. Patent No. 8,369,744, titled “Process Cartridge Including a Photosensitive Drum for an Electrophotographic Image Forming Apparatus,” duly issued on February 5, 2013; U.S. Patent No. 8,433,219, titled “Cartridge, Mounting Method for Coupling Member, and Disassembling Method for Coupling Member,” duly issued on April 30, 2013; U.S. Patent No. 8,437,669, titled “Electrophotographic Image Forming Apparatus, Developing Apparatus, and Coupling Member,” duly issued on May 7, 2013; U.S. Patent No. 8,494,411, titled “Cartridge, Mounting Method for Coupling Member, and Disassembling Method for Coupling Member,” duly issued on July 23, 2013; U.S. Patent No. 8,565,640, titled “Dismounting and Mounting Methods for Coupling and Electrophotographic Photosensitive Drum Unit,” duly issued on October 22, 2013; U.S. Patent No. 8,630,564, titled “Process Cartridge, Electrophotographic Image Forming Apparatus, and Electrophotographic Photosensitive Drum Unit,” duly issued on January 14, 2014; U.S. Patent No. 8,676,085, titled “Dismounting and Mounting Methods for Coupling and Electrophotographic Photosensitive

¹ Seine Image (USA) Co., Ltd. is dissolved but is a party to this SETTLEMENT AGREEMENT to the extent its interests as a former corporation may be affected.

Drum Unit,” duly issued on March 18, 2014; U.S. Patent No. 8,676,090, titled “Rotational Force Transmitting Part,” duly issued on March 18, 2014; U.S. Patent No. 8,682,215, titled “Process Cartridge, Electrophotographic Image Forming Apparatus, and Electrophotographic Photosensitive Drum Unit,” duly issued on March 25, 2014; and U.S. Patent No. 8,688,008, titled “Electrophotographic Image Forming Apparatus, Developing Apparatus, and Coupling Member,” duly issued on April 1, 2014 (collectively, “the ORIGINALLY ASSERTED PATENTS”);

WHEREAS, the United States International Trade Commission (hereinafter “the ITC”) has instituted Investigation No. 337-TA-918 (hereinafter “the INVESTIGATION”) based on a complaint that CANON filed on May 7, 2014 (“the ITC COMPLAINT”), alleging unfair acts by NINESTAR and others relating to the importation into the United States, sale for importation into the United States, and/or sale within the United States after importation of certain toner cartridges and components thereof that infringe nine of the ORIGINALLY ASSERTED PATENTS;

WHEREAS, on August 14, 2014, the Administrative Law Judge in the INVESTIGATION issued an initial determination partially terminating the INVESTIGATION with respect to claim 1 of U.S. Patent No. 8,369,744; claim 1 of U.S. Patent No. 8,565,640; claims 1-4 of U.S. Patent No. 8,676,085; and claim 1 of U.S. Patent No. 8,135,304, further to a motion for partial termination filed by CANON, and on September 11, 2014, said initial determination became the determination of the Commission;

WHEREAS, CINC has also brought a lawsuit against NINESTAR in the United States District Court for the Southern District of New York (hereinafter “the DISTRICT COURT”) in a matter that is styled as *Canon Inc. v. Ninestar Image Tech Limited et al.*, Civil Action No. 1:14-cv-03313-DLC (hereinafter “the LAWSUIT”), alleging that NINESTAR has infringed the ORIGINALLY ASSERTED PATENTS;

WHEREAS, on September 26, 2014, Canon filed statutory disclaimers with the U.S. Patent and Trademark Office, disclaiming all claims of four of the ORIGINALLY ASSERTED PATENTS, namely, U.S. Patent Nos. 8,135,304; 8,369,744; 8,565,640; and 8,676,085 (collectively, “the DISCLAIMED PATENTS,” with the ORIGINALLY ASSERTED PATENTS less the DISCLAIMED PATENTS being referred to herein collectively as “the REMAINING ASSERTED PATENTS”);

WHEREAS, NINESTAR has in the INVESTIGATION denied that they have infringed any valid and enforceable claims of the REMAINING ASSERTED PATENTS with respect to the manufacture, use, importation, sale and/or offer for sale of the ACCUSED PRODUCTS;

WHEREAS, Canon and Ninestar have stipulated that products specifically identified on page 4 of that certain Joint Stipulation Regarding Representative Accused Products dated October 8, 2014 in the INVESTIGATION (the “Joint Stipulation”) shall be outside the scope of any remedial orders issued by the ITC in the INVESTIGATION;

WHEREAS, NINESTAR has determined that it will not contest infringement, validity, or enforceability of the REMAINING ASSERTED PATENTS and COUNTERPART PATENTS (as

defined below) solely with respect to ACCUSED PRODUCTS (as defined below) and, as described in greater detail below, (a) will cease the manufacture, use, importation, sale, and offer for sale of all ACCUSED PRODUCTS (as defined below) in the PROTECTED COUNTRIES (as defined below); and (b) will not, for the remaining duration of the REMAINING ASSERTED PATENTS and COUNTERPART PATENTS, manufacture, use, import, sell, or offer for sale any ACCUSED PRODUCTS in the PROTECTED COUNTRIES; and

WHEREAS, CANON and NINESTAR (collectively “the PARTIES”) are desirous of settling the INVESTIGATION as to NINESTAR and the LAWSUIT in order to avoid the inevitable costs and uncertainties associated therewith.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter recited, the PARTIES hereto agree as follows:

AGREEMENT

ARTICLE 1. DEFINITIONS

1.1 “EFFECTIVE DATE” as used herein shall mean the last date of signature appearing on this SETTLEMENT AGREEMENT.

1.2 “PARTY” shall mean each of CANON and NINESTAR.

1.3 “AFFILIATE” shall mean any present or future domestic or foreign corporation, company, or other entity that (a) is owned or controlled, directly or indirectly, by a PARTY; or (b) owns or controls a PARTY (either directly or indirectly); or (c) is under common ownership or control, directly or indirectly, with a PARTY. For the purposes of this Section 1.3, the phrases “owned,” “owns,” “ownership,” “controlled,” “controls,” and “control” mean owning or controlling, directly or indirectly, at least fifty percent (50%) (by nominal value of or number of units) of the outstanding shares or securities conferring the right to vote at general meetings.

1.4 “COUNTERPART PATENTS” shall mean those patents expressly listed in Exhibit A, and any additional patents that may issue from the pending applications listed in Exhibit A, provided however that any such additional patent that issues to CANON in the future shall not be considered a COUNTERPART PATENT until sixty (60) days after CANON provides NINESTAR with written notice of the issuance of such additional patent(s). [REDACTED]

1.5 “PROTECTED COUNTRIES” shall mean [REDACTED]

1.6 “ACCUSED PRODUCTS” shall mean (a) the NINESTAR products accused of infringement in the INVESTIGATION and the LAWSUIT, as described on pages 5-7 of the Joint Stipulation; and (b) any products made or sold by NINESTAR and/or any of its AFFILIATES,

now or in the future, that are substantially the same in structure as the products accused of infringement in the INVESTIGATION and/or LAWSUIT and that infringe at least one valid unexpired claim of a REMAINING ASSERTED PATENT. [REDACTED]

[REDACTED] Furthermore, NINESTAR agrees not to assert in any PROTECTED COUNTRY that any product that includes a photosensitive drum that was not made by or on behalf of CANON or its AFFILIATE is outside the scope of the claims of the REMAINING ASSERTED PATENTS or COUNTERPART PATENTS, or is not encompassed by the CONSENT ORDER or the CONSENT JUDGMENT (as defined below), because NINESTAR contends that such product is subject to the doctrine of permissible repair or any analogous doctrine. NINESTAR may assert that a product that includes a photosensitive drum that was made by or on behalf of CANON or its AFFILIATE, including but not limited to a recoated drum, or a product that does not contain a photosensitive drum, is outside the scope of the claims of the REMAINING ASSERTED PATENTS or COUNTERPART PATENTS, or is not encompassed by the CONSENT ORDER or the CONSENT JUDGMENT (as defined below), based on the doctrine of permissible repair or any analogous doctrine. [REDACTED]

Furthermore, notwithstanding the above, NINESTAR may assert that any product that is substantially different in structure from the ACCUSED PRODUCTS, whether or not it includes a photosensitive drum that was made by or on behalf of CANON or its AFFILIATE, is outside the scope of the claims of the REMAINING ASSERTED PATENTS or COUNTERPART PATENTS, or is not encompassed by the CONSENT ORDER or the CONSENT JUDGMENT (as defined below).

ARTICLE 2. CESSATION OF ACTIVITIES

2.1 NINESTAR agrees that, starting from the EFFECTIVE DATE and continuing for the duration of the REMAINING ASSERTED PATENTS and COUNTERPART PATENTS, neither it nor its AFFILIATES shall (a) make, have made, use, import, sell, or offer for sale any ACCUSED PRODUCT in any PROTECTED COUNTRY where a REMAINING ASSERTED PATENT or COUNTERPART PATENT is in force, (b) otherwise infringe (directly, contributorily, or by inducement) the REMAINING ASSERTED PATENTS and the COUNTERPART PATENTS in any PROTECTED COUNTRY with respect to the ACCUSED PRODUCTS; or (c) assist, aid, or abet any other person or business entity in engaging in or performing any of the activities referenced in subparts (a) and (b) above. [REDACTED]

2.2 NINESTAR agrees that if it is established that it or its AFFILIATE violates the CONSENT ORDER (as defined below) by importing into the United States, selling for importation into the United States, or selling or offering for sale in the United States after importation, or knowingly aiding, abetting, encouraging, participating in, or inducing the importation into the United States, the sale for importation into the United States, or the sale, offer for sale, or using in the United States after importation, ACCUSED PRODUCTS, CANON shall be entitled to [REDACTED]

[REDACTED] NINESTAR irrevocably submits to personal jurisdiction of the ITC for the enforcement of the foregoing provision and consents to the entry of such order assessing such civil penalty. Nothing herein shall preclude Ninestar from asserting that a product that is substantially different in structure from those products accused of infringement in the INVESTIGATION and the LAWSUIT is not an ACCUSED PRODUCT within the meaning of this SETTLEMENT AGREEMENT and the CONSENT ORDER. CANON agrees that it shall not assert that NINESTAR's importing into the United States, selling for importation into the United States, or selling or offering for sale in the United States of a product that is not an ACCUSED PRODUCT shall constitute a violation of the CONSENT ORDER, but nothing in the SETTLEMENT AGREEMENT shall preclude or limit in any way CANON from asserting that such activities on the part of NINESTAR constitute a violation of any general exclusion order that may issue from the ITC with respect to the REMAINING ASSERTED PATENTS.

2.3 NINESTAR agrees that if it or its AFFILIATE (a) engages in any conduct that is found by a court of competent jurisdiction to be in violation of Section 2.1 above or assists, aids, or abets any other person or entity in engaging in such conduct; and/or (b) engages in any conduct that is found by the DISTRICT COURT to be in violation of the CONSENT JUDGMENT (as defined below) by making, using, selling, or offering for sale in the United States, or importing into the United States, ACCUSED PRODUCTS, or by assisting, aiding, or abetting any other person or business entity in engaging in such conduct, then CANON shall be entitled to [REDACTED]

[REDACTED] but nothing herein shall preclude NINESTAR from asserting that a product that is substantially different in structure from those products accused of infringement in the INVESTIGATION and the LAWSUIT is not an ACCUSED PRODUCT within the meaning of this SETTLEMENT AGREEMENT or from contesting the validity or enforceability of any patents, including but not limited to the REMAINING ASSERTED PATENTS and COUNTERPART PATENTS, in any proceeding brought by Canon alleging that a product other than an ACCUSED PRODUCT infringes such patents. NINESTAR irrevocably submits to

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