

A-570-900 Scope Inquiry Public Document AD/CVD 5: JF

MEMORANDUM TO:

Christian Marsh Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations

FROM:

Laurie Parkhill Office Director AD/CVD Enforcement 5

SUBJECT:

Diamond Sawblades and Parts Thereof from the People's Republic of China; Scope Request from Gang Yan Diamond Products Inc. -Final Scope Determination

SUMMARY

Gang Yan Diamond Products, Inc. (Gang Yan), submitted a request that the Department of Commerce (the Department) determine that certain rescue/demolition blades (RDBs) are not within the scope of the antidumping duty order on diamond sawblades and parts thereof from the People's Republic of China.

We have received additional comments from Gang Yan clarifying its request. We have also received comments from the petitioner, the Diamond Sawblades Manufacturers' Coalition (DSMC). After review of the request under 19 CFR 351.225(k)(1), we recommend finding that the RDBs in question are not within the scope of the order.

BACKGROUND

On November 4, 2009, the Department published the antidumping duty order on diamond sawblades and parts thereof from the People's Republic of China. See *Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea: Antidumping Duty Orders*, 74 FR 57145 (November 4, 2009) (the order). On March 28, 2011, Gang Yan requested that the Department make a determination as to whether its RDBs are within the scope of the antidumping duty order on diamond sawblades and parts thereof from the People's Republic of China.¹ Gang Yan asserts that the RDBs in its scope request do not contain diamond sawblade segments as defined by the order. Gang Yan asserts further that the RDBs at issue have only diamonds distributed over the surface of the blades' working rim.

¹ See Letter from Gang Yan to the Secretary of Commerce, "Scope Ruling Request-Antidumping Duty Order: Diamond Sawblades and Parts Thereof from the People's Republic of China" (March 28, 2011) (Scope Request).



On April 18, 2011, DSMC submitted comments on Gang Yan's Scope Request.² On April 28, 2011, counsel for Gang Yan met with Department officials to clarify the contents of its Scope Request and provide samples of certain diamond sawblades.³ The samples include an electroplated blade which is outside the scope of the order, a diamond sawblade covered by the order, and an RDB for which Gang Yan requested a scope determination. On May 2, 2011, Gang Yan submitted a rebuttal with respect to DSMC's April 18 comments.⁴ In addition to the May 2 rebuttal comments, Gang Yan provided model numbers for the six RDBs which are at issue. On May 24, 2011, the Department issued a questionnaire to Gang Yan requesting additional information. The Department received Gang Yan's response on May 31, 2011.⁵ On June 6, 2011, we received comments on Gang Yan's response from DSMC.⁶

Pursuant to 19 CFR 351.302(b) we extended the 45-day time limit for action on a scope-ruling request by an additional 45 days to June 27, 2011.⁷

POSITIONS OF THE PARTICIPATING PARTIES

Beijing Gang Yan Diamond Products Inc.

In its March 28, 2011, request, Gang Yan provided descriptions of the RDBs it asserts the Department should find as outside the scope of the order. Gang Yan also provided a photo showing a part of the RDB's working rim and diagrams demonstrating a comparative cross-sectional view of the working rim of the diamond sawblades covered by the order and of the RDBs. Citing to the scope of the order and court cases,⁸ Gang Yan asserts that the scope language does not cover the RDBs at issue. In support of its assertion, Gang Yan argues that, because the terms of the order are dispositive, the language of the order determines the scope of an antidumping duty order, the Department may not expand the scope of an antidumping duty order, and the Department can determine that the RDBs at issue do not fall within the language describing the scope of the order.

Gang Yan reiterates that the order is not ambiguous because the scope language covers only

² See Letter from DSMC to the Secretary of Commerce, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Opposition to GYDP's Request to Exclude Certain Rescue/Demolition Blades from the Scope of the Order" (April 18, 2011) (DSMC's opposition comments).

³ See April 28, 2011, Memorandum ToThe File entitled "Diamond Sawblades and Parts Thereof from the People's Republic of China: Ex-Parte Meeting with counsel for Gang Yan Diamond Products, Inc."

⁴ See Letter from Gang Yan to the Secretary of Commerce, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Reply to Petitioner's Comments of April 18, 2011" (May 2, 2011).

⁵ See Letter from Gang Yan to the Secretary of Commerce, "Diamond Sawblades and Parts Thereof from the People's Republic of China ("PRC"): Supplemental Information and Clarification" (May 31, 2011) (Supplemental Information).

⁶ See Letter from DSMC to the Secretary of Commerce, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Response to GYDP's Submission of Supplemental Information and Clarification" (June 6, 2011).

⁷ See Letter To All Interested Parties dated May 5, 2011.

⁸ East Jordan Iron Works, Inc. v. United States, 556 F. Supp. 2d 1355 (CIT 2008); Laminated Woven Sacks Committee v. United States, Consol. Court No. 09-00343, slip op. 10-81 (CIT July 23, 2010); Duferco Steel, Inc. v. United States, 296 F.3d 1087, 1097 (CAFC 2002); Tak Fat Trading Co. v. United States, 396 F.3d 1378, 1382 (CAFC 2005).

finished circular sawblades with a working part that is comprised of a diamond segment or segments. Citing to the order, Gang Yan explains further that the term "diamond sawblade segment" is defined explicitly by the scope of the order as "a mixture of diamonds and metal powders that are formed together into a solid shape." According to Gang Yan, the RDBs in its scope request do not contain diamond sawblade segments as defined by the scope of the order. Gang Yan claims further that, during the manufacturing process of RDBs, the diamond grits are first distributed over the surface of the steel core's outer rim and then bonded directly to the steel core through a vacuum-coating process. Gang Yan states that the vacuum-coating process forms a single layer of diamonds on the surface of the working rim of the RDBs. For these reasons, Gang Yan asserts, its RDBs share the characteristics of products for which the diamonds are attached with a resin or electroplated bond and, therefore, outside the scope of the order.

Citing to the original petition,⁹ the petitioner's response to the Department's questions,¹⁰ and the petitioner's final scope language,¹¹ Gang Yan argues that there is nothing in the ancillary documents which demonstrates that the petitioner intended to include sawblades such as RDBs within the scope of the order. Citing to the amended petition at Volume 1, page 9, Gang Yan emphasizes that the production process for the sawblades subject to the order is different from that of the RDBs in this request.

Gang Yan states that the U.S. International Trade Commission (ITC) confirmed that the scope is limited to sawblades where the diamond segment consists of a mixture of diamonds and metal powder.¹² Gang Yan claims that the exclusion of items such as RDBs is confirmed by the Department's reporting requirements for control numbers (CONNUM). According to Gang Yan, in developing the CONNUM, the Department requires a respondent to provide the diamond concentration of diamond segments. Gang Yan maintains that such a requirement implies that a segment has a mixture of diamonds and metal powders. As a result, Gang Yan states, because its RDBs do not meet the criteria of the scope of the order, it would not be possible to respond to that requirement in developing the CONNUM in an administrative review.

Gang Yan argues that, although the channels of trade for its RDBs and diamond sawblades covered by the order are similar, the application of the *Diversified Products* criteria in 19 CFR 351.225(k)(2) demonstrates that the RDBs are outside the scope of the order. Citing to *Wirth Limited v. United States*, 5 F. Supp. 2d 968, 981 (CIT 1998), Gang Yan maintains that, under the *Diversified Products* criteria, the Department need only demonstrate that the general physical characteristics of the products under consideration are sufficiently similar in order to conclude that the two are of the same class or kind of merchandise. Gang Yan states that the Department cannot make such a finding for the RDBs in its request.

⁹ Petition for the Imposition of Antidumping Duties Against Diamond Sawblades and Parts Thereof from The People's Republic of China and The Republic of Korea (May 3, 2005), Volume 1 at page 4 (petition).

¹⁰ Response to the Department's Questions Regarding the Petition for the Imposition of Antidumping Duties Against Diamond Sawblades and Parts Thereof from The People's Republic of China and The Republic of Korea (May 10, 2005) at 4.

¹¹ Amendment to the Petition for the Imposition of Antidumping Duties Against Diamond Sawblades and Parts Thereof from The People's Republic of China and The Republic of Korea (May 5, 2005) at 6-7 (amended petition). ¹² Gang Yan cites *Diamond Sawblades and Parts Thereof from China and Korea*, Investigation Nos. 731-TA-1092-1093 (Final), July 2006 at 5-6.

Gang Yan requests that, for the aforementioned reasons, the Department determine that RDBs are outside the scope of the order.

Diamond Sawblades Manufacturers Coalition

In its April 18, 2011, comments, DSMC rebuts Gang Yan's assertion that the scope language and the scope descriptions of the order are dispositive. According to DSMC, there is ambiguity within the scope language, particularly with regard to the definition of a "diamond sawblade segment."

DSMC contends that the scope language is intentionally expansive in its explanation of how the diamonds and metal must be formed together into a solid shape (*i.e.*, from generally, but not limited to, a heating and pressing process). DSMC contends further that a review of the petition, the Department's less-than-fair-value and the ITC's investigations, and prior determinations demonstrate the ambiguity of the scope language with regard to whether Gang Yan's RDBs are within the scope of the order. DSMC states that it is unclear from Gang Yan's scope request whether its RDBs are described appropriately as "comprised of a diamond segment and/or segments" and thus within the scope of the order. DSMC rebuts Gang Yan's claim that its RDBs do not contain a diamond segment or segments. In support, DSMC presents an advertisement from Gang Yan's website showing a rescue blade it believes to be comprised of diamond segments.

DSMC disagrees with Gang Yan's assertion that analysis of the *Diversified Products* criteria supports exclusion of the product subject to the scope request. DSMC argues that, with the exception of the channels-of-trade criterion, Gang Yan has not provided sufficient evidence to support its assertions that RDBs are not covered by the scope of the order. According to DSMC, the advertising and display of RDBs does not differ significantly from that of "normal" diamond sawblades. In support of its claim, DSMC presents an advertisement from Gang Yan's website promoting the RDBs as "the diamond blade that no contractor should be without." DSMC disagrees with Gang Yan's claim that RDBs share the same physical characteristic as electroplated diamond sawblades. DSMC argues that Gang Yan provides not only a broad definition of RDBs but also a cursory explanation of the manufacturing process.

Citing 19 CFR 351.225(c)(i), DSMC argues further that Gang Yan's Scope Request does not provide the Department with sufficient information to make a final scope ruling within 45 days. DSMC claims that the facts of this case support a finding that, if imported without the payment of antidumping duties, RDBs are circumventing the order based on minor alterations of the merchandise (19 CFR 351.225(i)) or later-developed merchandise (section 781(d) of the Tariff Act of 1930, as amended (the Act)). DSMC states that, under section 781(c) of the Act, the Department has the authority to determine whether a product has been altered in form or appearance so that it differs from the subject merchandise in minor respects but is nonetheless within the scope of the order.

Citing 19 CFR 351.225(j) and section 781(d) of the Act, DSMC states further that the Department is authorized to include later-developed merchandise/products "developed after an investigation is initiated" within the scope of an order to prevent circumvention of that order.

Finally, DSMC claims that either type of circumvention inquiry would involve an analysis of factors similar to those in a scope inquiry resulting in a finding that RDBs are within the scope of the order. DSMC requests that, pursuant to 19 CFR 351.225(k)(2), the Department issue a notice of initiation of a scope inquiry and determine that Gang Yan's' RDBs are within the scope of the order.

SUBSEQUENT COMMENTS

On May 2, 2011, Gang Yan submitted comments in opposition to the petitioner's April 18, 2011, arguments. Gang Yan argues that, in addition to including a flowchart of the production process, it also submitted photographs and a narrative description of the product. Gang Yan claims that the diamonds are attached directly to the core of RDBs with glue that is blazed onto the core in a vacuum furnace. Gang Yan claims further that the combination of the glue, heat, and vacuum forces the diamonds to adhere to the metal core. Thus, Gang Yan asserts, the manufacturing process of RDBs does not include a mixture of diamonds with metal powders. Gang Yan emphasizes that its scope request applies only to six RDBs that have diamonds attached directly to the steel core of the blade *and* do not have segments as defined by the scope of the order. Gang Yan identifies these six items using the model numbers LRC12, LRC14, LRC16, LRC40, LRC45, and LRC70.

Gang Yan contends that the scope language of the order as written by the petitioner is not ambiguous. Gang Yan contends further that the scope language of the order defines clearly that segments must be a mixture of diamonds and metal powders. Gang Yan asserts that, while the electroplating and vacuum-coating methods of attaching diamonds onto the steel core differ slightly, the processes are similar and meet the same exception because, in both methods, the diamonds are coated onto the steel surface of the core and not onto segments with metal matrix bond powders and there is only one layer of diamonds on the steel core surface for electroplatedand vacuum-heated blades.

Gang Yan disagrees with DSMC's claim that a circumvention inquiry is warranted. Gang Yan claims that the petitioner described the merchandise for which it requested an order in a manner that excludes the contested RDBs. Citing *Wheatland Tube Co. v. United States*¹³ and *Hylsa, S.A. de C.V. v. United States*, ¹⁴ Gang Yan argues that the petitioner cannot seek now to modify the language of the order to include the RDBs of this scope inquiry. Gang Yan argues further that (1) the Courts have held repeatedly that the circumvention provision neither abrogates the cases prohibiting, changing, or interpreting orders contrary to their terms nor does it apply to products unequivocally excluded from the order, (2) the transformation contemplated by the statute is from a product that is arguably within the scope of an order to a product that is claimed to be outside the scope of the order because of a minor physical alteration, and (3) through the minor-alterations provision, Congress did not approve wholesale changes to the scope of orders. Finally, Gang Yan reiterates that, because the petitioner made a choice to exclude RDBs from the order at the beginning of the proceeding, it cannot reverse its decision now through means of a circumvention allegation.

¹³ Wheatland Tube Co. v. United States, 21 CIT 808, 824-828 (CIT 1997), and Wheatland Tube Co. v. United States, 161 F.3d 1365, 1371 (CAFC 1998).

¹⁴ Hylsa, S.A. de C.V. v. United States, 22 CIT 44, 49 (CIT 1998).

In response to the Department's May 24, 2011, questionnaire, Gang Yan emphasizes that its RDBs do not contain any segments which consist of a mixture of diamonds and metal powders. Gang Yan emphasizes further that, similar to the use of electroplated technology, vacuumbrazing technology involves the distribution of diamond powder on the surface of the steel core. Gang Yan also provides comparative cross-sectional diagrams for electroplated blades which are outside the scope of the order, diamond sawblades covered by the order, and the RDBs for which it requested a scope determination. According to Gang Yan, the diagrams illustrate that, for electroplated and vacuum-brazed RDBs, diamond powders are distributed and attached to the surface of the core. The narrative indicates that the exterior of the blade has only diamond particles, not a combination of diamonds and metal powders. Gang Yan states that the diagrams for diamond sawblades covered by the order illustrate that the core contains diamond segments which are made by combining diamond particles with metal powders formed into a solid shape.

In response to Gang Yan's May 31, 2011, submission, DSMC contends that Gang Yan has not established any principle basis for which RDBs should be found to be outside the scope of the order. DSMC disagrees with Gang Yan's claim that RDBs have "no segments." In support, DSMC provides additional links to websites and photos with advertisements describing RDBs as "segmented" or containing "segments."

DSMC argues that Gang Yan's reference to electroplated diamond sawblades is irrelevant and misleading because Gang Yan's RDBs are not electroplated and vacuum-brazed sawblades are not excluded from the order, unlike electroplated diamond sawblades which are excluded from the scope of the order.

DSMC asserts that, because Gang Yan has not provided compelling or sufficient evidence for the Department to issue a final scope ruling by June 27, 2011, further clarification of the order is necessary. Finally, DSMC requests that, pursuant to 19 CFR 351.225(k)(2), the Department issue a notice of initiation of a scope inquiry and make a determination that Gang Yan's RDBs from the People's Republic of China are within the scope of the order.

LEGAL FRAMEWORK

The Department's regulations concerning scope rulings are provided in 19 CFR 351.225. Pursuant to 19 CFR 351.225(k)(1), in evaluating scope requests, the Department examines the descriptions of the merchandise contained in the petition, the initial investigation, and the determinations of the Department (including prior scope determinations) and those of the ITC. A scope determination under 19 CFR 351.225(k)(1) may take place with or without a formal inquiry.

Where the descriptions of the subject merchandise are not dispositive, the Department will consider the following factors provided at 19 CFR 351.225(k)(2): (i) the physical characteristics of the product; (ii) the expectations of the ultimate purchasers; (iii) the ultimate use of the product; (iv) the channels of trade in which the product is sold; (v) the manner in which the product is advertised and displayed. The determination as to which analytical framework is most appropriate for any given scope request is made on a case-by-case basis after consideration of all evidence before the Department.

In the instant case, as explained in the analysis section below, we find that the issue of whether the RDBs of Gang Yan's scope request are within the scope of the order can be determined solely upon the language of the scope and the diagrams and accompanying descriptions of the merchandise referred to in 19 CFR 351.225(k)(1). Therefore, the Department finds it unnecessary to consider the additional factors under 19 CFR 351.225(k)(2).

ANALYSIS

The Department identified the scope of the investigation in its notice of initiation.¹⁵ In completing the preliminary¹⁶ and final determinations,¹⁷ the Department addressed several issues regarding the scope of the investigation. Specifically, in the final determination, the Department found that concave and convex cores and finished diamond sawblades produced from such cores, metal-bonded 1A1R grinding wheels, and granite contour diamond sawblades were within the scope of the investigation.¹⁸ The Department also confirmed that the Rockwell C hardness threshold described in the scope of the investigation applies only to cores and not to finished diamond sawblades. *Id.* Including the amended final determination,¹⁹ there have been no changes to the resulting language of the scope of the order. Accordingly, the scope description as published in the order is as follows:

The products covered by these orders are all finished circular sawblades, whether slotted or not, with a working part that is comprised of a diamond segment or segments, and parts thereof, regardless of specification or size, except as specifically excluded below. Within the scope of these orders are semifinished diamond sawblades, including diamond sawblade cores and diamond sawblade segments.

Diamond sawblade cores are circular steel plates, whether or not attached to non-steel plates, with slots. Diamond sawblade cores are manufactured principally, but not exclusively, from alloy steel. A diamond sawblade segment consists of a mixture of diamonds (whether natural or synthetic, and regardless of the quantity of diamonds) and metal powders (including, but not limited to, iron, cobalt, nickel, tungsten carbide) that are formed together into a solid shape (from

¹⁵ Initiation of Antidumping Duty Investigations: Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea, 70 FR 35625 (June 21, 2005).

¹⁶ Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Preliminary Partial Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China, 70 FR 77121 (December 29, 2005).

¹⁷ Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China, 71 FR 29303 (May 22, 2006).

¹⁸ See Issue and Decision Memorandum from Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, to David M. Spooner, Assistant Secretary for Import Administration, "Issues and Decision Memorandum for the Final Determination," dated May 15, 2006, at Comment 2.

¹⁹ Notice of Amended Final Determination of Sales at Less Than Fair Value: Diamond Sawblades and Parts Thereof from the People's Republic of China, 71 FR 35864 (June 22, 2006).

generally, but not limited to, a heating and pressing process).

Sawblades with diamonds directly attached to the core with a resin or electroplated bond, which thereby do not contain a diamond segment, are not included within the scope of these orders. Diamond sawblades and/or sawblade cores with a thickness of less than 0.025 inches, or with a thickness greater than 1.1 inches, are excluded from the scope of these orders.

Circular steel plates that have a cutting edge of non-diamond material, such as external teeth that protrude from the outer diameter of the plate, whether or not finished, are excluded from the scope of these orders. Diamond sawblade cores with a Rockwell C hardness of less than 25 are excluded from the scope of these orders. Diamond sawblades and/or diamond segment(s) with diamonds that predominantly have a mesh size number greater than 240 (such as 250 or 260) are excluded from the scope of these orders.

Merchandise subject to these orders is typically imported under heading 8202.39.00.00 of the Harmonized Tariff Schedule of the United States (HTSUS). When packaged together as a set for retail sale with an item that is separately classified under headings 8202 to 8205 of the HTSUS, diamond sawblades or parts thereof may be imported under heading 8206.00.00.00 of the HTSUS. The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of these orders is dispositive.

See order, 74 FR at 57145 (emphasis added).

We have analyzed whether Gang Yan's six models of finished RDBs are within the scope of the order based on the language of the scope and the diagrams and accompanying descriptions Gang Yan provided.

Contrary to DSMC's claim that the scope language of the order is ambiguous with respect to the definition of a "diamond sawblade segment" and is intentionally expansive in its explanation of how the diamonds and metal must be formed together into a solid shape, the resulting scope language states clearly that "{t}he products covered by these orders are all finished circular sawblades ... {c}omprised of a diamond segment or segments ..." *Id.* The scope of the order defines a diamond sawblade segment unambiguously as "a mixture of diamonds (whether natural or synthetic, and regardless of the quantity of diamonds) and metal powders (including, but not limited to, iron, cobalt, nickel, tungsten carbide) that are formed together into a solid shape (from generally, but not limited to, a heating and pressing process)."

Gang Yan seeks a scope ruling with regard to six models of its finished RDBs (LRC12, LRC14, LRC16, LRC40, LRC45, and LRC70). Gang Yan's description and the cross-sectional diagrams it provided for electroplated blades (outside the scope of the order), diamond sawblades (covered by the order), and RDBs (the sawblades at issue) illustrate that, for vacuum-brazed and

electroplated RDBs, diamond powders are distributed and attached to the surface of the core.²⁰ The narrative description of each diagram indicates that the exterior of the blade has only diamond particles, not a combination of diamonds and metal powders.²¹ The diagrams for diamond sawblades covered by the order illustrate, however, that the core contains diamond segments which are made by combining diamond particles with metal powders formed into a solid shape.²² Therefore, we find that the six models of finished RDBs are outside the scope of the order because they do not contain a diamond sawblade segment that consists of "a mixture of diamonds . . . and metal powders" as defined by the scope language.

DSMC argues that, contrary to Gang Yan's claim, Gang Yan's RDBs are advertised as containing segments and, therefore, should be found to be within the scope of the order. We find, however, that the RDBs advertised in Exhibit 2 of DSMC's opposition comments are not advertised as containing diamond segments.²³ In fact, Gang Yan's RDBs are advertised as containing vacuum-brazed segments.²⁴ The absence of diamond segments as defined by the language of the scope of the order indicates that the six models of finished RDBs are outside the scope of the antidumping duty order on diamond sawblades and parts thereof from the People's Republic of China.

In the alternative, DSMC argues, the Department should initiate a circumvention inquiry under either section 781(c) or section 781(d) of the Act and find that RDBs are within the scope of the order.²⁵ We find that DSMC has provided no evidence to support initiation of a circumvention inquiry. Accordingly, we find that initiation of either type of circumvention inquiry is unwarranted.

Because we have found the six models of finished RDBs not to be within the scope of the order based on the language of the scope and descriptions of the merchandise in Gang Yan's submissions, we need not examine the five additional criteria in 19 CFR 351.225(k)(2).

²⁰ See Scope Request at 2 and Supplemental Information at Exhibit 1.

²¹ See Supplemental Information at Exhibit 1.

²² Id.

²³ See DSMC's opposition comments at Exhibit 2.

²⁴ Id.

²⁵ DSMC's opposition comments at 8-9.

RECOMMENDATION

Because the six models of finished RDBs (LRC12, LRC14, LRC16, LRC40, LRC45, and LRC70) do not contain diamond segments, as described above, we recommend determining that they are outside the scope of the antidumping duty order on diamond sawblades and parts thereof from the People's Republic of China under 19 CFR 351.225(d) and (k)(1) and that the initiation of a formal scope inquiry is unnecessary.

Agree Disagree

7____

Christian Mársh Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations

6/3-4/11

Date