

In the Matter of

**CERTAIN MOLDED-IN
SANDWICH PANEL INSERTS
AND METHODS FOR
THEIR INSTALLATION**

Investigation No. 337-TA-99



USITC PUBLICATION 1246

MAY 1982

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Bill Alberger, Chairman

Michael J. Calhoun, Vice Chairman

Paula Stern

Alfred E. Eckes

Eugene J. Frank

Veronica A. Haggart

Kenneth R. Mason, Secretary to the Commission

**Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436**

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

RECEIVED
PR 9 P 4: 05
SECRETARY
DOUGLAS / DATE

In the Matter of)
)
)

CERTAIN MOLDED-IN SANDWICH PANEL)
INSERTS AND METHODS FOR THEIR)
INSTALLATION)

Investigation No. 337-TA-99

COMMISSION ACTION AND ORDER

Introduction

Shur-Lok Corporation of Irvine, California, filed a complaint with the Commission on March 27, 1981, pursuant to section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). The complaint alleged unfair methods of competition and unfair acts in the importation and sale of certain molded-in sandwich panel inserts by reason of (1) the alleged infringement by said molded-in sandwich panel inserts of the sole claim of U.S. Letters Patent 3,182,015, (2) the alleged infringement of claims 1-4 of U.S. Letters Patent 3,271,498 and all four claims of U.S. Letters Patent 3,392,225 and the inducement of and/or contribution to said infringement, and (3) the alleged misappropriation of complainant's trade secrets. The complaint further alleged that the effect or tendency of the unfair methods of competition and unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

The Commission instituted an investigation into these allegations and published notice thereof in the Federal Register on April 29, 1981,

(46 F.R. 24034). Six firms were named respondents in the notice of investigation. On July 31, 1981, the Commission granted a motion to amend the complaint and notice of investigation to include two additional respondents. Notice of the addition of the two respondents was published in the Federal Register on August 12, 1981 (46 F.R. 40838).

An evidentiary hearing was held before a Commission Administrative Law Judge (ALJ) on October 20, 1981. Only complainant Shur-Lok and the Commission investigative attorney participated in the hearing. Respondents were not represented. On November 13, 1981, the ALJ certified the record and her recommended determination to the Commission. In her recommended determination, the ALJ found a violation of section 337 as to six of the eight respondents in the importation, sale, and use of molded-in sandwich panel inserts that infringe complainant's patents. 1/

On January 20, 1982, the Commission held a public hearing on the ALJ's recommended determination and on relief, public interest, and bonding in which counsel for the complainant, counsel for the respondents, and the Commission investigative attorney participated.

On March 18, 1982, the Commission determined that, pursuant to section 337(a) (19 U.S.C. § 1337(a)), there is a violation of section 337 by reason of the infringement of complainant's patents, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission further determined that the appropriate remedy is an exclusion order and four cease and desist orders.

1/ Pursuant to a stipulation among the parties entered at the time of the evidentiary hearing before the ALJ, misappropriation of complainant's trade secrets ceased to be an issue in the investigation.

Action

Having reviewed the record compiled and information developed in this investigation, including (1) the submissions filed by the parties (2) the transcript of the evidentiary hearing before the ALJ and the exhibits which were accepted into evidence, (3) the ALJ's recommended determination, and (4) the arguments and presentations made by the parties and witnesses at the Commission's public hearing on January 20, 1982, the Commission on March 18, 1982, determined that--

1. There is a violation of section 337 with respect to the importation, sale, and use of imported molded-in sandwich panel inserts that infringe U.S. Letters Patents Nos. 3,182,015; 3,271,498; and 3,392,225 owned by complainant;
2. The appropriate remedy for such violation is a general exclusion order issued pursuant to section 337(d) (19 U.S.C. § 1337(d)) and four cease and desist orders issued pursuant to section 337(f) (19 U.S.C. § 1337(f)); 1/
3. The public interest factors enumerated in sections 337(d) and (f) do not preclude the issuance of the orders referred to in paragraph 2 above and
4. The bond provided for in section 337(g)(3) (19 U.S.C. § 1337(g)(3)) be in the amount of 173 percent of the entered value of the molded-in sandwich panel inserts in question.

Order

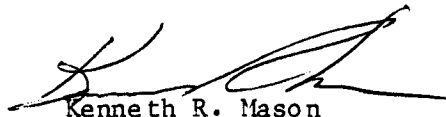
Accordingly, it is hereby ORDERED THAT--

1. Molded-in sandwich panel inserts that infringe U.S. Letters Patent 3,282,015 are excluded from entry into the United States for the term of said patent, except where such importation is licensed by the owner of said patent;
2. The Young Engineers, Inc. cease and desist from contributing to or inducing the infringement of U.S. Letters Patents Nos. 3,271,498 and/or 3,392,225, as provided in the cease and desist order attached hereto;

1/ Commissioner Stern finds that the most appropriate remedy is a general exclusion order and one cease and desist order issued against The Young Engineers, Inc.

3. Hitco Corporation, Weber Aircraft Division of Kidde, Inc., and Aerospace Division of UOP, Inc., cease and desist from using imported molded-in sandwich panel inserts to infringe U.S. Letters Patents Nos. 3,271,498 and/or 3,302,225, as provided in the cease and desist orders attached hereto;
4. The public interest factors enumerated in section 337(d) and (f) do not preclude issuance of the orders referred to in paragraphs 1, 2, and 3 above;
5. The articles ordered to be excluded from entry into the United States pursuant to paragraph 1 above are entitled to entry under bond in the amount of 173 percent of the entered value of said articles during the Presidential review period provided for in section 337(g)(2) (19 U.S.C. § 1337(g)(2));
6. Notice of this Action and Order be published in the Federal Register, and that copies of this Action and Order and the opinions issued in connection therewith be served upon each party of record to this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury;
7. Copies of each cease and desist order be served upon the complainant, and that a copy of the cease and desist order pertaining to each respondent listed in paragraphs 2 and 3 above be served upon that respondent; and
8. The Commission may amend this Order in accordance with the procedure described in section 211.57 of the Commission's Rules of Practice and Procedure (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57).

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: April 9, 1982

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

In the Matter of)
)
)

CERTAIN MOLDED-IN SANDWICH)
PANEL INSERTS AND METHODS)
FOR THEIR INSTALLATION)
)

Investigation No. 337-TA-99

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT The Young Engineers, Inc., 23151 Alcalde Drive, Suite B-5, Laguna Hills, Calif. 92653, cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) by inducing or contributing to infringement of U.S. Letters Patents Nos. 3,271,498 and/or 3,392,225.

I

(Definitions)

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "TYE" shall mean The Young Engineers, Inc., 23151 Alcalde Drive, Suite B-5, Laguna Hills, Calif. 92653.

(C) "United States" shall mean the 50 States, the District of Columbia, and Puerto Rico.

II

(Applicability)

The provisions of this Order shall apply to TYE and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors, and assignees, all those persons acting in concert with them, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section VI hereof.

III

(Conduct Prohibited)

TYE shall not induce or contribute to the practice within the United States of any method for the installation of imported molded-in sandwich panel inserts into sandwich panels, where such method infringes U.S. Letters Patents Nos. 3,271,498 and/or 3,392,225, except as such installation may be licensed by the owner or owners of said patents. The prohibited conduct includes, but is not limited to, the use, in connection with the sale of imported inserts, of brochures, pamphlets, leaflets, advertisements, or other sales literature which advocates, explains, describes, or illustrates any method of installation covered by the claims of U.S. Letters Patents Nos. 3,271,498 and/or 3,392,225; oral or written instructions to direct or indirect vendees, whether in connection with the sale of inserts or in the course of a customer service call, which advise said vendees in the practice of any method covered by U.S. Letters Patents Nos. 3,271,498 and/or 3,392,225, where it is apparent that such method is or will be used in the installation of inserts imported and sold by TYE.

This Order is effective with respect to imported molded-in sandwich panel inserts acquired by TYE subsequent to April 29, 1981, and until September 6, 1983, with respect to U.S. Letters Patent 3,271,498, and until July 9, 1985, with respect to U.S. Letters Patent 3,392,225.

IV

(Reporting)

Within 10 days after the last day of each reporting period specified below, TYE shall report to the Commission:

(A) Its importations, if any, during the reporting period in question of molded-in sandwich panel inserts;

(B) Its sales in the United States during the reporting period in question of imported molded-in sandwich panel inserts acquired subsequent to April 29, 1981; and

(C) All contracts, whether written or oral, entered into during the reporting period in question, to sell imported molded-in sandwich panel inserts acquired subsequent to April 29, 1981.

In connection with the importations and sales of molded-in sandwich panel inserts referred to in paragraphs A and B above, TYE shall provide the Commission with two copies of all invoices, delivery orders, bills of lading, and other documents concerning the importation or sale in question. Such copies shall be attached to the reports required by paragraphs A and B above.

In connection with the sales of imported molded-in sandwich panel inserts referred to in paragraph B above, TYE shall provide to the Commission two copies of each brochure, pamphlet, leaflet, instruction sheet, or other item

of sales or technical literature distributed to one or more direct or indirect vendees where such brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature advocates, describes, explains, illustrates, or refers to any method for the installation of inserts into sandwich panels. For each brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature, TYE shall indicate to which vendee(s) or prospective vendee(s) such document was distributed. The required copies shall be attached to the reports required by paragraph B above.

In connection with the sales of imported molded-in sandwich panel inserts referred to in paragraph B above, TYE shall provide the Commission with two copies of each advertisement or announcement published subsequent to the date of issuance of this Order. For each advertisement or announcement furnished, TYE shall indicate when and where (i.e., in which publication) such advertisement or announcement was published. The required copies shall be attached to the reports required by paragraph B above.

The first report required under this section shall cover the period commencing on April 29, 1981, and ending on June 30, 1982. The second report shall cover the period July 1, 1982, through June 30, 1983. The third report shall cover the period July 1, 1983, through June 30, 1984. The fourth and last report shall cover the period July 1, 1984, through June 30, 1985.

Failure to report as required by this section shall constitute a violation of this Order.

V

(Compliance and Inspection)

TYE shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to

TYE's principal office in the United States, all books, ledgers, accounts, correspondence, memorandums, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter or statement contained in the reports required under section IV of this Order.

VI

(Service of Order)

TYE is ordered and directed to:

(A) Serve, within 30 days after the date of issuance of this Order, a copy of the Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the marketing, distribution, or sale of imported sandwich panel inserts in the United States.

(B) Serve, within 30 days after the succession of any of the persons referred to in paragraph A above, a copy of this Order upon each successor.

(C) Maintain such records as will show the name, title, and address of each such officer, director, managing agent, agent, and employee upon whom the Order has been served, together with the date on which service was made.

(D) The obligations set forth in paragraphs B and C above shall remain in effect until July 9, 1985.

VII

(Confidentiality)

Information obtained by the means provided in sections IV and V of this Order will be made available only to the Commission and its authorized

representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than another duly authorized representative of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to TYE by service of such notice on TYE's principal office in the United States.

VIII

(Enforcement)

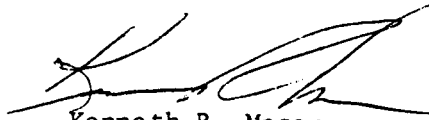
Violation of this Order may result in an action for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)) and such other action as the Commission may deem appropriate. In determining whether TYE is in violation of this Order, the Commission may infer facts adverse to TYE if TYE fails to provide adequate or timely information as required by this Order.

IX

(Modification)

This Order may be modified by the Commission on its own motion or upon motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57.)

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: April 9, 1982

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)
)
)

CERTAIN MOLDED-IN SANDWICH PANEL)
INSERTS AND METHODS FOR THEIR)
INSTALLATION)
)

Investigation No. 337-TA-99

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Aerospace Division, UOP Inc., Route 202, Bantam, Conn. 06750, cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) with regard to the practice of methods for the installation of imported molded-in sandwich panel inserts into sandwich panels.

I

(Definitions)

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "UOP Aerospace" shall mean Aerospace Division, UOP Inc. Route 202, Bantam, Conn. 06750.

(C) "United States" shall mean the 50 States, the District of Columbia, and Puerto Rico.

II

(Applicability)

The provisions of this Order shall apply to UOP Aerospace and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors and assignees, all those persons acting in concert with UOP Aerospace, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section VI hereof.

III

(Conduct Prohibited)

UOP Aerospace shall not use imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order to practice any method for the installation of such inserts into sandwich panels where such method infringes U.S. Letters Patents Nos. 3,271,498 or 3,392,225, except as such installation may be licensed by the owner or owners of said patents. This Order shall remain in effect until September 6, 1983, as to U.S. Letters Patent 3,271,498 and until July 9, 1985, as to U.S. Letters Patent 3,392,225.

IV

(Reporting)

Within 10 days after the last day of each reporting period specified below, UOP Aerospace shall report to the Commission:

(A) Its total inventory (as of the last day of the reporting period) of imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(B) Its total inventory (as of the last day of the reporting period) of domestically produced molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(C) Its purchases of imported molded-in sandwich panel inserts during the reporting period in question;

(D) Its purchases of domestically produced molded-in sandwich panel inserts during the reporting period in question; and

(E) The source (vendor) of each purchase of the molded-in sandwich panel inserts referred to in paragraphs C and D above.

The first report required under this section shall cover the period commencing on the date of issuance of this Order and ending on June 30, 1982. The second report shall cover the period July 1, 1982, through June 30, 1983. The third report shall cover the period July 1, 1983, through June 30, 1984. The fourth and last report shall cover the period July 1, 1984, through June 30, 1985.

Failure to report as required by this section shall constitute a violation of this Order.

V

(Compliance and Inspection)

UOP Aerospace shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission, all books, ledgers, accounts, correspondence, memorandums, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter contained in the reports required under section IV of this Order.

VI

(Service of Order)

UOP Aerospace is ordered and directed to serve, within 30 days after the date of issuance 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 purchase of molded-in sandwich panel inserts and/or the supervision of employees engaged in the installation of such inserts into sandwich panels.

VII

(Compliance and Inspection)

UOP Aerospace shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to UOP Aerospace's principal office in the United States, all records and documents in its possession or control which relate to any matter contained in the reports required under section IV of this Order, for the purpose of verifying such reports. Also, upon reasonable notice by the Commission, UOP Aerospace shall permit authorized representatives of the Commission to enter its manufacturing facilities and conduct such inspection as is necessary to determine whether it is in compliance with paragraph III of this Order.

VIII

(Confidentiality)

Information obtained by the means provided in sections IV and VII of this Order will be made available only to the Commission or its authorized

representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than another duly authorized representative of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to UOP Aerospace by service of such notice on UOP Aerospace's principal office in the United States.

IX

(Enforcement)

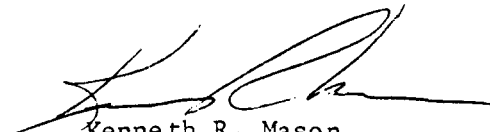
Violation of this Order may result in an action against UOP Aerospace for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)) and such other action as the Commission may deem appropriate. In determining whether UOP Aerospace is in violation of this Order, the Commission may infer facts adverse to UOP Aerospace if UOP Aerospace fails to provide adequate or timely information as required by sections IV and VII.

X

(Modification)

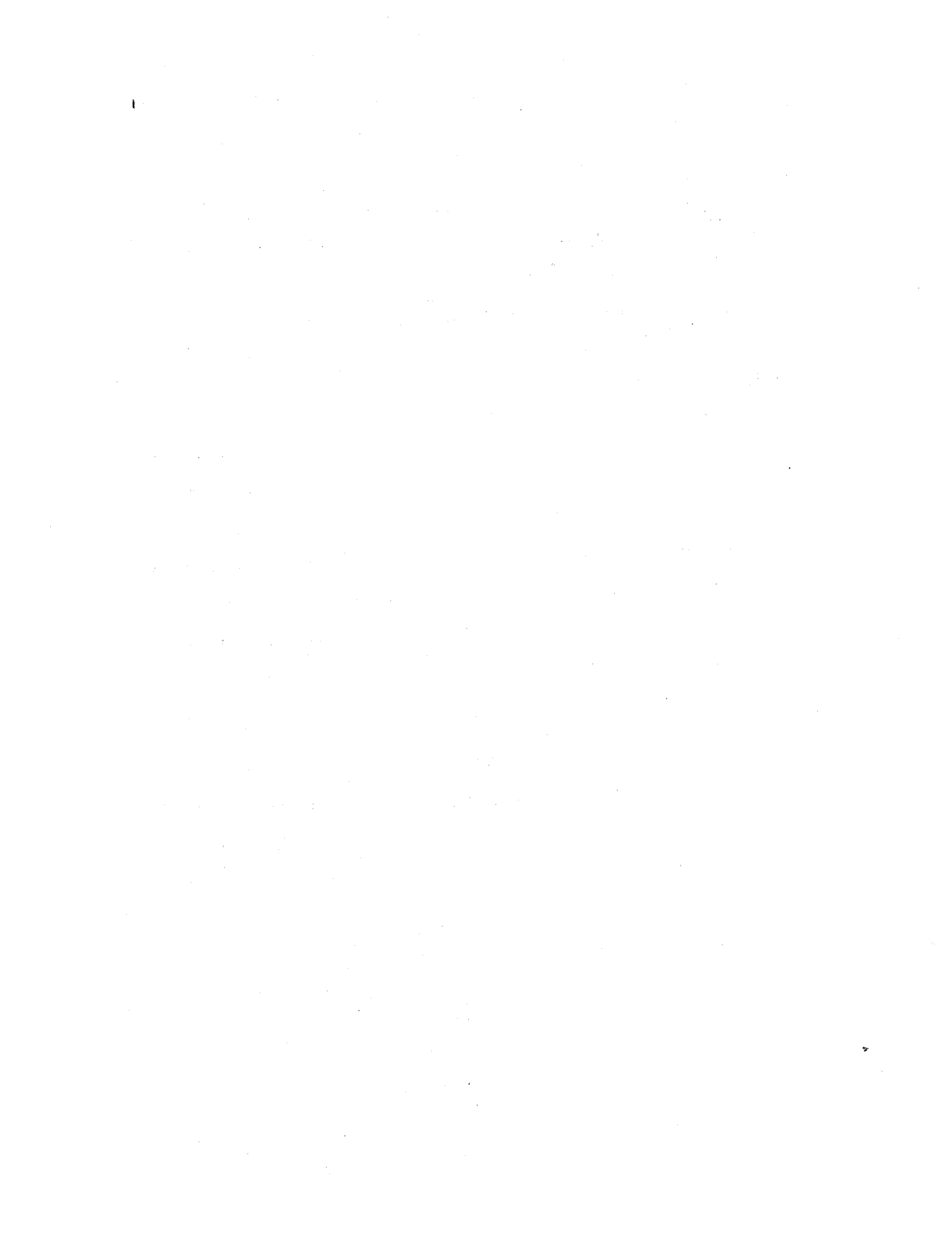
This Order may be modified by the Commission on its own motion or on motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57.)

By order of the Commission



Kenneth R. Mason
Secretary

Issued: April 9, 1982



UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)

CERTAIN MOLDED-IN SANDWICH PANEL)
INSERTS AND METHODS FOR THEIR)
INSTALLATION)

Investigation No. 337-TA-99

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Weber Aircraft Division, Kidde, Inc., 2820 Ontario Street, Burbank, Calif. 91504 cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) with regard to the practice of methods for the installation of imported molded-in sandwich panel inserts into sandwich panels.

I

(Definitions)

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Weber Aircraft" shall mean Weber Aircraft Division, Kidde, Inc. 2820 Ontario Street, Burbank, Calif. 91504.

(C) "United States" shall mean the 50 States, the District of Columbia, and Puerto Rico.

II

(Applicability)

The provisions of this Order shall apply to Weber Aircraft and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors and assignees, all those persons acting in concert with Weber Aircraft, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section VI hereof.

III

(Conduct Prohibited)

Weber Aircraft shall not use imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order to practice any method for the installation of such inserts into sandwich panels where such method infringes U.S. Letters Patents Nos. 3,271,498 or 3,392,225, except as such installation may be licensed by the owner or owners of said patents. This Order shall remain in effect until September 6, 1983, as to U.S. Letters Patent 3,271,498 and until July 9, 1985, as to U.S. Letters Patent 3,392,225.

IV

(Reporting)

Within 10 days after the last day of each reporting period specified below, Weber Aircraft shall report to the Commission:

(A) Its total inventory (as of the last day of the reporting period) of imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(B) Its total inventory (as of the last day of the reporting period) of domestically produced molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(C) Its purchases of imported molded-in sandwich panel inserts during the reporting period in question;

(D) Its purchases of domestically produced molded-in sandwich panel inserts during the reporting period in question; and

(E) The source (vendor) of each purchase of the molded-in sandwich panel inserts referred to in paragraphs C and D above.

The first report required under this section shall cover the period commencing on the date of issuance of this Order and ending on June 30, 1982. The second report shall cover the period July 1, 1982, through June 30, 1983. The third report shall cover the period July 1, 1983, through June 30, 1984. The fourth and last report shall cover the period July 1, 1984, through June 30, 1985.

Failure to report as required by this section shall constitute a violation of this Order.

V

(Compliance and Inspection)

Weber Aircraft shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission, all books, ledgers, accounts, correspondence memorandums, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter contained in the reports required under section IV of this Order.

VI

(Service of Order)

Weber Aircraft is ordered and directed to serve, within 30 days after the date of issuance 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 purchase of molded-in sandwich panel inserts and/or the supervision of employees engaged in the installation of such inserts into sandwich panels.

VII

(Compliance and Inspection)

Weber Aircraft shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to Weber Aircraft's principal office in the United States, all records and documents in its possession or control which relate to any matter contained in the reports required under section IV of this Order, for the purpose of verifying such reports. Also, upon reasonable notice by the Commission, Weber Aircraft shall permit authorized representatives of the Commission to enter its manufacturing facilities and conduct such inspection as is necessary to determine whether it is in compliance with paragraph III of this Order.

VIII

(Confidentiality)

Information obtained by the means provided in sections IV and VII of this Order will be made available only to the Commission or its authorized

representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than another duly authorized representative of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to Weber Aircraft by service of such notice on Weber Aircraft's principal office in the United States.

IX

(Enforcement)

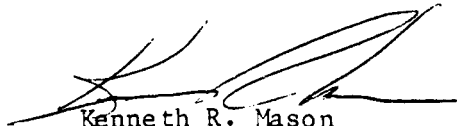
Violation of this Order may result in an action against Weber Aircraft for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)) and such other action as the Commission may deem appropriate. In determining whether Weber Aircraft is in violation of this Order, the Commission may infer facts adverse to Weber Aircraft if Weber Aircraft fails to provide adequate or timely information as required by sections IV and VII.

X

(Modification)

This Order may be modified by the Commission on its own motion or on motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57.)

By order of the Commission


Kenneth R. Mason
Secretary

Issued: April 9, 1982



UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)
)
CERTAIN MOLDED-IN SANDWICH PANEL)
INSERTS AND METHODS FOR THEIR)
INSTALLATION)
_____)

Investigation No. 337-TA-99

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Hitco Corporation, 18662 MacArthur Boulevard, Irvine, Calif. 92715, cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) with regard to the practice of methods for the installation of imported molded-in sandwich panel inserts into sandwich panels.

I

(Definitions)

As used in this Order:

(A) "Commission" shall mean the United States International Trade Commission.

(B) "Hitco" shall mean Hitco Corporation, 18662 MacArthur Boulevard, Irvine, Calif. 92715.

(C) "United States" shall mean the 50 States, the District of Columbia, and Puerto Rico.

II

(Applicability)

The provisions of this Order shall apply to Hitco and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors and assignees, all those persons acting in concert with Hitco, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section VI hereof.

III

(Conduct Prohibited)

Hitco shall not use imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order to practice any method for the installation of such inserts into sandwich panels where such method infringes U.S. Letters Patents Nos. 3,271,498 or 3,392,225, except as such installation may be licensed by the owner or owners of said patents. This Order shall remain in effect until September 6, 1983, as to U.S. Letters Patent 3,271,498 and until July 9, 1985, as to U.S. Letters Patent 3,392,225.

IV

(Reporting)

Within 10 days after the last day of each reporting period specified below, Hitco shall report to the Commission:

(A) Its total inventory (as of the last day of the reporting period) of imported molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(B) Its total inventory (as of the last day of the reporting period) of domestically produced molded-in sandwich panel inserts acquired subsequent to the date of issuance of this Order;

(C) Its purchases of imported molded-in sandwich panel inserts during the reporting period in question;

(D) Its purchases of domestically produced molded-in sandwich panel inserts during the reporting period in question; and

(E) The source (vendor) of each purchase of the molded-in sandwich panel inserts referred to in paragraphs C and D above.

The first report required under this section shall cover the period commencing on the date of issuance of this Order and ending on June 30, 1982. The second report shall cover the period July 1, 1982, through June 30, 1983. The third report shall cover the period July 1, 1983, through June 30, 1984. The fourth and last report shall cover the period July 1, 1984, through June 30, 1985.

Failure to report as required by this section shall constitute a violation of this Order.

V

(Compliance and Inspection)

Hitco shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission, all books, ledgers, accounts, correspondence, memorandums, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter contained in the reports required under section IV of this Order.

VI

(Service of Order)

Hitco is ordered and directed to serve, within 30 days after the date of issuance 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 purchase of molded-in sandwich panel inserts and/or the supervision of employees engaged in the installation of such inserts into sandwich panels.

VII

(Compliance and Inspection)

Hitco shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to Hitco's principal office in the United States, all records and documents in its possession or control which relate to any matter contained in the reports required under section IV of this Order, for the purpose of verifying such reports. Also, upon reasonable notice by the Commission, Hitco shall permit authorized representatives of the Commission to enter its manufacturing facilities and conduct such inspection as is necessary to determine whether it is in compliance with paragraph III of this Order.

VIII

(Confidentiality)

Information obtained by the means provided in sections IV and VII of this Order will be made available only to the Commission or its authorized

representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than another duly authorized representative of the Commission, except as may be required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to Hitco by service of such notice on Hitco's principal office in the United States.

IX

(Enforcement)

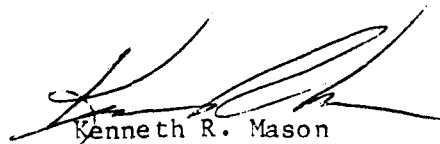
Violation of this Order may result in an action against Hitco for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)) and such other action as the Commission may deem appropriate. In determining whether Hitco is in violation of this Order, the Commission may infer facts adverse to Hitco if Hitco fails to provide adequate or timely information as required by sections IV and VII.

X

(Modification)

This Order may be modified by the Commission on its own motion or on motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57.)

By order of the Commission



Kenneth R. Mason
Secretary

Issued: April 9, 1982



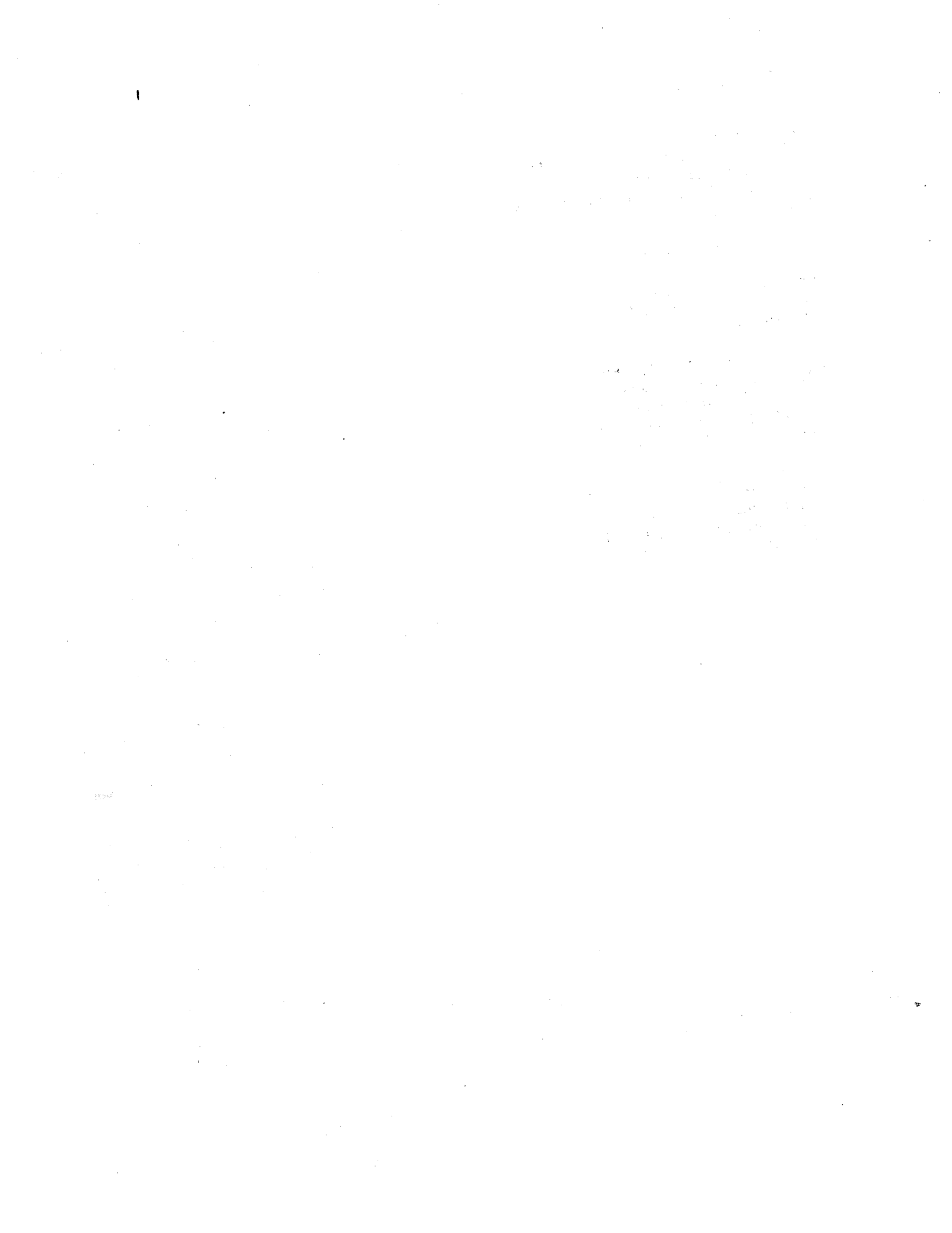
Mr. Terry H Lapotosky
Aerospace Division
UOP Inc.
Route 202
Bantam, CT 06750

Mr. Charles S. Stark
Antitrust Div./U.S. Dept of Justice
Room 7115, Main Justice
Pennsylvania Ave & Tenth St., NW
Washington, DC 20530

Mr. Carol W. Thomas
Secretary
Federal Trade Commission
Pennsylvania Ave at Sixth St., NW
Washington, DC 20580

Darrel J. Grinstead, Esq.
Dept. of Health & Human Svcs.
Room 5362, North Bldg.
330 Independence Ave., SW
Washington, DC 20201

Richard Abbey, Esq.
Chief Counsel
U.S. Customs Service
1301 Constitution Ave., NW
Washington, DC 20229

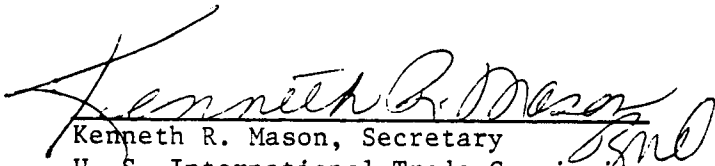


CERTAIN MOLDED-IN SANDWICH PANEL INSERTS
AND METHODS FOR THEIR INSTALLATION

337-TA-99

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Commission Action and Order and Order to Cease and Desist was served upon Ralph Elsas-Patrick, Esq., and upon the following parties via certified mail, and air mail where necessary on April 9, 1982.


Kenneth R. Mason, Secretary
U. S. International Trade Commission
701 E Street, N.W.
Washington, DC 20436

Don W Martens, Esq.
Knobbe, Martens, Olson,
Hubbard & Bear
1502 North Broadway
Santa Ana, CA 92706

Charles F Schill, Esq.
Finnegan, Henderson, Farabow,
Garret & Dunner
1775 K Street, NW
Washington, DC 20006

Joseph E Mueth, Esq.
Wills, Green & Mueth
700 S Flower St
Suite 1120
Los Angeles, CA 90017

Richard A Bardin, Esq.
Fulwider, Patton, Rieber,
Lee & Utecht
3435 Wilshire Blvd., Suite 2400
Los Angeles, CA 90010

William R Sweeney, Esq.
Sweeney Law Corp
Suite 1059 Union Bank Tower
21515 Hawthorne Blvd
Torrance, CA 90503

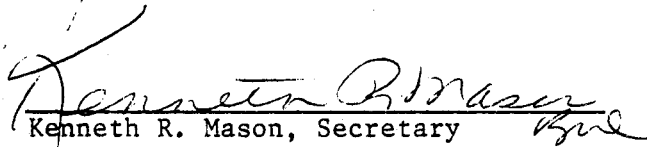
Robert L Melroy, Esq.
UOP Inc.
Ten UOP Plaza
Mt Prospect & Algonquin Rds
Des Plaines, IL 60016

Mr. Terry H Lapotosky
Aerospace Division
UOP Inc.
Route 202
Bantam, CT 06750

Mr. Harry Feese
U.S. Customs Service
1301 Constitution Ave
Room 4118
Washington, DC 20229

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Notice of Exclusion Order, Commission Action and Order, Opinions, and Cease and Desist Orders was served upon Ralph Elsas-Patrick, Esq., and upon the following parties via first class mail, and air mail where necessary on April 29, 1982.


Kenneth R. Mason, Secretary
U. S. International Trade Commission
701 E Street, N.W.
Washington, DC 20436

Don W Martens, Esq.
Knobbe, Martens, Olson,
Hubbard & Bear
1502 North Broadway
Santa Ana, CA 92706

Charles F Schill, Esq.
Finnegan, Henderson, Farabow,
Garret & Dunner
1775 K Street, NW
Washington, DC 20006

Joseph E Mueth, Esq.
Wills, Green & Mueth
700 S Flower St
Suite 1120
Los Angeles, CA 90017

Richard A Bardin, Esq.
Fulwider, Patton, Rieber,
Lee & Utecht
3435 Wilshire Blvd., Suite 2400
Los Angeles, CA 90010

William R Sweeney, Esq.
Sweeney Law Corp
Suite 1059 Union Bank Tower
21515 Hawthorne Blvd
Torrance, CA 90503

Robert L Melroy, Esq.
UOP Inc.
Ten UOP Plaza
Mt Prospect & Algonquin Rds
Des Plaines, IL 60016

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

In the Matter of)

CERTAIN MOLDED-IN SANDWICH PANEL)
INSERTS AND METHODS FOR THEIR)
INSTALLATION)

Investigation No. 337-TA-99

COMMISSION OPINION

I. Procedural History

On March 27, 1981, Shur-Lok Corporation filed a complaint with the Commission alleging violation of section 337. The Commission instituted an investigation and published notice thereof in the Federal Register on April 29, 1981. The investigation was to determine whether there is a violation of section 337 in the unauthorized importation of certain molded-in sandwich panel inserts, or in their sale, by reason of--

- (1) the alleged infringement by said molded-in sandwich panel inserts of the sole claim of U.S. Letters Patent 3,182,015;
- (2) the alleged infringement of claims 1-4 of U.S. Letters Patent 3,271,498 and all four claims of U.S. Letters Patent 3,392,225 and the inducement of and/or contribution to said infringement, and
- (3) the alleged misappropriation of Shur-Lok's trade secrets,

the effect or tendency of which is alleged to destroy or substantially injure an industry, efficiently and economically operated, in the United States. 1/

1/ The following abbreviations are used in this opinion: CFF - complainant's finding of fact; SFF - Commission investigative attorney's finding of fact; CX - complainant's exhibit; RD - recommended determination of administrative law judge (ALJ); C.Tr. - transcript of Jan. 20, 1982, hearing before the Commission on violation, remedy, public interest, and bonding.

The respondents named in the notice of investigation were The Young Engineers, Inc. (TYE), C & D Plastics, Hitco Corporation, Composites Unlimited, Aerospace Division of UOP, Inc., (UOP Aerospace), and Weber Aircraft Division of Kidde, Inc. (Weber Aircraft), all located in California.

On July 31, 1981, the complaint and the notice of investigation were amended to include two new respondents: Kyoel Trading Corp. and Hariki Metal Industries, both located in Japan.

On August 3, 1981, respondent TYE filed a motion for summary determination on all patent issues predicated upon the theory that prior court litigation had raised a res judicata bar to maintenance of the instant investigation. Other respondents subsequently filed similar motions. The motions were opposed by the complainant and the Commission investigative attorney. The administrative law judge denied the motions. Respondents thereafter moved for leave to file an application for interlocutory review of the denial of summary determination. The Commission investigative attorney and the complainant opposed the motion. On October 14, 1981, that motion was denied by the ALJ.

On the day of the prehearing conference and hearing, respondents indicated that they would not participate in the hearing but wished to reserve their right to argue the questions of jurisdiction, the applicability of the doctrine of res judicata, and the appropriate remedy (if a sec. 337 violation were found) before the Commission.

On October 20, 1981, an evidentiary hearing was held before the ALJ with appearances by the complainant and the Commission investigative attorney. Complainant Shur-Lok offered no evidence on the issue of patent validity, but did offer uncontested evidence on the issues of patent infringement and

substantial injury to the domestic industry. No evidence of misappropriation of complainant's trade secrets was offered, and the participating parties stipulated that this would no longer be an issue in the case.

On November 13, 1981, the ALJ submitted her recommended determination to the Commission, adopting as her own the proposed findings of fact and conclusions of law of the complainant and the Commission investigative attorney.

The Commission's hearing on the ALJ's recommended determination and on violation, remedy, public interest, and bonding was held on January 20, 1982. Counsel for respondents TYE, Weber Aircraft, and Hitco, counsel for the complainant, and the Commission investigative attorney were all present and participated in the hearing. These respondents indicated that they had waived their right to challenge the infringement and validity of the patents and that this investigation is uncontested except for the issues of jurisdiction, res judicata, and remedy. C.Tr., p. 44.

On March 18, 1982, the Commission unanimously determined that a violation of section 337 exists. The Commission also determined that the appropriate remedy for the violation found was a general exclusion order and four cease and desist orders. ^{2/} Finally, the Commission determined that the public interest factors enumerated in subsections (d) and (f) of section 337 do not preclude the issuance of these remedial orders and that the appropriate bond during the period of Presidential review is 173 percent of the entered value of the molded-in sandwich panel inserts in question.

^{2/} Commissioner Stern determines that the appropriate remedy for the violation found is a general exclusion order and one cease and desist order. See p. 21, n. 33.

III Jurisdiction

Respondents Hitco and Weber Aircraft argue that they are not "necessary and proper part[ies] to the [Commission's] investigation" because they are "not involved in the 'importation' of [panel insert] fasteners and [are] not the owner, importer, consignee, or agent of either and consequently [are] not [persons] within the jurisdiction of the Commission." ^{3/} The legal basis for their argument is somewhat unclear but appears to be that the Commission lacks power to find them in violation because they are not owners, importers, consignees, or agents within the meaning of section 337(a). We disagree.

The Commission has subject matter jurisdiction over--

Unfair methods of competition and unfair acts in the importation of articles into the United States or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States
(Emphasis added.)

19 U.S.C. § 1337(a). The use of the word "or" in section 337(a) indicates that the jurisdiction of the Commission is not limited to those acts which occur during the actual physical process of importation. ^{4/} If there is some nexus between the unfair methods or acts and importation, the Commission's jurisdiction is established.

This investigation has established that Hitco, Weber Aircraft, and UOP Aerospace purchased imported inserts from TYE, the importer of those articles. Those firms are thus involved in the "sale" of imported inserts

^{3/} Motion by Hitco to terminate investigation as to Hitco (99-10), Aug. 1981, pp. 2, 5. This same argument was joined by respondent Weber Aircraft..

^{4/} Certain Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29, USTTC Pub. 863, p. 11 (1978).

that infringe complainant Shur-Lok's patents. As such, Hitco, Weber Aircraft, and UOP Aerospace are within the Commission's jurisdiction under section 337. 5/

Hitco, Weber Aircraft, and UOP Aerospace are all doing business here in the United States, and are within the Commission's personal jurisdiction. Further, Hariki and Kyoel, who are producing panel inserts and exporting them to TYE, are found to be subject to the Commission's in personam jurisdiction since they have the requisite "minimum contacts" and have been properly served. 6/ International Shoe Co. v. Washington, 326 U.S. 310 (1945).

III. Violation

A. Unfair method of competition or unfair act

1. The patents

The product involved in this investigation is called a sandwich panel insert. A sandwich panel is a lightweight structure formed by securing a honeycomb core between two skin sheets. This core is made of light metal or resin-impregnated paper forming a cellular honeycomb structure. Sandwich panels are used in the construction of lavatories, galleys, walls, floors, and other parts of aircraft. Complaint, para. IIA, p. 4; CX-111, pp. 3-4; CX-114, pp. 3-6.

5/ Chairman Alberger notes that Hitco, Weber Aircraft, and UOP Aerospace are also "owners" within the meaning of section 337. The Commission determined in Certain Welded Stainless Steel Pipe and Tube that the terms "owner, importer, consignee or agent" are to be interpreted more expansively in matters involving trade regulation than in their traditional customs law context. In enacting section 337, Congress was seeking to control a much broader range of activity than the entry of goods. In order to fulfill the protective purpose of the statute, the term "owner" must include those parties involved in moving imported tainted articles into the stream of domestic commerce.

6/ "Minimum contacts" is a term of art which denotes that a foreign respondent is doing business within the United States and is therefore within the jurisdiction of its courts.

The sandwich panel inserts in issue are inserted into a sandwich panel flush with one skin sheet and anchored in place by a "potting" compound. Each insert has an injection port, a venting and inspection port, and a threaded bore to provide a means for making a mechanical attachment to the exterior of the sandwich panel in the aircraft. 7/ 8/

2. Validity

To be valid a patent must be novel, useful, and nonobvious, 35 U.S.C. §§ 101-103. The complainant did not offer evidence as to the validity of its patents, but relied upon the statutory presumption of patent validity. 35 U.S.C. § 282; Solder Removal Co. v. USITC, 582 F.2d 628 (1978). As no evidence was offered by respondents to rebut this presumption, we find that all three patents are valid based upon the statutory presumption of validity.

3. Infringement

The unlicensed importation or sale of an imported product which infringes a valid U.S. patent has long been considered an unfair act under section 337. 9/

Complainant alleges--

- (1) direct infringement by the imported molded-in sandwich panel inserts of the sole claim of the '015 product patent;
- (2) infringement of claims 1-4 of the '498 method patent and all four claims of the '225 method patent, and the inducement of and/or contribution to said infringement.

7/ SFF, p. 5.

8/ The '015 product patent is directed to the insert itself; the '498 method patent is directed to the method of installation of the insert; the '225 method patent is directed to the method of installation of the insert using a tab. The tab is a small piece of paper or metal which adheres to the top of the insert and holds the insert in place until the molding process is completed. C.Tr., p. 8.

9/ In re Von Clemm, 229 F.2d 441 (C.C.P.A. 1955).

There is evidence on the record to show that molded-in sandwich panel inserts were manufactured in Japan, imported into the United States, and sold by TYE to other companies in the United States. The ALJ found that the unauthorized sale of these inserts in the United States by TYE directly infringed the '015 product patent and that the use of these inserts by Hitco, Weber Aircraft, and UOP Aerospace in the United States directly infringed the '498 and '225 method patents (RD, p. 7). The ALJ found that there was insufficient evidence to establish infringement by C & D Plastics and Composites, Inc. We concur in those findings. 10/

The ALJ also found TYE to be contributorily infringing and inducing infringement of the '225 and '498 method patents by selling infringing imported sandwich panel inserts to Hitco, Weber Aircraft, and UOP Aerospace (RD, p. 6). Hariki, the foreign manufacturer of the infringing inserts, and Kyoei, the foreign trading company which sells the infringing inserts to TYE, were found by the ALJ to be inducing infringement of the '015 product patent by selling infringing inserts to TYE for resale in the United States (RD, p. 6).

The elements of induced infringement under 35 U.S.C. § 271(b) are (1) that the conduct being induced constitutes direct infringement and (2) that the party inducing the infringement "actively and knowingly aided and abetted another's direct infringement of the patent." Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82, USITC Pub. 1138 at pp. 18-19 (April 1981).

10/ It was conceded at the oral argument before the Commission that respondents "are in default on the patent issues, strictly the issues of patent infringement and validity." C.Tr., p. 44.

The elements of contributory infringement under 35 U.S.C. § 271(c) are (1) a sale (2) of a material component of a patented invention (which component is not a staple article of commerce capable of substantial non-infringing use), (3) with knowledge that the component was especially made for use in an infringement of such invention. The furnishing of apparatus with which to practice a method patent can be contributory infringement. Certain Apparatus for the Continuous Production of Copper Rod, Inv. No. 337-TA-52, USITC Pub. 1017 at p. 17 (Nov. 1979).

Complainant here points to the previous infringement suit (see p. 16, infra) as proof that TYE is aware of the '498 and '225 method patents in controversy. There is testimony on the record that TYE provides training and assistance to TYE's customers in the use of the inserts in accordance with the patented methods (CX-89, pp. 43, 68-73). Hitco and Weber Aircraft have both admitted that they have received help from TYE in solving problems encountered in using TYE inserts in accordance with the patented methods. (CX-75C, Vol. III, pp. 23- CX-74C). We believe both induced and contributory infringement by TYE have been established in this investigation.

B. Injury

1. Definition of industry

The Commission has construed the phrase "domestic industry" to mean that portion of the business of the patentee and its licensees devoted to the production and sale of articles covered by the patent in issue, e.g. Certain Ultra-Microtome Freezing Attachments, Inv. No. 337-TA-10, USITC Pub. 771 (April 1976). Thus, in this investigation the relevant domestic industry is the facilities of Shur-Lok and its licensee, Tridair Industries Division of Rexnord, Inc., at Torrance, Calif. (Tridair), devoted to the manufacture and

sale of the molded-in sandwich panel inserts at issue (SFF 15, 17). ^{11/} The facilities of Shur-Lok are understood to include those of its subcontractor, Golden State Engineering, Inc., of Paramount, Calif., which are used in the manufacture of large orders (generally 10,000 or more units) of inserts for Shur-Lok. (SFF 15-16)

2. Efficient and economic operation of the domestic industry

There is no evidence in the record to rebut complainant's claim that the domestic industry is efficiently and economically operated. There is, in fact, extensive evidence indicating that the domestic industry uses fast and efficient machinery, highly skilled labor, and modern techniques of production, management, and marketing in the manufacture and sale of sandwich panel inserts. (CX-43C, CX-37C, CX-44C, CX-112, CX-113, and CX-110C). The Commission finds that the domestic industry is efficiently and economically operated.

3. Substantial injury to the domestic industry caused by respondents' unfair acts. ^{12/}

Among the factors to be considered by the Commission in making an injury determination are: sales lost to the unfair imports; underselling of the domestic industry's product by the infringing imports; trends in market penetration by the subject imports; volume of imports; foreign capacity; and

^{11/} As noted, the ALJ adopted the proposed findings of fact and conclusions of law of the Commission investigative attorney and the complainant (RD, p. 5).

^{12/} Commissioner Stern finds that the record supports a finding of tendency to substantially injure, but does not support the finding of present injury discussed in this section. Excepting a decline in employment, which is more than accounted for by a declining overall market, there is no demonstrated relationship between lost sales and any negative impact on the economic performance of the industry. In fact, the domestic industry in this investigation has indicators of a superior economic performance during the three year period under investigation. See section 4, Tendency to substantially injure, p. 13.

sales and profits in the domestic industry. Certain Automotive Crankpin Grinders, Inv. No. 337-TA-69 (1978); Certain Combination Locks, Inv. No. 337-TA-45 (1978).

The ALJ found that there is substantial evidence on the record to establish substantial injury to the domestic industry. There is detailed economic data showing lost sales and profits, and the loss of major customers to respondent due to the existence of significant price differentials between the imported and domestic products.

As noted by the Commission investigative attorney, ^{13/} it is possible to establish the requisite injury in the insert industry without documenting each lost sale because TYE, Shur-Lok, and Tridair are and have always been the only successful vendors of molded-in sandwich panel inserts in the United States. (SFF 30) Therefore, any insert sale in the United States by TYE is a lost sale to Shur-Lok and/or Tridair.

In November 1980 the domestic companies lost a large sale (nearly 100,000 units) at C & D Plastics to TYE, which underbid the domestic firms by a substantial amount per unit. (SFF 31) In January 1981 a smaller order was lost at C & D Plastics, where TYE's quoted price was less than half of Shur-Lok's (SFF 32). In February 1981, Tridair lost a sale of 9,000 inserts to TYE, which had underbid Tridair by more than 50 percent. (SFF 33) These lost sales dramatically illustrate TYE's ability to underprice the domestic insert producers. ^{14/} A lower sales price for the imported article has been found by the Commission to be a significant indicator of the likely presence of lost sales. Chain Door Locks, Inv. No. 337-TA-5 (February 1976), at 40.

^{13/} Commission Investigative Attorney's Brief on Violation, p. 5.

^{14/} As shown below, TYE's ability to underprice the domestic firms derives from its cost advantages in procuring the inserts from abroad.

This evidence of sales lost to lower priced imports supports claims of substantial injury to the complainant. See Certain Roller Units, Inv. No. 337-TA-44 (Feb. 1979), USITC Pub. 944, at 10.

Of particular significance is the loss of a blanket purchase order from a major insert user such as Weber Aircraft, both in terms of documenting the extent of injury and in terms of illustrating TYE's apparently increasing ability to underbid the domestic firm for insert orders. A substantial portion of Weber Aircraft's insert requirements are obtained through blanket purchase orders issued yearly to the vendor who bids the lowest total price on all insert types (i.e., Weber Aircraft part numbers) and estimated quantities for which price quotations are sought. (SFF 34) A comparison of the price quotations leading to Weber Aircraft's 1979 blanket purchase order (awarded to TYE) clearly shows that the domestic insert firms are not able to offer the low prices that TYE can. From 1979 to 1980, TYE's unit price quote dropped significantly. (SFF 35-39) The fact that TYE's 1980 price was undifferentiated with respect to the types and estimated quantities indicates a high degree of pricing flexibility on the part of TYE that precludes any meaningful competition by the domestic firms. If TYE's prices reflected a minimum acceptable mark-up over cost, one would not expect a uniform price quote that failed to differentiate on the basis of insert type or estimated quantity. TYE's 1980 profit margin was clearly a comfortable one that would have enabled it to drop its quote below the domestic firms if necessary to capture Weber Aircraft's blanket purchase order business. (SFF 35-39)

TYE's quoted prices in bids for insert sales at Hitco, another major insert user, were also substantially (often more than 50 percent) below those quoted by Shur-Lok. (SFF 40) TYE's sales at Weber Aircraft and Hitco

represent a substantial loss of business to the domestic industry. (SFF 41) Substantial loss of sales and subsequent loss of revenue as a result of the importation and sale of articles which infringe a U.S. patent is evidence of substantial injury. Certain Molded Golf Balls, Inv. No. 337-TA-35 (July 1978), USITC Pub. 897, at 8.

In addition to documenting specific instances of lost sales through such evidence as contact reports and blanket purchase orders, complainant has presented data showing trends in unit sales to seven selected customers by Shur-Lok and by TYE. Sales to four such customers reflect a clear displacement of Shur-Lok by TYE, i.e., a decline in Shur-Lok sales paralleled by an increase in TYE sales. 15/ As to the other three selected customers, TYE and Shur-Lok experienced parallel increases or declines in 1981 sales, but TYE's sales remained as much as twelve times higher than Shur-Lok's. (SFF 42-49)

In a market such as the U.S. insert market, in which there are no practical substitutes for the patented product and demand is fairly inelastic, it is not difficult to translate lost sales directly into lost profits. Complainant has offered an estimate of the domestic industry's lost profits for 1978-81, based on the following formula: 16/

$$\begin{array}{rcccl} \text{Shur-Lok's} & & \text{TYE's} & & \text{Shur-Lok's} & & \text{Lost} \\ \text{average} & & \text{insert} & & \text{average percentage} & = & \text{profit by} \\ \text{price} & \times & \text{sales} & \times & \text{gross} & & \text{domestic} \\ & & & & \text{profit per unit} & & \text{industry} \end{array}$$

This formula, which assumes that Tridair's average price and gross profit on inserts are approximately the same as Shur-Lok's, reveals steadily increasing lost profits by the domestic insert industry (excluding 1979).

15/ CX-54C, CX-55C, CX-56C.

16/ CX-56C.

The domestic industry has recently experienced decreases in its workforce due in part to the loss of insert sales to TYE. A comparison of Shur-Lok's employment figures for January and July 1981 reveals a reduction in that portion of the workforce engaged in the production of inserts and other aircraft fasteners. Tridair's workforce has also undergone a recent reduction, caused in part by the decrease in its insert business. (SFF 58-59) This decrease in employment of the domestic industry is one more factor considered as evidence of substantial injury to the complainant. Meprobamate, TC Pub. 389 (1971).

We believe that complainant has demonstrated that the domestic industry is being substantially injured by the imported panel inserts.

4. Tendency to substantially injure

Several factors indicate the existence of a tendency to substantially injure a domestic industry. TYE has been successful in getting TYE inserts approved for use by Boeing Company, one of Shur-Lok's largest customers (CX-113). Further, in October 1980 TYE gained approval for use of its inserts in subassemblies sold to Lockheed Corporation. (SFF 66) If TYE were allowed to continue to sell the infringing imports, it could take over Shur-Lok's Boeing and Lockheed business within a short time.

While TYE has yet to gain approval of its parts for direct purchase by Boeing, it has apparently made significant progress in that direction. Boeing's Renton, Wash., facility, has reportedly sought approval for TYE inserts from the department responsible for setting standards. (SFF 68) If TYE succeeds in gaining approval at Boeing, the impact on Shur-Lok's and Tridair's future insert business could be devastating. (SFF 69)

TYE's market share in terms of unit sales in the United States rose from 9.8 percent in 1978 to 11.7 percent in 1981. (SFF 61) 17/ TYE's increasing market penetration trend, if allowed to continue, will significantly impact the domestic industry's sales, employment and return on investment. (SFF 44, 62) The record indicates that Shur-Lok has already had declining sales for certain specific customers, such as Composites Unlimited and KME, 18/ and likewise (notwithstanding brief upswings in 1979 and 1980) in its sales to UOP Aerospace and Hitco. 19/ Profits lost on documented lost sales by the domestic industry (except in 1980) showed a steady increase from 1978 to 1981. (SFF 57) Shur-Lok is presently operating at approximately 60 percent of capacity (CX-C9.29 and 9.30) and states that it could double its capacity in six months or triple it in 1 year.

As noted above, there were fluctuations in sales, profits, and market share data in 1979 and 1980 depending on the type of data involved. This would appear to reflect one or more unusual event occurring in late 1979 and/or early 1980, although the record does not clearly so indicate. 20/ One such event may be the fact that Tridair won the 1979-80 blanket purchase order from Weber Aircraft, one of TYE's largest customers. 21/ This would help explain not only TYE's temporary decrease in sales in 1980 but also a substantial rise in Tridair's market share (from 26.6 percent in 1979 to 32.2 percent in 1980). (SFF 65) In any event, the deviation from the above-noted trends is temporary and does not significantly negate the fact that TYE's

17/ Commissioner Stern notes that TYE's market share in the United States by dollar value rose from 2.0 percent in 1979 to 5.3 percent in 1981.

18/ KME is a customer of Shur-Lok, but is not a respondent in this investigation. (SFF 45, 47, 62)

19/ SFF 42, 46, 62

20/ SFF. 63

21/ Deposition testimony of Miki Young, TYE's current president. (SFF 64)

market penetration represents a rising curve which supports a determination of a tendency to substantially injure.

Finally, we note that a former sales engineer of Shur-Lok has become vice president and principal salesman for TYE. Obviously, this employee's knowledge of Shur-Lok's major customer accounts, its pricing policies, and its manufacturing costs will be a great factor in TYE's continuing expansion in the U.S. insert market. 22/

A comparison of Shur-Lok and TYE average cost data, compiled from several documents in the record, reveals that TYE's lower prices reflect substantially lower costs in procuring its foreign-made inserts. 23/ Cost differentials are so large that it is obvious that TYE's ability to underbid its domestic competitors can be expected to continue for the remaining lives of the patents at issue if relief is not granted. 24/

c. Res judicata defense

Respondents' principal, if not only, defense in this investigation is that a finding of violation is barred by the doctrine of res judicata. Res judicata means "thing adjudged." The doctrine holds that once a cause of action has been presented for adjudication and a valid and final judgment on the merits has been rendered, then the same cause of action cannot be asserted in a subsequent suit. The rationale for the doctrine lies in the notion of judicial repose. Litigation is troublesome and expensive, and parties should not be allowed to litigate the same matter again and again. There must be an end to litigation.

22/ This employee worked for Shur-Lok for a period of seventeen years.

23/ CX-42C and CX-43C.

24/ SSF 70.

Respondents' res judicata defense stems from a prior patent infringement suit filed by Shur-Lok against TYE in Federal court. The salient facts of that litigation are as follows. On February 10, 1969, Shur-Lok sued TYE in the U.S. District Court for the Central District of California alleging direct infringement of the '015 product patent and induced infringement of the '498 and '225 method patents. Shur-Lok sought money damages and an injunction against future infringement by TYE. TYE's defense was that the patents in suit were invalid and, therefore, not infringed. TYE also counterclaimed for a declaratory judgment of patent invalidity and noninfringement as to all three patents.

A few days before trial was to commence in July 1972, Shur-Lok moved to dismiss the suit "with prejudice," stating that decreased TYE sales, the projected cost of the trial, and Shur-Lok's then depressed financial condition made further litigation unjustifiable. TYE opposed the motion to dismiss on the ground that the dismissal would not be conclusive with respect to the validity and infringement of the patents in suit, thereby leaving Shur-Lok free in the future to threaten TYE's customers with infringement suits.

After a hearing on the dismissal motion, the court on July 25, 1972, dismissed Shur-Lok's complaint "with prejudice." TYE's counterclaims were dismissed "without prejudice," thereby preserving TYE's right to bring a future action against Shur-Lok for a declaratory judgment of patent invalidity and/or noninfringement. The court issued no findings of fact or conclusions of law, and there were no appeals.

In order for res judicata to apply, (1) there must have been a judgment on the merits in the earlier case, (2) the parties to the later case must be the same as those in the earlier case or in privity with those parties, and

(3) the later case must involve the same cause of action as the earlier case. Federated Department Stores, Inc. v. Moitie, 452 U.S. 394, 398 (1981). If these conditions are met, then the parties are precluded from relitigating issues that were or could have been raised in the earlier case.

Res judicata (often called "claim preclusion" or "cause of action preclusion") must be distinguished from the related doctrine of collateral estoppel (called "issue preclusion").

[U]nder the doctrine of res judicata, a judgment "on the merits" in a prior suit involving the same parties or their privies bars a second suit based on the same cause of action. Under the doctrine of collateral estoppel, on the other hand, such a judgment precludes relitigation of issues actually litigated and determined in the prior suit, regardless of whether it was based on the same cause of action as the second suit.

Lawlor v. National Screen Service Corp., 349 U.S. 322, 326 (1955). (Emphasis added.) The distinction between res judicata and collateral estoppel is important because respondents have sought to blend the two doctrines to their advantage in this investigation.

There is no disagreement that the earlier case involved a judgment on the merits. And there is at least a partial identity of parties since Shur-Lok and TYE were parties to the court case and are parties to this investigation. Respondents' position is that res judicata applies because the prior court case and this investigation involve the same cause of action. Thus, in respondents' view, the underlying controversy--Shur-Lok's charge of patent infringement by TYE--is identical in both cases.

Both the 1969 action and the patent-based portion [of this investigation] stem from the same nucleus of fact, namely, Shur-Lok's alleged rights under its three patents and infringement thereof by TYE's two and three port inserts and their method of use by TYE customers. The wrong alleged in a perspective manner in both cases stems

from TYE's and its customers' infringement. Shur-Lok asserts the identical patent rights and TYE is charged with the same prospective wrong, namely, future infringement. The identity is total. 25/

Complainant and the Commission investigative attorney argue that this investigation and the earlier court case do not involve the same cause of action because the factual circumstances surrounding this investigation are different from those surrounding the earlier case. Specifically, the quantity of infringing inserts imported and sold by TYE has increased greatly since dismissal of the earlier case in 1972, and TYE has introduced at least 8 new imported models of infringing imports within the last 18 months and established about 14 new customer accounts for such inserts in the last 2 years. They further argue that this investigation arises under a trade statute (section 337), not under the patent laws and to prevail under section 337, a complainant must prove substantial injury to, and the efficient and economic operation of, the domestic industry in addition to patent validity and infringement. Finally, they argue the relief sought by Shur-Lok in this investigation (a general exclusion order and cease and desist orders) is different from the remedies sought against TYE in the earlier case (damages and an injunction).

The ALJ found that res judicata was not a bar to this investigation for essentially the reasons stated above. 26/ We believe that this proceeding is not barred by the doctrine of res judicata because this investigation does not involve the same cause of action as the earlier court case.

This investigation differs from the earlier court case in that the unfair acts complained of here all happened subsequent to dismissal of the court

25/ Brief in Support of Respondents' Res Judicata Defense, p. 15.

26/ Order No. 15, issued Sept. 18, 1981. Vice Chairman Calhoun and Commissioner Eckes concur with the analysis and conclusion of the Administrative Law Judge. They also concur with the analysis in this opinion.

case, and are apparently occurring on a larger scale than was the case at the time of the earlier litigation. Thus, TYE's sales of imported inserts in 1979 were more than 3 times as great as its sales in 1972 when the court case was dismissed. Sales in 1981 are expected to approximate the 1979 levels and TYE has established about 14 new U.S. insert accounts in the last 2 to 3 years. 27/ 28/ Importantly, TYE has introduced 8 new models of imported inserts within the last 18 months. As the ALJ noted, it is open to question whether a section 337 cause of action had even accrued in complainant's favor at the time the earlier case was dismissed. 29/

The Supreme Court has held that a continuing series of wrongful acts may give rise to multiple causes of action even when they arise under the same statute, as may a substantial change in the scope of defendant's activities. Lawlor v. National Screen Service Corp., supra, at 327-328. In Lawlor, plaintiffs were in the business of leasing advertising posters to motion picture exhibitors. In 1942, they brought an antitrust action for treble damages against National Screen and others alleging that defendants had conspired to monopolize the distribution of motion picture advertising posters. In 1943, pursuant to a settlement agreement entered before trial and without any findings of fact or conclusions of law having been made, plaintiffs' suit was dismissed "with prejudice" and distribution licenses were granted to plaintiffs by National Screen. Seven years later, plaintiffs brought a similar action against the same defendants, plus five additional ones, alleging that settlement of the earlier suit was merely a device used to perpetuate the conspiracy and monopoly, that the five

27/ Complainant's Memorandum of Points and Authorities in Opposition to Respondent's Brief in Support of the Res Judicata Defense, p. 3.

28/ See ALJ Order No. 15, p. 9.

29/ Id., p. 9.

new defendants had since joined the conspiracy, and that National Screen had deliberately made slow and erratic deliveries under the license in an effort to destroy plaintiffs' business and had used tie-in sales and other means to exploit its monopoly power.

The issue for the Supreme Court was whether plaintiffs' second suit was barred by the doctrine of res judicata. The Court held that it was not, concluding that the two suits were not based on the same cause of action. In its opinion, the Court stated as follows:

That both suits involved "essentially the same course of wrongful conduct" [as the Third Circuit had found] is not decisive. Such a course of conduct--for example, an abatable nuisance--may frequently give rise to more than a single cause of action. And so it is here. The conduct presently complained of was all subsequent to the 1943 judgment. In addition, there are new antitrust violations alleged here--deliberately slow deliveries and tie-in sales, among others--not present in the former action. While the 1943 judgment precludes recovery on claims arising prior to its entry, it cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case. In the interim, moreover, there was a substantial change in the scope of the defendants' alleged monopoly; five other producers had granted exclusive licenses to National Screen, with the result that the defendants' control over the market for standard accessories had increased to nearly 100 percent. Under these circumstances, whether the defendants' conduct be regarded as a series of individual torts or as one continuing tort, the 1943 judgment does not constitute a bar to the instant suit. 30/

On the basis of the principle enunciated in Lawlor, 31/ we find res judicata inapplicable to this investigation. In view of this finding, we do not reach the question of whether any of the other respondents are in privity with TYF for res judicata purposes.

30/ Lawlor v. National Screen Service Corp., 349 U.S. 322, 327-328 (1955) (footnotes omitted) (emphasis added).

31/ For the views of Vice Chairman Calhoun and Commissioner Eckes, see footnote 26.

Remedy, Public Interest, and Bonding 32/1. Remedy

The Commission determines that the following orders are the appropriate remedy in this investigation: 33/

- (1) a general exclusion order prohibiting the importation of infringing inserts for the remaining life of the '015 product patent;
- (2) a cease and desist order prohibiting TYE from selling imported inserts acquired subsequent to institution of the investigation where such sales would contribute to or induce infringement of the '225 and/or '498 method patents; and
- (3) cease and desist orders prohibiting Weber Aircraft, Hitco, and UOP Aerospace from using imported inserts acquired subsequent to issuance of the orders to infringe the '225 and/or '498 method patents.

No cease and desist orders will be issued against Hariki and Kyoel.

A general exclusion order for the remaining life of the '015 product patent should prevent importation of infringing inserts until November 1,

32/ The three patents involved in this case expire in the following chronological order: '498 method patent--Sept. 6, 1983; '015 product patent--Nov. 1, 1983; '225 method patent--July 9, 1985.

33/ Commission Stern determines that the appropriate remedy for the violation found does not include cease and desist orders directed to Weber Aircraft, Hitco, and UOP Aerospace. The exercise of the Commission's discretion to reach domestic commerce must be approached with caution. See Certain Large Video Matrix Display Systems and Components Thereof, Inv. No. 337-TA-75 at 30-31 (1981).

In this investigation any injury foreseeable from the record will be prevented by the cease and desist order directed to TYE. There is no indication in the record of new foreign manufacturers or new importers even considering entry into this market. In addition the nature of the industry is such that should these domestic users become involved with new importers or new foreign manufacturers of the subject imports the domestic industry would be aware of such activity and could request additional necessary action by the Commission. Importantly, after expiration of the product patent in question the subject imports can be legally imported and can be used in a manner that does not infringe the method patents in issue.

1983, the expiration date of that patent. We believe a general exclusion order is warranted for the following reasons. Barriers to entry in the panel insert industry are low. Inserts can be made easily on simple equipment. There is a fairly steady domestic demand for inserts and virtually no substitute products. The U.S. market is large enough to provide an incentive for foreign firms other than Hariki and Kyoei to enter it if only inserts manufactured by Hariki and Kyoei are excluded. Finally, panel insert users tend to be large sophisticated firms capable of arranging on their own for manufacture abroad.

The cease and desist order directed to TYE will prohibit that firm from selling imported inserts for use with methods that infringe complainant's '225 and '498 method patents for the lives of those patents. The order includes a prohibition on the sale of inventory imported after institution of the investigation.

The cease and desist orders directed at Hitco, Weber Aircraft, and UOP Aerospace will prohibit those firms from using imported panel inserts to practice either of the methods described by complainant's method patents. 34/ The orders will apply only to imported inserts acquired by those 3 firms after issuance of the cease and desist orders, i.e., they do not reach inserts currently in inventory. There are two reasons for not reaching the present inventory of these firms. First, Hitco, Weber Aircraft, and UOP Aerospace evidently carry a mixed inventory of inserts obtained from complainant and its licensee (Tridair) as well as from TYE. Second, complainant does not wish to reach such inventory. 35/ The inserts in inventory are not marked or

34/ See n. 33, p. 21.

35/ C.Tr., p. 84.

otherwise identifiable as to source, and hence any cease and desist order prohibiting the use of imported (TYE) inserts would affect all inserts, not just those obtained from TYE. 36/

We have decided not to issue cease and desist orders against Hariki and Kyohei, TYE's Japanese suppliers. 37/ Moreover, cease and desist orders directed to domestic respondents provide a more efficient and effective remedy against infringement of method patents.

Issuance of the orders discussed above does not conflict with the "in lieu of" language of section 337(f) or with the Commission decision in Doxycycline 38/ because the various orders are directed at different unfair acts. The general exclusion order is aimed at infringement of the '015 product patent. The cease and desist orders issued against Hitco, Weber Aircraft, and UOP Aerospace are aimed at direct infringement of the two method patents. The cease and desist order issued against TYE is directed at induced and contributory infringement of the method patents. Thus, this case is analagous to the Stoves I 39/ investigation where the Commission issued both an exclusion order and cease and desist orders, but directed at separate and distinct unfair acts.

36/ Written Submission by Hitco Concerning Remedy and Public Interest, p. 2; Affidavit of Miki Young, attached to Submission of The Young Engineers Concerning Remedy and the Public Interest, p. 6.

37/ Such orders would only be effective during the approximate 20-month period between expiration of the '015 product patent (on November 1, 1983) and expiration of the '225 method patent (on July 9, 1985). It should be noted that Commissioner Stern does not think that this is an appropriate reason for not issuing a cease and desist order.

38/ Inv. No. 337-TA-3, Doxycycline, USITC Pub. 964 (April 1979). Commissioner Stern does not reach the issue of whether there are different unfair acts. See opinion of Commissioners George M. Moore and Paula Stern, concurring in part and dissenting in part, Doxycycline, p. 22.

39/ Inv. No. 337-TA-69, Certain Airtight Cast-Iron Stoves, USITC Pub. 1126 (Jan. 1981).

b. Public interest.

Even where the Commission finds the existence of an unfair act, it will not grant relief where such relief would adversely affect the public interest. ^{40/} Among the factors to be considered in assessing the public interest are "the domestic industry's ability to supply the market in the absence of imports, the availability of substitute products, previous anticompetitive behavior of the patent holders, and the industry's likely pricing behavior in the absence of imports." Certain Surveying Devices, Inv. No. 337-TA-68, pp. 36-37 (1980). In examining the effect the remedial orders would have on the public health and welfare, the Commission investigative attorney carefully considered the possible impact of this case on a major U.S. industry, aircraft. We have examined the question of national defense and are satisfied that the domestic industry's ability to supply all demands for these inserts is sufficient.

Finally, these inserts, although the most practicable method for inserting panels, are not the kind of item which could affect the public health and welfare since aircraft could be built without their use.

c. Bonding.

During the Presidential review period, the infringing inserts must be allowed to enter the United States under a bond prescribed by the Commission. The bond should be set at "the amount which would offset any competitive

^{40/} See Certain Inclined Field Acceleration Tubes and Components Thereof, Inv. No. 337-TA-67, USITC Pub. 1119 (1980); Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, USITC Pub. 1022.

advantage resulting from the unfair act enjoyed by persons benefitting from the importation of the article." S. Rept. No. 93-1298, 93rd Cong. 2d Sess. 198 (1974).

The complainant and the Commission investigative attorney have argued, and we agree, that articles subject to the remedial orders discussed above should be entitled to entry under a bond set at 173 percent of the entered value of the articles. This figure was reached by comparing the 1981 average cost to complainant to manufacture its SL 607 series inserts to the 1981 average cost to TYE for equivalent inserts.

