

In the Matter of

CERTAIN CAULKING GUNS

Investigation No. 337-TA-139



USITC PUBLICATION 1507

MARCH 1984

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

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

**FOR FURTHER INFORMATION CONTACT: William E. Perry, Esq., Office of the
General Counsel, U.S. International Trade Commission, telephone 202-523-0499.**

By order of the Commission.

A handwritten signature in black ink, appearing to read 'K. E. Mason', written over a horizontal line.

**Kenneth E. Mason
Secretary**

Issued: February 23, 1984

designation of source and origin. The administrative law judge also found that the tendency of these unfair acts was to prevent the establishment of an efficiently and economically operated industry in the United States.

On December 27, 1983, the Commission determined not to review the initial determination, thereby adopting the initial determination as the Commission's determination on violation of section 337. The Commission subsequently issued a notice soliciting comments by the parties, Government agencies, and the public on the issues of remedy, public interest, and bonding. 49 F.R. 670 (Jan. 5, 1984).

Complainant and the Commission investigative attorney filed written submissions concerning remedy, the public interest, and bonding. No submissions were received from respondents or from any nonparties.

Action

Having determined that the issues of remedy, public interest, and bonding are properly before the Commission and having reviewed the written submissions filed on remedy, public interest, and bonding and those portions of the record relating to those issues, the Commission on February 14, 1984, determined to issue a general exclusion order prohibiting entry into the United States, except under license, of caulking guns that infringe one or more claims of U.S. Letters Patent 4,081,112. Complainant shall submit yearly reports to the Commission regarding his production and importation of the patented caulking guns. The Commission also determined that the public interest factors enumerated in section 337(d) (19 U.S.C. § 1337(d)) do not preclude issuance of a general exclusion order and that the bond during the Presidential review period should be in the amount of 100 percent of the entered value of the imported caulking guns.

Order

Accordingly it is hereby ORDERED that--

1. Caulking guns which infringe one or more claims of U.S. Letters Patent 4,081,112 ('112 patent) are excluded from entry into the United States, except under license of the patent owner, for the remaining term of the patent;
2. The articles ordered to be excluded from entry into the United States shall be entitled to entry under bond in the amount of 100 percent of the entered value of the subject articles from the day after this order is received by the President pursuant to subsection (g) of section 337 of the Tariff Act of 1930, until such time as the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after the date of receipt of this action.
3. Complainant Peter J. Chang shall file a written statement with the Commission, made under oath, on June 30, 1984, and on June 30 of each year thereafter until and including June 30, 1988, setting forth the following information:
 - a. The number of units and size (e.g., one-tenth gallon, quart) of caulking guns produced pursuant to the '112 patent by or on behalf of complainant in the United States during the 12-month period preceding the date of the report;
 - b. The name and address of the facility(ies) at which the production referred to in item (1) above occurred and the nature or type of the production activities performed at that facility (e.g., manufacture, assembly, painting, quality control);
 - c. The number of units and size of caulking guns produced pursuant to the '112 patent imported, assembled or unassembled, into the United States by or on behalf of complainant during the 12-month period preceding the date of the report;
 - d. A description of the nature or type of production activities performed at facilities outside of the United States with respect to caulking guns referred to in item (c) above; and
 - e. A description of those components, if any, of caulking guns produced pursuant to the '112 patent that were imported into the United States by or on behalf of complainant during the 12-month period preceding the date of the report.

4. Notice of this Action and Order shall be published in the Federal Register;
5. A copy of this Action and Order and of the Commission opinion in support thereof shall be served upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of Treasury; and
6. The Commission may amend this Order in accordance with the procedure described in 19 C.F.R. § 211.57.

By order of the Commission.



Kenneth E. Mason
Secretary

Issued: February 23, 1984

COMMISSION OPINION

The Commission has determined not to review the administrative law judge's initial determination on violation pursuant to Commission rule 210.53(h) and the notice published in the Federal Register on January 5, 1984, (49 Fed. Reg. 670). The only issues remaining to be resolved in this investigation are remedy, public interest, and bonding.

Remedy

General exclusion order

We determine that the appropriate remedy in this investigation is a general exclusion order. The facts of this investigation satisfy the criteria set forth in Certain Airless Paint Spray Pumps and Components Thereof^{1/} for the issuance of a general exclusion order. In Spray Pumps, the Commission noted that it had an obligation to balance complainant's interest in complete protection from unfair trade with the inherent potential of a general exclusion order to disrupt fair trade.^{2/ 3/} Since Spray Pumps the Commission has required that a complainant seeking a general exclusion order must prove both a widespread pattern of unauthorized use of its patented invention and/or certain business conditions from which the Commission might reasonably infer that foreign manufacturers other than the respondents to the

^{1/} Inv. No. 337-TA-90, USITC Pub. 1199, Nov. 1981; 216 USPQ 465.

^{2/} Id. at 18.

^{3/} It should be noted that in Spray Pumps the Commission did not issue a general exclusion order because the facts of the case did not satisfy the criteria set forth.

investigation may attempt to enter the U.S. market with infringing articles. ^{4/}

With respect to a widespread pattern of unauthorized use of the patented invention, complainant has established that numerous respondents and other foreign companies that were not named in the complaint have exported or were on the verge of exporting infringing caulking guns to the United States. Complainant also has provided information indicating an established demand for the product, the existence of significant marketing and distribution networks in the United States, substantial excess foreign capacity, and that only a short period is required by foreign manufacturers to attain production capability by retooling or establishing a new plant. Thus, complainant has established the existence of business conditions from which the Commission can readily infer that foreign manufacturers other than respondents can easily commence production and enter the U.S. market with infringing articles. ^{5/} Further, a general exclusion order should not disrupt fair trade. The U.S. Customs Service should have no difficulty in correctly identifying the infringing articles because of two features: (1) a trigger pivoted above the plunger rod, and (2) a first spring in the space between the forward wall and the first gripping plate above the plunger rod. Therefore, we determine that a general exclusion order is the most appropriate remedy in this investigation.

In this investigation the Commission has determined that the infringing imports are preventing the establishment of a domestic industry. In order to protect the integrity of section 337 and ensure that the order protects "an

^{4/} Spray Pumps at p. 18.

^{5/} Complainant's brief on remedy, bonding and the public interest at 3-7.

industry . . . in the United States" and not an importer, we are requiring an annual reporting requirement. This reporting requirement will ensure that the Commission will be informed on a regular basis as to whether complainant has in fact established and continues to maintain a domestic industry.

Under the reporting requirement, the complainant's first report will be due on June 30, 1984, and yearly thereafter for four years. Each report will provide information on the number of patented caulking guns domestically produced and/or imported during the reporting period. The report will also name and describe the activities of the domestic facilities and foreign facilities that produce the patented caulking guns.

The Commission believes that any burdens to complainant that exist are outweighed by the Commission's legitimate concern that it not issue an exclusion order that benefits only an importer.

The Public Interest

The Commission may issue an exclusion order only after considering the effect of such exclusion order upon the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers. We conclude that an exclusion order will not have an adverse effect on the aforementioned public-interest factors. There are numerous caulking guns, domestically produced and imported, that do not infringe complainant's patent and will not be affected by the issuance of a general exclusion order.

Bonding

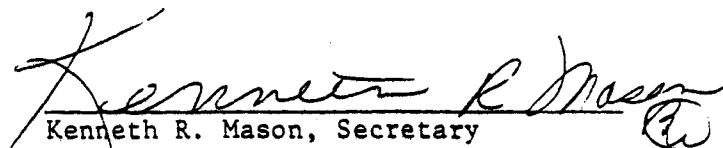
During the Presidential review period, the infringing articles must be allowed to enter the United States under a bond prescribed by the Commission.

The bond should be set at "the amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefitting from the importation of the article." ^{6/} A bond of 100 percent of the entered value will offset the competitive advantage currently enjoyed by respondents. This figure is based on the difference between the average wholesale price of complainant's caulking guns and the prices of the lower priced infringing imports.

^{6/} S.Rep. No. 1298, 93rd Cong., 2d Sess. 198 (1974).

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Notice of Issuance of Exclusion Order was served upon Lynn Levine, Esq. and upon the following parties via first class mail and/or air mail where necessary on February 24, 1984.


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

For COMPLAINANT Peter J. Chang:

Donald R. Dinan, Esq.
Adduci, Dinan and Mastriani
1140 Connecticut Avenue, N.W.
Suite 250
Washington, D.C. 20036

RESPONDENTS:

For AZCO, Inc.:

Michael M. Hachigian, Esq.
Second Floor
4250 Wilshire Boulevard
Los Angeles, California 90010

Buseong Industrial Co., Ltd.
247-7 Sanok-Dong
Buk-Ku
Incheon, Korea

C & B Brothers, Co., Ltd.
P.O. Box 84-363
Taipei, Taiwan

....(Cont'd.)

Service List -- page 2

Chil Dung Ind., Co.
50-2, Seosomun-Dong Chung-Ku
Seoul, Korea

Donald Gray
4500 Cedros Avenue
P.O. Box 5216
Sherman Oaks, California 91413

D&W Industrial Co., Ltd.
P.O. Box 27-93
Taichung, Taiwan

Fuerza International Co., Ltd.
141-1 Hoping Road
Luchou Hsiang
Taipei-Hsien, Taiwan

Gray Marketing Group, Ltd.
4500 Cedros Avenue
P.O. Box 5216
Sherman Oaks, California 91413

Kukje Corp.
CPO Box 747
Seoul, Korea

Taiwan Seven Rings Ind., Co., Ltd.
P. O. Box 30-422
Taipei, Taiwan

The Mega Group, Inc.
6001 Northwest 153rd Street
Miami Lakes, FL 33014

FOR LOWE'S COMPANY, INC.:

Myron Amer, Esq.
BAUER AND AMER, P.C.
114 Old Country Road
Mineola, NY 11501

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Thumb Enterprise, Co., Ltd.
6th Floor, Taishin Bldg.
No. 30, Sec. 2, Chi-Nan Road
Taipei, Taiwan

Viva International Corp.
11 - 4th floor
NCR Bldg., P.O. Box 13-361
955 Tun Hwa Road
Taipei, Taiwan

Winmax, Inc.
P.O. Box 53-422
Taipei, Taiwan

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Washington, D.C. 20201

Richard Abbey, Esq.
Chief Counsel
U.S. Customs Service
1301 Constitution Ave., N.W.
Washington, D.C. 20229

CHAIRMAN



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

FEB 24 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On February 14, 1984, the U.S. International Trade Commission determined pursuant to section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) that the appropriate relief in investigation No. 337-TA-139, Certain Caulking Guns, is a general exclusion order prohibiting entry into the United States of infringing caulking guns. The Commission further determined that public-interest factors do not preclude issuance of the aforementioned relief in this case. The articles directed to be excluded are entitled to entry under a bond of 100 percent of the entered value of the articles concerned during the Presidential review period.

Pursuant to subsection (g) of section 337, this letter transmits to you copies of the Commission's Action and Order, the Opinion of the Commission, and the record upon which our determinations and findings are based.

Sincerely,

A handwritten signature in cursive script that reads "Al Eckes".

Alfred Eckes
Chairman

Enclosures

CHAIRMAN



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

Honorable Donald T. Regan
Secretary of the Treasury
Washington, D.C. 20220

FEB 24 1984

Dear Mr. Secretary:

On February 14, 1984, the U.S. International Trade Commission, determined pursuant to section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) that the appropriate relief in investigation No. 337-TA-139, Certain Caulking Guns, is a general exclusion order prohibiting entry into the United States of infringing caulking guns. The Commission further determined that public-interest factors do not preclude the issuance of the aforementioned relief in this case. The articles directed to be excluded are entitled to entry under a bond of 100 percent of the entered value of the articles concerned during the Presidential review period.

In accordance with subsection (g) of section 337, the Commission's Action and Order, the Opinion of the Commission, and the administrative record were transmitted to the President on February , 1984.

Sincerely,

A handwritten signature in black ink that reads "Al Eckes". The signature is written in a cursive, slightly slanted style.

Alfred Eckes
Chairman

Enclosures

This is an initial determination issued by a Commission administrative law judge (presiding officer) that was not reviewed by the Commission. The initial determination has, therefore, become the Commission determination in this investigation on the issue of violation of section 337. See section 210.53(h) of the Commission's Rules of Practice and Procedure, 47 Fed. Reg. 25134, June 10, 1982 and 48 Fed. Reg. 20225, May 5, 1983; to be codified at 19 C.F.R. § 210.53(h).

Agency Form Submitted for OMB Review

AGENCY: International Trade Commission.

ACTION: In accordance with the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. Chapter 35), the Commission has submitted a proposal for the collection of information to the Office of Management and Budget for review.

Purpose of information collection: The proposed information collection is for use by the Commission in connection with investigation No. 332-172, Changes in the U.S. Telecommunications Industry and the Impact of U.S. Telecommunications Trade, instituted under the authority of section 332(g) of the Tariff Act of 1930 (19 U.S.C. 332(g)).

Summary of proposals: (1) Number of forms submitted: Four

(2) Title of form: Changes in the U.S. Telecommunications Industry and the Impact on U.S. Telecommunications Trade—Questionnaires for U.S. Producers, Purchasers, Prospective Purchasers, and Importers

(3) Type of request: New

(4) Frequency of use: Nonrecurring

(5) Description of respondents: Firms manufacturing, firms purchasing, firms which may purchase, and importers of telecommunications equipment

(6) Estimated number of respondents: 200

(7) Estimated total number of hours to complete the forms: 5,000

(8) Information obtained from the form that qualifies as confidential business information will be so treated by the Commission and not disclosed in a manner that would reveal the individual operations of a firm.

Additional information or comment: Copies of the proposed forms and supporting documents may be obtained from Charles Ervin, the USITC agency clearance officer (tel. no. 202-523-4463). Comments about the proposals should be directed to the Office of Information and Regulatory Affairs of OMB, Attention: Francine Picoult, Desk Officer for U.S. International Trade Commission. If you anticipate commenting on a form but find that time to prepare comments will prevent you from submitting them promptly you should advise OMB of your intent as soon as possible. Copies of any comments should be provided to Charles Ervin (United States International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436).

By order of the Commission.

Issued: December 29, 1983.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-256 Filed 1-4-84; 2:45 am]
BILLING CODE 7020-02-M

[Investigations Nos. 701-TA-205 through 207 (Preliminary) and 731-TA-153 and 154 (Preliminary)]

Import Investigations; Certain Carbon Steel Products From Brazil

Determinations

On the basis of the record¹ developed in the subject investigation, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured² by reason of imports from Brazil of the following products which are alleged to be subsidized by the Government of Brazil: certain carbon steel products in coils (investigation No. 701-TA-205 (Preliminary)),³ hot-rolled carbon steel sheet (investigation No. 701-TA-206 (Preliminary)),⁴ and cold-rolled carbon steel sheet (investigation No. 701-TA-207 (Preliminary)).⁵

The Commission also determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured² by reason of imports from Brazil of the following products which allegedly are being, or are likely to be, sold in the United States at less than fair value: hot-rolled carbon steel sheet (investigation No. 731-TA-153 (Preliminary)),⁴ and cold-rolled carbon steel sheet (investigation No. 731-TA-154 (Preliminary)).⁵

Background

On November 10, 1983, petitions were filed with the Commission and the Department of Commerce by the United States Steel Corp. alleging that imports of certain carbon steel products from

¹ The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

² Commissioner Stern determines that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of such merchandise from Brazil.

³ For purposes of this investigation, carbon steel products in coils are those provided for in item 607.6610 of the Tariff Schedules of the United States Annotated (TSUSA).

⁴ For purposes of this investigation, hot-rolled carbon steel sheet are those products provided for in items 607.6710, 607.6720, 607.6730, 607.6740, 607.6820, or 607.6842 of the TSUSA.

⁵ For purposes of this investigation, cold-rolled carbon steel sheet are those products provided for in items 607.8320, 607.8350, 607.8355, or 607.8360 of the TSUSA.

Brazil are being subsidized by the Brazilian Government and/or sold in the United States at less than fair value. Accordingly, effective November 10, 1983, the Commission instituted preliminary countervailing duty and antidumping investigations under sections 701(a) and 733(a), respectively, of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice of the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of November 22, 1983 (48 FR 52782). The conference was held in Washington, D.C., on December 7, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its report on these investigations to the Secretary of Commerce on December 27, 1983. A public version of the Commission's report, Certain Carbon Steel Products from Brazil (investigations Nos. 701-TA-205 through 207 (Preliminary) and 731-TA-153 and 154 (Preliminary)), USITC Publication 1470, December 1983) contains the views of the Commission and information developed during the investigations.

By Order of the Commission.

Issued: December 27, 1983.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-257 Filed 1-4-84; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. 337-TA-139]

Certain Caulking Guns; Commission Decision Not To Review Initial Determination; Deadline for Filing Written Submissions on Remedy, the Public Interest, and Bonding

AGENCY: U.S. International Trade Commission.

ACTION: Notice is hereby given that the Commission has determined not to review the presiding officer's initial determination that there is a violation of section 337 in the above-captioned investigation. The parties to the investigation and interested Government agencies are requested to

file written submissions on the issues of remedy, the public interest, and bonding.

Authority: The authority for the Commission's disposition of this matter is contained in section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) and in §§ 210.53-210.56 of the Commission's Rules of Practice and Procedure (47 FR 25134 (June 10, 1982) as amended by 48 FR 20225 (May 5, 1983) and 48 FR 21115 (May 11, 1983); to be codified at 19 CFR 210-53-210.56).

SUPPLEMENTARY INFORMATION: On November 25, 1983, the presiding officer issued an initial determination that there is a violation of section 337 in the unauthorized importation and sale of certain caulking guns. Pursuant to § 210.54(a) of the Commission's Rules of Practice and Procedure, the Commission investigative attorney filed a petition for review of the ALJ's determination that complainant's patent (U.S. Letters Patent 4,081,112) is not invalid as obvious in light of prior art. Having examined the record in this investigation, including the initial determination of the presiding officer, the petition for review, and the response thereto, the Commission on December 27, 1983, determined not to review the initial determination. Consequently, the initial determination has become the Commission determination on violation of section 337 in this investigation.

Written Submissions

Inasmuch as the Commission has found that a violation of section 337 has occurred, it may issue (1) an order which could result in the exclusion of the subject articles from entry into the United States and/or (2) cease and desist orders which could result in one or more respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions which address the form of relief, if any, which should be ordered.

If the Commission contemplates some form of relief, it must consider the effect of that relief upon the public interest. The factors which the Commission will consider include the effect that an exclusion order and/or a cease and desist order would have upon (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) the U.S. production of articles which are like or directly competitive with those which are the subject of the investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions concerning the effect, if

any, that granting relief would have on the public interest.

If the Commission orders some form of relief, the President has 60 days to approve or disapprove the Commission's action. During this period, the subject articles would be entitled to enter the United States under a bond in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving written submissions concerning the amount of the bond, if any, which should be imposed.

The parties to the investigation and interested Government agencies are requested to file written submissions on the issues of remedy, the public interest, and bonding. The complainant and the Commission investigative attorney are also requested to submit a proposed exclusion order and/or a proposed cease and desist order for the Commission's consideration. Persons other than the parties and Government agencies may file written submissions addressing the issues of remedy, the public interest, and bonding. Written submissions on remedy, the public interest, and bonding must be filed not later than the close of business on the day which is twenty-one (21) days after publication of this notice in the Federal Register.

Commission Hearing

The Commission does not plan to hold a public hearing in connection with final disposition of this investigation.

Additional Information

Persons submitting written submissions must file the original document and 14 true copies thereof with the Office of the Secretary on or before the deadline stated above. Any person desiring to submit a document (or a portion thereof) to the Commission in confidence must request confidential treatment unless the information has already been granted such treatment by the presiding officer. All such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. Documents containing confidential information approved by the Commission for confidential treatment will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Secretary's Office.

Notice of this investigation was published in the Federal Register of February 24, 1983 (48 FR 7821-22).

Copies of the presiding officer's initial determination of November 25, 1983, and

all other nonconfidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436, telephone 202-523-0161.

FOR FURTHER INFORMATION CONTACT: William E. Perry, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone 202-523-0499.

By order of the Commission.

Issued: December 28, 1983.

Kenneth R. Mason,

Secretary.

(FR Doc. 84-254 Filed 1-4-84; 8:45 am)

BILLING CODE 7020-02-M

DEPARTMENT OF JUSTICE

Antitrust Division

Proposed Termination of Final Judgment; Arthur Murray Inc., et al.

Notice is hereby given that Arthur Murray International, Inc. ("AMI") and Educational Credit Business, Inc. ("ECB") have asked the United States District Court for the Western District of Missouri to terminate the Final Judgment in *United States v. Arthur Murray et al.*, Civil Action No. 12146. The United States has tentatively consented to termination. The Complaint in this case, filed on November 21, 1958, alleged that AMI had required its dance studio licensees to finance dance student loan contracts only through the defendant financial institutions in violation of Section 1 of the Sherman Act. The judgment, entered the same day the Complaint was filed, among other things: (1) Required AMI (and certain individuals, who agreed to be bound by the terms of the judgment) to divest any interest held in the defendant financial institutions; (2) enjoined AMI and the consenting individuals from continuing, beyond certain stated periods, any outstanding loans to the defendant financial institutions; and (3) cancelled the clauses in the licensees' contracts that restricted their freedom to choose financial institutions, and prohibited AMI from so restricting its licensees in the future. The United States has filed a memorandum with the Court setting forth why it believes termination of the judgment to be in the public interest. Copies of the Complaint, the Final Judgment, AMI's and ECB's motion papers, the stipulation containing the Government's consent, the Uni

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Appendix: Hearing Exhibit Lists

PROCEDURAL HISTORY

Peter J. Chang, 9645 Gerwig Lane, P. O. Box 8, Columbia, Maryland 21046, filed a complaint and its amendment with the United States International Trade Commission on January 26, 1983, and February 9, 1983, respectively, pursuant to section 337, alleging unfair methods of competition and unfair acts in the importation of certain caulking guns into the United States, or in their sale, by reason of alleged (1) direct infringement of claims 1-5 of U.S. Letters Patent No. 4,081,112; (2) passing off; (3) false advertising; and (4) misrepresentation of source and origin, including failure to mark country of origin. The complaint further alleged that the effect or tendency of the unfair methods of competition and unfair acts is to prevent the establishment of an efficiently and economically operated domestic industry in the United States.

The complaint requested that after a temporary relief hearing on the non-patent allegations, the Commission issue both a temporary exclusion order and a temporary cease and desist order, and after a full investigation on all allegations that the Commission issue a permanent exclusion order and a permanent cease and desist order.

The Commission, on February 17, 1983, ordered that pursuant to subsection (b) of §337, an investigation be instituted to determine whether there is a violation of subsection (a) of §337 in the unlawful importation of certain caulking guns into the United States, or in their sale, by reason of alleged (1) direct infringement of the claims of U.S. Letters Patent No. 4,081,112; (2) passing off; (3) false advertising; and

(4) violation of section 43(a) of the Lanham Act (15 U.S.C. §1125) by reason of false designation of origin and source, the effect or tendency of which is to prevent the establishment of an efficiently and economically operated industry in the United States. The Commission further ordered that an investigation be made as to whether there is reason to believe that there is a violation of subsection (a) of section 337 with regard to the non-patent allegations described herein. The Notice of Investigation was issued on February 17, 1983, and was published in the Federal Register on February 24, 1983. (48 Fed. Reg. 7821-22).

The following parties were named as respondents in the Notice of Investigation:

ARTCO Distributors, Inc.
111 W. Robinson Street
Orlando, Florida 32802

AZCO, Inc.
2530 South Broadway
Los Angeles, California 90007

Buseong Industrial Co., Ltd.
247-7 Sanok-Dong
Buk-Ku
Incheon, Korea

C&B Brothers Co., Ltd.
P.O. Box 84-363
Taipei, Taiwan

Chil Sung Ind. Co.
14-7 Dong Ja Dong
CPO Box 2772
Yongsanku, Seoul, Korea

DMZ Offshore Services
7600 N.W. 69th Street
Miami, Florida 33166

Donald Gray
4500 Cedros Avenue
P.O. Box 5216
Sherman Oaks, California 91413

D&W Industrial Co., Ltd.
P.O. Box 27-93
Taichung, Taiwan

Fuerza International Co., Ltd.
141-1 Hoping Road
Luchou Hsiang
Taipei-Hsien, Taiwan

Gray Marketing Group, Ltd.
4500 Cedros Avenue
P.O. Box 5216
Sherman Oaks, California 91413

Great American Marketing
17537 Devonshire Street
North Ridge, California 91325

Handy Dan
7909 Fredericksburg Rd.
San Antonio, Texas 78229

Handy Dan Home Improvement Center, Inc.
6915 E. Slauson Avenue
Los Angeles, California 90040

Kukje Corp.
CPO Box 747
Seoul, Korea

Lowe's Company, Inc.
P. O. Box 111
North Wilsboro, North Carolina 28656

Macklanburg-Duncan Company
4041 N. Santa Fe
P. O. Box 25188
Oklahoma City, Oklahoma 73125

The Mega Group, Inc.
6001 Northwest 153rd Street
Miami Lakes, Florida 33014

SAV-ON-DRUGS, Inc.
1500 S. Anaheim Boulevard
P. O. Box 17
Anaheim, California 92805

Taiwan Seven Rings Ind. Co., Ltd.
P.O. Box 30-422
Taipei, Taiwan

Thumb Enterprise Co., Ltd.
6th Floor, Taishin Bldg.
No. 30, Sec. 2, Chi-Nan Road
Taipei, Taiwan

Viva International Corp.
11 - 4th Floor
NCR Bldg., P.O. Box 13-361
955 Tun Hwa Road
Taipei, Taiwan

Winmax, Inc.
P.O. Box 53-422
Taipei, Taiwan

By notice of April 11, 1983, filed with the Commission Secretary, complainant withdrew its request for a temporary exclusion order.

At the request of complainant, the presiding officer granted a motion to consolidate respondents Handy Dan, San Antonio, Texas and Handy Dan Home Improvement Center, Inc., Los Angeles, California, into one respondent, Handy Dan Home Improvement Centers, Inc., Dover, Delaware. (See Order No. 7, issued April 27, 1983; Notice of Commission Decision Not to Renew Initial Determination, issued May 24, 1983).

Pursuant to the presiding officer's initial determination, the Commission has terminated this investigation with respect to the following respondents: (1) Great American Marketing, Inc. (Order No. 13, issued June 8, 1983; Notice of Commission Decision Not To Review Initial Determination, issued July 8, 1983); (2) SAV-ON-DRUGS, Inc. (Order No. 17, issued June 22, 1983; Notice of Commission Not To Review Initial Determination, issued July 15, 1983); (3) DMZ Offshore Services (Order

No. 22, issued July 7, 1983; Notice of Commission Decision Not to Review Initial Determination, issued August 2, 1983); (4) Art-Co Distributors, Inc. (Order No. 25, issued July 18, 1983; Notice of Commission Decision Not To Review Initial Determination, issued August 12, 1983); (5) The Mega Group, Inc. (Order No. 26, issued July 18, 1983; Notice of Commission Decision Not To Review Initial Determination, issued August 12, 1983); (6) Handy Dan Home Improvement Centers, Inc. (Order No. 29, issued July 26, 1983; Notice of Commission Decision Not To Review Initial Determination, issued August 24, 1983); and (7) Macklanburg-Duncan Co. (Order No. 30, issued August 4, 1983; Notice of Commission Decision Not to Review Initial Determination, issued September 2, 1983). Consequently, the following respondents remain in this investigation: Azco, Buseong, C&B Bros., Chil Sung, D&W, Donald Gray, Gray Marketing Group, Fuerza, Kukje, Lowe's, Taiwan Seven Rings, Thumb Enterprises, Viva, and Winmax.

In accordance with 19 C.F.R. §210.36(b), the presiding officer imposed certain evidentiary sanctions against respondents Lowe's Company, Inc., DMZ Offshore Services, The Mega Group, Inc., Azco, Inc., D&W Industrial Co., Ltd., C&B Brothers Co., Ltd., and Viva International Corp. (See Order No. 9, issued June 3, 1983; Order No. 18, issued June 29, 1983; Order No. 19, issued June 29, 1983; and Order No. 20, issued June 29, 1983). At the request of complainant, the presiding officer withdrew those sanctions issued against The Mega Group, Inc. in light of the subsequent settlement agreement reached between complainant and this respondent. (Order No. 27, issued July 18, 1983).

On June 24, 1983, complainant moved, pursuant to 19 C.F.R. §210.21(d), for default orders against respondents D&W Industrial Co., Ltd., C&B Brothers Co., Ltd., and Viva International Corp. (Motion Docket No. 139-16) and respondents

Kukje Corp. and Chil Sung Ind. Co. (Motion Docket No. 139-17). At the prehearing conference in this investigation on July 12, 1983, the presiding officer granted in part, denied in part, and held in abeyance a ruling in part, with respect to Motions 139-16 and 139-17. (See Prehrg. Conf., July 12, 1983, Tr. 18-44, 158). Subsequent to close of the record in this matter, the presiding officer ordered the subject respondents to show cause by a date certain why they should not be found to be in default pursuant to 19 C.F.R. §210.21(d). (See Orders No. 32 and 33, issued August 17, 1983). The remaining portions of Motions 139-16 and 139-17 are disposed herein. (See pp. 9-11, infra).

A prehearing conference was held on July 12 and 13, 1983, and the final hearing commenced on July 13, 1983, before the presiding officer to determine whether there is a violation of §337 as alleged in the complaint and Notice of Investigation. Appearances were made by counsel for complainant and the Commission investigative attorney. The hearing concluded on July 19, 1983.

On July 20, 1983, the Commission investigative attorney moved for leave to take a telephonic deposition in Germany of a resident of the Federal Republic of Germany. (Motion Docket No. 139-27). Complainant, on July 20, 1983, moved for a protective order barring the Commission investigative attorney from further discovery into certain matters allegedly concerning the validity of the suit patent. (Motion Docket No. 139-26). The presiding officer denied Motion 139-26, granted Motion 139-27, and set forth certain limitations with respect to the conduct of the subject deposition. (Order No. 28, issued July 26, 1983). At a preliminary conference before the presiding officer following the telephonic deposition,

the presiding officer granted the staff's oral motion to reopen the record in this proceeding, pursuant to 19 C.F.R. §210.53(g), and ordered the parties to appear for a limited hearing commencing August 5, 1983. (Prel. Conf., Aug. 5, 1983, Tr. 23-27).

A prehearing conference was held on August 5, 1983, and the hearing followed immediately thereafter on that same day before the presiding officer for the reception of staff's direct case and complainant's rebuttal case on the limited issue of patent validity. Appearances were made by counsel for complainant and the Commission investigative attorney. The hearing concluded on August 5, 1983.

On September 2, 1983, the presiding officer ordered certain corrections to the hearing transcript which corrections were made by the official report by furnishing typed pages, under the usual certificate of the reporter, for insertion in the transcript. (See Order No. 31, issued August 17, 1983; Letter of October 13, 1983 from Donald K. Duvall, Chief Administrative Law Judge to Acme Reporting Co.).

On September 23, 1983, the complainant moved, in accordance with 19 C.F.R. §210.53(g), to reopen the proceedings to receive additional evidence on the limited issue of whether the complainant has established a domestic industry. (Motion Docket No. 139-28). The presiding officer granted such motion in Order No. 34, issued October 12, 1983, and ordered the parties to appear for a limited hearing on October 25, 1983. Appearances at the October 25, 1983 hearing were made by counsel for complainant and the Commission investigative attorney. The hearing concluded the same day.

The issues have been briefed and proposed findings of fact submitted by the participating parties. The matter is now ready for decision.

This initial determination is based upon the entire record of this proceeding including the evidentiary record compiled at the final hearing, the exhibits admitted into the record at the final hearing, and the proposed findings of fact and conclusions of law and supporting memoranda filed by the parties. I have also taken into account my observation of the witnesses who appeared before me and their demeanor. Proposed findings not herein adopted, either in the form submitted or in substance, are rejected either as not supported by the evidence or as involving immaterial matters.

The findings of fact include references to supporting evidentiary items in the record. Such references are intended to serve as guides to the testimony and exhibits supporting the findings of fact. They do not necessarily represent complete summaries of the evidence supporting each finding.

DEFAULT

The record in this investigation indicates that a copy of the complaint and notice of investigation in this matter was sent by registered mail from the Commission Secretary's Office on February 22, 1983, to respondents D&W Industrial Co., Ltd. (D&W), C&B Brothers Co., (C&B), Viva International Corp. (Viva), Kukje Corp. (Kukje), and Chil Sung Ind. Co. (Chil Sung), but no return receipts from these parties have been received by the Commission. (SX 28). Moreover, record evidence reflects that Chil Sung was re-served with the complaint and notice of investigation on April 8, 1983, and that the "package" sent by the Commission was returned to the Secretary's Office on May 11, 1983. (SX 28).

The subject respondents have failed to file responses to the complaint and the notice of investigation with the Commission Secretary and have further failed to respond to discovery requests propounded by complainant and the Commission investigative attorney, in some instances, in violation of an order by the presiding officer. (See Orders No. 32, 33, issued August 17, 1983). Finally, these respondents did not appear at the final hearing before the presiding officer.

In response to default motions filed by complainant pursuant to 19 C.F.R. §210.21(d) (Motions 139-16 and 139-17, filed June 24, 1983), the presiding officer issued show cause orders requiring response by September 14, 1983. (Orders No. 32 and 33, issued August 17, 1983). The subject respondents have not responded to these show cause orders.

The Commission Rules of Practice and Procedure provide for default in the following manner:

Failure of a respondent to file a response within the time provided for in paragraph (c) of this section may be deemed to constitute a waiver of its right to appear and contest the allegations of the complaint and of the notice of investigation, and to authorize the presiding officer, without further notice to that respondent, to find the facts to be as alleged in the complaint and notice of investigation and to enter an initial determination (or a determination if the Commission is the presiding officer) containing such findings.

19 C.F.R. §210.21(d). The seemingly summary nature of the default rule is belied by Commission practice which has required Complainant and/or the Commission investigative attorney to expend "reasonable efforts" to produce substantial, reliable, and probative evidence establishing a prima facie case of a §337 violation by respondents. See, e.g., Certain Electric Slow Cookers, Inv. No. 337-TA-42 (1979); Certain Window Shades and Components Thereof, Inv. No. 337-TA-83 (1981). Consequently, one may view the Commission's default rule, practically speaking, as an extension of the presiding officer's and the Commission's sanction powers, articulated in 19 C.F.R. §210.36, to the extent that complainant and/or the staff is not released from its burden of proof as against these parties. A finding of default does allow, however, for the creation of certain procedural disabilities for the defaulting party, thereby compensating in part for a party's non-participation, although complainants have experienced varying degrees of success in the face of a default ruling. See, e.g., Certain Methods for Extruding Plastic Tubing, Inv. No. 337-TA-110 (1982) (complainant obtained specific evidence of foreign capacity and intent through its own efforts); Certain Food Slicers and Components Thereof, Inv. No. 337-TA-76 (1981), p. 7, (evidence submitted by complainant "replete with gaps and inconsistencies").

The facts of the instant case indicate that a finding of default in accordance with Rule 210.21(d) may be entered against respondents D&W Industrial Co. Ltd., C&B Brothers Co., Ltd., Viva International Corp., and Kukje Corp. for their failure to: (1) file a response to the complaint and notice of investigation in this matter; (2) respond to discovery requests propounded by complainant and the Commission investigative attorney; (3) comply with certain orders of the presiding officer compelling discovery, resulting in sanctions except as to Kukje; (4) appear at the final hearing in this investigation; and (5) respond to show cause orders issued by the presiding officer.

Chil Sung Ind. Co. is not in default inasmuch as service was not perfected on this individual. The Commission's reviewing court has stated that only subject matter jurisdiction is required for the Commission to issue an exclusion order upon determining that a violation of §337 exists. Sealed Air Corp. v. U.S. International Trade Commission, 645 F.2d 976 (C.C.P.A. 1981). However, the Commission has neither personal nor subject matter jurisdiction over Chil Sung. (SX 28).^{2/} Consequently, Chil Sung is not a proper party to this investigation.

Motions 139-16 and 139-17 are granted to the extent described herein.

^{2/} For a discussion of this issue as it pertains to alleged importation and sale by the named respondents herein, see pp. 52-53, infra.

PRODUCT IN ISSUE

The product in issue is a smooth rod caulking gun, which is covered by the claims of U.S. Letters Patent No. 4,081,112 (the '112 patent).

Two general types of caulking guns are marketed in the United States: the ratchet gun and the smooth rod gun. The United States caulking gun market is divided almost equally between the ratchet gun and the smooth rod gun. (Finding of Fact 25).

Ratchet-type caulking guns have teeth, or ratchets, milled into the plunger rod. When the trigger of the gun is squeezed, the latching dog is engaged which, in turn, engages the teeth and moves the plunger rod forward, one ratchet at a time. The teeth and latching dog hold the rod in place until the trigger is squeezed again or the rod is released by turning the rod over and disengaging the teeth. (Finding of Fact 26).

Originally, ratchet guns were the only type of caulking guns available, and accordingly were utilized in both the professional and "do-it-yourself" markets. The ratchet gun is still sold in both markets, but usually is bought by the contractor, the professional user. (Finding of Fact 33).

Ratchet guns compete with smooth rod guns in the marketplace, but do not infringe upon the '112 patent. Consequently, ratchet guns are not subjects of this investigation.

The smooth rod gun does not utilize a ratchet mechanism, hence its name. Instead, when the trigger is squeezed, a gripping plate pushes

forward against a spring mechanism, which advances the plunger rod. When the trigger is released, the spring pushes the gripping plate and trigger back to the resting position. (Finding of Fact 27).

Two types of smooth rod caulking guns are sold in the United States. The original smooth rod gun, manufactured under the Schneider patent, has a trigger pivot point below the plunger rod. This type of gun commonly is referred to as the "E-type", "Econo-type", or "short handle" smooth rod caulking gun, and is marketed at a lesser price than the '112 patent-type gun. (Finding of Fact 30).

E-type smooth rod guns compete in the marketplace with the subject caulking guns, but do not infringe upon the '112 patent. Consequently, E-type guns are not subjects of this investigation.

Finally, the subject of this investigation is the smooth rod caulking gun manufactured in accordance with the '112 patent. This gun differs primarily from the E-type smooth rod gun in that one spring and its trigger pivot point are located above the plunger rod. (Finding of Fact 30).

Smooth rod guns are marketed in two sizes through hardware wholesalers, home centers, discount chains and building material suppliers, and ultimately reach both the professional and do-it-yourself markets. The one-tenth gallon size, which corresponds to complainant's Model 101 gun, generally is sold to the do-it-yourself market. The larger quart-size gun, which corresponds to Newborn's Model 105 gun, generally is sold to the professional user. (Finding of Fact 28).

OPINION

The subject of this investigation is a smooth rod caulking gun, which previously was manufactured in Korea by the complainant, Peter Chang, doing business as Newborn Brothers, in accordance with the claims of his U.S. Letters Patent No. 4,081,112 (the '112 patent). The Newborn Brothers patented caulking gun has been imported and sold in the United States since 1976. (Finding of Fact 135). Having closed his Korean facilities, the complainant now seeks to establish in the United States an industry for the manufacture of caulking guns in accordance with the '112 patent. Chang alleges that respondents import smooth rod caulking guns that infringe the '112 patent, which has the effect or tendency of frustrating complainant's efforts to establish a business in the United States. In addition, complainant alleges unfair acts of passing off, false advertising, and false designation of source and origin, including failure to mark properly the country of origin.

No respondents have participated in this investigation. See pp. 9-11, supra. The Commission investigative attorney alleges that the '112 patent is invalid as anticipated and obvious under 35 U.S.C. §§ 102(a) and 103, that respondents have not passed off their caulking guns as those of complainant, and that complainant has not established that respondents have falsely designated the origin of their caulking guns in violation of §43(a) of the Lanham Act.

Validity of the '112 Patent

The '112 patent issued to Peter J. Y. Chang, president of Newborn Brothers, on March 28, 1978, from an application filed on October 12, 1976. (CX 1). According to the patent, the invention provides "an improved caulking gun which is more effective in use, more durable and conducive to good maintenance, and more economical to fabricate and assemble than previous articles of the kind." (Id. at col. 1, l. 6-9).

The '112 patent is entitled to the presumption of validity afforded by 35 U.S.C. §282.^{3/} The Commission investigative attorney, having asserted invalidity, therefore has the burden of rebutting this presumption by proving by clear and convincing evidence the allegations that the suit patent is invalid under 35 U.S.C. §§ 102(a) and 103. The presumption of validity further is strengthened if, as complainant contends, the most pertinent prior art was cited and considered by the Patent and Trademark Office (PTO), Skil Corp. v. Cutler-Hammer, Inc., 162 U.S.P.Q. 132 (7th Cir. 1969), or is no more pertinent than the prior art cited by the patent examiner. Ingersoll-Rand Co. v. Brunner & Lay, Inc., 177 U.S.P.Q. 112 (5th Cir. 1973). Thus, one who assails the validity of a patent bears a heavy burden of persuasion and must fail unless the evidence has more than dubious preponderance. RCA v. Radio Engineering Lab, Inc., 293 U.S. 1 (1934); Corometrics Medical Systems, Inc. v. Berkeley Bio-Engineering, Inc., 193 U.S.P.Q. 467, 474 (N.D. Cal. 1977).

^{3/} 35 U.S.C. § 282 states in pertinent part:

A patent shall be presumed valid. The burden of establishing invalidity of the patent shall rest on the party asserting it.

Anticipation - 35 U.S.C. § 102^{4/}

Under 35 U.S.C. § 102(a), a patent may not be obtained if the subject matter of the invention was described in a printed publication before the invention thereof by the applicant for the patent. The Commission investigative attorney alleges only that instruction sheets published by the Lechler Chemie GmbH of West Germany and distributed with its caulking guns in 1974 (SX 29-A-C, hereinafter "the Lechler sheets") constitute a printed publication sufficient to anticipate and invalidate the suit patent.

Under 35 U.S.C. § 119, to determine novelty and obviousness, the complainant may use as the date of invention the date of a regularly filed application for a patent for the same invention in a foreign country, if the United States application is filed within twelve months from the filing of the foreign application. Accordingly, the operative date of invention of complainant's smooth rod caulking gun is July 29, 1976, the date complainant filed its Korean patent application. (Finding of Fact 34). The Commission staff argues that complainant may not use the July 29, 1976 filing date as its date of invention, based upon an inaccurate reading of Schmierer v. Newton, 397 F.2d 1010, 1014-15 (C.C.P.A. 1968). The staff interprets Schmierer as stating that "a patentee may not use activities

4/ 35 U.S.C. § 102 states in pertinent part:

A person shall be entitled to a patent unless--

- (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
- (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

outside the United States to prove a pre-filing date of invention." Brief of the Commission Investigative Attorney on the Issues of Violation of §337, p. 6. However, the Schmierer holding prohibited the appellant's reliance upon its foreign filing date because its United States filing date was more than one year after its foreign filing date. Id. Consequently, the Schmierer case is inapplicable to the current investigation, and does not prohibit the use of complainant's July 29, 1976 foreign filing date as the operative date of invention of the subject caulking gun. Moreover, the 1974 Lechler sheets clearly were distributed more than one year prior to either the July 29, 1976 Korean filing date or the October 12, 1976 United States filing date. The real issue is whether the Lechler sheets constitute a printed publication sufficient to anticipate the '112 patent.

To constitute a statutory bar to patentability under 35 U.S.C. §102, a document must meet two requirements. First, the document must be publicly available. 1 D. Chisum, Patents §304[2] (1982); Jockmus v. Leviton, 28 F.2d 812 (2d Cir. 1928); Canron, Inc. v. Plasser American Corp., 474 F. Supp. 1010, 1013 (E.D. Va. 1978), aff'd. 609 F.2d 1074 (4th Cir.), cert. denied 446 U.S. 965 (1979). The party seeking to characterize the document as a printed publication has the burden of proving dissemination, accessibility or availability to the public. Phillips Electronic Corp. v. Thermal & Electronic Ind., Inc., 311 F. Supp. 17, 38, 165 U.S.P.Q. 185, 199 (D.N.J. 1970), aff'd. 450 F.2d 1164, 171 U.S.P.Q. 641 (3rd Cir. 1971). Second, the document in question must adequately teach or describe all the elements of the patented device. 1 Chisum, supra at §304[1]; American Seating Co. v. National Seating Co., 586 F.2d 611, 618 (6th Cir. 1978), cert. denied, 441 U.S. 907 (1979).

With respect to the public availability test, the staff argues that at least 4,000 of the Lechler sheets were distributed with the Lechler caulking guns that were sold to the public in 1974 (SX 49A), and that dissemination of 4,000 sheets is sufficient to satisfy the public availability requirement. Jochmus v. Leviton, supra (even fifty printed catalogs sent to customers would be enough to constitute publication).

The complainant contends that the presiding officer should consider the number of copies made of the document, the availability of those documents to the relevant public, the dissemination of the document, and the intent of the distribution. See Canon v. Plasser, supra, and Phillips v. Thermal, supra.

The evidence of record persuades me that the Lechler sheets were made available and disseminated in sufficient numbers to the public so that the sheets constitute printed publications. First, the record contains deposition testimony of Johann Lutz, a Lechler employee since 1963, who was responsible for the printing and updating of technical information sheets for each of Lechler's products, including caulking guns. (Finding of Fact 61). Mr. Lutz testified that he personally checked certain caulking gun packages and determined that the 1974 instruction sheets were included in the packaging. Id. Approximately 6,500 sheets were distributed with caulking guns sold by Lechler to the public in 1974. (Finding of Fact 62). The complainant has presented only conjecture, not evidence, that the Lechler sheets were not distributed to the public in accordance with Mr. Lutz's testimony.

Secondly, the Lechler sheets are not private communications as alleged by complainant. Although some of the Lechler sheets were distributed to Lechler's sales office for promotional use, the evidence shows that several thousand copies were distributed directly to the public when caulking guns were purchased, and that the sheets were available upon request. (Finding of Fact 62).

In addition, the public accessibility test does not require that a document be catalogued to be sufficiently accessible to those persons interested in the art. "A printed document may qualify as a 'publication' under 35 U.S.C. §102(b), notwithstanding that accessibility thereto is restricted to a 'part of the public,' so long as accessibility is sufficient 'to raise a presumption that the public concerned with the art would know of the invention.'" In re Bayer, 196 U.S.P.Q. 670, 674 (C.C.P.A. 1978), (citations omitted). As long as those persons "in the class of people to whom [the document] is directed" could have a copy "merely for the asking," the document is deemed to be publicly available. Ex parte Kroenert, 144 U.S.P.Q. 133, 135 (P.O. Bd. App. 1960).

I find that the Lechler sheets, directed to persons interested in the use of caulking guns, were distributed in sufficient numbers to the public, and were available to anyone who bought, or requested information on, a Lechler caulking gun. Consequently, the record establishes that the Lechler sheets are printed publications within the meaning of 35 U.S.C. §102.

One must next determine whether the prior publication teaches all the material elements of the patent it allegedly anticipates. The publication must meet a difficult standard:

To anticipate a patent, '[a] prior art reference must teach the very invention of the patent', ... or disclose 'a device substantially identical to that claimed under the terms of the patent.' Further, "it must appear that every material element of the claim in question was disclosed by a single prior art reference.'

General Battery Corp. v. Gould, 545 F. Supp. 731, 740 (D. Del. 1982)

(citations omitted).

The Commission staff interprets claim 1 of the patent-in-suit as disclosing the following material features: (1) a trigger pivoted above the plunger rod; (2) trigger-to-drive grip engagement occurring above the plunger rod; and (3) means for frictionally retaining the first spring in the spacing between the front wall and first grip, above the plunger rod.

A study of the Lechler sheets indicates that the drawings clearly include the first two material features enumerated by the Commission staff. (SX 29). It is uncontested that the sheets disclose a trigger pivoted above the plunger rod.

However, the complainant would have one believe that the Lechler sheets do not disclose adequately the trigger-to-drive grip engagement occurring above the plunger rod because phantom lines appear on the drawings at the point of the engagement. (Complainant's Post Hearing Rebuttal Brief, at p. 20). Nevertheless, it is the opinion of the presiding officer that the lines that represent the trigger and grip plate at the point of contact are drawn as dashes solely because the trigger and grip plate are not actually visible through the housing of the handle from the artist's vantage point.

This interpretation is consistent with the written instructions which reference the trigger-grip plate contact point. The instruction to "oil here when necessary" (SX 29AA) would be unnecessary if the trigger and grip plate did not come in contact. The text of the drawing further makes reference to the "contact surface between the operating lever and feed plate." Id. Consequently, the Lechler sheets disclose the trigger-to-drive grip engagement that occurs above the plunger rod.

However, the Commission staff's assertion that the Lechler drawing teaches the use of a spring mechanism must fail. The Lechler drawings clearly do not disclose either the existence or placement of a spring. The case law states that the standard for lack of novelty is one of strict identity. "Unless all the same elements are found in exactly the same situation and united in the same way to perform an identical function in a single prior art reference, there is no anticipation." General Battery v. Gould, 545 F. Supp. at 744. Accordingly, the absence of a spring in the Lechler drawing leads me to find that the Lechler sheets do not anticipate the '112 patent.

The staff seeks to overcome the absence of a spring in the Lechler drawings by arguing that a person with ordinary skill in the art in 1976 could have interpreted and supplemented the disclosed material features with his knowledge of the art to attain the teachings of the '112 patent. However, case law indicates that "the reference must contain 'within its four corners, adequate directions for the practice of the patent claim sought to be invalidated.'" General Battery v. Gould, 545 F. Supp at 744 (citations omitted). Additionally, "anticipation cannot be shown by combining more

than one reference to show the elements of the claimed invention." 1
Chisum, supra at §3.02 (citations omitted). It therefore is improper to
look beyond the bounds of the prior publication to determine whether that
reference anticipates the patent-in-suit.

Alternatively, even a person with ordinary skill in the art in 1976
could not read the Lechler sheets as disclosing the existence of a first
spring above the rod between the front wall and first grip. The prior
art reference must require no independent experimentation to practice the
invention, General Battery v. Gould, 545 F. Supp. at 744; Davey & Almy
Chem. Co. v. Mimex Co., 124 F.2d 986, 990 (2d Cir. 1942); accordingly, one
must use only his knowledge of the art at that time to determine whether
the Lechler drawings anticipate the '112 patent. A detailed discussion of
the scope and content of the prior art and the level of skill in the art
are included, infra at pp. 26, 33-34, within the discussion of obviousness
under 35 U.S.C. §103. However, a cursory reading of the prior art indicates
that no caulking gun utilized a first spring located above the plunger rod
before complainant's invention.^{5/} Consequently, the general knowledge
of the art did not include placement of the first spring above the plunger
rod, and such a conclusion could not be reached without independent experi-
mentation.

^{5/} The Commission investigative attorney alleges that most of the prior
art references available in 1976 disclose the use of a spring on the
plunger rod, and that such placement is equivalent to placement of the
first spring above the plunger rod. (Brief of the Commission Investi-
gative Attorney on the Issues of Violation of §337, pp. 12-21). To
reach such a conclusion at the very least would require use of one's
own inventive skills, which is inappropriate in an anticipation analysis.
The staff's contention is treated in the obviousness discussion,
pp. 30-32, infra.

The complainant alleges further differences between the Lechler sheets and the '112 invention. Specifically, the Lechler drawings indicate the placement of a rivet where the trigger meets the handle, which serves as a restraining means so that the trigger cannot pass beyond that point to extend fully to touch the butt cap. (Chang, Tr. 628). The '112 patent discloses a trigger that is extended to the butt cap and is not restrained by a rivet. (CX 1; Chang, Tr. 629). This additional, tangible difference between the invention and the prior art further reinforces my determination that the Lechler sheets do not anticipate the '112 patent. 1 Chisum, supra at §3.02; Del Mar Eng. Lab. v. Physio-Tronics, Inc., 642 F.2d 1167, 1172 (9th Cir. 1981).

For the reasons stated above, I find that the Lechler sheets do not disclose each and every element of the '112 patent. Accordingly, the suit patent is not invalid as anticipated by the 1974 Lechler instruction sheets.

Nonobviousness - 35 U.S.C. §103^{6/}

Under 35 U.S.C. §103, a patent may not be obtained if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole should have been obvious at the time of the invention to a person having ordinary skill in the art to which said subject matter pertains. In applying this statutory test of nonobviousness, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of skill in the pertinent art resolved. Secondary factors, such as commercial success, long felt but unsolved needs, and failure by others may be considered as indicia of obviousness or nonobviousness. Graham v. John Deere, Co., 383 U.S. 1 (1966).

While proof of anticipation requires that a single reference disclose to one of ordinary skill in the art each of the material claimed features of the challenged invention, proof of obviousness is based upon "what the combined teachings of the references would have suggested to those of ordinary skill in the art." In re Keller, 208 U.S.P.Q. 871, 881 (C.C.P.A. 1981). Thus, as Judge Rich observed in In re Winslow, 365 F.2d 1017, 1020 (CCPA 1966):

[T]he proper way to apply the 103 obviousness test...is to first picture the inventor as working in his shop with the prior art references--which he is presumed to know--hanging on the walls around him.

6/ 35 U.S.C. §103 provides as follows:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

As previously stated, the '112 patent issued to Peter J. Y. Chang on March 28, 1978, from an application filed on October 12, 1976. (CX 1). Claim 1 is the only independent claim of the subject patent, and contains the following elements:

1. In a caulking gun having a frame, a plunger including a plunger shaft for forwardly urging caulking material, plunger driving means including: a handle, a trigger pivoted to the handle, a first grip and first spring, the first grip biased by the first spring and operable through the trigger for advancing the plunger, plunger-pressure retaining means including a second grip and second spring, the second grip biased by the second spring and having a portion operable for releasing plunger pressure, and the plunger having means thereon for manually retracting the plunger, the improvement comprising: the first grip encircling within the handle the plunger shaft and protruding upwardly beyond the plunger shaft to a location proximate the upper portion of the frame, the trigger extending upwardly in the handle to a trigger pivot located above the plunger shaft, a portion of the trigger above the pivot operatively contacting said first grip upward protrusion, said first spring oppositely biasing said trigger operative engagement, the handle having a forward wall, the first spring being a compression spring, and means for frictionally retaining the first spring in the spacing between the forward wall and the first grip, above the plunger shaft.

The '112 patent contains several major improvements over previous caulking guns. Claim 1 of the patent discloses a trigger lever pivoted above the plunger rod that contacts the gripping plate above the plunger rod so as to provide greater trigger leverage than that achieved in prior art devices. In addition, claims 1 and 5 provide for a first spring frictionally retained above the plunger rod between the forward wall and the first grip. Claim 2 discloses a second spring and second grip enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle. The invention has the advantages of efficiency, durability, ease of assembly, and economy of fabrication.

The Commission investigative attorney alleges that the '112 patent is invalid as obvious in light of the prior art references of the Lechler sheets viewed in conjunction with the Beyer & Otto patent (SX 40).

(a) Scope and Content of the Prior Art

The specifications of the '112 patent state that the invention described therein "relates generally to tools and specifically to manually powered caulking guns." (CX 1, col. 1, l. 3-4). Complainant's patent expert testified that the pertinent art "pertains to dispensing guns manually operated of the caulking gun type," which includes other guns used to dispense "materials other than caulk but of the same general consistency." (Witherspoon, Tr. 551). The prior art considered pertinent for the purposes of this investigation is comprised of the five references cited by the examiner of the '112 patent detailed below (CX 39-43), as well as references not cited by the examiner, including U.S. Letters Patent No. 4,072,254 (Cox) (SX 32); U.S. Letters Patent No. 3,311,265 (Creighton) (SX 31); U.S. Letters Patent No. 3,894,663 (Carhart) (SX 35); the Beyer & Otto patent (SX 40); and the Lechler sheets (SX 29).

(b) Differences between the '112 Invention and the Prior Art

U.S. Letters Patent No. 1,986,166 issued to F. K. Schneider on January 1, 1935. (CX 39). It describes a device for dispensing plastic material in which the stroke of the plunger can be varied to control the quantity of the material ejected and the pressure to be applied. The '166 patent differs from the patent-in-suit in that it discloses a trigger

pivoted below the plunger rod; two springs, one before and one behind the trigger, both located on the plunger rod; and outboard rearwardly mounted plunger release. (CX 1, 39). This patent was cited as a reference during the prosecution of the '112 patent, and the patent examiner did not find the '112 patent to be obvious in light of Schneider. (CX 1).

U.S. Letters Patent No. 2,530,359 issued to W. P. Peterson on November 14, 1950, and describes an operating mechanism for plungers of caulking guns. (CX 40). The '359 patent differs from the '112 patent in that Peterson discloses a trigger pivot below the plunger rod; a release mechanism located in front of the trigger that protrudes from the bottom of the handle; and two springs, one located on the plunger rod between the butt cap and release lever, and the second spring located on the rod between the release lever and the trigger grip plate. (CX 1, 40). The patent examiner cited Peterson as a reference during the prosecution of the '112 patent, but failed to find the '112 patent obvious in light of Peterson. (CX 1).

U.S. Letters Patent No. 2,561,825 issued to W. A. Sherbondy on July 24, 1951, and describes a dispensing device for caulking material and the like. (CX 41). The Sherbondy patent differs from the subject patent in that Sherbondy discloses a trigger pivoted below the plunger rod, two springs located on the rod, and a plunger rod release mechanism having a substantially horizontal control lever above the plunger rod. (CX 1, 41). Sherbondy was cited as a prior art reference by the patent examiner, but did not preclude issue of the '112 patent on the basis of obviousness. (CX 1).

U.S. Letters Patent No. 4,009,804 issued to C. R. Costa on March 1, 1977, and described an anti-drool extrusion device that instantaneously relieves the pressure upon the caulking compound by allowing rearward motion of the dog-gripped rod until the residual expansion force in the material is balanced by the tension on the first spring. (CX 42). The Costa patent differs primarily from the '112 patent in that Costa discloses a trigger pivoted below the plunger rod, and that its two springs are located on the plunger rod. (CX 1, 42). The patent examiner cited Costa in the prosecution of the '112 patent, and rejected original claims 1-5 of the '112 patent, stating that it was obvious to provide for a manually releasable second grip element as taught by Costa. (CX 38). The patent examiner approved the claims of the '112 patent as amended.

The final reference cited by the patent examiner in the prosecution of the '112 patent is the Australian Patent No. 217,894, which issued to P. C. Cox on September 18, 1958. (CX 43). The '894 patent discloses improvements in step-by-step mechanisms, which utilize two or more thrust plates in contact with one another around the rod, and a trigger mounted on a fixed pivot above the plunger rod. (CX 43). The Australian patent differs primarily from the patent-in-suit because it discloses springs located on the plunger rod, contains a release mechanism similar to the release mechanism in the Schneider patent, and has two trigger pivot points which serve different purposes. (Witherspoon, Tr. 539-40; CX 1, 43).

The patent examiner rejected original claims 1-5 of the '112 patent as obvious in light of the Australian '894 patent (CX 38), but approved the claims of the '112 patent as amended. In approving the suit patent's

amended claims, the patent examiner apparently was persuaded by the Remarks to the Amendment, which state that "[the Australian patent] does not teach contact of the 'portion of the trigger above the pivot' contacting the grip, but instead teaches use of an extra, pivotal structure...which evidently recesses into one of the grip plates... at the free end," and does not teach or suggest "Applicant's unique spring retention and location." (CX 38; Witherspoon, Tr. 539-40).

The Commission investigative attorney alleges that several patents not before the patent examiner during the prosecution of the '112 patent are more pertinent than the prior art outlined above in determining whether the '112 patent is invalid under 35 U.S.C. §103.

U.S. Letters Patent No. 4,072,254 issued to J. P. Cox on February 7, 1978, and describes a gun for dispensing viscous material that could be manufactured in a more economical manner than previous guns. (SX 32). The U.S. Cox patent differs primarily from the '112 patent because its trigger pivots below the plunger rod, its second spring and manual release mechanism are rearwardly mounted outside of the handle, and all springs are located on the plunger rod. (CX 1, SX 32). In light of the aforementioned differences, it appears that the '254 patent is no more pertinent than the prior art considered by the patent examiner.

U.S. Letters Patent No. 3,311,265 issued to A. M. Creighton, Jr. on March 28, 1967, and describes a double-barrelled dispensing gun that is intended to dispense simultaneously epoxy resin and hardeners. (SX 31). The Creighton gun discloses a trigger pivoted below the lower plunger rod, two springs located on the plunger rod, and the second spring and manual

release mechanism located outside and behind the handle. (CX 1, SX 31). These features differ markedly from the '112 patent; consequently, the '265 patent is no more pertinent than the prior art references cited during the prosecution of the '112 patent.

U.S. Letters Patent No. 3,894,663 issued on July 15, 1975 to G. R. Carhart et al., and discloses a multiple dose paste dispenser, which is a ratchet caulking gun. (SX 35). In addition to the ratcheted rod, the Carhart gun discloses a trigger pivoted below the plunger rod, no springs, and no manual release mechanism. (Id.). The Carhart patent is no more pertinent than the art previously considered.

German Patent No. 1,968,819 issued to Beyer & Otto on September 21, 1967, and describes a caulking gun that discloses a trigger pivoted below the plunger rod, two springs located on the plunger rod, and a manually operated release mechanism that begins within the handle then protrudes outwardly to the rear of the trigger and handle. (SX 40). The Beyer & Otto patent is more pertinent than the Costa or Peterson patents cited by the patent examiner for the limited purpose of disclosing a manually operated release mechanism similar to the release mechanism disclosed in claim 2 of the '112 patent, but generally is not more pertinent than the references cited by the examiner because it discloses springs located only on the plunger rod.

Finally, the Commission investigative attorney alleges that the '112 patent is rendered invalid as obvious in light of the instruction sheets, which were distributed with the Lechler caulking guns sold in Germany in 1974. As documents published prior to the date of the '112 invention, the

Lechler sheets are considered prior art for the purpose of determining the validity of the '112 patent. See supra, pp. 18-19. 2 D. Chisum, Patents §5.03.

The Lechler sheets disclose a caulking gun with a trigger pivoted above the plunger rod, and a clamp lever that "releases the push rod so that no more compound can be forced out," when the clamp lever is moved a short distance. (SX 29AA). The Lechler drawings differ from the suit patent in three respects: that no springs or driving means are disclosed; that a rivet, located where the trigger first contacts the bottom of the handle, prevents the trigger from extending so that the trigger does not come in contact with the butt cap; and, that the "clamp lever" release mechanism protrudes above the handle and must be pressed a short distance in a direction opposite the direction in which the '112 patent's release lever is pressed to release the plunger rod. (Chang, Tr. 625-33; CX 1, SX 29A-G).

It is the contention of the Commission investigative attorney that a reading of the Lechler drawing would disclose the use of springs to one skilled in the art. All of the references to smooth-rod caulking guns discussed above disclose the use of an arrangement of springs. (CX 39-43; SX 31, 32, 40). It is conceivable that one skilled in the art would infer that the Lechler caulking gun utilized a spring driving mechanism.

The Commission investigative attorney next hypothesizes that one skilled in the art would infer in the Lechler drawing placement of the first spring above the plunger rod. No evidence of record supports this conclusion. The hypothetical inventor, sitting in this workshop surrounded by the pertinent art, would see that every prior art reference to smooth

rod caulking guns utilizes springs located on the plunger rod. (CX 39-43; SX 31, 32, 40). Indeed, the record indicates that Mr. Chang, one who was skilled and practiced in the art at the pertinent time, experimented before he arrived at the idea of placing the first spring above the rod.

(Findings of Fact 37, 38).

To overcome the lack of evidence that would support an inference that the first spring is located above the plunger rod in the Lechler drawing, the Commission staff argues that whether the spring is located on or above the plunger rod is unimportant because placement of the spring on the rod is equivalent to placement above the rod. (Brief of the Commission Investigative Attorney at pp. 18-21). The staff bases its allegation of equivalency on complainant's assertion that the UMAC gun, a smooth rod caulking gun with the first spring located on the plunger rod, infringes the '112 patent. (CX 80, 81; SPX 2). It is the opinion of the presiding officer that smooth rod caulking guns that lack a first spring located above the plunger rod do not infringe the '112 patent. See pp. 37-39, infra.

Moreover, the staff's assertion that placement of the first spring on the plunger rod is equivalent to placement above the rod is contradicted by the prosecution history. The patent examiner rejected original claims 1-5 of the '112 patent on the basis that placement of the first spring between the butt cap and grip plate was obvious in light of the Australian Cox patent. (CX 38). However, the patent examiner allowed the suit patent when the claims were amended to show placement of the first spring "in the spacing between the forward wall and the first grip, above the plunger shaft." (CX 1, 38, emphasis added).

Based upon the arguments outlined above, it is my conclusion that the Lechler drawings would not disclose the placement of a first spring above the plunger rod to one skilled in the art; consequently, the Lechler sheets do not render the '112 invention obvious.

(c) Level of Ordinary Skill in the Art

The parties disagree on the type of evidence necessary to prove what constitutes the level of ordinary skill in the relevant art. The complainant alleges that expert testimony is required to establish whether an invention is inherently disclosed in the prior art, citing Certain Multicellular Plastic Film, Inv. No. 337-TA-54, CD at 13 (1979). The complainant's expert testified at trial that the level of skill in the art pertaining to "dispensing guns manually operated of the caulking gun type" is not of the level pertaining to high technology products, but is "not as low as one might tend to conclude from an initial, first blush impression." (Witherspoon, Tr. 551-52).

The Commission staff asserts that a recent holding of the Court of Appeals for the Federal Circuit stated that neither a specific finding of a particular level of skill nor expert testimony is necessary where "the prior art itself reflects an appropriate level and a need for such expert testimony has not been shown." Chore-Time Equip., Inc. v. Cumberland Corp., 713 F.2d 774, 779 (Fed. Cir. 1983). As the Commission's appellate court, the Federal Circuit's holding in Chore-Time controls, to the extent that the language of the holding is applicable to the present investigation.

It is the opinion of the presiding officer that the prior art itself reflects a relatively low level of skill, and that expert testimony is not necessary to determine the appropriate level of ordinary skill for the purpose of an obviousness analysis.

The level of ordinary skill in the art usually is determined "by referring to the subjective reaction of a person thoroughly familiar with

the particular art, and, if possible, one who practiced the art at the crucial time in question." 2 Chisum, supra at §5.03[4]; Malsbary Mfg. Co. v. Ald, Inc., 447 F.2d 809, 811; 171 U.S.P.Q. 7, 8 (7th Cir. 1971); Reynolds Metal Co. v. Continental Group, Inc., 525 F. Supp. 950, 969; 210 U.S.P.Q. 911, 927 (N.D. Ill. 1981).

The record contains testimony by Mr. Chang, who is thoroughly familiar with the particular art, and practiced the art at the crucial time in question. (Findings of Fact 36-41). The record shows that although Mr. Chang does not have an engineering degree, he had researched and manufactured caulking guns for several years prior to the '112 invention. (Id.) His testimony details his identification of the excess extrusion problems with ratchet guns, and the plunger rod slippage problems with the prior art smooth rod caulking guns. (Chang, Tr. 203-12). No solution was apparent to him based on his knowledge of the art at that time.

It is not clear that those skilled in the art would have found the development of the '112 invention and its results obvious, in light of the obstacles encountered and surmounted by Mr. Chang in designing his improved caulking gun. The Commission staff presents only personal conjecture, not testimony of one skilled in the art, to contradict Mr. Chang.

Accordingly, I find that the level of skill in the pertinent art is relatively low, but requires one to be thoroughly familiar with the art, and to have practiced the art as of 1976.

(d) Secondary Factors

The role of the so-called secondary factors, articulated in Graham v. John Deere, 383 U.S. at 1, in the factfinder's determination of obviousness has been subject to differing interpretations by the courts. 2 Chisum, supra at §5.05. The preferred view appears to be that these secondary considerations are always relevant to the question of obviousness, but must be examined with care to determine their probative value in a particular case. Id. at 5-238 and cases cited therein.

Under Graham v. John Deere, secondary factors include commercial success, long felt but unsolved needs, and failure of others. 383 U.S. at 1, 148 U.S.P.Q. at 467. In the present investigation, these factors are not helpful in reaching a determination of obviousness or nonobviousness.

The factor of commercial success provides a basis for inferring non-obviousness only when success is attributable to the feature that is the subject of the patent claim. 2 Chisum, supra at §5.05[2]; Marconi Wireless Tel. Co. v. U.S., 320 U.S. 1 (1943). Although the record contains evidence that the Chang smooth-rod caulking gun achieved success in the marketplace, ostensibly because of its superior thrusting power and slippage control compared to prior smooth rod guns, the record also indicates that the commercial success of the subject gun may have been attributable to its comparative price advantage over various domestically produced ratchet guns that predominated the market at the time of the introduction of the Newborn smooth rod gun in the United States. (CX 118; SX 20, 21, 26).

Similarly, the record contains insufficient evidence to determine whether there existed any long felt but unsolved needs and failures of others in the industry. It was generally acknowledged in the industry that there existed bothersome problems with excess extrusion of caulk in ratchet guns, and slippage of the plunger rod in smooth rod guns. (Findings of Fact 38, 40). However, neither of these problems rendered those guns unusable. There is no evidence that anyone skilled in the art attempted but failed to overcome these problems. The record only shows that Mr. Chang identified and solved the problems outlined above.

Thus, an analysis of the record concerning secondary considerations set forth in Graham v. John Deere, supra, lends credence to neither a conclusion of obviousness nor nonobviousness.

Based on the foregoing, I conclude that the Commission investigative attorney has advanced no legal prior art or arguments that are more pertinent and more persuasive than those considered by the Patent and Trademark Office examiner during the course of the prosecution of the '112 patent. Consequently, the presumption of validity afforded the suit patent under 35 U.S.C. §282 remains unrebutted and in full effect.

Infringement of the '112 Patent

Whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent. 35 U.S.C. §271(a). Direct infringement of the patent is shown when the literal terms of the asserted patent claims are met by the accused device. Complainant has the burden of proof on the issue of infringement. Chisum, supra at §18.01.

The '112 patent consists of a single independent claim 1 and dependent claims 2-5. (CX 1). Several major improvements over previous caulking guns are disclosed, which, read together, provide guidance in determining whether an accused gun infringes the '112 patent. These criteria may be summarized as: (1) a trigger lever pivoted above the plunger rod, which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position.

The complainant produces two models of smooth rod caulking guns in accordance with the '112 patent: model 101, the one-tenth gallon size; and model 105, the quart-size caulking gun. Each model contains the elements listed above.

There is direct evidence of record that domestic respondents Azco, Donald Gray, and the Gray Marketing Group import the "Olympia" caulking guns, which infringe the '112 patent. (CPX 2, 3, 5, 8, 9, 18). The

Olympia caulking guns contain all of the major improvements found in the '112 patent, outlined above. (Finding of Fact 73).

The record is uncontroverted that domestic respondent Lowe's sold caulking guns that are identical to complainant's model 101 caulking gun. (Finding of Fact 74).

A determination as to infringement is unnecessary as to all domestic respondents terminated from this investigation, which includes Artco, DMZ, Great American Marketing, Handy Dan Home Improvement Centers, Macklanburg-Duncan, The Mega Group, and Sav-on-Drugs.

Each element of the '112 patent is contained in the caulking guns manufactured and exported to the United States by respondent Buseong. (Finding of Fact 75).

Various caulking guns of unknown origin literally infringe the '112 patent. (CPX 4, 6, 7, 10, 11, 12, 14). Each of these caulking guns contains the elements of the suit patent. (Findings of Fact 76-80).

Complainant has not carried its burden of proof with respect to respondents Fuerza International, Thumb Enterprises, and Winmax. The answers to interrogatories submitted on behalf of Fuerza International (CX 114) and Thumb Enterprises (CX 115) indicate that neither company manufactures smooth rod caulking guns. Similarly, the exhibits attached to the interrogatory answers of Winmax show that Winmax manufactures a smooth rod caulking gun whose trigger pivots below the plunger rod. (CX 113). Complainant has not introduced evidence that Fuerza, Thumb or Winmax have imported infringing guns into the United States. See pp. 52-53, infra. Accordingly, Fuerza International, Thumb Enterprises, and

Winmax have not committed the alleged unfair act of infringement.

The remaining proper foreign respondents, C&B Bros., D&W Industrial, Kukje, Taiwan Seven Rings, and Viva International, have offered for sale in the United States caulking guns that appear to infringe the '112 patent. (Findings of Fact 81-85). The record contains evidence^{7/} that corroborates a finding of infringement as to these respondents; no evidence contradicts such a finding. Moreover, because these respondents have been found to be in default (See pp. 9-11, supra), the presiding officer is justified in adversely inferring that these defaulting respondents have committed the unfair acts alleged.

The complainant has proved by a preponderance of the evidence that all proper respondents not terminated from this investigation have infringed the '112 patent, with the exception of respondents Fuerza International, Thumb Enterprises, and Winmax Corp.

^{7/} The complainant has introduced respondents' sales brochures that contain cut-away drawings virtually identical to the cut-away drawing used by Newborn on its promotional material, but complainant has not introduced physical exhibits obtained from these respondents. The Commission has held that "only testing actual samples proves infringement." Certain Molded Golf Balls, Inv. No. 337-TA-45, CD at 9 (1978). However, it is the opinion of the presiding officer that the Commission based its holding in Golf Balls upon the policy that a complainant cannot prove infringement on the basis of uncorroborated conjecture when it is possible for the complainant to obtain physical proof of infringement. In the instant investigation, it would be impossible for the complainant to visit every caulking gun retailer in the United States to determine whether any retailer has imported caulking guns from these respondents. However, the complainant has introduced the respondents' cut-away drawings pictured on promotional materials received directly from the respondents in question. The cut-away drawings clearly disclose all the elements of the '112 patent. Consequently, the respondents' cut-away drawings sufficiently corroborate complainant's allegations of infringement, when viewed in the light of the appropriate adverse inferences justified in a default situation.

Passing Off

The Commission has determined that the essential component of common law passing off lies in an act of deception, beyond mere copying, which induces someone to purchase the product of another and requires real proof that the respondents subjectively and knowingly intended to confuse buyers. Certain Airtight Case-Iron Stoves, Inv. No. 337-TA-69 (1981); Certain Vacuum Bottles and Components Thereof, Inv. No. 337-TA-108 (1982); Certain Cube Puzzles, Inv. No. 337-TA-112 (1982); Certain Braiding Machines, Inv. No. 337-TA-130 (1983). Mere intentional copying of a competitor's product is not enough to prove passing off. Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938); Vogue Creations, Inc. v. Hardman, 410 F. Supp. 609, 613 (D.R.I. 1976). There must be actual substitution of goods or a knowing attempt to induce purchasers to buy one's goods with the belief that they are the goods of another. K-S-H Plastics, Inc. v. Carolite, 408 F.2d 54, 57 (9th Cir.), cert. denied, 396 U.S. 825 (1969); Singer Mfg. Co. v. Golden, 171 F.2d 266, 268 (7th Cir. 1948).

Complainant outlines three methods by which respondents Azco, Gray and the Gray Marketing Group allegedly passed off Olympia caulking guns as those of complainant.

First, the O'Tool Co. of California allegedly was deceived by receipt of a box of Olympia caulking guns containing a Newborn brochure, after ordering caulking guns from Mr. Gray, from whom O'Tool previously had ordered Newborn caulking guns. (Finding of Fact 94). The record evidence indicates that the operations manager of the O'Tool Co., Ted Hanson, placed an order with Gray and received a box of clearly marked

Olympia guns, which also contained a Newborn brochure. (Finding of Fact 94). In his deposition testimony, Donald Gray stated that he did not use, nor direct anyone to use, Newborn brochures in connection with Olympia guns. (Finding of Fact 96). Moreover, the containers of Olympia guns, which subsequently were shipped to O'Tool, were assembled and shipped from Taiwan, so that Gray could not have placed the Newborn brochures in the boxes. (Finding of Fact 97). The unexplained appearance of a Newborn brochure in a single shipment of caulking guns does not constitute the requisite proof that respondent subjectively intended to confuse buyers. Additionally, Gray asserted that he did not tell anyone that he still represented Newborn after he began his association with Azco. (Finding of Fact 98), which assertion is corroborated in part by Mr. Hanson of O'Tool. (Finding of Fact 94).

Secondly, complainant asserts that Earl Leshin, an Olympia salesman, represented to certain former Newborn customers that Gray Marketing Group bought out Newborn Bros. and that Leshin was the new representative; consequently, the former Newborn customers were deceived into buying Olympia caulking guns. (CX 87, 118). In his deposition, Mr. Gray stated that he had never instructed Leshin to say that the Gray Marketing Group had replaced Newborn Bros., and that he has no knowledge that Leshin made such representations. (CX 92, at 41).

Finally, Azco and Gray allegedly intended to deceive Newborn customers by utilizing in its own advertising a cutaway drawing originally pictured in Newborn's promotional material. The use of the Newborn cutaway also fails to suggest the intent to deceive purchasers necessary to

prove passing off. The cutaway drawing used by Gray does not bear the Newborn name, and no evidence has been introduced to prove that the drawing itself has obtained secondary meaning so that purchasers would identify it as a representation of the Newborn gun. On the contrary, the cutaway drawing used by Gray clearly was labeled with the "Olympia/Azco" names. (Finding of Fact 90). Although Gray admitted to copying the cutaway from Newborn's promotional materials (Finding of Fact 90), Azco was not informed and remained unaware that Gray had appropriated the Newborn cutaway drawing. (Finding of Fact 91).

Furthermore, the record shows that all Newborn customers within Gray's former sales area were contacted by Newborn's new representative, Pacific International Marketing. (Finding of Fact 100). The vice-president of Pacific International Marketing testified at deposition that he knows of no Olympia customers who bought an Olympia caulking gun believing that it was a Newborn caulking gun. (CX 89, at 39).

The complainant here has failed to adduce the requisite evidence of subjective intent to confuse and to induce purchasers to sustain a claim of passing off. I conclude that respondents Gray, Gray Marketing Group, and Azco have not engaged in passing off and so, with respect to this issue, have not committed an unfair act or method of competition within the meaning of §337.

False Designation of Origin and Source

The statutory provision for false designation of origin is found in § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which provides:

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation. (Emphasis added).

It is well settled that a violation of §43(a) is an unfair act or method of competition within the meaning of §337.

The Commission most frequently encounters alleged violations of §43(a) in the form of claims of trademark infringement. In determining whether the Lanham Act has been violated by infringement of a trademark, the Commission considers whether the consuming public is likely to be confused by the respondent's use of the complainant's valid trademark. Certain Miniature, Battery Operated, All-Terrain Wheeled Vehicles, Inv. No. 337-TA-122, Recommended Determination at 72 (1982).

A similar analysis must be employed when unfair acts other than trademark infringement are alleged. To prove a violation of the Lanham Act §43(a), the complainant must show that there is a likelihood of confusion, without regard to the particular designation of the claim.

McCarthy, Trademarks and Unfair Competition, §27:7 (Supp. 1982), citing New West Corp. v. NYM Co. of Calif., Inc., 595 F.2d 1194 (9th Cir. 1979).

Consequently, the complainant must prove that the potential purchaser is likely to be confused by the importation and sale of the subject caulking guns, as alleged separately below.

The complainant alleges essentially three violations of the Lanham Act §43(a): (1) false designation of origin in the failure to mark the country of origin of the imported, infringing goods; (2) false advertising; and (3) misrepresentation of source. (Prelim. Conf., July 12, 1983, Tr. 7-8; Complainant's Post-Hearing Brief, pp. 28-31).

False Designation of Origin

To give guidance in delineating and analyzing alleged unfair acts, the Commission has stated that "false designation of origin," one of the unfair acts detailed in the instant Notice of Investigation, refers to false designation of geographical origin as provided in 19 U.S.C. §1304.^{8/} Certain Log Splitting Pivoted Lever Axes, Inv. No. 337-TA-113, Commission Memorandum Opinion on Motion 113-5 to Amend Complaint and Notice of Investigation (July 2, 1982) at 7, no. 13. A seller is obligated by law under 19 U.S.C. §1304(a) to disclose the country of origin of any non-domestic goods. Failure to indicate otherwise is a tacit misrepresentation that the good is of domestic origin, and therefore is actionable under §43(a) of the

^{8/} 19 U.S.C. §1304(a) provides in part that

every article of foreign origin...imported into the United States shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article...will permit in such a manner as to indicate to the ultimate purchaser in the United States the English name of the country of origin of the article.

Lanham Act. Bohsei Ent. Co. v. Porteous Fastener Co., 441 F. Supp. 162 (C.D.Cal. 1977); Callman, Unfair Competition, Trademarks and Monopolies, §5.04 (4th ed. 1981); McCarthy, supra, §27.8.

The complainant alleges that several respondents Azco, Gray, and Gray Marketing Group, have imported the subject caulking guns without a conspicuous, legible and permanent marking that indicates country of origin, in violation of 19 U.S.C. §1304 and the Lanham Act §43(a).

The record evidence demonstrates that respondent Azco has imported caulking guns, which have been distributed by respondents Gray and the Gray Marketing Group, that bear no marking of the country of origin or contain only an inconspicuous mark stamped on the grip plate. (Findings of Fact 106-07). The president of Azco admitted that Azco imported several shipments of the infringing guns that were improperly marked, but that a sticker designating the country of origin was placed on all improperly marked caulking guns. (Findings of Fact 108, 118). However, a paper label, whose adhesive is comparatively unreliable, fails to meet the §1304(a) requirement that a mark shall be placed as "indelibly, and permanently as the nature of the article...will permit." "[T]he preferred forms of marking are those which are incorporated into the article itself, such as might be achieved by branding, stenciling, stamping, printing, or molding." Feller, U.S. Customs and International Trade Guide §12.01[1] (1983).

Similarly, Azco's president testified at deposition that every shipment is now stamped "Olympia" on either the handle, or on the back of the release lever between the plunger rod and the containing mechanism (Finding of Fact 120), the latter of which does not appear to be conspicuously

located. To meet the statutory requirement, it is reasonable to assume that an item largely made of sheet metal should have the country of origin die-stamped into the metal, in a manner in which the mark is clear and conspicuous to the ultimate purchaser.

Evidence of record also indicates that several non-respondents have imported improperly marked, infringing caulking guns. (Findings of Fact 109, 113, 114).

It is the opinion of the presiding officer that respondents Azco, Donald Gray, and the Gray Marketing Group, as well as other un-named non-respondent importers, have violated 19 U.S.C. §1304(a) by failing to designate the country of origin of the subject caulking guns.

Nevertheless, the complainant has failed to prove that the failure to designate the country of origin of the subject goods violates the Lanham Act §43(a), as provided in the instant Notice of Investigation. In Certain Surveying Devices, Inv. No. 337-TA-68 at 22-26 (1980), the Commission held that there was no violation of the Lanham Act §43(a) because the complainant had failed to prove that the subject goods, although unmarked as to country of origin, had caused the customer confusion or mistake, as required by the Lanham Act. The complainant has introduced no direct or circumstantial evidence that potential customers are confused as to the country of origin of the improperly marked, imported caulking guns, or that the complainant has been injured in direct correlation to respondent's failure to properly mark the country of origin.^{9/}

9/ In Certain Swivel Hooks and Mounting Brackets, Inv. No. 337-TA-53 (1978), the Commission adopted the Recommended Determination of the Administrative Law Judge that failure to make a clear and conspicuous disclosure of the country of origin of imported goods constitutes an unfair act under §337, if the requisite effect on the domestic industry can be shown. RD at 4.

Accordingly, I find that the complainant has proved that certain respondents Azco, Gray and Gray Marketing Group have violated 19 U.S.C. §1304(a) in failing to designate properly the country of origin of the imported caulking guns, but that complainant has not shown that such violation of 19 U.S.C. §1304(a) constitutes a false designation of origin under §43(a) of the Lanham Act, as specified in the Notice of Investigation.

False Advertising

Although the Notice of Investigation designates the claim of false advertising as separate and distinct from the claimed unfair act of false designation of origin, the complainant asserted at the Preliminary Conference of July 12, 1983, that the false advertising claim has merged with the Lanham Act §43(a) claims, in light of the evidence obtained through discovery. (Prelim. Conf., July 12, 1983, Tr. at 7). It is therefore appropriate to conform the notice of investigation to the evidence of record, in accordance with 19 C.F.R. §210.22(b).

To prevail on a claim of false designation of origin including false advertising, the complainant must prove that another has misrepresented his goods so that consumers are likely to be confused as to the origin of those goods. McCarthy, supra, §27.7 (citations omitted). Copying of a sales brochure states a claim under §43(a), if the result is customer confusion. Id., at §§27.7, 27.8; Dave Grossman Designs, Inc. v. Bortin, 347 F. Supp. 1150 (D.C.Ill. 1972).

The complainant's claim of false advertising asserts that certain respondents have misrepresented the subject goods by using Newborn's

allegedly well-known, proprietary cut-away drawing on respondents' promotional material to confuse the public. The record evidence clearly shows that respondents Taiwan Seven Rings, Winmax, C&B, Azco, Gray and Gray Marketing Group have utilized the cut-away drawing that originally appeared in Newborn's promotional materials. (Findings of Fact 90, 115).

The Commission investigative attorney theorizes that the complainant's contention is, in effect, that Newborn's cut-away drawing functions as a trademark, and that respondents' use of the drawing falsely designates Newborn as the origin of respondents' caulking guns. (Brief of the Commission Investigative Attorney, at pp. 39-41). Under this theory, the staff alleges there is no evidence that customers associate the cut-away drawing with a single source, Newborn, and therefore there is no basis to believe that customers likely would be confused as to the origin of the drawing.

If the complainant were to allege false designation of origin with respect to trademark infringement, it would be required to prove that the mark is non-functional, distinctive, has secondary meaning, and that there is substantial likelihood of confusion concerning its origin. Miniature Wheeled Vehicles, supra; Cube Puzzles, supra. The complainant has not alleged or proved that the cut-away drawing is non-functional or distinctive, but does state that the drawing is proprietary and well-known so that respondents' use of the drawing tends to confuse the public. No evidence of record supports an

inference of secondary meaning^{10/} or likelihood of confusion, as complainant has submitted no circumstantial evidence that the potential consumer has been widely exposed to the mark, or direct evidence concerning the buyer's perception of the mark. Certain Vacuum Bottles and Components Thereof, supra.

Even so, it is not the position of the presiding officer to recast the contentions of the parties; the Notice of Investigation directs investigation of claimed false advertising, not trademark infringement. However, the Commission investigative attorney's interpretation is not incorrect. The test for false advertising is similar to the test for an alleged trademark violation, because a trademark is essentially a form of advertising. Callmann, supra at §5.14. Consequently, the test for false advertising is the reaction of the ordinary purchaser. Id.

To prevail on a claim of false advertising, the complainant generally "must adduce evidence (usually in the form of market research or consumer surveys) showing how the statements are perceived by those who are exposed to them." Id., at §§5.14 and 5.15, citing McNeilab, Inc. v. Amer. Home

^{10/} Complainant maintains that it consistently has used the subject cut-away drawing since 1978, citing only CX 28. (Complainant's Rebuttal Brief at 38). However, examination of CX 28 reveals only a cut-away drawing of a ratchet gun, not the cut-away drawing utilized by respondents.

Secondly, complainant asserts that secondary meaning is not required when a photograph of another's product is used to advertise an inferior product. (Complainant's Brief at 29, Rebuttal Brief at 39). However, respondents utilize only an artist's drawing which emphasizes the inner-workings of the subject gun, not an exact photograph which clearly portrays the product as that of complainant. Moreover, the record does not contain conclusive evidence that respondents' guns are inferior.

Products Corp., 207 U.S.P.Q. 573, 579 (S.D.N.Y. 1980). While it is clear that certain respondents utilized Newborn's cut-away drawing, complainant has introduced no direct or circumstantial evidence of whether the drawings are perceived by prospective purchasers as representing Newborn's caulking gun.

However, Commission precedent has held that the complainant need not submit survey evidence showing consumer confusion; the I.T.C. may decide for itself whether the subject advertising is unfair or deceptive. Certain Airtight Cast-Iron Stoves, supra, CD at 5, RD at 14 (1981). The case law suggests that without evidence to the contrary, there is no likelihood of confusion for use of a symbol mark where the respondent clearly displayed its own name in conjunction with the symbol. Amer. Rolex Watch Corp. v. Ricoh Time Corp., 491 F.2d 877 (2d Cir. 1974). In the instant investigation, observation of the promotional materials in question indicates that each accused respondent's material depicts a sketch identical to Newborn's cut-away drawing, but that each piece of material also clearly incorporates respondents' name and other identifying information. (CX 4, 5, 8, 13-17). Absent substantive evidence of confusion, I cannot find that one viewing the cut-away drawing pictured on respondents' promotional material mistakenly would believe that the brochure advertised Newborn caulking guns.

The complainant has introduced no evidence that the Newborn cut-away drawing has any significance to the prospective buyer without the Newborn name, or that the buyer likely would be confused as to the origin of the drawing and accompanying product. Consequently, respondents' advertising does not constitute false designation of origin.

Misrepresentation of Source

Finally, the complainant asserts an inferred common law trademark claim, in that certain respondents allegedly have misrepresented the source of the subject caulking guns by utilizing the non-patented product configuration and color of Newborn's caulking gun. The record in the instant investigation contains none of the requisite evidence that the configuration and color are non-functional, distinctive, and have acquired secondary meaning. Vacuum Bottles, supra; Cube Puzzles, supra. Moreover, to prevail on false designation of source under the Lanham Act, complainant additionally must prove that there is a likelihood of confusion concerning the source of the trademarked product. Miniature Wheeled Vehicles, supra. Complainant has failed to prove that a valid trademark exists in the configuration and color of its caulking gun, consequently there can be no likelihood of confusion and no false designation of source under §43(a) of the Lanham Act.^{11/}

For the above reasons, it is the opinion of the presiding officer that the complainant has not carried its burden of proof concerning false advertising, false designation of origin or of source.

^{11/} Complainant alleges that likelihood of confusion exists because customers have returned defective, infringing guns to Newborn. (Complainant's Brief, at 28). However, the returns also included ratchet guns, econo-type guns, and guns of other colors. (Finding of Fact 117); consequently, complainant has not established conclusively that consumers are confused as to the configuration and color of the Newborn gun.

Importation and Sale

Under §337(a), a complainant must show "unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale...." Complainant has offered evidence establishing the importation and sale in the United States of the accused caulking guns by respondents Azco, Buseong, Gray, Gray Marketing Group, Kukje and Lowe's, but not with respect to respondents C&B, D&W, Fuerza, Taiwan Seven Rings, Thumb, Viva and Winmax.

(C) Respondent Azco has purchased and imported the infringing caulking guns from respondent Buseong, and non-respondents Long Gent, Li Shen Iron Factory, Co. Ltd., and Yon Ling. Azco imported and sold in the United States guns in 1981, and in 1982. (Finding of Fact 124).

From March 1, 1982 through May 1, 1983, respondents Gray and the Gray Marketing Group sold the infringing caulking guns imported by Azco as Azco's sole manufacturer's representative. (Finding of Fact 125).

(C) Between 1981 and April, 1983, respondent Buseong manufactured
(C) infringing caulking guns, and exported to the United States. (Finding of Fact 121).

Respondent Kukje bought and exported to the United States infringing caulking guns manufactured by Buseong. (Finding of Fact 127).

Respondent Lowe's purchases and imports both econo-type smooth rod caulking guns and guns that infringe the '112 patent. (Finding of Fact 134).

As to C&B, D&W, Fuerza, Taiwan Seven Rings, Thumb, Viva, and Winmax, the complainant has introduced evidence of solicitation in the United States (Findings of Fact 128-132), but has not proven that these respondents have imported and sold allegedly infringing caulking guns. Consequently, although it appears that the caulking guns offered by these respondents infringe the '112 patent, these respondents are not yet in violation of §337. 19 U.S.C. §1337; Sealed Air Corp. v. U.S.I.T.C., supra.

Finally, the record contains evidence that many non-respondents import and sell infringing caulking guns, which evidence is relevant to the issuance of an exclusion order. (Findings of Fact 126, 133, 134).

Accordingly, I find that complainant has met its burden of proof concerning the importation and sale of the subject caulking guns with respect to respondents Azco, Buseong, Gray, Gray Marketing Group, Kukje, Lowe's, and certain non-respondents, but has not proved importation and sale by respondents C&B, D&W, Fuerza, Taiwan Seven Rings, Thumb, Viva, and Winmax.

Domestic Industry

Prevention of Establishment

To prove a violation of §337, the complainant must establish that the alleged unfair methods of competition have the effect or tendency "...to destroy or substantially injure an industry, efficiently and economically operated in the United States, or to prevent the establishment of such an industry..."

The Commission ordinarily has defined the domestic industry in patent-based §337 investigations as those portions of the domestic production facilities that lawfully manufacture under the suit patent. Certain Chain Door Locks, Inv. No. 337-TA-5 (1976); Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60 (1979); Certain Drill Point Screws for Drywall Construction, Inv. No. 337-TA-116 (1983). Consequently, if there is no domestic manufacture of the subject goods, there is no domestic industry within the meaning of the statute. Certain Ultra-Microtome Freezing Attachments (Ultra-Microtome), Inv. No. 337-TA-10 at 9 (1976).

This investigation presents the novel issue of whether a developing industry, which presently does not manufacture the subject goods, is entitled to protection under the prevention of establishment clause in §337. The applicable standard was developed by the Commission in 1976, in Ultra-Microtome.

The standard set forth in Ultra-Microtome states:

A nonproducing patentee or licensee about to begin production operations, an "embryo industry," can be entitled to a Commission remedy under this statute if such party can prove it is prevented from being established. The criteria which must be fulfilled to show that one is an "embryo industry" prevented from being established are different from those used to show that one is an industry destroyed or substantially injured.

...

Parties seeking Commission remedies under the prevention clause of §337 must show a readiness to commence production. What constitutes such a showing must be decided on a case-by-case basis.

Ultra-Microtome, at 9-10.

The complainant contends that it is an embryo industry, ready to commence production that is prevented from being established by the unlawful importation of the subject caulking guns, and therefore entitled to relief under §337. Under the Ultra-Microtome standard, the instant question is whether the complainant has established a "readiness to commence production" of the patented caulking guns in the United States. It is the position of the presiding officer that the complainant has established such readiness.

The complainant, Mr. Chang, closed his Korean manufacturing facilities in May, 1982, with the intention of manufacturing the subject caulking guns in the United States. (Finding of Fact 138). Mr. Chang determined to pursue three general options to obtain facilities adequate to manufacture the patented caulking guns. These options included: 1) purchasing the equipment necessary to manufacture the guns in Newborn's Columbia, MD warehouse; 2) licensing another domestic caulking gun manufacturer to produce Newborn's guns; and

3) obtaining a factory with the necessary equipment that has excess capacity to manufacture the Newborn guns. (Chang, Tr. 224-64; CX 118, pp. 11-18). Due to declining inventories of his previously imported guns, Mr. Chang felt it necessary to pursue all three options simultaneously, in an effort to avail himself of the option that would result in the earliest production of the patented caulking guns. Id.

Mr. Chang requested his former chief engineer, Mr. Kim, to come to the United States to determine the feasibility of manufacturing the patented guns in Newborn's Columbia, MD warehouse. Mr. Kim submitted a report to the complainant that outlined the steps and equipment necessary for production. It was determined that at least three to four months would be required to obtain the equipment to establish a manufacturing facility. (Finding of Fact 147).

Mr. John McClellan, Sr., who is Mr. Chang's patent attorney, contacted two of the three domestic manufacturers of caulking guns in an attempt to negotiate a licensing agreement for the production of the subject caulking guns. The two manufacturers contacted by Mr. McClellan were Viking and Vital, both of whom manufacture only ratchet guns, and have never manufactured smooth caulking guns. Consequently, Mr. Chang determined that Viking and Vital would not be suitable licensees. His efforts to purchase the assets of these companies were rejected. (Finding of Fact 163).

Mr. Chang personally contacted the only other caulking gun manufacturer in the United States, Collier Industrial, Inc. Collier, the only domestic company who has ever produced smooth rod caulking guns, currently does not manufacture and sell smooth such caulking guns. Following extensive negotiations concerning

specifications, quantities, prices, and contract terms, it appeared that Newborn and Collier would sign a contract that would establish Collier as Newborn's licensee. However, Collier now is reluctant to conclude the licensing arrangement, pending the outcome of instant investigation. (Findings of Fact 149-158).

To find a manufacturer who had the excess capacity and equipment necessary to produce the subject caulking guns, Mr. Chang placed an advertisement in the Wall Street Journal on December 9, 1982. As a result of the advertisement, Mr. Chang was contacted by Mr. James DeWitt, a corporate financial expert whose specialty is matching manufacturing capacity and need. Mr. Chang retained Mr. DeWitt to find an appropriate manufacturing facility. (Findings of Fact 143, 164).

Most of the companies investigated by Mr. Chang as a result of the Wall Street Journal advertisement or suggestions by Mr. DeWitt did not have the machinery or efficient capacity utilization required to produce Newborn's caulking guns under license. Mr. Chang pursued further negotiations with two potentially feasible licensees: Roper-Eastern of Baltimore, MD, and M.S. Willett, Inc. of Cockeysville, MD. However, neither Roper-Eastern nor M.S. Willett could produce the caulking guns at a sufficiently competitive price, and consequently were not licensed. (Findings of Fact 148, 164, 165).

At the time this investigation went to trial in July, 1983, Mr. Chang had succeeded in signing a letter of intent with yet another promising licensee, Mary Procter Tables Corp. (MPT), of Baltimore, MD. Mr. Ray Seager, the President of MPT, testified at the hearing on July 15, 1983, concerning the proposed agreement in which MPT was to produce in the beginning _____ guns/month, gradually increasing to production of _____ guns/month for Newborn. (Finding of Fact 160).

The post-hearing brief of the Commission investigative attorney took the position that at the time of trial, the letter of intent signed by MPT and the complainant did not show a sufficient commitment to commence production at an identifiable point in time, and that the complainant therefore was not entitled to relief under the prevention of establishment clause. What appeared to be a cautious position originally taken by the Commission staff was strengthened by the complainant's motion to reopen the proceedings (Motion Docket No. 139-28), and the evidence introduced at the reopened hearing, held October 25, 1983, pursuant to Order No. 34 (issued October 12, 1983).

Mr. Chang testified at the reopened hearing that further negotiations produced no contract between MPT and Newborn. Beginning in late July, Mr. Seager indicated that several changes would be required in the original agreement, which would increase Newborn's obligations. Additionally, MPT is undergoing reorganization under a Chapter 11 (eleven) bankruptcy action, and is required to wait six months to receive the approval of its bankruptcy trustees before it may invest money in new capital equipment. The combination of the above factors induced Mr. Chang to seek other potential licensees. (Finding of Fact 166).

However, in late August 1983, Mr. Chang was informed that Keystone Friction Hinge Co., of South Williamsport, PA, had most of the equipment and excess capacity necessary to produce caulking guns for Newborn. The Vice-President of Keystone, Edward Hannon, visited Chang's Columbia, MD facilities during the first week of September 1983, a visit that was followed closely by several conversations and Mr. Chang's tour of Keystone's plant. During Mr. Chang's visit to Pennsylvania, the parties negotiated and signed a contract. (CX 135; Finding of Fact 167).

Under the Newborn-Keystone agreement, Keystone will purchase the welding machines, maintain all the equipment, and manufacture the caulking gun frames. Newborn will supply the stamping dies to Keystone, who will deliver five hundred samples to Newborn within thirty days after receipt of the stamping dies. Upon approval of the samples, Keystone will deliver to Newborn a minimum of 30,000 frames/month, to begin thirty days after approval of the samples, and to continue for a term of seven years. (Finding of Fact 168).

Newborn will purchase the stamping dies for delivery to Keystone, and the springs, rods, and plunger discs on the open market. At first, Newborn plans to purchase the grip plates, which constitute 5% of the overall cost of manufacture from abroad, until a domestic source can be developed. Mr. Chang has found a domestic steel company capable of producing steel that has the properties sought by Mr. Chang, and Newborn currently is negotiating with Keystone to produce the grip plates in addition to the frames. Alternatively, Mr. Chang also is discussing the production of the grip plates with Lowry Tool & Die Co., one of the manufacturers with whom Chang placed an order for the stamping dies. (Finding of Fact 169).

The caulking gun frames will be painted at Industrial Fabrications, also of South Williamsport, PA. Assembly, final welding of the rod and disc, packaging, shipping, and marketing will be the responsibility of Newborn and will take place in Maryland. Mr. Chang is considering the use of one of three handicapped persons organizations located in Baltimore to assemble the caulking guns, but assembly easily could be accomplished in Newborn's Columbia, MD warehouse, with fifteen-to-thirty days preparation time. (Finding of Fact 170).

At the close of the reopened hearing held October 25, 1983, the Commission investigative attorney requested leave to submit a letter to the presiding officer in the event that the staff viewed the newly introduced evidence as a sufficient commitment to constitute a readiness to commence production under the Ultra-Microtome standard. The staff submitted such a letter on October 20, 1983, in which it took the position that the complainant has established a readiness to commence production, based upon the formal agreement with Keystone to undertake specific obligations and to expend considerable sums of money. The staff further noted that Newborn and Keystone already have placed orders and made initial payments to third parties.

It is the opinion of the presiding officer that the contract signed by Newborn and Keystone constitutes substantial evidence of readiness to commence production.

The credible testimony of Messrs. Chang and Hannon at the reopened hearing held October 25, 1983 provided assurances that both parties to the contract have complied with the contract to the extent heretofore possible. Keystone placed orders and advanced approximately \$21,000 on September 23, 1983 to obtain the required welding equipment. (CX 134). On October 7 and 17, 1983, Newborn placed orders for the stamping dies with two tool and die companies, and advanced approximately \$3,000 towards the final purchase price. (CX 138). The dies are to be delivered by late-December 1983 directly to Keystone, who should receive the welding equipment by late-January 1984. (Findings of Fact 171-173). Raw materials are available from several of Keystone's regular suppliers, and Mr. Chang is negotiating with three potential suppliers of the springs, rods and plunger discs. The parties anticipate production of the five hundred samples by

early-February 1984, which would enable commercial production to commence during March 1984. (Findings of Fact 174-176). Keystone has the capacity to increase production as required from the 30,000 guns/month minimum to any reasonable quantity, up to 2.3 million guns/year. (Finding of Fact 177).

Moreover, Mr. Chang has testified that he will manufacture the patented caulking guns even if he is not granted an exclusion order by the Commission, as he has requested. (Chang, Tr. 305). This assertion is supported by the contract signed with Keystone, which is a formal legal agreement to manufacture caulking guns for a period of seven years. (CX 135).

In sum, I find that the complainant has established his readiness to commence production of the patented caulking guns, and thereby has satisfied the Ultra-Microtome test that it is an "embryo industry", which is prevented from being established by the unlawful importation of the subject caulking guns.

Efficient and Economic Operation

Section 337 requires the complainant to prove "unfair methods of competition and unfair acts in the importation of articles into the United States, ... the effect or tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry." (emphasis added). The Commission has interpreted the statute to mean that in situations in which no industry exists, there is no need for the test of efficiency and economy of operation. Ultra-Microtome, supra at 8. Consequently, whether the "industry" for the manufacture of caulking guns in accordance with the '112 patent is efficiently and economically operated need not be addressed here.

Alternatively, it is noteworthy that the record contains evidence of the type traditionally considered by the Commission in determining that an industry is efficiently and economically operated. These factors have included: (1) use of modern equipment; (2) incentive compensation programs for employees; (3) an effective quality control program; (4) extensive advertising campaigns, and (5) sustained profitable operation. Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60 (1979); Certain Miniature Wheeled Vehicles, supra.

Although it is impossible to predict with certainty that an as yet un-established industry will be operated efficiently and economically in the

future, evidence of record relating to Newborn's previous operations supports a reasonable inference that the relevant industry will be efficiently and economically operated.

The complainant previously operated in Korea a stringent quality control program in manufacturing its patented caulking guns. The quality control program assures that the grip plates are made of a particular grade of steel, that the punch press operates precisely to prevent slippage of the plunger rod, and that every exposed surface of the gun is treated and painted properly so as not to rust. (Finding of Fact 182).

Mr. Chang testified that Newborn Bros. has spent an average of \$10,000/year on advertising its smooth rod caulking gun since 1976, although advertising was decreased after 1980 because of complainant's belief that its advertising contributed more to respondents' sales volume than to that of the complainant. (Finding of Fact 179).

In addition, Newborn Bros.'s sales force has participated in a sales incentive compensation program. (Finding of Fact 180).

Finally, the complainant's new licensee, Keystone, is efficiently and economically operated. Mr. Chang testified at trial that he visited the Keystone plant, and found it to be an efficient, well-organized, and a "very conservative organization." (Chang, Tr. at 736). The record further indicates that Keystone uses modern equipment, operates cost efficiently, and is in sustained, good financial standing. (Finding of Fact 185).

In sum, it is the opinion of the presiding officer that it is unnecessary to address whether the industry relevant to this investigation is efficiently and economically operated, but that evidence traditionally considered by the Commission in such a determination supports an inference that the industry to be established will be efficiently and economically operated.

Injury

The complainant must show that the importation and sale of the subject caulking guns has "...the effect or tendency ... to destroy or substantially injure the domestic industry ..." 19 U.S.C. §1337(a). It would be an impossible burden for the complainant to prove that an "embryo industry" has been effectively destroyed or substantially injured. Consequently, the issue is whether the imported infringing caulking guns prevent the establishment of the domestic industry by their tendency to substantially injure that industry.

Factors the Commission generally has considered in reaching injury determinations include: (1) increased levels of market penetration by imports; (2) substantial foreign capacity to increase exports; (3) lost sales; (4) lost customers; (5) underselling; (6) lost profits; and (7) reduction in complainant's prices. Certain Reclosable Plastic Bags, Inv. No. 337-TA-22 (1977); Certain Drill Point Screws for Drywall Construction, supra. The complainant has demonstrated the existence of a tendency to inflict future substantial injury on the domestic "industry" within the context of a §337 investigation.

The in rem nature of this proceeding allows consideration of similar unfair acts by respondents and non-respondents alike to determine the extent of the tendency to injure the domestic industry. Certain Roller Units, Inv. No. 337-TA-4 (1976); Certain Methods for Extruding Plastic Tubing, supra; Certain Vacuum Bottles supra.

The nature of an investigation into claimed prevention of establishment would lead one to believe that a showing of lost sales, lost profits, lost customers, decrease in complainant's market share, and reduction in complainant's prices would be impossible. However, the present investigation contains evidence that supports these criteria. Although not produced domestically, the complainant's patented caulking gun has been sold in the U.S. since 1976. (Finding of Fact 135). The effect of competition by infringing caulking guns on Newborn's presence in the United States market enables one to project the tendency of the infringing imports to injure the domestic "embryo industry."

The record demonstrates that from the introduction of the Newborn smooth rod caulking gun in 1976 to 1980, Newborn's sales increased from \$717,000 to \$2.5 million, which constituted approximately 40-50% of the market share for the sale of such guns. (Findings of Fact 187, 215). Additionally, Newborn (C) experienced an operating profit of _____ in 1980. (Finding of Fact 193).

Infringing caulking guns began to appear in the United States in late 1979, but were not imported in large numbers until 1981. (Finding of Fact 186). The evidence of record establishes that following the increase in infringing imports, Newborn experienced a substantial drop in sales of its smooth rod caulking (C) gun, from _____ in 1980 to _____ in 1982. (Finding of Fact 188).^{12/}
(C) Additionally, Newborn suffered a lost of _____ in 1982. (Finding of Fact 193).
Newborn's current market share is approximately 15-20% of total U.S. sales for

^{12/} The complainant alleges that it currently is losing \$32,500 a month in caulking gun sales. (Complainant's brief, p. 56). Complainant's figures cannot be taken at face value because the figures are based on sales projections of a contemplated 25% per year increase in sales. (Chang, Tr. 295). Moreover, complainant has discounted some sales below the list price upon which complainant's projections are based. (Finding of fact 210). However, enough evidence of record exists to substantiate independently complainant's claimed injury.

smooth rod caulking guns (Finding of Fact 215), while the market share of import other than Newborn is growing rapidly. (Findings of Fact 186, 217-219).

The record demonstrates that since 1980, many of Newborn's customers have reduced or discontinued their purchases of the Newborn patented caulking gun, and have purchased infringing imported guns from other sources. (Findings of Fact 196-200, 203, 208, 227).

Although it appears that Newborn has lost sales to non-infringing imported econo-type guns (Findings of Fact 198, 203, 222) and domestically produced smooth rod and ratchet caulking guns (Findings of Fact 200, 220), the evidence of record establishes that the substantial portion of complainant's lost sales is attributed to infringing imports. (Findings of Fact 195, 197, 204, 206, 208). Sales lost to the Collier (UMAC) non-infringing smooth rod caulking gun account for less than one third of the unit sales loss Newborn experienced between 1980 and 1982. (Findings of Fact 220). The testimony indicates that the econotype gun comprises only from 5-25% of the market, and therefore cannot account for the majority of Newborn's sales. (Findings of Fact 217, 222).

Moreover, the infringing imports frequently are offered at prices well below Newborn's manufacturing cost. (Findings of Fact 201, 202, 212). The evidence demonstrates that caulking gun customers are price-sensitive. (Findings of Fact 208-210). To compete with the underpriced infringing imports, Newborn has reduced its prices to certain customers. (Finding of Fact 210).^{13/} Additionally, Newborn has introduced its own ratchet and econo-type caulking guns to compete with the

^{13/} The evidence indicates that caulking guns generally are sold at less than the price represented on the manufacturer or importers price list. However, the complainant reduced its prices generally from the 1982 list price to the 1980 level, and additionally discounted to meet specific instances of competition from infringing imports. (Finding of Fact 210).

lower priced imports of infringing and econo-type caulking guns. (Finding of Fact 222).

The evidence of record supports an inference that the influx of infringing imports will continue, and that complainant would continue to lose sales to infringing imports should he commence production in the United States. The record establishes that there exists a substantial excess in foreign capacity available for the production of caulking guns. (Findings of Fact 202, 211). Additionally, the complainant has established that several non-respondents export to the United States infringing caulking guns (Findings of Fact 124, 126, 225-228), and that several respondents who presently do not export to the United States have expressed a desire to do so. (Findings of Fact 211, 212).

For the foregoing reasons, I find that there exists a tendency to substantially injure in the future the "embryo industry" for the production of caulking guns under the suit patent.

FINDINGS OF FACT

The Administrative Law Judge adopts the following Findings of Fact to the extent they are consistent with this opinion.

Jurisdiction

1. Service of the Complaint and Notice of Investigation was effected on all respondents except Chil Sung Ind. Co. (SX 28; Response to Complaint by Buseong Industrial Co., Ltd., Thumb Enterprise Co., Ltd., Fuerza International Co., Ltd., Taiwan Seven Rings Ind. Co. Ltd.).

Parties

2. Complainant Peter J. Chang is the principal stockholder and president of Newborn Brothers Company (Newborn), a domestic corporation principally engaged in the sale and distribution of caulking guns in the United States, with its principal place of business at 9645 Gerwig Lane, P. O. Box 8, Columbia, Maryland 21046. Since 1976, Newborn has sold under its own name smooth rod (ratchetless) caulking guns manufactured in accordance with the claims of U.S. Letters Patent 4,081,112 (the '112 patent) by Revon Products (Revon) in Seoul, Korea. Revon, a company in which Mr. Chang was also principal stockholder, ceased operations on May 31, 1982. (CX 79).
3. Respondent Art-Co Distributors, Inc. (Art-Co) has its principal place of business at 111 West Robinson Street, Orlando, Florida 32802. Art-Co imports and sells smooth rod caulking guns in the United States. (CX 106).

4. Respondent Azco, Inc. (Azco) has its principal place of business at 2530 South Broadway, Los Angeles, California 90007. Azco imports and sells smooth rod caulking guns in the United States. (CX 90, 110).
5. Respondent DMZ Offshore Services (DMZ), 7600 N.W. 69th Avenue, Miami, Florida 33166, has offered imported smooth rod caulking guns for sale in the United States. (CX 20).
6. Respondent Gray Marketing Group, Ltd., (GMG) has its principal place of business at 4500 Cedros Avenue, P.O. Box 5216, P.O. Box 5216, Sherman Oaks, California 91413. GMG has sold and distributed imported smooth rod caulking guns in the United States. (CX 92, p. 23; CX 109).
7. Respondent Donald Gray (Gray) of 4500 Cedros Avenue, P. O. Box 5216, Sherman Oaks, California 91413, is the owner of GMG. Until January 1982, Gray sold and distributed imported smooth rod caulking guns for Newborn. From March 1, 1982 until May 1, 1983, Gray sold and distributed imported smooth rod caulking guns for respondent Azco. (CX 92, pp. 21, 26; CX 109).
8. Respondent Great American Marketing, Inc. (GAM), 17537 Devonshire Street, North Ridge, California 91325, imports and sells smooth rod caulking guns in the United States. (CX 22, 107).
9. Respondent Handy Dan Home Improvement Centers, Inc. (Handy Dan), 229 South State, Dover, Delaware 19901, imports and sells smooth rod caulking guns in the United States. Handy Dan has purchased imported smooth rod caulking guns from Newborn, GMG, Gray, A.M. Lewis, Roberts Consolidated, and Western Marketing. (CX 107, Interrog. 6).

10. Lowe's Co., Inc. (Lowe's), P. O. Box 111, N. Wilkesboro, North Carolina 28656, sells imported smooth rod caulking guns in the United States. (CX 23).
11. Respondent Macklanburg-Duncan Co. (Macklanburg), has its principal place of business at 4041 N. Santa Fe, P. O. Box 25188, Oklahoma City, Oklahoma 73125. Macklanburg imports and sells smooth rod caulking guns in the United States. (CX 96, 97, 111).
12. Respondent The Mega Group, Inc. (Mega), 6001 Northwest 153rd Street, Miami Lakes, Florida 33014, has offered imported smooth rod caulking guns for sale in the United States. (CX 18).
13. Respondent Sav-on-Drugs, Inc. (SOD) has its principal place of business at 1500 S. Anaheim Boulevard, P.O. Box 17, Anaheim, California 92805. SOD imports and sells smooth rod caulking guns in the United States. (CX 108).
14. Respondent Buseong Industrial Co., Ltd. (Buseong), 247-7 Sangok-Dong, Buk-ju, Inchon, Korea, manufactures smooth rod caulking guns and exports them to the United States. (CX 111).
15. Respondent C&B Brothers Co., Ltd. (C&B), P.O. Box 84-363, Taipei, Taiwan has offered to export smooth rod caulking guns to the United States. (Chang, Tr. 482; CX 8).
16. Respondent Chil Sung Ind. Co. (Chil Sung), 14-7 Dong Ja Dong, CPO Box 2772, Yongsanku, Seoul, Korea, has offered to export smooth rod caulking guns to the United States. (Chang, Tr. 484; CX 10).

17. Respondent D&W Industrial Co., Ltd. (D&W), P.O. Box 27-93, Taichung, Taiwan, has offered to export smooth rod caulking guns to the United States. (Chang, Tr. 483; CX 9).
18. Respondent Fuerza International Co., Ltd. (Fuerza), 141-1 Hoping Lunchow Hsiang, Taipei-Hsein, Taiwan, has offered to export smooth rod caulking guns to the United States. (Chang, Tr. 491; CX 7).
19. Respondent Kukje Corp., (Kukje), CPO Box 747, Seoul, Korea, has exported smooth rod caulking guns manufactured by respondent Buseong to the United States. (CX 84).
20. Respondent Taiwan Seven Rings Ind. Co., Ltd. (TSR), P.O. Box 30-4222, Taipei, Taiwan has offered to export smooth rod caulking guns to the United States. (Chang, Tr. 479; CX 4).
21. Respondent Thumb Enterprises, Ltd. (Thumb); 6th Floor, Taishin Building, No. 30, Sec. 2, Chi-Nan Road, Taipei, Taiwan has offered to export smooth rod caulking guns to the United States. (CX 32, 115).
22. Respondent Viva International Corp. (Viva), 11-4th Floor, NCR Building, P.O. Box 13-361, 955 Tun Hwa S. Road, Taipei, Taiwan, has offered to export smooth rod caulking guns to the United States. (CX 6).
23. Respondent Winmax, Inc. (Winmax), P.O. Box 53-422, Taipei, Taiwan, has offered to export smooth rod caulking guns to Europe. (CX 5).

Product in Issue

24. The product in issue is a smooth rod caulking gun which is covered by the claims of U.S. Letters Patent No. 4,081,112 (the '112 patent). Chang sells two models of caulking guns covered by the '112 patent: the one-tenth gallon size, the 101 model; and the quart size, the 105 model. (Chang, Tr. 218).

25. Approximately 50% of the caulking guns sold in the United States are ratchet-type caulking guns and approximately 50% of the caulking guns sold in the United States are smooth rod caulking guns. (Chang, Tr. 290 382; SX 46A, p. 68).

26. Ratchet-type caulking guns have teeth (ratchets) milled into a plunger rod. When the user squeezes the trigger, the trigger engages a latching dog which, in turn, engages the teeth and moves the plunger rod forward. The teeth and dog then hold the rod in place until the trigger is squeezed again or the rod is released by disengaging the teeth. (Chang, Tr. 651, 653; SX 35; 45A, pp. 13-14).

27. Smooth rod caulking guns operate through the use of a spring mechanism and do not utilize ratchets. When the user squeezes the trigger, a gripping plate pushes forward against a spring and advances the plunger rod and when the trigger is released, the spring pushes the gripping plate and trigger back to the resting position. (CX 1; CPX 1; SPX 2).

28. Smooth rod and ratchet-type caulking guns are sold to the "do-it-yourself" user and professional user. Caulking guns are sold through hardware wholesalers, home centers, discount chains and building material suppliers. The one-tenth gallon size gun is generally marketed to the "do-it-yourself" user, whereas the larger quarter-size gun generally is marketed to the professional user. Newborn sells primarily to the "do-it-yourself" market and approximately 85% of Newborn's dollar sales and 95% of its unit sales are attributable to the one-tenth gallon (101 model) gun. (Chang, Tr. 218-19; CX 79, Interrog. 10; SX 46B, pp. 71-72).
29. It is estimated that annual sales of caulking guns in the United States total approximately 6 to 8 million units and that caulking gun sales to the "do-it-yourself" market total approximately 4 to 5 million units. (Chang, Tr. 219; CX 81, Interrog. 15(a); SX 46A, p. 67).
30. There are essentially two types of smooth rod caulking guns sold in the United States. One type of gun has a trigger pivot point above the plunger, such as that which is found in the Newborn model 101 and 105 caulking guns and the allegedly infringing imported caulking guns. The other type of smooth rod gun, commonly referred to as the "E Type," "econo-smooth rod" or "short handle" caulking gun, has a trigger pivot point located below the plunger rod. (CPX 1-20; SPX 1-4).
31. It is estimated that approximately one-half of the caulking guns sold in the United States are imported and that 95% of imported caulking guns are of the smooth rod type. (SX 46A, pp. 68-69).

32. In late 1981, the UMAC Division of Collier Industries, Inc., located in Weirton, West Virginia, began manufacturing a smooth rod caulking gun in the United States. UMAC is the only domestic producer of smooth rod caulking guns for the do-it-yourself market.
- (C) UMAC estimates that it accounts for approximately of the approximately 6 to 8 million caulking guns sold annually in the United States. However, UMAC is predominantly a manufacturer of ratchet guns and its sales of smooth rod caulking guns totalled only
- (C) approximately in 1982. (Chang, Tr. 280-81; SX 46A, pp. 15, 66-68, 78, 79; SX 46B, pp. 74-75, 76; SPX 2).
33. Prior to the Schneider smooth rod caulking gun, both the professional and do-it-yourself markets utilized only ratchet caulking guns. The ratchet gun currently is preferred for its durability by the professional user. (Chang, Tr. 382).

Validity

34. The complainant filed a Korean patent application for its smooth rod caulking gun on July 29, 1976. (CX 28).
35. U.S. Letters Patent No. 4,081,112 (the '112 patent) patent issued on March 28, 1978 to the named inventor, Peter J. Chang, on U.S. Patent Application Serial No. 731,730, filed October 12, 1976. (CX 1).
36. In January 1973, Mr. Chang formed Revon Products, Inc. for the purpose of manufacturing ratchet caulking guns for worldwide export. At this time the United States market was comprised of virtually 100% ratchet guns. Revon Products U.S.A., Inc. was a distribution company and served as an export clearing house in the United States.
37. Mr. Chang has studied mechanical engineering informally, but does not possess an engineering degree. (CX 118).
38. In 1975, Mr. Chang wanted to eliminate the ratchet mechanism in the rod by converting to a smooth push rod. The ratchet guns presented the following problems: expensive tooling costs for milling the ratchet, lack of thrusting power to extract high viscosity caulk, and the inability to pull back the push rod to stop the caulking flow with one hand. (Chang, Tr. 204-06; CX 118).
39. In February 1975, Chang obtained a smooth rod gun patented under U.S. Letters Patent No. 1,986,166 (CX 39) and began to improve upon it. In order to increase the thrusting power, Mr. Chang determined that an extra long trigger to increase leverage within the specified area of a handle was necessary. . However, the span between the trigger and the handle was limited to the width which a human hand could cover. In order to

achieve the extra long leverage of the trigger within the fixed length and width of the handle, it was necessary to move the pivot of the trigger to above the piston rod. Further, Mr. Chang wanted to create a new spring assembly that would both increase thrusting power and eliminate the slippage problem. (Chang, Tr. 207-12; CX 39; CX 79, Interrog. 5; CX 118, p. 6; SX 45A, p. 21; SX 45C, pp. 192-94).

40. Smooth rod caulking guns had existed on the market for many years. The Albion gun was made according to the Schneider patent, U.S. Letters Patent No. 1,986,166 issued in 1935. The existing smooth rod caulking guns had similar problems found in ratchet guns, namely lack of thrusting power and slippage on the rod. (Chang, Tr. 207-12; CX 118, p. 5).
41. The manufacturing process necessary to produce the new gun was developed in November 1975, and in May 1976 marketing began in the United States. (Chang, Tr. 212; CX 118, p. 6).
42. In the first Office Action by the Patent and Trademark Office (PTO) the patent examiner rejected all five claims of the patent, on 35 U.S.C. §112 and 35 U.S.C. §103, on the basis of two prior art references: the Costa patent, U.S. Letters Patent No. 4,009,804; and the Cox Australian Patent No. 217,894. (Witherspoon, Tr. 514; CX 38).
43. The following pertinent prior art was cited by the PTO examiner: the Schneider patent, U.S. Letters Patent No. 1,986,166; the Peterson patent, U.S. Letters Patent No. 2,530,359; the Sherbondy patent, U.S. Letters Patent No. 2,561,825; the Costa patent, U.S. Letters Patent No. 4,009,804; and the Cox Australian Patent No. 217,894. (CX 1, 38-43).

44. The patent examiner rejected the original claims of the '112 patent under §112 because the trigger had not been defined appropriately, and under §103 because the '112 invention was obvious in light of Reference L (Cox), cited in combination with Reference A (Costa). (CX 38).
45. It would have been obvious to employ a manually releasable second grip element taught by Costa in combination with the device disclosed by the Cox patent application. (Witherspoon, Tr. 514; CX 38).
46. All the prior art cited by the examiner had pivot points below the rod, with the exception of the Cox patent. The examiner originally rejected the '112 invention on the basis of the Cox patent, which had the pivot point above the rod, but allowed the claims as amended, which required the spring to be located above the plunger rod. (Witherspoon, Tr. 516-17; CX 38-43).
47. The Cox Australian Patent did not suggest "contact of a portion of the trigger above the pivot contacting grip." (CX 38, amendment p. 3).
48. All of the prior art cited by the examiner had springs as the operating means and all had the first spring on, not above the rod. (CX 39-43).
49. In response to the examiner's rejection, claim 1, the only independent claim in the '112 patent, was amended. Claim 1 sets forth the purported improvement as the combination of elements comprising:

the first grip encircling within the handle the plunger shaft and protruding upwardly beyond the plunger shaft to a location proximate the upper portion of the frame, the trigger extending upwardly in the handle to a trigger pivot located above the plunger shaft, a portion of the trigger above the pivot operatively contracting said first grip upward protusion, said first spring oppositely

biasing said trigger operative engagement, the handle having a forward wall, the first spring being a compression spring, and means for frictionally retaining the first spring in the spacing between the forward wall and the first grip, above the plunger shaft.

(CX 1, col. 3, l. 14 to col. 4, l. 2).

50. Claim 2 of the '112 patent describes the purported improved combination disclosed therein as follows:

In a caulking gun as recited in claim 1, the handle having a rear wall with an opening therein, the second grip within the handle and encircling the plunger with said operable portion projecting through the opening and a rearwardly concave portion of the second grip extending upwardly to free contact with the rear wall interior, the second spring being on the plunger shaft and urging apart said trigger and second grip.

(CX 1, col. 1).

51. The advance over the prior art disclosed in claim 1 of the '112 patent is the combination of "the features of a trigger pivot and trigger-to-drive grip engagement above a plunger rod" in a smooth rod caulking gun. (CX 1, col. 1, l. 30-31; SX 46A at 31-33).
52. The purported improvement of the combination described in claim 2 of the '112 patent, wherein the stopping mechanism is placed within the handle, results in "advantages of ... quick fabrication and assembly, damage resistance, and appearance." (CX 38, amendment, p. 3).
53. The specifications in the '112 patent state that the purpose or advantage of the placement of the first spring above the rod is ease of assembly. (Witherspoon, Tr. 688; CX 1, col. 2, l. 55-60).

54. Mr. Fought, general manager of UMAC, testified that because of the combination of a high trigger pivot and operative contact of the trigger and first grip above the plunger rod in the device such as that disclosed in claim 1 of the '112 patent, less pressure is required to expel the caulk in such a device than in a device, such as SPX 4, with a lower pivot system. (SX 46A, pp. 32-33).
55. The claims of the Chang patent specifically require that the first spring be above the rod and specifically require that the pivot point of the trigger be above the rod. (Witherspoon, Tr. 521; CX 1, claim 1).
56. The placement of the first spring above the rod is very critical in order for the smooth rod caulking gun to function properly. If it is not placed above the rod, it quickly will become defective because both the spring and the first grip will wear out. (Chang, Tr. 637).
57. Patents cited by the Commission investigative attorney that were not cited by the examiner include: the Carhart patent, U.S. Letters Patent No. 3,894,663; the United States Cox patent, U.S. Letters Patent 4,072,254; the Beyer and Otto patent, German Patent No. 1,968,819; and, the Creighton patent, U.S. Letters Patent No. 3,311,265. All of these references, with the exception of the Carhart patent, show the pivot point below the rod and show the first spring located on the plunger rod. (Witherspoon, Tr. 521-22; SX 31, 32, 35, 40).

58. The Carhart patent concerns a ratchet gun, which does not teach the use of springs. (Witherspoon, Tr. 522; SX 35).
59. None of the patents raised by the Commission investigative attorney discloses the placement of the first spring above the plunger rod, which was amended to the claims of complainant's invention to overcome the examiner's rejection. All of the art cited by the staff teaches placement of the spring on the rod. (Witherspoon, Tr. 523).
60. The Lechler instruction sheets for caulking gun models 201, 202 and 203, dated June 1974, were printed and distributed in Germany in 1974. (SX 29, 29A, 29B, 29C, 29G, 49, 49A; SX 53, pp. 58-60, 65-69, 71-73; SX 54).
61. In 1974, Johann Lutz, then assistant to the manager of Lechler's promotion department, personally determined through spot checks that a caulking gun instruction sheet (SX 29A, B, C) was included in the package for each model 201, 202 and 203 caulking gun distributed by Lechler. (SX 22; SX 53 at 58-60, 72).
62. In 1974, approximately 7,000 of the instruction sheets for Lechler's model 201 caulking gun were printed. Approximately 4,000 of these sheets were distributed with caulking guns sold by Lechler in 1974. These sheets also were distributed to Lechler's sales offices throughout Germany for inclusion in proposals to Lechler's customers. (SX 29B, 49, 49A; SX 53, pp. 67-69, 72-73).
63. Approximately 2,500 of the instruction sheets for Lechler's model 203 caulking gun were printed and distributed in Germany in 1974. (SX 29C; SX 53, pp. 65-66).

64. Certain types of driving or operating means include springs, gears or ratchets, and compression rubber or compression plastic material. (Chang, Tr. 625-26).
65. No springs are pictured on the Lechler drawings. (CX 29A-G).
66. One cannot tell from the Lechler drawing or leaflet where the placement of any of the springs or other operating means would be because the leaflet and the drawing do not show the interrelationship of the inner working parts. (Chang, Tr. 627-28).
67. The drawing in the Lechler leaflet does not show the handle fully extended to the butt cap. There is an indication that the handle is restrained from extending all the way to the butt cap by a lower pivot point. (Chang, Tr. 628-29).
68. Figure 2 of the '112 patent shows that the trigger has to be extended fully to the butt cap with no restraining rivet. (Chang, Tr. 629).
69. The Lechler leaflet drawing shows the forward wall which is the back of the butt cap to be smooth. It does not depict a restraining notch. The restraining notch functions as a retaining mechanism for the first spring if it is placed above rod. If there is no restraining notch, the spring can pop out. The Newborn caulking gun utilizes such a restraining notch. (Chang, Tr. 630-31).
70. The drawing on the Lechler leaflets indicates that the release lever is "floating." It is not biased by a spring or other mechanism. (Chang, Tr. 631-32).

71. The Lechler leaflets do not show each and every element cited in the claims of the '112 patent and consequently do not show them in the relationship set forth in the '112 invention. (Witherspoon, Tr. 681-82; SX 29B).

72. The level of skill in the pertinent art at the time of the invention of the device disclosed in the '112 patent was relatively low. (Witherspoon, Tr. 552; CX 118, p. 4).

Infringement of the '112 Patent

73. Respondent Azco has imported, and respondents Gray and Gray Marketing Group have distributed, caulking guns that contain the following:
- (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod;
 - (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip;
 - (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and
 - (4) the trigger touching the butt cap when in a released position. (CPX 2, 3, 5, 8, 9, 18).
74. Respondent Lowe's Co., Inc. purchases from abroad both econo-type and caulking guns that are identical to complainant's model 101 caulking gun. (Raber, Tr. 45-46; CX 23).
75. Respondent Buseong manufactures for export to the United States caulking guns that contain the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2)

a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 12; CPX 13, 17; SPX 1).

76. Non-respondent Cashway sells a caulking gun that contains the following:

(1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CPX 4).

77. Non-respondent True-Value Hardware Stores sells a caulking gun that contains the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CPX 6).

78. Non-respondent Ace Price sells a caulking gun that contains the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring fric-

tionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CPX 10).

79. Non-respondent Reardon-Briggs sells a caulking gun that contains the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CPX 11).
80. Several caulking guns of unknown origin contain the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CPX 7, 12, 14).
81. Respondent C&B Brothers has offered for sale a caulking gun that appears to have the following characteristics: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between

the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 8).

82. Respondent D&W Industrial has offered for sale a caulking gun that appears to contain the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 9).

83. Respondent Kukje Corp. has offered for sale a caulking gun that appears to contain the following: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 11).

84. Respondent Taiwan Seven Rings has offered for sale a caulking gun that appears to contain the following: (1) a trigger lever pivoted

above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 51).

85. Respondent Viva International has offered for sale a caulking gun that appears to have the following characteristics: (1) a trigger lever pivoted above the plunger rod which contacts the gripping plate above the rod; (2) a first spring frictionally retained above the plunger rod between the forward wall and the first grip; (3) a second spring and second grip plate enclosed within the handle, with only a manual release lever and end of the plunger rod protruding beyond the handle; and (4) the trigger touching the butt cap when in a released position. (CX 6).

Passing Off

86. Donald Gray, through his company Gray Marketing Group (GMG), sold Newborn caulking guns in the Southern California market from early 1976 until January 1982, as the exclusive Newborn representative in the states of California and Nevada. (Chang, Tr. 398, 408; CX 118, p. 27).

87. As a representative for Newborn, Gray warehoused Newborn caulking guns, and had in his possession Newborn's complete customer list, Newborn promotional brochures, advertising, and advertising slicks for the Newborn caulking gun. Advertising slicks are distributed to buyers to use in preparing their own advertising of a manufacturer's product. Newborn's advertising slick shows the cutaway pictorial of the Newborn caulking gun. (CX 26; CX 79; CX 92, pp. 27-30; CX 109; CX 118, p. 29).
88. Gray's relationship with Newborn was terminated in January 1982. Immediately upon leaving Newborn, in February of 1982, Gray began working for Arthur Zakarian as a manufacturer's representative for Azco, Inc., selling smooth rod Olympia caulking guns. Gray was Azco's sole representative, but was assisted by three sub-representatives at various times. (CX 92, pp. 23-25, 34-35).
89. In early January 1982, Newborn received information that Gray was attempting to sell another brand of caulking gun that was identical in every way with Newborn's. In February 1982, Newborn learned that a salesman of Gray Marketing Group was calling on customers claiming GMG had bought out Newborn Brothers and that he was the new representative. On February 18, 1982, Newborn received a brochure that the salesman was distributing. Comparison with Newborn's brochure showed that the GMG brochure used the same cut-a-way picture as the Newborn caulking guns. (CX 13, 25, 118, pp. 27-28).
90. In February 1982, after his relationship with Newborn was terminated, Gray used Newborn's advertising slick as a model in the preparation

of artwork for an advertising brochure for Azco. The advertising prepared for Azco depicted a cut-away drawing similar to the drawing used by Newborn. The materials used in marketing the Azco/Olympia caulking guns did not utilize Newborn's name or logo or refer to the '112 patent. The name "Azco/Olympia" was prominently displayed on those materials which used the Newborn cut-away drawing. (Chang, Tr. 178-79; CX 13, 16, 26; CX 90, pp. 71-73, 127; CX 92, pp. 32-34, 41-42).

91. Azco had no knowledge that Gray had used Newborn ad slicks in Azco's advertising and promotional material. (CX 90 at 73; CX 92 at 33, 73).
92. The prices on the brochure distributed by Gray's salesman were effective January 1, 1982. (Chang, Tr. 398-99; CX 13; CX 118, p. 28).
93. O'Tool Company is a distributor of hand tools and has purchased for resale Newborn caulking guns since at least early 1981. O'Tool sells caulking guns to building material dealers. (CX 88, pp. 5-6).
94. Prior to February 1982, O'Tool made all their purchases of Newborn caulking guns through Donald Gray. In February 1982, O'Tool Company placed an order with Gray for caulking guns and received a shipment of allegedly infringing caulking guns which were branded "Olympia." The shipment of Olympia caulking guns received by O'Tool contained a Newborn leaflet. Although O'Tool had expected to receive Newborn caulking guns, as it had in the past, Gray did not represent to O'Tool that he was still associated with Newborn when O'Tool placed the order in question. (CX 24; CX 88, pp. 5-7, 10-12; CX 118, p. 18).

95. O'Tool continued to buy additional Olympia caulking guns from Mr. Gray until O'Tool began to purchase Newborn caulking guns in the spring of 1982 from a new source. (CX 88, p. 14).
96. Gray did not use any Newborn brochures in connection with the sale of Olympia guns. (CX 92, at 36).
97. All containers of Olympia caulking guns ordered through Gray were assembled and shipped from Taiwan. (CX 92, at 37).
98. Following his association with Azco, Gray did not state to anyone that he still represented Newborn. (CX 92, at 36).
99. Gray never instructed his sub-representative, Earl Leshin, to say that Gray Marketing Group had purchased and replaced Newborn, and has no personal knowledge that Leshin made such representations. (CX 92, at 41).
100. Pacific International Marketing (PIM) was chosen by Newborn to represent Newborn in California, to replace Gray. Upon receiving the account, PIM contacted all previous Newborn customers within that area. No customer stated that it had purchased an Olympia caulking gun believing it to be a Newborn caulking gun. (CX 89, at 39).
101. Angels, American Wholesale Supply and Handyman allegedly believed they were purchasing the Newborn caulking gun when in reality they were not. (Raber, Tr. 71).

102. Hargar Distributors of Tucson, Arizona would not purchase caulking guns from a Newborn sales representative because Leshin allegedly offered him "Newborn" caulking guns at reduced prices. (CX 87, p. 12).
103. Knox Lumber refused to purchase Newborn guns because Gray was offering what allegedly was a "Newborn" caulking gun without a logo for a lower price. (Raber, Tr. 128-29).
104. Sales representatives of Newborn complained to the national sales manager that he was overlapping assignments because customers were maintaining they had just purchased "Newborn" caulking guns. (CX 116, p. 9).

False Designation of Source and Origin

105. Complainant's models 101 and 105 imported caulking guns are identically die-stamped. The Newborn Econo-type caulking guns do not display the same die-stamp as the 101 and 105 models, but are stamped clearly with a country of origin. (Chang, Tr. 442).
106. Azco has imported the following caulking guns with no marking of the country of origin: CPX 3, 5, 18. (Chang, Tr. 472-73; CX 90, p. 53).
107. Azco has imported the following caulking guns with an illegible marking on the front of the first grip: CPX 2, 9, 20. (Chang, Tr. 477).
108. Azco has imported the following caulking guns with only an adhesive label reading "Made in Taiwan": CPX 7, 8. (Chang Tr. 454).

109. CPX 4 is not stamped but has an adhesive label "Made in China" and is distributed by Grace Retail Corporation in New York. (Chang, Tr. 473).
110. CPX 10-14 appear to have been made by the same manufacturer in Taiwan as the other Olympia caulking guns and have been sold with no marking of country of origin. (Chang, Tr. 455).
111. Harbor Sales Co. sold CPX 15 with a small imprint of the country of origin in the release grip. (Chang, Tr. 466; CPX 15).
112. The following caulking guns, stamped "Olympia," are imported by Azco and sold by Don Gray: CPX 2, 3, 5, 8, 9, 18. (CPX 2, 3, 5, 8, 9, 18).
113. The following caulking guns have no brand name: CPX 6, 10, 11, 12, 14. (Chang, Tr. 474).
114. True Value, Ace Price and Reardon Briggs sell caulking guns which allegedly infringe the '112 patent and contain no markings as to country of origin or brand name. (Chang, Tr. 453, 455, 465, 474; CPX 6, 10, 11).
115. Newborn uses a cut-a-way drawing which shows the internal mechanism of its caulking gun in its advertisements and provides various sizes of this cut-a-way drawing to the sellers of its caulking guns for use in their own advertising. This drawing has been copied by respondents Taiwan Seven Rings, Winmax, C&B, AZCO, Gray, and Gray Marketing Group. (CX 4, 5, 6, 8, 25, 26, 63).

116. The respondents' promotional materials do not utilize the name or logo of Newborn and do not reference the '112 patent. (Chang, Tr. 178-79; CX 4, 8, 13, 16).
117. Caulking gun purchasers have returned to Newborn defective caulking guns that were not manufactured by Newborn. The guns returned to Newborn were: ratchet guns, E-type guns, guns of various shades of blue, and silver colored guns. (Chang, Tr. 305-10).
118. In late 1982, AZCO placed a sticker "Made in Taiwan" on two shipments of caulking guns that were improperly marked. (CX 90, p. 52).
119. Don Gray has never seen a gun in the California market that did not carry a country of origin marking. (CX 92, p. 49).
120. Every shipment of Olympia caulking guns is now stamped with the name "Olympia" on either the handle or on the back of the release lever between the plunger rod and the containing mechanism. (CX 90 at 54-55).

Importation and Sale

121. Buseong has the capacity to produce allegedly infringing caulking guns per year. Between 1981 and April 21, 1983, Buseong (C) manufactured allegedly infringing caulking guns for export to the United States. The quantity and value of allegedly infringing caulking guns exported to the United States by Buseong is as follows:

<u>Year</u>	<u>Quantity</u>	<u>Dollar Value</u>
1981		FOB Korea
1982		CIF Oklahoma
1983		CIF Oklahoma

(CX 111).

122. Buseong has sold allegedly infringing caulking guns to
 (C) _____, and Macklanburg-Duncan.
 (CX 111, interrog. 6-8).
123. Between 1980 and 1982 Azco, Macklanburg-Duncan and others have imported and sold allegedly infringing quart-size caulking guns, as well as allegedly infringing 1/10th gallon-size caulking guns, in the United States. (CPX 15, 17-20).
124. Azco has imported allegedly infringing caulking guns that were manufactured by and exported to the United States by
 (C) _____. Azco imported and sold _____ allegedly infringing caulking guns in 1981, and _____ allegedly infringing caulking guns in 1982. (CX 90, pp. 9-24; CX 110).
125. From March 1, 1982 to May 1, 1983, Gray and Gray Marketing Group sold allegedly infringing caulking guns as Azco's manufacturer's representative. (CX 109; CX 92, p. 26).
126. Between February 1, 1983 and June 30, 1983, the Customs Service reported the following imports of allegedly infringing caulking guns:

<u>Importer</u>	<u>Number of Imported Shipments</u>	<u>Number of Caulking Guns</u>
Beaut-ease Products Chicago, Illinois	1	
Lebowitz Wholesale Hardware Chicago, Illinois	1	

Handy Dan Improvement Kansas City, Missouri	1	18,000 from China
Great American Co. Northridge, California	2	210 from Taiwan 15,042 from Taiwan
Pay 'N Pak Stores, Inc. Kent, Washington	1	
Federal Industries Corp. Minneapolis, Minnesota	2	
Macklanburg Duncan Oklahoma City, Oklahoma	3	
Thurman Industries Kirkland, Washington	2	
Harbor Sales Co. Royal Oak, Michigan	2	16,004 through Baltimore
Azco, aka Olympic Tool Los Angeles, California	2	4,092 from China 20,016 from Taiwan
Farwell, Ozman, Kirk Co. St. Paul, Minnesota	1	

(CX 83).

127. Kukje has exported allegedly infringing caulking guns manufactured by Buseong to the United States. (CX 84).

128. C&B, D&W, and Viva have offered to export allegedly infringing caulking guns to the United States. (Chang, Tr. 482-84; CX 6, 8, 9).

129. Thumb has not manufactured, exported, imported or sold allegedly infringing caulking guns in the United States. Thumb has offered to export allegedly infringing caulking guns to the United States. (CX 39; CX 115).

130. Fuerza has not manufactured, exported, imported or sold allegedly infringing caulking guns in the United States. Fuerza has offered to export allegedly infringing caulking guns to the United States. (Chang, Tr. 491; (CX 7, 114; SX 52).
131. Taiwan Seven Rings has not manufactured, exported, imported or sold allegedly infringing caulking guns in the United States. Taiwan Seven Rings has offered to export allegedly infringing caulking guns to the United States. (Chang, Tr. 479; CX 4, 112).
132. Winmax has not manufactured, exported, imported or sold allegedly infringing caulking guns in the United States. Winmax has offered to export allegedly infringing caulking guns to Europe. (CX 5, 113).
133. Kelly Moore Paint and American Wholesale Hardware purchased caulking guns from Gray Marketing Group. (Raber, Tr. 52, 60).
134. Lowe's and Emory Waterhouse purchase directly from the Orient. (Raber, Tr. 46, 56).

Domestic Industry

Prevention of Establishment

135. Beginning in 1976, complainant imported into the United States caulking guns manufactured by his Korean firm, Revon Products, Inc. (Revon). At this time, the United States caulking gun market was primarily composed of ratchet guns; smooth rod guns comprised merely 10-15% of the market. By 1980 smooth rod guns had acquired a 30-40% share. In 1981, the market share for smooth rod guns had increased to 40-50%. Today the market is divided in half. (Chang, Tr. 381-83; CX 118, pp. 3, 6).
136. The caulking gun market in the United States is approximately 5-6 million guns per year in a bad year and 7-8 million guns per year in a boom year. The size of the market is based on estimates of the number of homes in the United States, i.e., 52 million, and the fact that every home theoretically requires a caulking job approximately once every ten years. (Chang, Tr. 220, 457-59).
137. In 1982, the domestic manufacturers of caulking guns filed a petition with the United States Trade Representative to remove all caulking guns from Korea and Taiwan from GSP status. On March 31, 1982, an executive order was issued granting the petition. This placed a duty of 7.7% on caulking guns being imported from those countries. (CX 118, p. 10).
138. At the time Revon ceased manufacturing operations in 1982, complainant had an established sales organization and distribution network in the United States. Complainant has continued distributing imported caulking guns since the official closing of Revon in May 1982. (Chang, Tr. 224; CX 118, pp. 3-4, 10-21; Interrog. 2-3).

139. Since March 1983, complainant has imported E-type and ratchet-type guns made in Taiwan into the United States. Since the closing of Revon, complainant also has imported quart size model 105 caulking guns made by another Korean firm. At the request of one of complainant's suppliers who did not wish to ship less than a full shipment, complainant imported 3,000 tenth gallon size model 101 caulking guns in a shipment of model 105 guns in May 1983. (Chang, Tr. 274-75, 277, 303-04, 438-40).
140. The 101 caulking gun would be the only one produced in the United States. Mr. Chang claims he would not import the model 101 because of the following: (1) his desire to be with his family in the United States; (2) the Korean factory is closed; and (3) he could not impose quality control on overseas suppliers. (Chang, Tr. 305, 371).
141. Complainant has studied various options for the possible production of his caulking guns in the United States including: (1) having his own firm manufacture the guns in Columbia, Maryland; (2) having the guns manufactured by an existing domestic producer; and (3) having the guns manufactured by a domestic concern that is not presently manufacturing caulking guns but which has the capacity to do so. (CX 29, 30, 34, 36, 44-46; CX 118, pp. 11-17, 119).
142. Newborn would like to begin production as soon as possible because its inventory is gradually being depleted. At the time of the July 1983 hearing, there was an inventory of approximately 700,000 pieces of the model 101 caulking gun. The model 105 caulking gun's inventory

is completely depleted. In July, sales averaged 100,000 caulking guns per month. In addition, Newborn must maintain a safety stock of three to four (3-4) months to take care of sales fluctuations which are common in the caulking gun business. (CX 118, pp. 18-19; CX 132).

143. On December 9, 1982, complainant placed an advertisement in the Wall Street Journal under the heading "Wanted to Buy Plant." (CX 29; CX 118, p. 11).
144. Complainant has sufficient credit to fund the establishment of a caulking gun manufacturing facility in the United States. (SX 45B, pp. 127, 136).
145. There is excess manufacturing capacity in the United States that can be utilized for caulking gun production. (Chang, Tr. 368).
146. Complainant has studied the possibility of having the component parts for a caulking gun manufactured abroad and shipped to the United States for assembly. (Chang, Tr. 228-37, 308-10, 365-67; CX 47; SX 45C, pp. 334-35).
147. In February 1983, complainant had an engineer convert his Korean specifications drawings, which were in metric measurements, into inches. In March 1983, complainant's ex-chief engineer of Revon prepared an engineering study detailing technical requirements for the manufacturing of caulking guns. (CX 44; CX 118, pp. 12-13, 16; SX 45C, p. 301; CPX 20).

148. Since December 1983, complainant has entered into preliminary discussions and negotiations with several domestic concerns regarding their possible production of caulking guns for complainant. The following firms are among those that complainant has contacted in this regard: Roper Eastern, M.S. Willett, Inc., UMAC and Mary Procter Tables (MPT) Corporation. (CX 36, 45, 46, 58; CX 118, pp. 12-18; CX 119, 122, 131).

149. In May 1983, Mr. Chang contacted the General Manager of Collier Industries, Inc., which is the only other manufacturer of smooth rod caulking guns in the United States. On June 2, 1983, Mr. Chang flew to West Virginia to discuss specific details as to specifications, quantities and contract terms of a license arrangement.

(C) Upon further negotiations, the parties were within of one
(C) another on price and were working on conditions. The
(C) parties tentatively agreed to production of caulking guns per month. Subsequent to being subpoenaed by the Commission investigative attorney, Collier Industries has indicated that it will postpone any involvement with Mr. Chang until the ITC matter is resolved. (Chang, Tr. 412, 415; CX 58; CX 118, p. 17; CX 122).

150. Collier's current share of the entire caulking gun market of six to eight million units is . Less than of Collier's sales are smooth rod caulking guns. (SX 46A, pp. 67-68; SX 46B, p. 76).

(C) 151. Collier sold caulking guns in the first four months of
(C) 1983. percent of Collier's sales are

(C)

in order to be priced competitively with other domestic manufacturers and Newborn. The unbranded imports are often priced , so it is to meet the prices of the unbranded imports. (SX 46B, pp. 119, 114-16).

152. As of August 15, 1982, Newborn offered for sale its model 101 caulking gun for \$1.08 to \$1.28. Newborn's present price list, effective May 15, 1983 offers the 101 caulking gun for \$1.18 to \$1.35. (CX 32, 33).

(C)

153. At least 1.5 million caulking guns are imported annually from Taiwan. When caulking guns were removed from the Generalized System of Preferences, Collier's . Today, however, the imported guns are priced even lower than they were prior to removal from GSP status due to the strength of the American dollar versus the Taiwan dollar. (SX 46B, pp. 119, 121).

154. Ninety-five percent of the caulking guns imported are smooth rod. Non-branded imports represent close to half the caulking gun market and are growing rapidly. The increase is apparent from customer information and the low pricing on the imports relative to domestic manufactured and Newborn guns. The non-branded imports sell from 15-30% less than domestic caulking guns. Collier has lost a substantial amount of sales to imports. (SX 46A, pp. 69, 81-82).

155. Collier has had its smooth rod UMAC caulking gun. Almost all the smooth rod caulking guns produced are . When smooth rod guns are manufactured,
- (C) smooth rod caulking gun, of the ratchet guns. result in a , which contributes to on the smooth rod gun. (Chang, Tr. 412; SX 46B, p. 92).
156. Mr. Chang's proposed specifications to Collier included needing to modify the UMAC caulking gun by placing one spring above the rod, specific , stamping the handle with the brand and patent information, the and deadlines for starting production and tentative pricing. The production requirements included a unit (C) trial run in September and per month minimum after approval of the test run. Collier gave Mr. Chang a tentative price of per gun. Any agreement reached would be for a minimum of . (SX 46B, pp. 137, 139, 145).
157. If Collier enters into a contractual relationship with Newborn, they will employ approximately twenty-five (25) additional workers, and there will be an initial investment cost of about \$30,000.00 to revise certain toolings. Mr. Chang estimates that it might take two months before commercial production could commence. (Chang, Tr. 331).
158. UMAC would continue to manufacture its own smooth rod gun even if it becomes licensed to manufacture the model 101 caulking gun. (Chang, Tr. 421).

159. On June 13, 1983, Mr. Chang contacted the president of Mary Proctor Tables (MPT) Corporation, Baltimore, Maryland. MPT had the essential machinery to produce a caulking gun and had excess capacity. On June 24, 1983, Mr. Chang visited the factory and found that it was ideal for making a caulking gun at a competitive price. MPT is an ironing board manufacturer with a nationwide distribution system. They use the same raw materials, stampings, fabrications, welding, and painting processes used in manufacturing caulking guns. (CX 118).
160. On July 11, 1983, complainant and MPT Corporation signed a letter of intent setting forth their intent to execute an agreement under which (C) MPT would produce caulking guns per month for complainant in Baltimore, Maryland. The amount could be increased by mutual agreement. The price was per piece and dies would have to be made and ordered before production could begin. This letter stated that a formal agreement would be structured within thirty days of the signing of the letter. (Chang, Tr. 343; CX 131).
161. For MPT to begin manufacturing the 101 caulking gun, they would have to hire persons with an additional investment of approximately (C) to make the new dies and tools. (Seagar, Tr. 353).
162. Even if Mr. Chang had concluded an arrangement with MPT, he still wanted an agreement with Collier Industries in order to maintain the necessary two or three month safety stock of inventory. Collier would be able to make a very quick delivery of caulking guns and the capacity to produce over one million guns per year. (Chang, Tr. 409-11).

163. The complainant's patent attorney, John McClellan, Sr., contacted Viking and Vital, two domestic manufacturers of ratchet-type caulking guns. Neither Viking nor Vital have ever manufactured smooth rod caulking guns. Mr. Chang's efforts to purchase the assets of these companies were rejected. (CX 46, 79, 118).
164. Mr. Chang was contacted by James DeWitt, a corporate financial adviser, who saw Mr. Chang's advertisement in the Wall Street Journal. Mr. Chang retained Mr. DeWitt to seek potential licensees. (CX 30, 34, 79, 118).
165. Neither Roper-Eastern nor M.S. Willett can produce caulking guns for Newborn at a sufficiently competitive price. (CX 36, 45, 79, 118).
166. Further negotiations produced no contract between MPT and Newborn. Beginning in late July, Mr. Seager indicated that several changes would be required in the original agreement, which would increase Newborn's obligations. Additionally, MPT is undergoing reorganization under a Chapter 11 bankruptcy action, and is required to wait six months to receive the approval of its bankruptcy trustees before it may invest money in new capital equipment. The combination of the above factors induced Mr. Chang to seek other potential licensees. (Chang, Tr. 730-34).
167. In late August 1983, Mr. Chang was informed that Keystone Friction Hinge Co., of South Williamsport, Pennsylvania, had most of the equipment and excess capacity necessary to produce caulking guns for Newborn. The vice-president of Keystone, Edward Hannon, visited Chang's

Columbia, Maryland facilities during the first week of September 1983, a visit that was followed closely by several conversations and Mr. Chang's tour of Keystone's plant. During Mr. Chang's visit to Pennsylvania, the parties negotiated and signed a contract. (Chang, Tr. 735-36; Hannon, Tr. 779-81).

168. Under the Newborn-Keystone agreement, Keystone will purchase the welding machines, maintain all the equipment, and manufacture the caulking gun frames. Newborn will supply the stamping dies to Keystone, who will deliver five hundred samples to Newborn within thirty days after receipt of the stamping dies. Upon approval of the samples, Keystone will deliver to Newborn a minimum of 30,000 frames/month, to begin thirty days after approval of the samples, and to continue for a term of seven years. (Chang, Tr. 741-46, 764-65, 788-89; CX 135).
169. Newborn will purchase the stamping dies for delivery to Keystone, and the springs, rods, and plunger discs on the open market. At first, Newborn plans to purchase the grip plates, which constitute 5% of the overall cost of manufacture, from abroad, until a domestic source can be developed. Mr. Chang has found a domestic steel company capable of producing steel that has the properties sought by Mr. Chang, and Newborn currently is negotiating with Keystone to produce the grip plates in addition to the frames. Alternatively, Mr. Chang also is discussing the production of the grip plates with Lowry Tool & Die Co., one of the manufacturers with whom Chang placed an order for the stamping dies. (Chang, Tr. 736-38, 761-62; CX 135).

170. The caulking gun frames will be painted at Industrial Fabrications, also of South Williamsport, Pennsylvania. Assembly, final welding of the rod and disc, packaging, shipping, and marketing will be the responsibility of Newborn and will take place in Maryland. Mr. Chang is considering the use of one of three handicapped persons' organizations located in Baltimore to assemble the caulking guns, but assembly easily could be accomplished in Newborn's Columbia, Maryland warehouse, with fifteen-to-thirty days preparation time. (Chang, Tr. 738-41, 766; Hannon, Tr. 791).
- (C) 171. Keystone has placed orders and advanced approximately on September 23, 1983 to obtain the welding equipment, according to the contract. (Hannon, Tr. 780-87; CX 134).
- (C) 172. Newborn placed orders for stamping dies with Lowry Tool & Die Co., and Upstate Tool, Inc., on October 7 and 17, 1983, respectively, and advanced to Upstate toward the final purchase price. The dies are to be delivered by late December 1983. (Chang, Tr. 741-44; CX 138).
173. The welders should be delivered to Keystone by late January 1984. (Hannon, Tr. 787; CX 134).
174. Raw materials are available from several of Keystone's regular suppliers. (Hannon, Tr. 787).
175. The springs, rods and plunger discs are to be obtained on the open market. Mr. Chang currently is negotiating with three potential sources for the lowest available price. (Chang, Tr. 762).

176. The parties anticipate production of the 500 samples by early February 1984. Commercial production would commence within thirty days thereafter, during March 1984. (Chang, Tr. 745; Hannon, Tr. 788-89).
177. Keystone has the capacity to increase production to 2-3 million caulking guns/year. (Hannon, Tr. 789-90).
178. Mr. Chang will manufacture the patented caulking guns even if he is not granted an exclusion order by the Commission. (Chang, Tr. 305).

Efficient and Economic Operation

179. Until 1980, Newborn spent \$10,000 a year on advertising but found that the advertising contributed more to infringers sales volume than to complainant's sales volume. (Chang, Tr. 298-99; CX 116).
180. There are sales incentive programs for representatives of Newborn. (Chang, Tr. 298-99; CX 116).
181. Collier's manufacturing facilities are modern and efficient and on a par with other domestic caulking gun manufacturers. (SX 46B, pp. 104-05).
182. The complainant previously operated in Korea a stringent quality control program in manufacturing its caulking guns. The major concerns in quality control of the 101 caulking gun are: (1) the friction and release plates; (2) the use of high grade steel; (3) the punch holes; and (4) pre-treatment process before painting. (Chang, Tr. 445-46).

183. Mary Proctor Tables (MPT) has the machinery required to manufacture caulking guns, except for possibly needing welding equipment if the parties decide to weld rather than rivet the caulking guns. Otherwise, all the fabricating equipment is already in place, although minor modifications may be required. (Chang, Tr. 349-50).
184. MPT has 50,000-60,000 square feet of excess capacity in a 100,000 square foot factory, which it needs to utilize in order to defray overhead costs and to increase its profitability. MPT's excess capacity includes five high speed 25-200 ton stamping machines and a modern rotating electrostatic painting lines which will be able to rotate the caulking guns so that the entire gun can be painted both inside and out in one step. The Newborn gun is zinc plated and the zinc-plating facility in the MPT factory is not currently in use. Zinc plating is an involved process in the United States because environmental laws require a manufacturer to treat the waste material coming out of the zinc plating process. MPT already has waste treatment facilities in its factory, which will help to avoid additional start up time and costs. (Chang, Tr. 338-40, 348-49).
185. Keystone Friction Hinge Co. is an efficient, well-organized, "very conservative organization." The plant is organized to maximize efficiency and productivity, and has sufficient equipment and capacity. Keystone is in good financial standing as a small, closely held corporation with a liabilities-to-assets ratio of .75 to 1. Keystone has greater than 50% stockholder equity. (Chang, Tr. 736, 747; Hannon, Tr. 790-93).

Injury

186. Complainant first noticed the appearance of allegedly infringing imported caulking guns in the United States market in 1979, and observed a substantial increase in the number of these caulking guns beginning in late 1981. (CX 118, p. 21).
187. Between 1976 and 1978, Newborn's sales of caulking guns rose from approximately \$700,000 to \$1.2 million. Between 1978 and 1980 Newborn's sales of caulking guns rose from \$1.2 million to \$2.5 million. Although Newborn's dollar sales of caulking guns rose slightly in 1981, they fell to \$1.8 million in 1982. (Chang, Tr. 378-79; CX 72; CX 79, interrog. 10(e)).
188. Newborn's sales of the model 101 caulking gun increased in 1979 and 1980 but began dropping in 1981 as follows:

(C)

<u>Year</u>	<u>Net Dollar Value Sold F.O.B. Shipping Point</u>	<u>Units</u>	<u>Unit Price</u>
1979			
1980			
1981			\$1.18 - \$1.28
1982			\$1.18 - \$1.28

(CX 79, interrog. 10(e)).

189. During the first five months of 1983, Newborn's sales of the model 101 caulking gun dropped below its sales for the same period in 1982 as follows:

(C)

	<u>Unit Sales</u>	<u>Unit Price</u>
First five months of 1982		\$1.18 - \$1.28
First five months of 1983		\$1.27 - \$1.35

190. Newborn's sales in 1982 dropped 42.8% as compared to 1981. (CX 66, 67; CX 79, interrog. 10).

191. Newborn's sales of the model 105 caulking gun rose in 1979, 1980 and 1981, but began dropping in 1982 as follows:

(C)

<u>Year</u>	<u>Net Dollar Value Sold F.O.B. Shipping Point</u>	<u>Units</u>
1979		
1980		
1981		
1982		

(CX 79, interrog. 10(e)).

192. During the first five months of 1983, Newborn's sales of the model 105 caulking gun were slightly above its sales for the same period in 1982 as follows:

(C)

	<u>Unit Sales</u>
First five months of 1982	
First five months of 1983	

(CX 74).

193. Newborn's net operating profit has steadily decreased since 1979:

(C)	<u>Year</u>	<u>Net Profit or (Loss)</u>
	1979	
	1980	
	1981	
	1982	

Before 1983, Newborn's sales of the model 101 and model 105 caulking gun accounted for 90% of its overall sales. (Chang, Tr. 217; CX 79, interrog. 12).

194. If the imported copies are not excluded, Mr. Chang testifies that he will still go into production of caulking guns in the United States but he will probably be unable to stay in business for more than one year. Copies are being imported from the People's Republic of China at prices which are only half of the Taiwanese prices, which are already 25 to 30% below Newborn's prices. (Chang, Tr. 417-19).
195. The decline in Newborn sales coincided exactly with the appearance of infringing copies on the United States market. (CX 118, p. 25).
196. Between 1980 and 1982 the following were among the customers who reduced their purchases of the Newborn model 101 caulking gun:

(C)	<u>1980</u>	<u>1981</u>	<u>1982</u>
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Category I

Moore Hanley
 Kelly Moore Paints
 Emery Waterhouse
 American Wholesale Hardware
 Artco
 Red Devil, Inc.*
 Thurman Industries*
 84 Lumber*

Category II

Lowe's Co.
 Quinn Products
 Ace Hardware
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Category III

Orchard Supply
 Danner, Inc.
 Aubuchon
 Forrest City Enterprise
 California Hardware
 Banner Dist.
 Fred Meyer Co.
 Tri W. Dist.
 Goodman Co.

Category IV

1980

1981

1982

(C)

Scotty's
Brockton Distribution

* Unit sales figures were not available, therefore dollar sales figures have been used.

(Raber, Tr. 50-51, 57, 65; CX 37, 76).

197. At or about the time the above named customers in category I reduced their purchases from Newborn, they began purchasing allegedly infringing caulking guns. (Raber, Tr. 47-49, 51-52, 59-60, 63, 377, 397-98; CX 37, 76).
198. At or about the time the above named customers in category II reduced their purchases from Newborn they began purchasing allegedly infringing as well as non-infringing caulking guns. (Raber, Tr. 46-47, 54-55, 65).
199. It has not been established whether the customers in category III have purchased allegedly infringing caulking guns in lieu of Newborn's caulking guns. (Raber, Tr. 50-51, 57-78, 61-62, 81).
200. At or about the time the above named customers in category IV reduced their purchased from Newborn, they began purchasing non-infringing caulking guns. (Raber, Tr. 57-58, 61).
201. Allegedly infringing imported caulking guns have been offered for sale at prices below Newborn's list price. Mr. Fought testified that imported smooth rod caulking guns are generally prices 10-30% below Newborn and domestically produced caulking guns. Mr. Chang testified that in 1982 infringing imports were selling at 20-25% below Newborn's price. (CX 65; CX 118, p. 21; SX 46A, pp. 81-82).

202. Buseong Industrials Co., Ltd. has approximately of the United States market for smooth rod caulking guns. They sell to (C) , and Macklanburg-Duncan Co. and have the capacity to produce 1.4 million pieces per year.

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Guns exported to United States			
Unit Price			
(CX 111: items 6, 7A, 8B, 8C, 8D, 11, 20).			

203. Various Newborn customers who purchased caulking guns from Newborn through Gray while he represented Newborn, ceased purchasing Newborn caulking guns at or about the time Gray started to sell Azco's infringing guns. (CX 77).

204. Newborn's greatest competition for the patented 101 model comes from the exact copies of the Newborn caulking gun. Newborn's model 101 does not compete directly against the short-handled caulking gun because they are of different qualities and preferred by customers with different needs. Copies of the Newborn caulking gun are preferred by customers who want the Newborn style and product without paying the price for the Newborn caulking gun. (Raber, Tr. 135-36).

205. The high percentage of non-Newborn defective returns alerted Newborn that more people than Newborn suspected were buying infringing caulking guns rather than Newborn's caulking gun. (CX 116, p. 8).

206. Newborn lost sales to American Wholesale Hardware, Abco Distributors, Knox Distributors, Handyman, Angels, Kelly Moore and others because these companies bought Olympia caulking guns. (Raber, Tr. 106, 118-20).

207. Due to competition from the Olympia caulking guns, Newborn sales in California have decreased from approximately \$25-30,000 per month in 1981 to \$10-12,000 per month in the beginning of 1983. (Raber, Tr. pp. 107-8, 118-20).
208. Newborn no longer sells its caulking guns to Macklanburg-Duncan and Lowe's because these stores are offering Newborn copies to their customers. Macklanburg-Duncan was offering very low prepaid price programs with which Newborn could not compete. In addition to the midwest market where Macklanburg-Duncan is located, Newborn's sales in the New England area, also supplied by Macklanburg-Duncan, have suffered due to the low cost pricing. (Raber, Tr. 106-08, 118-22; CX 116, p. 6).
209. In 1982, Newborn offered its 1/10th gallon caulking gun to wholesale distributors at \$1.18-\$1.28 per gun for one gross. The following distributors purchased allegedly infringing 1/10th gallon caulking guns at prices substantially below the prices offered by Newborn for the 1/10th gallon caulking gun:

<u>Distributor</u>	<u>Purchase Price</u>
Art-Co	\$.77
Azco	1.17
Macklanburg-Duncan	.88-.98

(CX 14, 32, 97, 106).

210. Because of the infringing caulking guns coming in at extremely low prices, Newborn had to roll back its prices in the fall of 1982 to its 1980 prices. Newborn has also cut its prices sharply to meet specific instances of price reduction to its customers. In addition

to price rollbacks, Newborn developed sales incentive programs to remain competitive. Newborn paid extra commissions and gave away free caulking guns with certain purchase amounts. (Raber, Tr. 104, 118-20); CX 75; CX 116, p. 4; CX 118, p. 26).

211. Various foreign firms that are not presently exporting caulking guns to the United States, have indicated that they possess the capability and desire to manufacture and export allegedly infringing caulking guns to the United States. (Chang, Tr. 479, 482-84, 491; CX 3-10).

212. Manufacturers that have sent Newborn unsolicited offers to purchase allegedly infringing guns are:

<u>Company</u>	<u>Quotation</u>
Thumb Enterprise	\$.69/20,280 pieces
Seven Rings	\$.69/42,336 pieces or \$.75/5,000 pieces
Winmax	\$.70/piece
Viva International	\$.74/piece
Fuerza International	_____
C&B Bros. Co.	\$.74/piece
D&W Ind. Co.	\$.55/piece
Chil Sung Ind. Co.	\$1.02/5,000 pieces
Kukje Corp.	_____
Buseong Ind. Co.	_____
Azco	\$.95/38,000 pieces
Olympia	\$1.17/144 pieces
Artco	\$.99
DMZ Offshore	\$.69
Minking Enterprise	\$.57-.59
Taiwan Seven Rings	\$.65
Oso Blanco Mfg.	\$.54

(CX 2-14, 16, 20, 48, 51, 53).

213. As of October 25, 1983, Newborn's sales of the patented caulking gun were down 50% from July 1983. In July 1983, complainant sold approximately 100,000 guns/month; in October 1983, sales were approximately 50,000-70,000 guns/month. (Chang, Tr. 746, 753-54).

214. Complainant's inventory of model 101 caulking guns was about 500,000 pieces as of October 25, 1983. (Chang, Tr. 753).
215. The complainant's market share for smooth rod caulking guns is as follows: 1979 - 10%; 1980 - 30-40%; 1981 - 40-50%; 1983 - 15-25%. (Chang, Tr. 295; CX 118, p. 23).
216. The market share for ratchet guns has decreased from 90% in 1976 to 25% in 1983. (Chang, Tr. 382).
217. The 1983 market is divided as follows: ratchet guns, 50%; Newborn smooth rod guns, 25%; econo-type smooth rod guns, 5%; UMAC smooth rod guns, 7-8%; infringing and non-infringing imports, 12-13%. (Chang, Tr. 383).
218. The California market in 1981 was divided as follows: Newborn smooth rod guns, 75%; UMAC and Viking ratchet guns, 25%. Currently the California market is divided as follows: Commander (Great American), 60-70%; Olympia, 10%; Newborn and domestic caulking gun manufacturers, 20-30%. (CX 92, pp. 62-71).
219. The California market for smooth rod guns consists of: Commander (Great American), 40%; Newborn, 20%; Olympia, 20%; others 20%. (CX 92, pp. 123-24).
220. Newborn has not lost sales to domestic smooth rod manufacturers since 1979. (Chang, Tr. 271).
221. Newborn has never lost a sale to Vital or Viking. (Chang, Tr. 273).

222. Newborn introduced in May 1983 its own econo-type smooth rod caulking gun and its own ratchet gun, which are imported from Taiwan, to compete with the imported infringing smooth rod caulking guns. Newborn's econo-smooth rod gun sells for \$.84; the ratchet gun sells for \$.95, compared to the model 101 smooth rod sale price of \$1.18. (Chang, Tr. 274-77; Raber, Tr. 28-29, 91; SPX 4).
223. The housing recession does not impact upon sales of Newborn's model 101 smooth rod caulking guns, because the smooth rod gun primarily is used by the "do-it-yourselfer." The housing recession has the most impact upon the model 105, quart-sized gun because it is used by the professional contractor. (Raber, Tr. 41-42).
224. Three Korean manufacturers of Newborn-type smooth rod guns are: Cheisong, Pusong, and Yeong Ching. (Chang, Tr. 455).
225. Handy Dan purchased the subject guns from Collins Co., New York, New York; Great American Marketing; and Donald Gray. (CX 107).
226. Sav-on-Drugs purchased the subject guns from Mission Sales, a wholesaler who purchased the guns from Azco. (CX 92, p. 45; CX 108).
227. Artco purchased smooth rod caulking guns from Newborn between 1979 and 1981, from Sharon Products, Florida in 1982, and from Sharon Products and Whiz Products in 1983 at prices from \$.89-1.54/gun. (CX 106).
228. Ho Sheng Metal Factory Co., Ltd., P.O. Box 21-89, Taichung, Taiwan manufactures and exports 3 models of infringing caulking guns: HS-71A, HS-71B, HS-77. (CX 110, Exhibit 58).

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the allegations involved in this investigation. 19 U.S.C. §1337.

2. The Commission lacks in personam and subject matter jurisdiction over respondent Chil Sung Industrial Co. (See supra, p. 11).

3. The Commission lacks subject matter jurisdiction over respondents C&B Brothers Co., Ltd., D&W Industrial Co., Ltd., Fuerza International Co., Ltd., Taiwan Seven Rings Industrial Co., Ltd., Thumb Enterprises Co., Ltd., Viva International Corp., and Winmax, Inc. (See supra, pp. 52-53).

4. U.S. Letters Patent No. 4,081,112 is valid. 35 U.S.C. §282.

5. The caulking guns manufactured or imported and sold by respondents Azco, Inc., Donald Gray, Gray Marketing Group, Ltd., Lowe's Co., Inc., Buseong Industrial Co., Ltd., Kukje Corp., and other non-respondents infringe the claims of U.S. Letters Patent No. 4,081,112. (See supra, pp. 37-39).

6. The caulking guns manufactured but currently not exported to the United States by respondents C&B Brothers Co., Ltd., D&W Industrial Co., Ltd., Taiwan Seven Rings Industrial Co., Ltd., and Viva International Corp. infringe the claims of U.S. Letters Patent No. 4,081,112. (See supra, pp. 37-39).

7. Patent infringement is an unfair act or method of competition under 19 U.S.C. §1337(a). In re Von Clemm, 108 U.S.P.Q. 371 (C.C.P.A. 1955).

8. Respondents Azco, Inc., Donald Gray, and Gray Marketing Group, Ltd. have not passed off their caulking guns as those of the complainant. (See supra, pp. 40-42).

9. Passing off is an unfair act or method of competition under 19 U.S.C. §1337(a). Certain Airtight Cast-Iron Stoves, supra.

10. No respondents have engaged in conduct constituting a violation of the Lanham Act §43(a), 35 U.S.C. §1125(a), by reason of false designation of origin, false advertising, or false designation of source. (See supra, pp. 43-51).

11. False designation of origin or source under the Lanham Act §43(a), 35 U.S.C. §1125(a), is an unfair act or method of competition under 19 U.S.C. §1337(Certain Miniature, Battery-Operated, All-Terrain Wheeled Vehicles, supra.

12. The complainant is ready to commence production in the United States of the subject caulking guns, and as such constitutes an "embryo industry," which is prevented from being established by the unlawful importation and sale of infringing caulking guns. Certain Ultra-Microtome Freezing Attachments, supra. (See supra, pp. 54-61).

13. An "embryo industry", not yet established, cannot be efficiently and economically operated. Certain Ultra-Microtome Freezing Attachments, supra. (See supra, pp. 54-61).

14. There exists a tendency to substantially injure the "embryo industry". (See supra, pp. 65-68).

15. The complainant has made a prima facie showing of violation of 19 U.S.C. §1337(a) with respect to respondents Azco Inc., Donald Gray, Gray Marketing Group Ltd., Lowe's Co., Inc., Buseong Industrial Co., Ltd., and Kukje Corp. 19 U.S.C. §1337(a).

16. Respondents C&B Brothers Co., Ltd., Chil Sung Industrial Co., Ltd., D & W Industrial Co., Ltd., Fuerza International Co., Ltd., Taiwan Seven Rings Industrial Co., Ltd., Thumb Enterprise Co., Ltd., Viva International Corp., and Winmax, Inc. are not in violation of 19 U.S.C. §1337(a).

INITIAL DETERMINATION AND ORDER

Based on the foregoing findings of fact, conclusions of law, the opinion and the record as a whole, and having considered all the pleadings and arguments presented orally and in briefs, as well as proposed findings of fact and conclusions of law, it is the Presiding Officer's INITIAL DETERMINATION that the Commission determine that there is a violation of Section 337 in the unauthorized importation and sale in the United States of America of the accused caulking guns.

The Presiding Officer hereby CERTIFIES to the Commission the Initial Determination, together with the record of the hearing in this investigation consisting of the following:

1. The transcript of the hearing, with appropriate corrections as may hereafter be ordered by the Presiding Officer; and further,
2. The Exhibits accepted into evidence in the course of the hearing, as listed in the Appendix attached hereto.

The pleadings of the parties are not certified, since they are already in the Commission's possession in accordance with Commission Rules of Practice and Procedure.

Further, it is ORDERED that:

1. In accordance with Rule 210.44(b), all material heretofore marked in camera for reasons of business, financial, and marketing data found by the Presiding Officer to be cognizable as confidential business information

under Rule 201.6(a) is to be given five year in camera treatment from the date this investigation is terminated; and further

2. The Secretary shall serve a copy of the public version of this Initial Determination upon all parties of record and the confidential version upon all counsel of record who are signatories to the protective order issued by the Presiding Officer in this investigation; and further

3. Motions 139-16 and 139-17 are granted to the extent described herein.



Judge Donald K. Duwall
Presiding Officer

Issued: November 25, 1983.

APPENDIX

EXHIBIT LIST

- CX-1. U.S. Patent No. 4,081,112
- CX-2. Solicitation letter of Thumb Enterprises Company, Limited
- CX-3. Quotation of Thumb Enterprises Company, Limited
- CX-4. Quotation of Taiwan Seven Rings Industrial Company Limited
- CX-5. Invoice of Winmax, Incorporated
- CX-6. Solicitation letter of Viva International Corporation
- CX-7. Brochure of Fuerza International Company, Limited
- CX-8. Solicitation of C & B Brothers Company, Limited
- CX-9. Offer sheet of D & W Industrial Company, Limited
- CX-10. Solicitation letter of Chil Sung Industries Company with offer sheet
- CX-11. Brochure of Kukje Corporation
- CX-12. Advertisement of Buseong Industrial Company, Limited
- CX-13. Brochure of Azco and G.M.G., Limited
- CX-14. Brochure of Olympia/LA
- CX-15. Letter from manufacturer's representative to Complainant with attached Olympia/LA brochure
- CX-16. Brochure of Olympia/LA
- CX-17. Advertisement of Artco
- CX-18. Letter of manufacturer's representative to Complainant with memorandum and price list from The Mega Group, Incorporated
- CX-19. Memorandum from manufacturer's representative to Complainant concerning DMZ Offshore Services

CX-20. Brochure of DMZ Offshore Services

CX-21. Memorandum of manufacturer's representative to Complainant concerning Handy Dan

CX-22. Letter from manufacturer's representative to Complainant concerning Handy Dan and Great American Marketing

CX-23. Portions of Lowe's Company, Incorporated catalogue

CX-24. Complainant's sales brochure

CX-25. Brochure of Complainant

CX-26. "Ad Slick" of Complainant

CX-27. Claim Chart

CX-28. Complainant's first advertisement

CX-29. Advertisement in Wall Street Journal of December 29, 1982

CX-30. Letter from James T. DeWitt to Peter Chang of December 29, 1982

CX-31. Brochure of the Minority Business Development Center

CX-32. Complainant's price lists

CX-33. Complainant's current price list

CX-34. "C" Correspondence concerning response to Wall Street Journal Ad

CX-35. Newborn Distributor price list

CX-36. "C" Letter from Chang to Willett

CX-37. "C" Lost sales projection list

CX-38. File Wrapper - '112 Patent

CX-39. U.S. Patent No. 1,986,166

CX-40. U.S. Patent No. 2,530,359

CX-41. U.S. Patent No. 2,561,825

CX-42. U.S. Patent No. 4,009,804

CX-43. Australian Patent specification 3,267/58

CX-44. "C" Revon Engineering Study

CX-45. "C" Letters and notes concerning Roper Eastern

CX-46. "C" Letters and notes concerning Viking and Vital

CX-47. "C" Notes concerning component imports

CX-48. Quotation from Minking Enterprise Co., Ltd.

CX-49. Ad of Butter Co.

CX-50. Red Devil Advertisement

CX-51. Taiwan Seven Rings Industrial Co., Ltd. quotation

CX-52. Letter from Emery-Waterhouse to Newborn

CX-53. Quotation from Oso Blanco Mfg. Corp.

CX-54. Telex from Wakeham to Chang

CX-55. "C" Note from Wittman to Raber

CX-56. "C" Telex to Newborn

CX-57. Letter to Pim from Chang

CX-58. "C" Letter to Fought from Chang

JITHDRAWN CX-59. Affidavit of Bruce Cohen

CX-60. Report of Mrs. Miller

CX-61. "C" Affidavit "A" of Joint Motion to Dismiss Respondent DMZ Offshore Services

JITHDRAWN CX-62. Joint motion to Dismiss Great American, Inc. [RULED INADMISSIBLE]

CX-63. Newborn promotional brochures

CX-64. "C" Newborn defective return sheets
CX-65. "C" Raber notes
CX-66. "C" Newborn Financial Statements - 1982
CX-67. "C" Newborn Financial Statements - 1981
CX-68. "C" Newborn Financial Statements - 1980
CX-69. "C" Newborn Financial Statements - 1979
CX-70. Newborn price rollback flyer
CX-71. "C" Letter from Gumm to Best
CX-72. "C" Newborn Financial Information
CX-73. "C" Newborn 1983 sales information
CX-74. "C" Newborn sales comparison, 1982 to 1983
CX-75. "C" List of direct price reductions
CX-76. "C" List of direct lost sales
CX-77. "C" List of direct lost sales caused by Gray
CX-78. First Set of CIA Interrogatories to Chang
CX-79. "C" Response of Chang to First Set of Interrogatories
CX-80. Second Set of CIA Interrogatories to Chang
CX-81. "C" Response of Chang to Second Set of Interrogatories
CX-82. Letter to U.S. Customs Service from Newborn
CX-83. "C" U.S. Customs Service Reports
CX-84. Letter from Korea Trade Center to Dinan
CX-85. Revon Products U.S.A., Inc. Articles of Incorporation
CX-86. Newborn Articles of Incorporation
CX-87. Deposition of Clark Harris

CX-88. Deposition of Ted Hanson

CX-89. Deposition of John Wakham

CX-90. Deposition of Ardashir Zakar

CX-91. "C" AZCO invoices and sales quotations

CX-92. Deposition of Donald Gray

CX-93. Interrogatories of Complainant to domestic Respondents

CX-94. Interrogatories from CIA to foreign Respondents

CX-95. Interrogatories from CIA to domestic Respondents

CX-96. Interrogatory response of Macklanburg-Duncan to CIA Interrogatories

CX-97. Interrogatory response of Macklanburg-Duncan to Complainant's Interrogatories

CX-98. Macklanburg-Duncan Memo

CX-99. Memo from Bowlware to O'Hare (Macklanburg-Duncan)

CX-100. Macklanburg-Duncan specification

CX-101. Macklanburg-Duncan Invoices

CX-102. Additional Macklanburg-Duncan Invoices

CX-103. Macklanburg-Duncan correspondence concerning Imports

CX-104. Memo from Wells to Willis withdrawing (Macklanburg-Duncan)

CX-105. Rubbell memo (Macklanburg-Duncan)

CX-106. Interrogatory answers of Art-Co Distributors

CX-107. Interrogatory answers of Handy Dan Home Improvement Centers

CX-108. Interrogatory answers of Sav-On-Drugs

CX-109. Interrogatory answers of Donald E. Gray

CX-110. Interrogatory answers of AZCO, Inc.

CX-111. "C" Interrogatory answers of Buseong Industrial Co.

CX-112. Interrogatory answers of Taiwan Seven Rings Industrial Co.

CX-113. Interrogatory answers of Winmax, Inc.

CX-114. Interrogatory answers of Fuerza International Co.

CX-115. Interrogatory answers of Thumb Enterprise Co.

CX-116. Witness Statement of Robert E. Raber

CX-117. Witness Statement of Francis B. Miller

CX-118. Witness Statement of Peter J. Chang

CX-119. "C" Letters from McClellan to Chang

CX-120. "C" Newborn Financial Statement-4/30/83

CX-121. "C" Customs Letter re: patent

CX-122. "C" Adduci Letter to Fought re: Newborn offer to Collier

Rebuttal Exhibits

CX-123-128 [WITHDRAWN]

CX-129 Chang Caulking Gun Patent 4,204,616
[ADMITTED FOR LIMITED PURPOSE]

CX-130 Pages from Perennator Bauchemi
Catalog/Brochure

CX-131 "C" MPT Intent letter

CX-132 "C" Sales and Inventory Impact Analysis

CX-133 Resume of John F. Witherspoon

CX-134 Purchase orders nos. 2941 and 2942 for special welders.

CX-135 "C" Agreement between Keystone Friction Hinge Company and Newborn Brothers & Co., Inc., September 15, 1983.

CX-136 Letters of November 26, 1979 and August 2, 1983 from Alphil Spot Welder Manufacturing Corp. to Newborn Brothers & Co., Inc., with attached drawings and specifications

CX-137 Keystone Friction Hinge Co. Brochure

CX-138 Purchase orders for caulking gun dies

CX-139 Letter of October 20, 1983 from The League for the Handicapped, Inc., to Newborn Brothers & Co., Inc. with brochure

Complainant's Physical Exhibit List

<u>Exhibit Nos.</u>		<u>Description</u>
CPX-1	1/10 gallon smooth rod caulking gun	Newborn caulking gun marked: U.S. patent 4,081,112 - Canadian patent 1049464 - Made in Korea
CPX-2	"	Olympia caulking gun - unmarked
CPX-3	"	Olympia caulking gun with Angels price sticker
CPX-4	"	Cashway price sticker
CPX-5	"	Olympia All American Home Center price sticker
CPX-6	"	True-Value price sticker
CPX-7	"	Made in Taiwan sticker
CPX-8	"	Olympia caulking gun - Made in Taiwan sticker
CPX-9	"	Olympia caulking gun with price sticker
CPX-10	"	Ace Price price sticker
CPX-11	"	Reardon Briggs price sticker
CPX-12	"	No markings or stickers
CPX-13	"	Macklanburg-Duncan Co. caulking gun, marked Oklahoma City, OK. - Made in Korea
CPX-14	"	Unmarked caulking gun

CPX-15	1 quart smooth rod caulking gun		Sticker "Harbor Sales Company" with address and phone No.
CPX-16	" "	"	Newborn caulking gun, marked U.S. Patent 4081112 - Canadian Pat. 1049464 - Made in Korea Sticker on inside: "im- portant", then giving instructions
CPX-17	" "	"	Macklanburg-Duncan Co. caulking gun, marked Oklahoma City, OK. - Made in Korea. "Instructions" sticker inside
CPX-18 (N)	" "	"	Olympia caulking gun with 2 Angels price stickers
CPX-19	" "	"	Gun submitted by Great American Marketing in answer to interrogatories
CPX-20	" "	"	Gun submitted by Sav-On- Drugs in answer to inter- rogatories

Rebuttal Physical Exhibits

CPX-21	Yellow Ratchet-type caulking gun stamped "Macklanburg-Duncan", with Beachview Lumber price sticker
CPX-22-30	[WITHDRAWN]
CPX-31	Cox Gun

The rebuttal exhibits as a group, both written and physical, combine to rebut the investigative attorney's exhibits SX-29A-F; SX-29AA; SX-30; SX-31; SX-32; SX-35; SX-36; SX-36A; SX-37; SX-38; SX-39; SX-40; SX-41; SX-42; SX-43; SX-44; SX-49; and SX-50.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436
Before Donald K. Duvall
Chief Administrative Law Judge

In the Matter of)

CERTAIN CAULKING GUNS)

) Investigation No. 337-TA-139
)
)
)

FINAL REVISED LIST OF COMMISSION INVESTIGATIVE STAFF EXHIBITS

Documentary Exhibits

SX 1 List of Staff Exhibits

SX 1A Cross-reference List to Deposition Exhibits

(C) SX 2 Newborn Brothers Co., Inc. Financial Statements,
Operating Statement and Balance Sheet for year ending
December 31, 1982

(C) SX 3 Newborn Brothers Co., Inc. Operating Statement
and Balance Sheet for year ending December 31, 1981

(C) SX 4 Newborn Brothers Co., Inc. Operating Statement
and Balance Sheet for year ending December 31, 1980.

(C) SX 5 Message Produced by Complainant, Re: Majestic
Tool, stamped June 28, 1982

(C) SX 6 Memo Produced by Complainant, Re: UMAC, dated
March 30, 1982

(C) SX 7 Memo Produced by Complainant, Re: Contech, Inc.,
dated January 1979

(C) SX 8 Memo Produced by Complainant, Re: Our Own
Hardware Co., dated April 29, 1982

(C) SX 9 Memo Produced by Complainant, Re: Tri-W
Distributors, dated January 18, 1983

(C) SX 10 Message Produced by Complainant, Re. Nuway,
dated November 12, 1982

(C) SX 11 Memo Produced by Complainant, stamped April 5,
1982

(C) SX 12 Memo Produced by Complainant, dated January 27,
1982

SX 13 Advertisement of Great American Marketing, Inc. picturing "Commander" Caulking Gun

SX 14 UMAC Caulking Gun Price Sheet

SX 15 Letter, Peter J. Chang to R.J. Irie, Hardware Wholesalers, Inc. dated January 29, 1982

SX 16 Letter Produced by Macklanburg-Duncan Co., Foreign Trade & Development Corp. to Macklanburg-Duncan Co., dated April 13, 1981

SX 17 Documents Produced by Macklanburg-Duncan Co. showing markings on caulking gun, dated February 2, 1982

SX 18 Memo Produced by Macklanburg-Duncan Co., Wells to Willis, dated May 4, 1982

SX 19 Petition of Collier Industries, Inc. for a Change in the Generalized System of Preferences (GSP) with Respect to Caulking Guns Imported from South Korea and Taiwan, dated April 21, 1981

SX 20 Submission of Collier Industries, Inc. to the GSP Subcommittee, dated May 19, 1981

SX 21 Submission of Collier Industries, Inc. to the GSP Subcommittee, dated August 24, 1981

SX 22 Submission of Newborn Brothers to GSP Subcommittee, dated July 3, 1981

SX 23 Submission of Revon Products, Inc. to GSP Subcommittee, dated August 14, 1981

SX 24 Transcript of the Testimony of Gary Fought, Collier Industries, Inc. and Complainant Peter J. Chang before the GSP Subcommittee, September 15, 1981

SX 25 Submission of Newborn Brothers to GSP Subcommittee, dated September 22, 1981

SX 26 Submission of Collier Industries Inc. to the GSP Subcommittee, dated November 3, 1981

Withdrawn

SX 27

SX 28 Secretary's Record of Certified or Registered Mail, Investigation No. 337-TA-139, Certain Caulking Guns

SX 29 Letter, Lechler Chemie GmbH to Ralph Patrick, dated June 26, 1983 (English translation is SX 29G)

SX 29A-C Caulking gun instruction sheets dated June 1974
(enclosed with SX 29)

Excluded SX 29D-F Caulking gun instruction sheets dated April 1980
(enclosed with SX 29)

SX 29-G English Translation of Lechler Cover Letter (SX 29)

SX 29AA Copy of SX 29A (used during discovery), with English
translation attached

Withdrawn SX 30 */

SX 31 United States Letters Patent No. 3,311,265 (Creighton)

SX 32 United States Letters Patent No. 4,072,254 (Cox)

SX 33 Korean Utility Model No. 15,671

SX 34 Decision of Korean Supreme Court Re: Korean Utility
Model No. 15,671 (English translation), dated November 11, 1980.

SX 35 U.S. Letters Patent No. 3,894,663 for Multiple Dose
Paste Dispenser

Excluded SX 36 Statement of Donald Choi, dated March 27, 1980, with
attached drawing of Adolf-Wagener-Hilden, dated June 5, 1975

Excluded SX 36A Drawing of Adolf Wagener-Hilden (with attached English
translation)

Excluded SX 37 Commercial Invoice of Donald Choi Canada, Ltd., dated
August 21, 1976 with attachments

Excluded SX 38 Letter from Schieferdecker KG to Mr. Wagener, dated
May 28, 1975, with English translation attached

Excluded SX 39 Letter from Schieferdecker KG to Chamber of Industry
and Commerce, Dusseldorf, dated August 31, 1979, with English
translation attached

SX 40 West German Patent Gbm 1,968,819, dated September 21,
1967

SX 40A English Translation of SX 40

SX 40B Abstract of West German Patent 1,968,819, dated
September 21, 1967, with attached affidavit of Steven Schwartz
re source of abstract.

*/ By stipulation, deposition testimony regarding drawing on SX 30 will be
deemed to be testimony regarding drawing on SX 29B.

- Excluded SX 41 Letter, Patentanwälte to Mr. Gatzen, Schieferdecker, dated November 30, 1979
- Excluded SX 41A English Translation of SX 41
- Excluded SX 42 Letter, Patentanwälte, Patent Attorneys, to Revon Products, dated December 6, 1979
- Withdrawn SX 43
- Excluded SX 44 Letter, Y.W. Roh, Revon Products, Inc. to Patentanwälte, dated December 27, 1979
- SX 45A Transcript of Deposition of Complainant Peter J. Chang (Vol. 1)
- (C) SX 45B Transcript of Deposition of Complainant Peter J. Chang (Vol. 2)
- SX 45C Transcript of Deposition of Complainant Peter J. Chang (Vol. 3)
The following portions of SX 45C were excluded: p. 220, l. 13 - p. 221, l. 17; p. 225, l. 12 - p. 227, l. 21; p. 228, l. 21 - p. 243, l. 6; p.258, l. 6- l. 13
- (C) SX 45D Transcript of Deposition of Complainant Peter J. Chang (Vol. 4)
- SX 46A, Transcript of Deposition of Gary Fought, General Manager of Collier Industries, Inc. (Vol 1)
The following portions of SX 46A were excluded: p. 56, l. 17 - p. 64, l. 13.
- (C) SX 46B Transcript of Deposition of Gary Fought, General Manager of Collier Industries, Inc. (Vol. 2)
- SX 47A Transcript of Deposition of John F. McClellan, Sr. (Vol. 1)
The following portions of SX 47A were excluded: pp. 34, l. 6 - 39, l. 9
- SX 47B Transcript of Deposition of John F. McClellan, Sr. (Vol. 2) */
The following portions of SX 47B were excluded: pp. 9, l. 10 - 10, l. 14
- SX 48 Transcript of Deposition of Ardashir Zakar, President of Olympia (formerly Azco, Inc.)
- SX 49 Telex, Lechler Chemie GmbH to Ralph Patrick, dated July 1, 1983
- SX 49A English Translation of SX 49

- Excluded SX 50 Various documents relating to Schiefferdecker, Adolf. Wagener-Hilden and caulking guns
- Excluded SX 50A English Translation of June 18, 1975 letter, Adolf-Wagener to Mr. Gatzen (contained within SX 50)
- Excluded SX 50B Affidavit of Kwang Ki Lee, Director, Korea Trade Center, re source of SX 50
- Excluded SX 51 Photostat of envelope enclosing SPX 5, SPX 6 and SX 52 and note enclosed by Mr. Lutz, Lechler Chemie GmbH.
- SX 52 Response of Fuerza International Co., Ltd. to interrogatories of the Commission investigative attorney.
- SX 53 Transcript of Deposition of Johann Lutz, Lechler Chemie GmbH.
- SX 54 Affidavit of Mary Von Briesen, United States Consul in Stuttgart, Federal Republic of Germany, attaching, under seal, exhibits marked at the deposition of Johann Lutz (SX 53) (Exhibit 9 has been withdrawn and detached from the packaging; Exhibits 1-8 and 10-12 remain under seal)

Physical Exhibits

- SPX 1 Smooth Rod Caulking Gun Produced by Respondent Buseong Industrial Co., Ltd. In Response to Commission Investigative Attorney's Request for Production of Documents
- SPX 2 Smooth Rod Caulking Gun Manufactured by UMAC, produced at Deposition of Gary Fought
- SPX 3 Ratchet Caulking Gun Manufactured by UMAC, produced at Deposition of Gary Fought
- SPX 4 Smooth Rod Caulking Gun (marked as Ex. E at depositions)
- SPX 5 Smooth Rod Caulking Gun (admitted in conjunction with testimony of Peter J. Chang on August 5, 1983; SPX 5 was not offered or admitted as prior art and was not offered or admitted as a physical embodiment of any caulking gun referred to or depicted in any exhibits submitted in this investigation).
- Excluded SPX 6 Catalogue of Lechler Chemie GmbH

Staff Rebuttal Exhibits

- SRX 1 Letter response of Respondent Winmax Inc. with attached exhibits (rebuttal to CX 5)

Revised Cross-reference List of Staff
Documentary Exhibits and Deposition Exhibits

Deposition Exhibits

SX 15 Fought Ex. 2; McClellan Ex. 4

SX 19 Fought Ex. 7

SX 20 Fought Ex. 8

SX 21 Fought Ex. 9

SX 22 Chang Ex. 28

SX 23 Chang Ex. 29

SX 24 Chang Ex. 32; Fought Ex. 11

SX 25 Chang Ex. 31

SX 26 Fought Ex. 10

SX 29 Lutz Ex. 1

SX 29A Lutz Exs. 2 11 (original)

SX 29B Lutz Ex. 3, 10 (original); Chang Ex. 13;
Fought Ex. 6 ; Zakar (CIA) Ex. 3 ; McClellan Ex. 5 *

SX 29C Lutz Ex. 4, 12 (original)

SX 29D Lutz Ex. 5

SX 29E Lutz Ex. 6

SX 29F Lutz Ex. 7

SX 29AA Chang Ex. 12; Fought Ex. 5; Zakar (CIA) Ex. 2

SX 33 Chang Ex. 9

SX 34 Chang Ex. 10

SX 35 Chang Ex. 17 (SX 35 contained within)

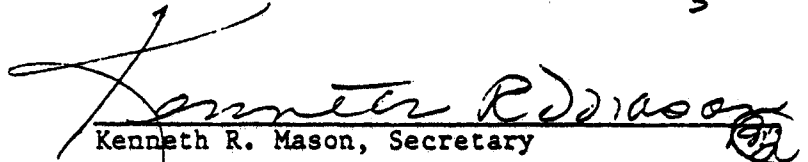
SX 36 Chang Ex. 17 (SX 36 contained within)

*/ By stipulation, testimony regarding Chang Ex. 13, Fought Ex. 6, Zakar (CIA) Ex. 3, and McClellan Ex. 5 is deemed to be testimony regarding SX 29B.

- SX 36A Chang Ex. 11; McClellan Ex. 6
- SX 37 Chang Ex. 15 (SX 37 contained within)
- SX 38 Ex. 15 (SX 38 contained within)
- SX 39 Chang Ex. 15 (SX 39 contained within)
- SX 40 Chang Ex. 16
- SX 49 Lutz Ex. 8
- SX 54 Lutz Exs. 1-8, 10-12 (contained within SX 54)

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached INITIAL DETERMINATION (Public Version) was served upon Lynn Levine, Esq., and upon the following parties via first class mail, and air mail where necessary, on December 8, 1983.



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CERTIFICATE OF SERVICE

I, Kenneth R. Mason, certify that a copy of the INITIAL DETERMINATION was hand delivered on the following government agencies, on December 5, 1983

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10-55

**U. S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office**

November 25, 1980
(Date)

THIS IS TO CERTIFY that the annexed is a true copy from the records of this office
of the U.S. Patent 4,081,112.

EXHIBIT 1

By authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

L. C. Anderson
Certifying Officer.

Q 10



4,081,112

UNITED STATES DEPARTMENT OF COMMERCE

TO ALL TO WHOM THESE PRESENTS SHALL COME:

Whereas, THERE HAS BEEN PRESENTED TO THE
Commissioner of Patents and Trademarks

A PETITION PRAYING FOR THE GRANT OF LETTERS PATENT FOR AN ALLEGED
NEW AND USEFUL INVENTION THE TITLE AND DESCRIPTION OF WHICH ARE CON-
TAINED IN THE SPECIFICATIONS OF WHICH A COPY IS HEREUNTO ANNEXED AND
MADE A PART HEREOF, AND THE VARIOUS REQUIREMENTS OF LAW IN SUCH CASES
MADE AND PROVIDED HAVE BEEN COMPLIED WITH, AND THE TITLE THERETO IS,
FROM THE RECORDS OF THE PATENT AND TRADEMARK OFFICE IN THE
CLAIMANT(S)-INDICATED IN THE SAID COPY, AND WHEREAS, UPON DUE EXAMI-
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A PATENT UNDER THE LAW.

NOW, THEREFORE, THESE Letters Patent ARE TO GRANT UNTO THE SAID
CLAIMANT(S) AND THE SUCCESSORS, HEIRS OR ASSIGNS OF THE SAID CLAIMANT(S)
FOR THE TERM OF SEVENTEEN YEARS FROM THE DATE OF THIS GRANT, SUBJECT
TO THE PAYMENT OF ISSUE FEES AS PROVIDED BY LAW, THE RIGHT TO EXCLUDE
OTHERS FROM MAKING, USING OR SELLING THE SAID INVENTION THROUGHOUT THE
UNITED STATES.

In testimony whereof I have hereunto set my
hand and caused the seal of the Patent and
Trademark Office to be affixed at the City
of Washington this twenty-eighth day
of March in the year of our Lord one
thousand nine hundred and seventy eight
and of the Independence of the United States
of America the two hundredth and two

[SEAL]

Attest:
7706 by R. E. Gibson

Julius J. Parker

[54] CAULKING GUN

[76] Inventor: Peter J.Y. Chang, 7700 Tremayne Pl., McLean, Va. 22101

[21] Appl. No.: 731,730

[22] Filed: Oct. 12, 1976

[51] Int. Cl.² G01F 11/02

[52] U.S. Cl. 222/391

[58] Field of Search 222/325-327, 222/391

[56] References Cited

U.S. PATENT DOCUMENTS

1,986,166	1/1935	Schneider	222/325
2,530,399	11/1950	Peterson	222/391 X
2,561,825	7/1951	Sherbondy	222/391
4,009,804	3/1977	Costa et al.	222/391

FOREIGN PATENT DOCUMENTS

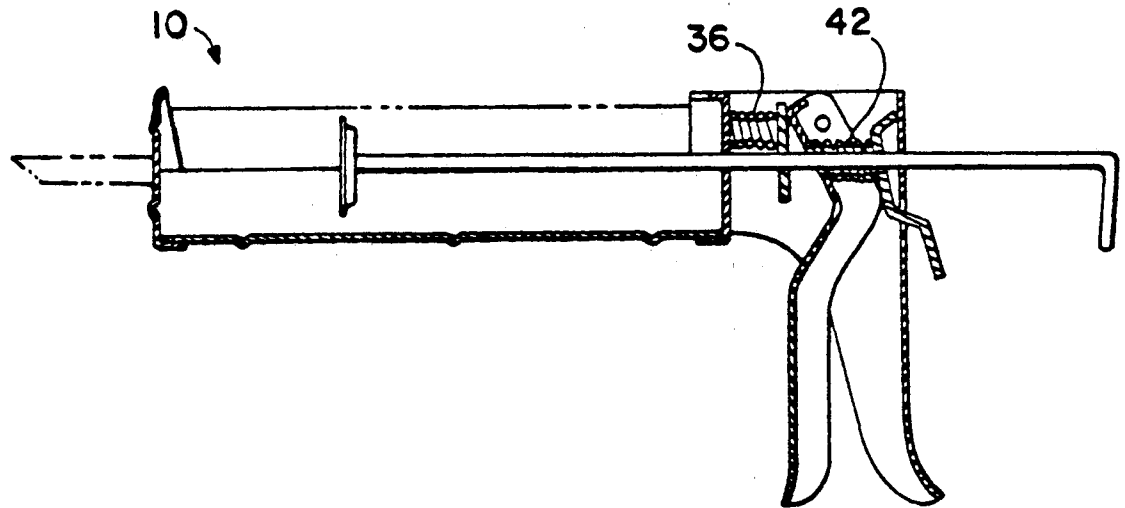
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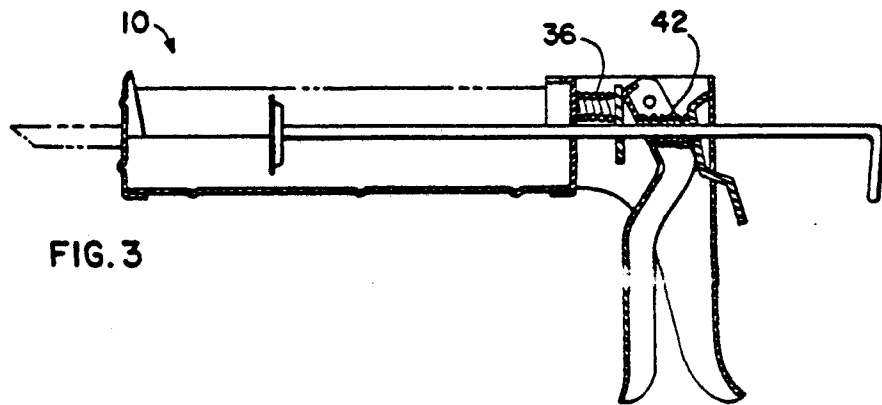
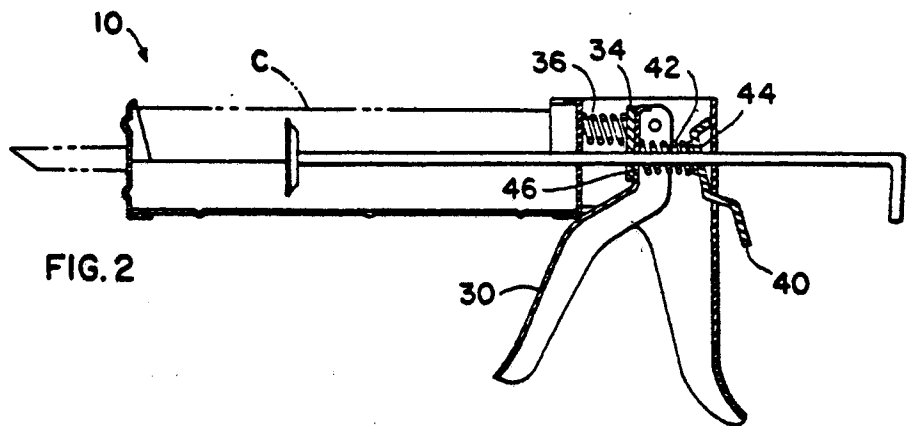
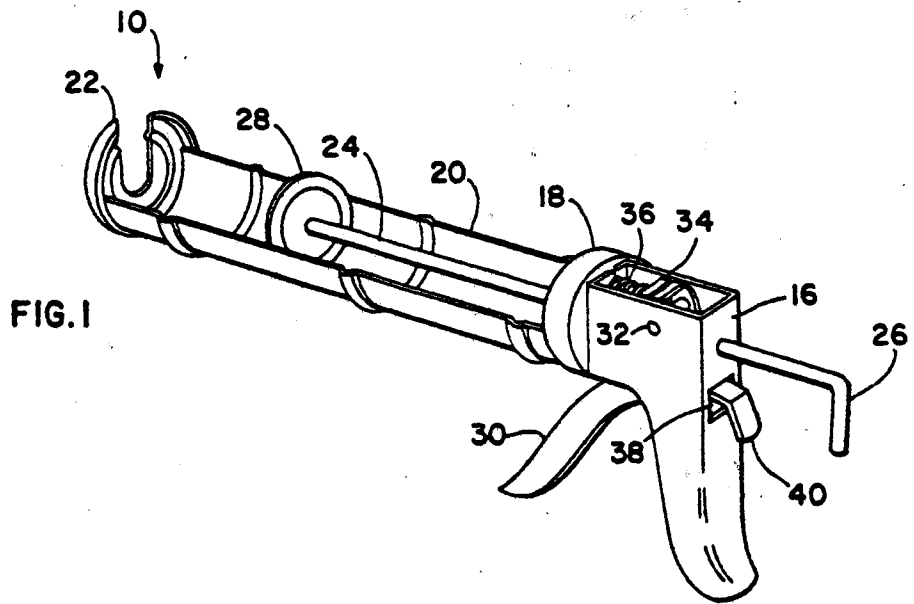
Primary Examiner—Kenneth H. Betts
Assistant Examiner—Norman L. Stack, Jr.
Attorney, Agent, or Firm—John F. McClellan, Sr.

[57] ABSTRACT

An improved caulking gun providing greater trigger-leverage and more nearly parallel trigger swing through location of the trigger pivot above the plunger shaft, a provision also providing maximum wear-point-access and oiling reminder, and simplifying fabrication and assembly together with a free-insert drive-grip spring, a self-pivoting release grip retained together with the counter-spring on the plunger shaft; subassembly requires only three welds for part security and final assembly security requires only one rivet and one upset-attachment.

5 Claims, 3 Drawing Figures





CAULKING GUN

This invention relates generally to tools and specifically to manually powered caulking guns.

Principal objects of the invention are to provide an improved caulking gun which is at the same time more effective in use, more durable and conducive to good maintenance, and more economical to fabricate and assemble than previous articles of the kind.

In the prior art various caulking guns have been described, as for example in the following U.S. Pat. Nos.: 1,986,166 to F. K. Schneider, Jan. 1, 1935
2,530,359 to W. P. Peterson, Nov. 14, 1950
2,561,825 to W. A. Sherbondy, July 24, 1951

Schneider discloses a caulking gun with outboard rearwardly mounted plunger release and forward trigger pivoted below the plunger shaft drive grip.

Peterson discloses a caulking gun with forward trigger pivoted below the plunger shaft drive grip and forward release.

Sherbondy discloses a caulking gun with forward trigger pivoted below the plunger shaft drive grip and plunger shaft release having a substantially horizontal control lever above the plunger shaft.

However neither these nor any other caulking guns are believed to provide the advantages of the present invention according to the above objects.

In brief summary of the invention given for cursive description only and not as limitation, the invention includes in a caulking gun the features of trigger pivot and trigger-to-drive grip engagement above a plunger shaft, and a minimum of parts and fabrication including final assembly securance involving only one rivet and one upset-attachment.

The above and other objects and advantages will become more readily apparent on examination of the following description, including the drawings, in which like reference numerals refer to like parts:

FIG. 1 is an isometric view, and

FIGS. 2 and 3 are side elevational views in section, showing successive operating positions.

FIG. 1 shows external features of the invention 10, which include a pistol-type handle 16 having a generally rectangular cross-section open at the top and bottom, with connection at the forward end to conventional structure including a butt cup 18 having a forwardly extending hemi-cylinder 20 terminating in a yoke 22. A plunger shank or plunger shaft 24 of circular cross-section passes horizontally through the upper portion of the handle and has at the rear end a substantially right-angle bend 26 and at the forward end a thrust disk 28 for urging caulking compound from a conventional cylindrical container (not shown) held between the butt cup and the yoke.

A trigger 30 forward of the handle has pivotal connection inside the handle above the plunger shank at a rivet 32 passing transversely through the handle. Clearly visible inside the handle at the top opening is the upper end of the trigger above the pivot, a first grip or plunger drive grip 34 in operational contact with the trigger at the rear and with a first spring 36, which is a compression spring resiliently wedged between the forward wall of the housing and the plunger drive-grip above the plunger shaft, the free length of the spring being greater than the spacing between these generally parallel elements.

An aperture 38 in the rear wall of the handle below the plunger shank loosely passes a manual-operation

release 40 portion of a plunger pressure retainer grip located inside the handle with all other mechanism except the protruding ends of the trigger, release portion and plunger.

FIG. 2 shows the relation of the interior parts of the mechanism before the trigger is depressed in a feeding cycle to expel caulking compound from a typical caulking container C (phantom lines).

A second compression spring 42 coaxially on the plunger shaft urges the rearwardly concave second grip 44 which surrounds the plunger shaft into contact with the rear wall of the handle and urges the trigger 30 forward to rest against the butt cup. The trigger has an aperture 46 passing the plunger shaft through it.

The first grip 34 surrounds the plunger shaft and has an upwardly extending portion which is the portion actuated at the top of the handle by the trigger. The grips clamp the plunger shaft in conventional manner, but oppositely, when canted relative to it, and respectively release it when perpendicular to it, the first under urging of the first spring and the second when manually actuated by the release portion.

FIG. 3 shows the first grip cramped on and advancing the plunger shaft under thrust of the trigger against the arm provided by the upward extension of the grip, compressing first spring 36 which has a compressed length proportioned to stop the stroke when fully compressed and which extends to release the cramping and return the grip and trigger to the position of the previous Figure. It will be appreciated that the second spring 42 also urges the trigger to the initial stroke position.

Several advantageous features will be apparent. There are only six moving parts, two identical springs, two grips made from perforate flat plate, a trigger and a plunger. The great effective length of the trigger achieved by perforating it to pass the plunger and pivoting it high in the handle gives great mechanical advantage and a longer-radius, making the squeezing action required to advance the plunger more nearly parallel action. The high-load portion of the mechanism which should be kept lubricated for easy operation and longest wear is at the operative contact of the trigger with the first grip, and this is highly visible and readily accessible for inspection and oiling.

The plunger pressure release mechanism is freely pivoted about the plunger shaft and requires no adjustment or other attachment, being retained laterally between the side walls and bearing on the rear wall of the housing. The springs prevent the mechanism from rattling and the handle guards it from damage.

It is evident also that sub-assembly requires only three welds: yoke and butt cap to hemi-cylinder, and handle to butt cup, and one bend in the plunger shank.

Final assembly is also impressively simple, requiring only inserting the plunger shank through the hole in the handle, the second grip, the second spring, the trigger, the first grip, the butt cup and the thrust disk, then upsetting the end of the plunger shank to retain the thrust disk, and finally inserting the first spring, which as noted is simply held by friction.

This invention is not to be construed as limited to the particular forms disclosed herein, since these are to be regarded as illustrative rather than restrictive. It is, therefore, to be understood that the invention may be practiced within the scope of the claims otherwise than as specifically described.

What is claimed and desired to be secured by United States letters patent is:

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1. In a caulking gun having a frame, a plunger including a plunger shaft for forwardly urging caulking material, plunger driving means including: a handle, a trigger pivoted to the handle, a first grip and first spring, the first grip biased by the first spring and operable through the trigger for advancing the plunger, plunger-pressure retaining means including a second grip and second spring, the second grip biased by the second spring and having a portion operable for releasing plunger pressure, and the plunger having means thereon for manually retracting the plunger, the improvement comprising: the first grip encircling within the handle the plunger shaft and protruding upwardly beyond the plunger shaft to a location proximate the upper portion of the frame, the trigger extending upwardly in the handle to a trigger pivot located above the plunger shaft, a portion of the trigger above the pivot operatively contacting said first grip upward protrusion, said first spring oppositely biasing said trigger operative engagement, the handle having a forward wall, the first spring being a compression spring, and means for frictionally retaining the first spring in the spacing between

the forward wall and the first grip, above the plunger shaft.

2. In a caulking gun as recited in claim 1, the handle having a rear wall with an opening therein, the second grip within the handle and encircling the plunger with said operable portion projecting through the opening and a rearwardly concave portion of the second grip extending upwardly to free contact with the rear wall interior, the second spring being on the plunger shaft and urging apart said trigger and second grip.

3. In a caulking gun as recited in claim 2, and means for stopping said trigger advancing of the plunger comprising said first spring having a length when fully compressed proportioned for stopping advance of said trigger.

4. In a caulking gun as recited in claim 1, the handle having an open top and said operative contacting of the trigger portion with the first grip being proximate to the open top.

5. In a caulking gun as recited in claim 1, the means for frictionally retaining the first spring in the spacing between the forward wall and the first grip comprising the free length of the first spring being greater than said spacing.

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