

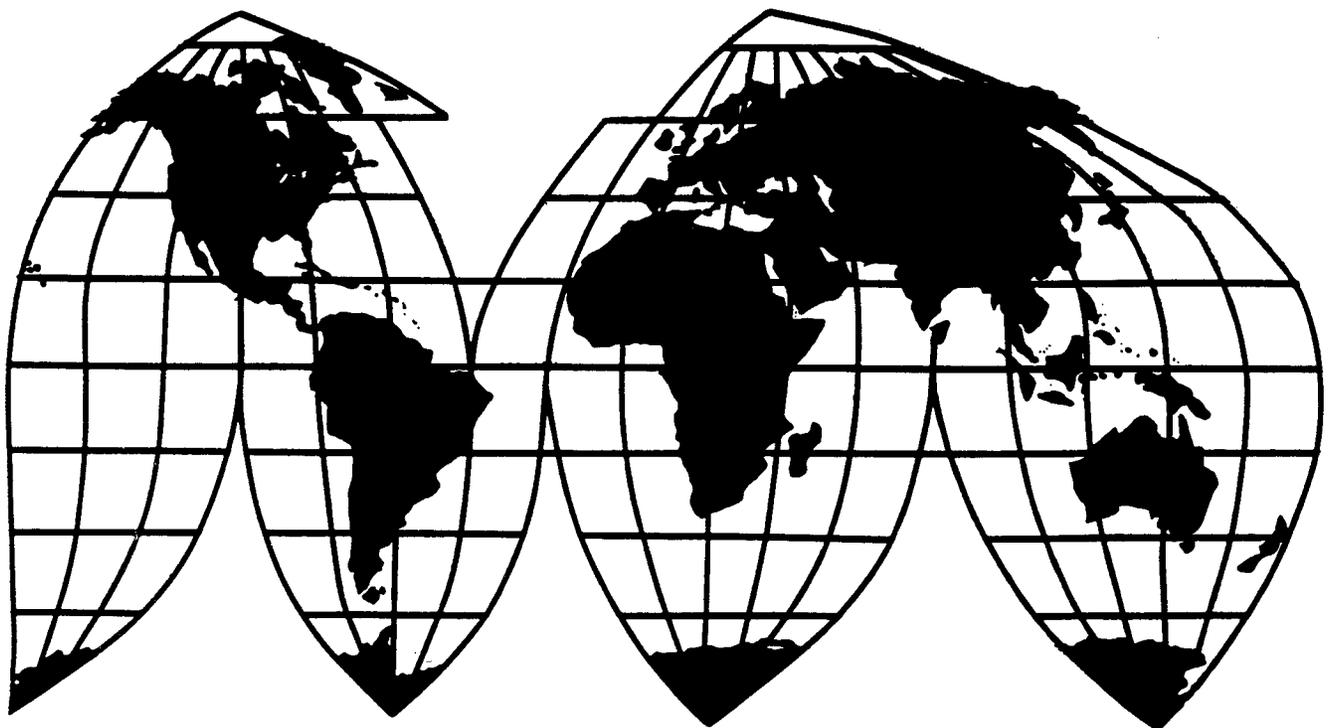
In the Matter of
**Certain Sputtered Carbon Coated Computer
Disks and Products Containing Same,
Including Disk Drives**

Investigation No. 337-TA-350
Commission Opinion Denying Summary Determination on Jurisdiction

Publication 2701

November 1993

U.S. International Trade Commission



U.S. International Trade Commission

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Washington, DC 20436**

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

In the Matter of)

CERTAIN SPUTTERED CARBON COATED)
COMPUTER DISKS AND PRODUCTS)
CONTAINING SAME, INCLUDING)
DISK DRIVES)

Investigation No. 337-TA-350

NOTICE OF DECISION TO REVERSE INITIAL DETERMINATIONS
AND REMAND TO THE PRESIDING ADMINISTRATIVE LAW JUDGE
FOR FURTHER PROCEEDINGS

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to reverse three initial determinations (IDs) issued by the presiding administrative law judge (ALJ) in the above-captioned investigation granting motions for summary determination and partial summary determination on the issue of jurisdiction and to remand the investigation to the ALJ for further proceedings.

FOR FURTHER INFORMATION CONTACT: Marc A. Bernstein, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone 202-205-3087.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation, which concerns allegations of section 337 violations in the importation, sale for importation, and sale after importation of sputtered carbon coated computer disks ("sputtered disks") and products containing such disks, including disk drives, on May 5, 1993. Complainant Harry E. Aine ("Aine") alleges infringement of claims 23, 24, 25, 26, and 29 of U.S. Letters Patent Re 32,464.

Separate motions for summary determination or partial summary determination were filed by nine respondents. In their motions, respondents argued that the Commission has no jurisdiction under section 337 with respect to the domestically-manufactured sputtered disks that they manufacture or purchase.

In an ID (Order No. 16) issued on May 28, 1993, the ALJ granted the summary determination motions of respondents Akashic Memories Corp. ("Akashic"), Micropolis Corp. ("Micropolis"), Hoya Electronics Corp., and Nashua Corp. ("Nashua"), and terminated the investigation with respect to those parties. The ID additionally granted motions for partial summary

determination on the issue of jurisdiction filed by respondents Seagate Technology, Inc. and Western Digital Corp. ("Western Digital"). In an ID (Order No. 50) issued on July 2, 1993, the ALJ granted motions for partial summary determination filed by respondents Komag, Inc. ("Komag") and Digital Equipment Corp. ("Digital Equipment"). In an ID (Order No. 62) issued on July 26, 1993, the ALJ granted a motion for summary determination filed by respondent Maxtor Corp. ("Maxtor")

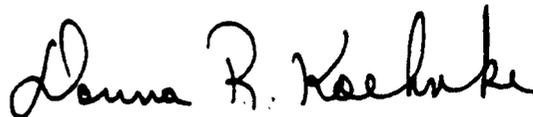
The Commission determined to review each of these three IDs on a consolidated basis and requested briefing from the parties and amici curiae on the issues under review. See 58 F.R. 36703 (July 8, 1993); 58 F.R. 39836 (July 26, 1993); 58 F.R. 44851 (Aug. 25, 1993). The Commission conducted an oral argument on the issues under review on September 8, 1993. Complainant Aine, the Commission investigative attorneys, and respondents Nashua, Digital Equipment, Western Digital, Akashic, Komag, Micropolis, Maxtor, and HMT Technology Corp. each submitted briefs on the jurisdictional issues under review and/or participated in the oral argument. The ITC Trial Lawyers Association additionally submitted a brief as amicus curiae.

Having reviewed the record, including the IDs, the Commission determined that summary determination should not be granted on the issue of jurisdiction. Accordingly, the Commission reversed each of the three IDs under review and remanded the matter to the ALJ for further proceedings.

This action is taken under the authority of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, and Commission interim rule 210.56, 19 C.F.R. § 210.56.

Copies of the Commission order and opinion, and the nonconfidential versions of the IDs and all nonconfidential documents filed in connection with this investigation are or will be 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, 500 E Street S.W., Washington, D.C. 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810.

By order of the Commission.



Donna R. Koehnke
Secretary

Date: October 27, 1993

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

In the Matter of)
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CERTAIN SPUTTERED CARBON COATED)
COMPUTER DISKS AND PRODUCTS)
CONTAINING SAME, INCLUDING)
DISK DRIVES)
_____)

Investigation No. 337-TA-350

ORDER

The Commission instituted this investigation, which concerns allegations of section 337 violations in the importation, sale for importation, and sale after importation of sputtered carbon coated computer disks ("sputtered disks") and products containing such disks, including disk drives, on May 5, 1993. Complainant Harry E. Aine ("Aine") alleges infringement of claims 23, 24, 25, 26, and 29 of U.S. Letters Patent Re 32,464.

Separate motions for summary determination or partial summary determination were filed by nine respondents. In their motions, respondents argued that the Commission has no jurisdiction under section 337 with respect to the domestically-manufactured sputtered disks that they manufacture or purchase.

In an initial determination (ID) (Order No. 16) issued on May 28, 1993, the presiding administrative law judge (ALJ) granted the summary determination motions of respondents Akashic Memories Corp. ("Akashic"), Micropolis Corp. ("Micropolis"), Hoya Electronics Corp., and Nashua Corp. ("Nashua"), and terminated the investigation with respect to those parties. The ID additionally granted motions for partial summary determination on the issue of jurisdiction filed by respondents Seagate Technology, Inc. and Western Digital

Corp. ("Western Digital"). In an ID (Order No. 50) issued on July 2, 1993, the ALJ granted motions for partial summary determination filed by respondents Komag, Inc. ("Komag") and Digital Equipment Corp. ("Digital Equipment"). In an ID (Order No. 62) issued on July 26, 1993, the ALJ granted a motion for summary determination filed by respondent Maxtor Corp. ("Maxtor")

The Commission determined to review each of these three IDs on a consolidated basis and requested briefing from the parties and amici curiae on the issues under review. See 58 Fed. Reg. 36703 (July 8, 1993); 58 Fed. Reg. 39836 (July 26, 1993); 58 Fed. Reg. 44851 (Aug. 25, 1993). The Commission conducted an oral argument on the issues under review on September 8, 1993. Complainant Aine, the Commission investigative attorneys, and respondents Nashua, Digital Equipment, Western Digital, Akashic, Komag, Micropolis, Maxtor, and HMT Technology Corp. each submitted briefs on the jurisdictional issues under review and/or participated in the oral argument. The ITC Trial Lawyers Association additionally submitted a brief as amicus curiae.

Having considered the subject IDs, the briefs on review, the replies thereto, the oral argument conducted before the Commission, and the record in this investigation, it is hereby ORDERED THAT --

1. The presiding administrative law judge's IDs of May 28, 1993, July 2, 1993, and July 26, 1993 (Order Nos. 16, 50, and 62) are reversed, and the investigation is remanded to the administrative law judge for further proceedings consistent with this Order and the Commission opinion issued in connection therewith.
2. The Secretary shall serve copies of this order on the Department of Health and Human Services, the Department of Justice, and the Federal Trade Commission, and publish notice thereof in the Federal Register.

By order of the Commission.

A handwritten signature in cursive script that reads "Donna R. Koehnke".

Donna R. Koehnke
Secretary

Dated: October 27, 1993

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

In the Matter of)
)

CERTAIN SPUTTERED CARBON COATED)
COMPUTER DISKS AND PRODUCTS)
CONTAINING SAME, INCLUDING)
DISK DRIVES)

Investigation No. 337-TA-350

COMMISSION OPINION

The presiding administrative law judge (ALJ) issued initial determinations (IDs) granting motions for summary determination or partial summary determination filed by nine respondents in this investigation. The IDs granted the motions on the grounds that the Commission does not have jurisdiction under section 337 over the domestically-manufactured articles that the moving respondents allegedly manufacture or import. On review, we reverse the subject IDs and remand the investigation to the ALJ for further proceedings.

I. Procedural Background

On May 5, 1993, the Commission instituted this investigation, which concerns allegations of section 337 violations in the importation, sale for importation, and sale after importation of sputtered carbon coated computer disks ("sputtered disks") and products containing such disks, including disk drives.¹ Complainant Harry E. Aine ("Aine") alleges infringement of claims 23, 24, 25, 26, and 29 of U.S. Letters Patent Re 32,464 ("the '464 patent").

The notice of investigation named 20 respondents. The first group of

¹ 58 Fed. Reg. 26797 (May 5, 1993).

respondents included companies that Aine alleges manufacture infringing sputtered disks overseas for importation into the United States. The second group of respondents included disk drive manufacturers that Aine alleges import disk drives containing infringing sputtered disks into the United States. The third group included U.S. manufacturers of sputtered disks (some of which are also disk drive manufacturers) that Aine alleges manufacture infringing sputtered disks in the United States, and ship these disks overseas for assembly into disk drives with the knowledge that most of the assembled disk drives will be imported into the United States.

After this investigation was instituted, nine respondents filed motions for summary determination or partial summary determination on the basis of lack of jurisdiction. These motions can be categorized as follows:

- Four motions were filed by U.S. disk manufacturers contending that the Commission has no jurisdiction under section 337 over the sputtered disks that they manufacture domestically.²

- Two motions were filed by respondents that both manufacture allegedly infringing disks in the United States and import disk drives containing allegedly infringing disks. These respondents sought partial summary determination with respect to their U.S. disk manufacturing activities on the same basis as the U.S. disk manufacturers.³

- Three motions were filed by respondents that solely import disk

² These respondents are Akashic Memories Corp. ("Akashic"), Hoya Electronics Corp. ("Hoya"), Komag, Inc. ("Komag") and Nashua Corp. ("Nashua"). Hoya has since been terminated from the investigation on the basis of a settlement agreement that it reached with Aine.

³ These respondents are Western Digital Corp. ("Western Digital") and Seagate Technology, Inc. ("Seagate"). Seagate has since been terminated from the investigation on the basis of a settlement agreement that it reached with Aine.

drives containing allegedly infringing sputtered disks. Digital Equipment Corp. ("Digital Equipment") sought partial summary determination with respect to its activities purchasing U.S.-manufactured sputtered disks. Micropolis Corp. ("Micropolis") and Maxtor Corp. ("Maxtor") sought summary determination on the basis that all disks they purchased were either manufactured in the United States or manufactured abroad by a licensee of Aine.

In three separate IDs, the ALJ granted each of the motions for summary determination or partial summary determination.⁴ In the first ID, on which the subsequent two relied, the ALJ concluded that the jurisdictional issue raised by the summary determination motions is controlled by the Commission determination in the EPRoMs investigation.⁵ According to the ALJ, "the clear and unambiguous language of the Commission in EPRoMs" establishes that no jurisdiction exists under section 337 with respect to allegedly infringing articles manufactured in the United States, exported for assembly, and then imported into the United States as part of the assembled article.⁶

The Commission consolidated review of the IDs, received additional briefing, and heard oral argument. In its notice of its decision to review the first ID, it stated that it would reconsider the portions of the EPRoMs

⁴ The first ID (Order No. 16), issued on May 28, 1993 ("May 28 ID"), granted the motions of Akashic, Hoya, Micropolis, Nashua, Seagate, and Western Digital. The second ID (Order No. 50), issued on July 2, 1993, granted the motions of Komag and Digital Equipment. The third ID (Order No. 62), issued July 26, 1993, granted Maxtor's motion.

⁵ Certain Erasable Programmable Read-Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories, Inv. No. 337-TA-276, USITC Pub. 2196 (May 1989).

⁶ May 28 ID at 42-45, quoting EPRoMs, USITC Pub. 2196, Opinion at 129 ("Thus, the infringement, if any, with respect to these EPROM wafers and the resulting assembled EPROMs, takes place in the United States. Such infringement is beyond the scope of the Commission's jurisdiction in section 337.").

decision on which that ID relied.⁷ Complainant Aine, the Commission investigative attorney (IA), and respondents Nashua, Digital Equipment, Western Digital, Akashic, Komag, Micropolis, Maxtor, and HMT Technology Corp. each submitted briefs and/or participated in the oral argument. The ITC Trial Lawyers Association submitted a brief as amicus curiae.

II. The Statutory Language at Issue

The parties' jurisdictional arguments revolve around section 337(a)(1)(B). This section makes unlawful:

The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that--

(i) infringe a valid and enforceable United States patent. . . .⁸

Complainant Aine and the IA argue that jurisdiction exists under section 337 with respect to imported, but domestically-manufactured articles because the statute contains no limitation which states that only articles of foreign manufacture are within its scope. Respondents contend that the legislative history and case law evince an intent that section 337 be limited to unfair practices originating abroad, and so does not cover allegedly infringing articles manufactured in the United States, exported, and subsequently imported back into the United States.

The fundamental flaw in respondents' argument is that the actual language of section 337 simply does not contain the jurisdictional limitations that they seek to impose. The statute, by its terms, does not limit coverage to articles of foreign manufacture. By contrast, there are numerous instances

⁷ 58 Fed. Reg. 36703, 36704 (July 8, 1993).

⁸ 19 U.S.C. § 1337(a)(1)(B) (emphasis added).

in which Congress has expressly limited the scope of trade or customs-related statutes to articles manufactured in a foreign country.⁹ The fact that Congress did not use similar language in section 337, or place an express restriction limiting its scope to goods produced abroad, strongly militates against the statutory construction advocated by respondents. It is not appropriate for the Commission to insert into the statute jurisdictional limitations not placed there by Congress.¹⁰

Similarly, the statutory language does not encompass some importations while excluding others. The statute, by its terms, covers all "importations" of infringing articles into the United States. We see no basis for respondents' position that the statutory term "importation" excludes goods that have been "reimported."¹¹ In this respect, respondents have argued that

⁹ See 19 U.S.C. § 1307 (prohibiting importation of articles "manufactured wholly or in part in any foreign country" by use of convict labor); 19 U.S.C. § 1336(h) (1) (distinguishing between "domestic article" and "foreign article"); 21 U.S.C. § 620(h) (4) (authorizing President to prohibit certain imports "of any meat articles produced in such foreign country"); 15 U.S.C. § 73 (imposing special duties on an imported "article produced in a foreign country" that is sold on condition that the importer is restricted in dealing in other articles).

¹⁰ See West Virginia University Hospitals, Inc. v. Casey, 111 S. Ct. 1138, 1143 (1991) (terminology used repeatedly in statutes must be given significance so it will not "become an inexplicable exercise in redundancy"); Russello v. United States, 464 U.S. 16, 23 (1983) (if Congress had intended to restrict statute's scope, it presumably would have done so in the same manner as it did in a related statute; "[t]he short answer is that Congress did not write the statute that way."). See generally 2A Singer, Sutherland Statutory Construction § 47.38 (1992) ("In construing a statute, it is always safer not to add or to subtract from the language of a statute unless imperatively required to make it a rational statute"); 62 Cases of Jam v. United States, 340 U.S. 593, 596 (1951) (in statutory construction, the court's role "is . . . to ascertain -- neither to add nor to subtract, neither to delete nor to distort").

¹¹ Respondents take the position that an article that is exported from the United States and subsequently imported is a "reimportation." Some federal statute and regulations, such as the Consumer Product Safety Act provision
(continued...)

numerous federal statutes separately reference the terms "importation" and "reimportation."

These statutes, however, do not support the view that "importation" and "reimportation" are mutually exclusive terms. One of the statutes respondents cite, 15 U.S.C. § 2052(a)(13), the definitional provision of the Consumer Product Safety Act, actually defines the term "importation" to encompass "reimportation":

The terms "import" and "importation" include reimporting a consumer product manufactured or processed, in whole or in part, in the United States.

Another federal statute concerning "reimportation" of foods and drugs characterizes articles subject to its provisions as being "imported."¹² And a Customs Service regulation describes reimportation as "subsequent importation."¹³ We therefore cannot agree with respondents that use of the term "importation" serves to exclude "reimported" articles from the scope of section 337. To the contrary, the fact that other statutory schemes do not distinguish between "importation" and "reimportation" lends further support to our conclusion that the language of the statute does not contain the limitations on jurisdiction that respondents advocate.

¹¹ (...continued)

discussed below, define the term "reimportation" in the same manner as respondents. Other provisions, such as the Customs regulations at 19 C.F.R. § 141.2, use the term "reimportation" to refer only to foreign-manufactured articles that have been imported into U.S. customs territory for the second or greater time. Despite this ambiguity, we assume for purposes of the discussion below that respondents' characterization of the articles at issue as "reimported" is correct.

¹² See 21 U.S.C. § 381(d). See also 21 U.S.C. § 353 note (reference to section 2(4) of Pub. L. 100-293, which uses the term "reimport" and "import" interchangeably).

¹³ 19 C.F.R. § 141.2.

Respondents contend that the legislative history of section 337 evidences a consistent Congressional intent to limit the statute's reach to foreign-manufactured articles. Although the legislative history indicates that section 337 was intended as a remedy against unfairly traded foreign goods, it does not indicate that Congress intended to limit the scope of section 337 to foreign made goods. In the absence of "the most extraordinary showing of contrary intentions from [the legislative history]" supporting respondents' position, we must find the language of the statute itself to be conclusive and decline to read limitations into it.¹⁴

We do not dispute that the legislative history of section 337 supports the proposition that Congress' principal objective in enacting the statute was to provide a remedy against unfair acts in the importation and sale of goods manufactured abroad. Nevertheless, nowhere does the legislative history indicate Congress' intent that jurisdiction under section 337 extend only to such articles, or that it be determined by reference to the site of first infringement. This is clear from careful analysis of the excerpts on which respondents rely. For instance, the legislative history excerpts from the Tariff Act of 1930 that they cite reference not "foreign-made" but "foreign" articles.¹⁵ In our view, this terminology encompasses all articles imported from abroad, including those at issue here.

¹⁴ Garcia v. United States, 469 U.S. 70, 75 (1984); see Ardestani v. INS, 112 S. Ct. 515, 520 (1991); Park'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 194 (1985) ("Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.").

¹⁵ H.R. Rep. No. 7, 71st Cong., 1st Sess. 166 (1929) ("This section declares unlawful unfair methods of competition, and unfair acts in the importation and sale in the United States of foreign articles"); S. Rep. No. 37, 71st Cong., 1st Sess. 67 (1929).

Although the excerpts from the Trade Act of 1974 on which respondents rely do reference articles of foreign manufacture, these excerpts do not describe Congressional intent so much as Commission practice.¹⁶ Because the Commission had never addressed the question of whether domestically-manufactured articles are within the scope of section 337 prior to 1974, statements in the legislative history that Commission practice under section 337 concerned articles "manufactured abroad" are hardly surprising.

Finally, the most recent legislative history discussing section 337, prepared in connection with Omnibus Trade and Competitiveness Act of 1988 (OTCA), contains a passage that supports the proposition that Congress intended section 337 to be construed to encompass all infringing imports:

Any sale in the United States of a product covered by an intellectual property right is a sale that rightfully belongs to the holder or licensees of that property. The importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest.¹⁷

Accordingly, we cannot conclude that the legislative history indicates a clear Congressional intent that the Commission exclude from the scope of section 337 either all domestically-manufactured articles or those domestically-

¹⁶ See H.R. Rep. No. 571, 93d Cong., 1st Sess. 78 (1973) ("Commission precedent, approved by the CCPA [(the predecessor to the Federal Circuit)], establishes that the importation or domestic sale without license from the patent owner of articles manufactured abroad in accordance with the invention disclosed in an unexpired patent concerns an unfair method of competition or unfair act within the meaning of section 337."); S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974) ("In its investigations under [section 337], the Commission had found that, under certain circumstances, the importation or domestic sale of an article manufactured abroad in accordance with the invention disclosed in a U.S. patent constitutes one type of unfair method or unfair act within the meaning of the statute.").

¹⁷ S. Rep. 71, 100th Cong., 1st Sess. 128-29 (1987) (emphasis added). Cf. Texas Instruments, Inc. v. USITC, 988 F.2d 1165, 1181 (Fed. Cir. 1993) (citing OTCA legislative history to reject a proffered interpretation which would have had the effect of "mak[ing] section 337 a less, not more, effective remedy.").

manufactured articles that infringe an intellectual property right at the time their manufacture is complete.¹⁸

We construe the statute according to its terms. Because the statute contains no jurisdictional limitation of the type advocated by the respondents, we find that the Commission does have jurisdiction over the imported domestically-manufactured articles that are the subject of Aine's claims against the moving respondents. Consequently, the subject IDs are reversed and the moving respondents' motions for summary determination and partial summary determination are denied.

We acknowledge that our legal conclusion in this case cannot be squared with the language in the EPROMs decision on which the ALJ relied in granting respondents' motions. EPROMs, unlike this case, did not require the Commission to consider the scope of its jurisdiction under section 337. Instead, the Commission was required only to determine the appropriate scope of an exclusion order it was issuing. The Commission determined in EPROMs that its exclusion order should not encompass domestically-manufactured articles. In so doing, the Commission made a number of broad statements concerning the scope of its jurisdiction under section 337.

We expressly stated in our notice of review that we would reconsider the statements the Commission made in EPROMs concerning the scope of its

¹⁸ The case law cited by respondents is similarly inconclusive. Each of the cases that they cite involved articles of foreign manufacture, so none of the courts was required to determine the type of jurisdictional questions present in this investigation. See Akzo, N.V. v. USITC, 808 F.2d 1471 (Fed. Cir. 1986); Corning Glass Works v. USITC, 799 F.2d 1559 (Fed. Cir. 1986); Sealed Air Corp. v. USITC, 645 F.2d 976 (C.C.P.A. 1981); In re Orion Co., 71 F.2d 458 (C.C.P.A. 1934); Frischer & Co. v. Bakelite Corp., 39 F.2d 247 (C.C.P.A.), cert. denied, 282 U.S. 852 (1930). These cases do not hold that jurisdiction under section 337 does not exist for imported articles of domestic manufacture.

jurisdiction.¹⁹ We have done so and, in the discussion above, have examined the pertinent statutory language, legislative history, and case law. Our analysis has led us to conclude that given the context of the EPRoMs statements concerning the scope of Commission jurisdiction under section 337, they are dicta that we will not follow.²⁰

¹⁹ The Commission has had occasion neither to reaffirm nor reexamine the EPRoMs jurisdictional statements prior to this investigation.

²⁰ In so doing, we do not question that the Commission's holding that the remedy concerning domestically-manufactured articles requested in EPRoMs was inappropriate under the facts of that case. Nor are we prepared to consider at this time what remedies may or may not be appropriate in this investigation should Aine ultimately succeed in proving that respondents have violated section 337.

**ADDITIONAL VIEWS OF
CHAIRMAN NEWQUIST AND COMMISSIONER NUZUM**

When the Commission decided to review the Initial Determinations granting the motions for summary determination and partial summary determination, the parties were requested to provide briefing on several issues. Two such issues were the proper construction of "sale for importation" and what, if any, nexus must be shown between "unfair activities" and the acts proscribed by the statute -- importation, sale within the United States after importation, and sale for importation. After considering the arguments presented by the parties, the Commission unanimously agrees that it has jurisdiction over the allegedly infringing articles that are the subject of the motions for summary determination by virtue of the fact that they are imported.

Having found jurisdiction on this ground, we do not need to reach the issue of the proper construction of "sale for importation" or what nexus is required between unfair acts and sales for importation. We prefer to address those issues at such time that their resolution is necessary for a determination. Therefore, we take no position on those questions now.

ADDITIONAL VIEWS OF VICE CHAIRMAN WATSON, AND COMMISSIONERS
ANNE E. BRUNSDALE AND CAROL T. CRAWFORD

In our notice of review, the Commission asked the parties to brief "[t]he proper construction of the term 'sale for importation' used in Section 337(a) (1) (B)."¹ The Commission today unanimously agrees that the word "importation" is not limited to importation of articles of foreign manufacture. Our basic reason is that we ought not interpolate into the statute a limitation (i.e., manufacture abroad) that is not there. We stress, however, that this reasoning is not limited to our jurisdiction over imports of particular goods; but extends as well to an independent basis for our jurisdiction, i.e., the unfair acts of respondents in selling such goods for importation. Just as the best reading of the statute does not limit our in rem jurisdiction, so it does not limit our in personam jurisdiction over respondents whose only activities are domestic.

We also asked the parties to brief the question of "[w]hether section 337 must or can be read to require any nexus between 'unfair activities' such as patent infringement, on the one hand, and the acts proscribed by the statute -- importation, sale within the United States after importation, and sale for importation -- on the other."² All parties answered this question in the affirmative, although they disagreed over how the nexus requirement should be defined. We do not need to answer this question to explain why we are reversing the summary determinations that the ALJ granted. But, recognizing that as a practical matter we do not have the luxury of protracted litigation

¹ 58 Fed. Reg. at 36704.

² Id.

under section 337, the three of us do think it wise to provide the parties and the ALJ with guidance concerning what the complainant must prove to establish that a respondent has made a "sale for importation."

The Commission has long held that there must be a nexus between unfair activities such as patent infringement, on the one hand, and importation, sale for importation, or sale within the United States after importation, on the other. In Certain Welded Stainless Steel Pipe and Tube,³ the Commission stated that:

It is obvious from our traditional role, not to mention our remedial provisions, that Congress intended section 337 to attack only unfair trade practices which relate to imported products. It then becomes crucial to discern some nexus between unfair methods or acts and importation before this Commission has power to act. . . . Unjustified sales by foreign manufacturers below average variable costs become unfair methods or acts in the importation of these articles because the respondents intended the products to become articles of commerce in the United States.

Similarly, in Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof,⁴ the Commission found that there could be a "sale for importation" in violation of section 337 "when a foreign manufacturer sells infringing goods to a foreign trading company with the knowledge that the goods will subsequently be exported to the United States."

In accordance with these opinions, we find that the requisite nexus exists when a respondent that sold infringing articles knew or should have known that those articles would be subsequently exported to the United States.⁵ Because, as stated in section II above, section 337 jurisdiction is

³ Inv. No. 337-TA-29, USITC Pub. 863 at 11-12 (Feb. 1978).

⁴ Inv. No. 337-TA-314, USITC Pub. 2420 at 4 (Apr. 1991).

⁵ We stress that proof of a manufacturer's intent, knowledge, or constructive knowledge is not required for us to assert our in rem jurisdiction over infringing imports.

not limited to goods of foreign manufacture, this test is applicable regardless of whether the respondent manufactures goods abroad, as was the case in Toy Vehicles, or whether it manufactures goods in the United States and sells them for export. The key question in either case is whether a seller knows or should have known that the articles will subsequently be exported to the United States.⁶

⁶ We have considered and rejected the two alternative nexus tests proposed by respondents. The first would deem the nexus requirement satisfied only if the initial "unfair act," such as patent infringement, takes place outside the United States. This proffered requirement does not derive from any Commission practice or statutory requirement; to the contrary, to the extent that it premises the existence of section 337 jurisdiction on the unavailability of a prior action against allegedly infringing articles, it appears to be contrary to section 337(a)(1), which states that Commission jurisdiction exists under section 337 "in addition to any other provision of law."

Respondents' alternate nexus standard would require a showing that there was knowledge that each article at issue would be imported in the United States. The legal or policy basis for such a standard is not clear inasmuch as the Commission has never imposed a requirement that articles must be imported in commercial quantities, or in more than de minimis volumes, for jurisdiction to exist under section 337. Cf. Certain Trolley Wheel Assemblies, Inv. No. 337-TA-161, USITC Pub. 1605 at 7-8 (Nov. 1984). If a single sale can be considered to be an "importation" or a "sale for importation" -- a proposition respondents do not dispute -- it is not clear why a complainant must show more than that the manufacturer has knowledge that some of its allegedly infringing articles are being imported into the United States.

ADDITIONAL VIEWS OF COMMISSIONER DAVID B. ROHR

I find that I must respectfully disagree with my colleagues' discussion of the so-called nexus requirement. I do so for two reasons. First, I believe that this issue is not squarely presented to the Commission by the ALJ's decisions being reviewed. Second, I am troubled by the implications of the broad statements about the nexus concept being made by my colleagues, for which there is no need and which have not been fully briefed.

The issue before us in this review of the ALJ's order is the assertion of Commission authority to conduct a proceeding involving goods that, having been originally manufactured in the United States, are exported from the United States for some further processing and then imported in some further processed state back into the United States. This issue is resolvable, as the Commission resolves it in the first part of this opinion, by looking at the meaning of the word "imported." The Commission has authority to conduct section 337 investigations involving imported goods. Having determined that "imported" includes what some of the parties call a "reimportation," that issue is resolved.

To understand my disagreement with the "nexus" discussion of my colleagues, it is necessary to understand the context of that discussion. The issue of the so-called nexus does not arise in the context of the Commission's assertion of authority to deal with the "reimportation" of the articles themselves. The fact that the articles are imported is a sufficient basis for that assertion. In other words, the fact that the articles involved in this proceeding are imported provides the Commission with subject matter jurisdiction to entertain this complaint and, if appropriate, deal with the

articles by means of our remedial powers.

The nexus issue arises, at least in the first instance, in the Commission's authority to force¹ particular parties to participate in its proceedings, as having been involved in a "sale for importation." Thus, "nexus" arises not in the context of whether section 337 has been violated, but rather in the context of who has committed the violation. Section 337 clearly conveys jurisdiction to conduct proceedings involving "things." "Importation" conveys jurisdiction over articles that have been imported. "Sale for importation" conveys jurisdiction over articles that have been sold for eventual importation, but not yet imported.²

By Commission practice, however, the jurisdictional terms of the statute have also been used to assert jurisdiction over specific respondents who are engaged in the activities held to violate the statute. This secondary jurisdictional assertion is naturally useful for the conduct of Commission proceedings. What is not clear is whether it is in fact necessary. It may be necessary for the assertion of our authority in default situations. It may be necessary for certain remedies such as limited exclusion orders or cease and desist orders. It is certainly not necessary for others, such as general exclusion orders.

We need not resolve any questions about this secondary jurisdiction in the present posture of the proceedings currently before us. Having found sufficient jurisdiction to conduct the proceedings because the articles involved are "imported," any findings with regard to whether the Commission

¹ At least by means of threat of sanction or default.

² The classic example would be the large single item, such as a stadium scoreboard or other large apparatus, which has been ordered by a purchaser in the United States but not yet physically imported.

also has jurisdiction because those articles are involved in a "sale for importation" are superfluous. No party has asserted that it is being forced to participate in the current proceedings because it is alleged to be involved only in a sale for importation.

As presented in the specific ALJ's rulings appealed to the Commission, the issue before us is whether there is an unfair act in the importation of articles that were originally manufactured in the United States if such goods are subsequently reimported into the United States. The issue of the propriety of bringing particular respondents before the Commission because of a connection with those acts, in other words, subject matter jurisdiction over particular domestic respondents because of their involvement in a sale for importation, was not raised before or decided by the ALJ.³ There is no need for us to speak on this issue either directly or indirectly at this time.

In disagreeing with my colleagues' views, I wish to make clear that I am not taking any position on the appropriateness of the Commission asserting jurisdiction over particular respondents under the "sale for importation" provision of the statute or the substantive nexus test which my colleagues have articulated. There are good reasons for asserting such jurisdiction over domestic manufacturers, as well as good reasons for not asserting any

³ Only respondent Nashua came close to addressing this issue. It did so in raising the question hypothetically by noting that, if the Commission did not have subject matter jurisdiction over it but did have jurisdiction over its articles, it should still have a right to participate in the proceedings. I do not believe that there is any question about its right to participate if it desires to do so. The question is whether it could be forced, by threat of sanction, to participate if it chose not to. That issue has not been directly posed or argued by the parties.

authority over the actions of such manufacturers.⁴ If such jurisdiction is to be asserted, the substantive test articulated by my colleagues may be as good as any other. What I have not decided, and what it is not clear to me that my colleagues intended to decide, is the initial question of the propriety or asserting jurisdiction over domestic manufacturers at all.

While the adoption of the nexus test clearly implies to me such an assertion, I do not find that my colleagues directly address this issue. I do not believe that the policy implications of asserting or foregoing this sort of jurisdiction have been fully briefed. The distinction between the statutory language conveying jurisdiction in a proceeding involving things, and what is merely an implication of its conveying jurisdiction over the persons involved in those activities was not made. The nexus issue was addressed as an aside with more emphasis given to the substantive requirements than to the preliminary question of the appropriateness of the assertion of jurisdiction in the first place.

The policy questions involved in an assertion of jurisdiction over domestic manufacturers are considerable. Does such an assertion or nonassertion implicate the extent or process of discovery possible in a section 337 proceeding? Does the assertion or nonassertion of jurisdiction over domestic respondents implicate our jurisdiction over foreign manufacturers? Does the assertion or nonassertion of jurisdiction affect the Commission's remedy powers? For me, these and other questions remain to be

⁴ I do not believe our definition of importation in this opinion compels any particular answer to this question. Similarly, past Commission practice, which asserts jurisdiction over foreign manufacturers who sell to trading companies but are not technically exporters themselves, may suggest an expansive reading to the provision but does not necessitate one.

decided when and if presented to the Commission directly. It is at best premature to deal with them now.

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)
)
CERTAIN SPATTERED CARBON)
COATED COMPUTER DISKS)
AND PRODUCTS CONTAINING)
SAME, INCLUDING DISK DRIVES)
)

Investigation No. 337-TA-350

INITIAL DETERMINATION

Section 210.53 of the Commission's interim rules requires that Order No. 16 be called an initial determination so that it can be reviewed by the Commission even if no petition for review is filed. This is not the final decision of the administrative law judge in this case, which also will be called an initial determination. This initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to Commission interim rule 210.54, or the Commission pursuant to Commission interim rule 210.55 orders on its own motion a review of the initial determination or certain issues therein. For computation of time in which to file a petition for review, refer to ~~interim~~ interim rules 210.54, 201.14, and 201.16(d).

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PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)
)
CERTAIN SPATTERED CARBON)
COATED COMPUTER DISKS)
AND PRODUCTS CONTAINING)
SAME, INCLUDING DISK DRIVES)
)

Investigation No. 337-TA-350

Order No. 16 Granting Motion Nos. 350-1, 350-8, 350-12 and 350-14
Terminating Akashic, Micropolis, Hoya and Nashua From This
Investigation and Granting Motion Nos. 350-3 of Seagate and
350-4 of Digital For Partial Summary Determination

On May 7, 1993, respondent Akashic Memories Corporation (Akashic) moved for summary determination with respect to the scope of the Commission's jurisdiction in this investigation. (Motion Docket No. 350-1).¹

¹ By notice dated April 26, 1993, which notice was served on April 27, the Commission instituted this investigation. At the institution hearing on April 26, the following statements were made:

COMMISSIONER ROHR: . . .

If I understand it correctly, the alleged infringing goods are originally manufactured in the United States and re-imported; is that correct?

MS. LEVINE [staff]: That is true as to some of the goods in question. Others, we understand, are initially made outside the U.S.

COMMISSIONER ROHR: But even in the case of reimports, do I understand that that can be a violation of Section 337?

MS. LEVINE: Well, that is a key issue here which we don't believe that institution would finally decide. We believe that if you institute would finally decide. We believe that if you institute this investigation, that issue will be left open, and we believe that is a very significant issue, and the answer to that question is not clear.

(continued...)

On May 7, 1993, respondent Seagate Technology, Inc. (Seagate) moved for partial summary determination with respect to the scope of the Commission's jurisdiction in this investigation. (Motion Docket No. 350-3).

On May 10, 1993, respondent Western Digital Corporation (Digital) filed a paper stating that it "joins" respondent Seagate Technology, Inc. (Seagate) in moving for partial summary determination with respect to the scope of the Commission's jurisdiction in this investigation. (Motion Docket No. 350-4).

On May 14, 1993, respondent Micropolis Corporation (Micropolis) moved for summary determination with respect to the scope of the Commission's jurisdiction in this investigation. (Motion Docket No. 350-8).

On May 18, 1993, respondent Hoya Electronics (Hoya) moved for summary determination with respect to the scope of the Commission's jurisdiction in this investigation. (Motion Docket No. 350-12).

On May 17, 1993, Nashua Corporation (Nashua) filed a response to certain

¹(...continued)

COMMISSIONER ROHR: . . . Can re-imports be a violation of Section 337?

MS. LEVINE: Yes. For purposes of institution, I think a colorable claim can be made. If you institute, I'll have to take a position on the merits during the case, and I'd prefer not to be committed at this point to that matter.

* * *

VICE CHAIRMAN WATSON: . . . In voting for this initiation, I'd like to make a short statement regarding the matter. I believe this case presents a novel and important legal issue for the Commission to decide and, in so voting to initiate this time, I would indeed make it clear that my vote today to institute this complaint does not reach the merits of the ultimate jurisdictional questions that the Commission must answer, and I believe these should be addressed as early as possible in this matter following institution of the same.

of the above motions and argued that the Commission lacks subject matter and in rem jurisdiction over Nashua's U.S. activities and over its domestically manufactured products. That response was designated Motion Docket No. 350-14 (See Order No. 12).

Extensive oral argument on the motions was had on May 25, 1993.

FILINGS OF THE PARTIES

Motion No. 350-1

Akashic argued that complainant has alleged that Akashic² infringes claims of complainant Aine's U.S. Patent No. Re. 32,464 in issue (complaint para. 1.1.2).³ Submitted with Motion No. 350-1 was a declaration of Philip A. Kogel which states:

1. I am the Vice President of Akashic Memories Corporation ("Akashic") and have personal knowledge of the facts stated herein, except as otherwise stated, and would testify competently to them if called upon to do so.
2. Akashic is a California corporation with its principal place of business in San Jose.

² Paragraph 3.3.1 of the complaint reads:

3.3.1 Akashic Memories Corporation ("Akashic"), a wholly-owned subsidiary of Kubota, Inc., is a California corporation with its principal place of business located at 305 West Tasman Street, San Jose, California 95134. On information and belief, Akashic sells its infringing disks to entities in the Far East with the expectation that they will be assembled in disk drives and/or compute systems outside the United States and imported into the United States. On information and belief, Akashic's disk sales for 1991 exceeded \$35.0 Million. Its disk production was approximately 200,000 disks per month.

³ The patent in issue purports to cover a process for manufacturing thin film magnetic recording disks, and the resulting disks. Complainant at oral argument admitted that the claims in issue do not claim a disk drive.

3. For at least the past three years, 100% of the sputtered disks produced by Akashic have been manufactured in Northern California. All of these disks are sold F.O.B. -- freight on board -- in Northern California.

4. Akashic does not import, nor does it have any future plans to import, any sputtered disks, disk drives or other computer equipment from outside the United States.^[4]

Akashic argued that the Commission does not have in rem jurisdiction over the sputtered carbon coated disks wholly manufactured in the United States by Akashic and that consequently this investigation should be restricted to foreign manufactured disks and Akashic should be dismissed as a respondent. Akashic has taken the position that the Commission's decision in In re Certain Erasable Programmable Read-Only Memories, Inv. No. 337-TA-276, USITC Pub. 2196 (May 1989), 12 ITRD 1088, aff'd sub nom. Hyundai Electronics Industries Co., Ltd. v. ITC, 889 F.2d 1204 (Fed. Cir. 1990), aff'd-in-part, rev'd-in-part and vacated-in-part sub nom., Intel Corp. v. ITC, 946 F.2d 821 (Fed. Cir. 1991) (EPROMs) is dispositive and mandates that the Commission find that it lacks jurisdiction over Akashic's domestically-manufactured disks as a matter of law; that in EPROMs, the Commission examined whether EPROMs, the wafers of which were fabricated domestically and allegedly infringed complainant's

⁴ Complainant, in opposing Motion No. 350-1 argued that while the Akashic declaration at least recognizes that its past and future activities are material, it only purports to address the last three years while the patent in issue issued over five years ago which period is covered by the investigation. Also as to all movants complainant argued that movant's asserted facts relate to activities that are uniquely within movants' knowledge; that complainant presently has no means to either verify or refute the asserted tasks about movants' activities; that complainant is entitled to take discovery on the movants' relationships with disk drive manufacturers, their activities "inducing" the importation, use and sale of the infringing disks, their knowledge of what happens to the disks when sold, and movants' involvement in the importation, use and sale of infringing disk drives, "among other issues." Hence it argued that the motions in issue should be denied, or at least stayed, pending the opportunity for complainant to take discovery on the asserted facts.

patent, could be the subject of a section 337 investigation; that in EPROMs silicon wafers containing several alleged infringing EPROMs chips or dice were fabricated in the United States; and that despite finding that the patent in issue had been infringed, the Commission refused to include the EPROMs which contained domestically-fabricated wafers in the resulting exclusion order.

Akashic also argued that the Commission's reasoning in EPROMs applies with even greater force in this investigation; that no less than 100% of the sputtered disks produced by Akashic are fabricated in the United States; that Akashic's infringement of the patent in issue, if any, is complete upon the date of the disks' manufacture in Northern California and is distinct from any foreign producer's subsequent importation of disk drives or other computer equipment; and that even more compelling here than in EPROMs is the fact that Akashic's disks, completely manufactured in Northern California, are not modified or further fabricated in any way outside of the United States.

Motion No. 350-3

Seagate⁵, in support of Motion No. 350-3 for partial summary

⁵ Paragraph 3.3.7 of the complaint reads:

3.3.7 Seagate Technology, Inc. ("Seagate") is a Delaware corporation with its principal place of business at 920 Disc Drive, Scotts Valley, California 95066. Seagate manufactures approximately 2.2 million infringing thin film disks per month in the United States for its own use. Seagate also purchases infringing disks from other companies. On information and belief, Seagate transport disks to its Far East facilities to be assembled in disk drives, which are then imported into the United States. Seagate's own subassembly, component and manufacturing facilities are located in Singapore, Thailand, Malaysia, Scotland, Minnesota, Oklahoma and California. Subassembly, component operations, final assembly and testing all take place in Singapore, Thailand, Minnesota

(continued...)

determination, argued that the Commission does not have in rem jurisdiction over thin film magnetic recording disks manufactured in the United States by Seagate and that consequently this investigation should be restricted to foreign manufactured disks.

Submitted with Motion No. 350-3 is a statement of material facts "not in issue" and which references the complaint and accompanying declarations of Joseph Haeefele, said to be vice president of disk engineering for Seagate, and James Danna, said to be a senior buyer for Seagate. According to the statement of material facts:

1. The products at issue in this investigation are thin film magnetic recording disks ("thin file disks") used in disk drives. (Complaint, ¶ 5.1).
2. Seagate Technology, Inc. operates manufacturing facilities in the United States in which thin film disks and disk substrates are produced. (Haeefele Decl., ¶¶ 2).
3. Seagate employs approximately [1600] persons at its U.S. thin film disk and disk substrate manufacturing facilities. (Haeefele Decl., ¶ 3).
4. Seagate manufactures thin film disks for its own use and incorporation into disk drives manufactured by Seagate. (Haeefele Decl., ¶ 4).
5. Seagate does not manufacture any thin film disks in any facility located outside the United States. (haeefele Decl., ¶ 5).
6. Aine [complainant] has acknowledge that Seagate manufactures thin film disks in the United States for its own use. (Complaint, ¶ 3.3.7).

⁵(...continued)

and Oklahoma, while subassembly and component operations, only, take place in California and Scotland. Independent entities in various countries, including Hong Kong, Japan, Korea, Taiwan and Thailand manufacture or assemble components for Seagate. On information and belief, Seagate's 1991-92 disk drives sales were close to \$3.0 Billion.

7. The manufacture of thin film disks by Seagate is complete at Seagate's U.S. facilities; nothing further needs to be done to the disks before they can be incorporated into disk drives. (Haeefele Decl., ¶ 6).
8. Once manufactured by Seagate, the thin film disks are shipped to Seagate disk drive assembly facilities for insertion into disk drives; such drive assembly facilities are located in both the United States and in foreign countries. (Haeefele Decl., ¶ 7).
9. Currently, Seagate manufactures an average of more than 50 percent of its requirement for thin film disks. Seagate purchases the balance of its requirement for thin film disks from various U.S. and foreign disk manufacturers. (Haeefele Decl., ¶ 9; Dana Decl., ¶ 3).
10. Seagate purchases thin film disks from Akashic Memories Corporation, Komag, Inc. and Nashua Corporation, who have been named as Respondents in this investigation. (Danna Decl., ¶ 5).
11. Akashic, Komag, and Nashua have thin film disk manufacturing facilities in the United States. (Id.).
12. Seagate purchases thin film disks from Showa Denko K.K. and Fuji Electric Corporation of America. (Danna Decl., ¶ 6). Showa Denko K.K. is licensed under U.S. Patent Re. 32,464 [in issue]. (Complaint, ¶ 9.1.10). Upon information and belief, Fuji Electric Corporation of America is a subsidiary of Fuji Electric Co. Ltd. who is licensed under the Aine patent [in issue]. (Complaint, ¶ 9.1.2).
13. At least 95 percent of Seagate's requirement for thin film disks is either manufactured in the United States by Seagate or its vendors or purchased from licensed foreign vendors. (Danna Decl., ¶ 7).⁶ [7]

Seagate argued that the legislative history and the Commission's reviewing courts have stated that section 337 was intended to reach articles

⁶ Seagate argued that the precise amount of disks manufactured or purchased are irrelevant to the legal issue presented -- whether the Commission has in rem jurisdiction over domestically manufactured articles. Moreover Seagate does not concede that the disks manufactured in the United States and shipped to foreign disk drive assembly facilities constitute "imports" when they re-enter the United States as part of the assembled disk drives but rather argued that those disks are of U.S. origin and are not "imports" from foreign sources.

⁷ Complainant, in opposition argued that Seagate as well as Digital, see infra, focus only on their alleged current activities.

manufactured abroad; that Commission precedent clearly indicates that articles of domestic manufacture are outside the Commission's jurisdiction and are therefore not properly subject to exclusion by the Commission; and that consequently this proceeding should not investigate whether domestically manufactured disks infringe the Aine patent in issue and whether such alleged infringement constitutes a violation of section 337. It is argued that the legislative intent and the general purpose of the Tariff Act are that the Commission is to provide a remedy for unfair acts that "exceed the jurisdiction of the federal district courts;" that here, however, complainant Aine can reach the source of the alleged infringement in a district court action, which would provide a complete remedy as to disks manufactured in the United States and Aine recognized that the U.S. District Court is the appropriate forum when he sued Seagate last year; that it is a waste of public and private resources to investigate whether domestically manufactured disks infringe the Aine patent; and that even if the Commission were to investigate and determine that the disks in issue infringe the complainant's patent and violate section 337, Commission precedent indicates that the Commission cannot issue an exclusion order covering these disks.

Like Akashic, Seagate relied on EPROMs. It argued that, as in EPROMs, the allegedly infringing disks are "fabricated in the United States, shipped overseas for assembly, then reimported into the United States;" that as in EPROMs, the alleged infringement "takes place in the United States" because the alleged infringement is in the manufacturing process and the article itself, both of which are completed in the United States; that as in EPROMs, complainant Aine "has a remedy in federal district court against infringement occurring in the United States;" and that as in EPROMs the Commission must

find that "such infringement is beyond the scope of the Commission's jurisdiction in section 337."

Referring to complainant Aine's allegations that Seagate infringes not just by manufacturing, but also by using and selling in the United States after re-importation disk drives manufactured abroad that contain the thin film disks and that Seagate induces others to infringe complainant's patent, Seagate argued that the instant facts are not distinguishable from the situation in EPRoMs where post-importation activities were also at issue; that in EPRoMs, the wafers were made in the United States, exported for assembly into a larger product, then reimported as part of the larger product, which was used or sold for use by others in the United States; that despite the fact that use or sale may constitute infringement under 35 U.S.C. § 271(a), and that anyone who induces infringement may be held to be an infringer under 35 U.S.C. § 271(b), the Commission in EPRoMs expressly found that it lacked jurisdiction over infringement both before and after importation.

Under a subheading relating to earlier Commission precedent, Seagate argued that in Certain Multicellular Plastic Film (Plastic Film), Inv. No. 337-TA-54, Advisory Opinion, April 28, 1981 the patent-in-suit covered a process for producing plastic film that was used in swimming pool covers; that after the Commission issued an exclusion order prohibiting importation of plastic film manufactured abroad, a Canadian manufacturer of swimming pool covers set up a facility in the United States to manufacture the plastic film, and sought the Commission's advice as to whether exportation of the film to Canada for assembly of the pool covers, and shipment of the pool covers into the United States would violate the existing exclusion order; and that the Commission held that this activity would not violate the exclusion order, and

simply directed that the manufacturer must provide an affidavit to Customs that the pool covers were made from plastic film manufactured in the United States.

It is argued that while complainant Aine attempts to discredit the relevancy of Plastic Film by scoffing that "not surprisingly" plastic film manufactured domestically is not the same as plastic film "manufactured abroad," which was a term used in the exclusion order, citing letter of April 15, 1993, from Mary R. Szews to Paul R. Bardos, at 3, the Commission's exclusion order in Plastic Film incorporated the language " ... plastic film manufactured abroad ..", which in and of itself shows that the Commission did not consider domestically manufactured plastic film to be covered by the exclusion order, and that even if the Commission had not originally been aware of the implications of the language used in the Plastic Film exclusion order, the advisory opinion proceeding gave it a second chance to consider the matter explicitly and after this focused consideration, if the Commission deemed it necessary to exclude the foreign-made swimming pool covers because they incorporated a component found to be infringing -- regardless of the location of the component's manufacture -- the Commission could have modified the existing exclusion order to accommodate the circumstances, which it did not do so.⁸

Seagate argued that appellate opinions and the legislative history makes it clear that a Commission remedy is available against foreign, not domestic, infringement; that there is significant support, both within the legislative

⁸ The staff in opposition to the motions in issue argued that it is significant in Plastic Film that the Commission did not modify the exclusion order to reach the U.S. made plastic film and also that there was no suggestion in the opinion that any party requested such a modification.

history of section 337 and the Commission's (and its reviewing court's) interpretation thereof, for the Commission's determination that the remedy for such domestic infringement lies in the federal district courts, not with the Commission; that section 337, and its predecessor statute, Section 316 of the Tariff Act of 1922, were clearly created to provide a remedy for unfair acts that exceeded the jurisdiction of the federal district courts, and were intended to stop infringing articles manufactured abroad; that as early as 1934, the Commission's previous reviewing court observed that "[i]t has long been settled that articles patented in the United States cannot be manufactured abroad, imported, and sold in violation of the rights of the patentee," citing In re Northern Pigment Co., 71 F.2d 447, 456 (CCPA 1934), overruled on other grounds sub. nom. In re Amtorg Trading Co., 75 F.2d 826 (CCPA), cert. denied 296 U.S. 576 (1936), statutorily overruled in relevant part by 19 U.S.C. § 1337a (repealed 1988); that during consideration of legislative changes enacted in 1974, Congress reaffirmed that Section 337 was intended to protect patent owners from infringing articles manufactured abroad, the House Ways and Means Committee stating:

As in the past, the Commission would make its determination in cases involving the claims of a U.S. patent following the guidelines of Commission practices and the precedents of the CCPA. Commission precedent, approved by the CCPA, establishes that the importation or domestic sale without license from the patent owner of articles manufactured abroad in accordance with the invention disclosed in an unexpired U.S. patent constitutes an unfair method of competition or unfair act within the meaning of section 337. ...

... For a period of over 40 years, the Tariff Commission has entertained complaints of importation or sale of articles allegedly made in accordance with the specifications and claims of a U.S. patent, first under the provisions of section 316 of the Tariff Act of 1922, and then pursuant to successor provisions in section 337 of the Tariff Act of 1930. In its decisions under these

provisions, the Commission has determined that under certain circumstances, the importation of domestic sale of an article manufactured aboard in accordance with the invention disclosed in a U.S. patent constitutes one type of unfair method or unfair art within the meaning of the statute.

H. Rep. No. 93-571, 93d Cong., 1st Sess. at 78 (1973) (Emphasis added by Seagate); and that Congress' most recent statements of legislative intent are consistent: "The Congress finds that ... the existing protection under section 337 of the Tariff Act of 1930 against unfair trade practices is cumbersome and costly and has not provided United States owners of intellectual property rights with adequate protection against foreign companies violating such rights," (Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, § 1341(a), 102 Stat. 1107, 1212 (1988) (Emphasis added by Seagate).⁹

It is argued that section 337 was intended to provide a remedy for unfair acts that exceeded the jurisdiction of the federal district courts, so that infringement could be stopped at its source; that just a short time after enactment of the Tariff Act of 1930, the CCPA observed

In the case of the sale of articles manufactured in the United States the infringing manufacturer can be proceeded against and thus the unfair practice be reached at its source. Domestic patentees have no effective means through the courts of preventing the sale of imported merchandise in violation of their patent rights . . . Unless, therefore, section 316 may be invoked to reach the foreign articles at the time and place of importation by forbidding entry into the United States of those articles

⁹ The staff, in opposition, argued that this statement in the Omnibus Act indicates that section 337 was intended to provide to U.S. intellectual property owners protection against foreign companies, but it does not establish that imports which were initially manufactured in the United States are outside the ambit of section 337 and that domestic companies that deal in imported products can be and have been found to be in violation of section 337.

which upon the facts in a particular case are found to violation rights of domestic manufacturers, such domestic manufacturers have no adequate remedy.

citing In re Northern Pigment Co., 71 F.2d at 455-56; that in a companion case issued the same day, the CCPA also simultaneously noted that

In this latter class of cases [in the case of importations from foreign countries], manufactured products, produced in a foreign country where the producer is beyond the control of the courts of the United States, are imported into this country. Up until the time when they are released from customs custody into the commerce of this country, no opportunity is presented to the manufacturer of the United States to protect himself against unfair methods of competition or unfair acts. After the goods have been so released into the commerce of the country, the American manufacturer may assert his rights against any one who has possession of, or sells, the goods. However, this method of control must be, and is, ineffective, because of the multiplicity of suits which must necessarily be instituted to enforce the rights of the domestic manufacturer. This phase of the matter obviously was in the minds of Congress at the time of the preparation of said section 337 (19 USCA § 1337).

citing In re Orion Co., 71 F.2d 458, 466-67 (CCPA 1934), overruled in part on other grounds sub. nom. In re Amtorg Trading Co., 75 F.2d 826 (C.C.P.A.), cert. denied 296 U.S. 576 (1936), statutorily overruled in relevant part by 19 U.S.C. § 1337a (repealed 1988) (Emphasis added by Seagate); that the Orion court also quoted from a report of the Tariff Commission (the predecessor to the ITC), which explained that

The jurisdiction of district courts and the scope of any decree issued by them do not extend to the importation or exclusion of imported merchandise from entry into the United States. Section 316, therefore, as construed by the Tariff Commission in its findings now before the Court of Customs Appeals for review, affords an exclusive remedy.

Id., 71 F.2d at 467; that more recently, the CCPA stated that "[t]he Tariff Act of 1930 (Act) and its predecessor, the Tariff Act of 1922, were intended to provide an adequate remedy for domestic industries against unfair methods of competition and unfair acts instigated by foreign concerns operating beyond

the in personam jurisdiction of domestic courts," citing Sealed Air Corp. v. U.S. Int'l. Trade Comm., 645 F.2d 976, 985, 209 USPQ 469, 478 (CCPA 1981) (emphasis added by Seagate), and that here, the federal district courts can provide Aine a complete remedy for Seagate's alleged infringement, which Aine acknowledged by suing Seagate in federal district court over a year ago, an action that was voluntarily dismissed by Aine on the eve of his deposition, citing Aine v. Seagate Technology, Inc., Civil Action No. H92-0072(p)(n), Southern District of Mississippi, Hattiesburg Division, dismissed November 4, 1992.¹⁰

Seagate argued that complainant Aine has ignored the requirement that there be a nexus between the unfair act and the importation; that a nexus must exist between the importation and the alleged unfair act to incur the ITC's subject matter jurisdiction; that as the Commission has stated:

It is obvious from our traditional role, not to mention our remedial provisions, that Congress intended section 337 to attack only unfair trade practices which relate to imported products. It then becomes crucial to discern some nexus between unfair methods or acts and importation before this Commission has power to act. [Emphasis added]¹¹

citing Certain Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29, USITC Pub. 863, 1 ITRD 5245, 5252 (Feb. 1978), Certain Molded-In Sandwich Panel Inserts, Inv. No. 337-TA-99, 218 USPQ 832, 835 (1982); Certain Cardiac Pacemakers and Components Thereof, Inv. No. 337-TA-162, Order No. 37, Initial

¹⁰ The staff argued that Orion and Northern Pigment were "only" concerned with articles manufactured abroad, and that movants have cited no instance where a Court addressed the question of whether infringing imports that were initially domestically manufactured were held to be outside the scope of section 337.

¹¹ The staff argued that to the extent that Congress intended section 337 to relate only to "imported products," the staff notes that complainant has alleged unfair trade practices related to imported products.

Determination Granting Cordis' Motion for Summary Determination (March 21, 1984). It is argued that here there is no nexus between the importation and the alleged unfair act, because the unfair act -- the alleged patent infringement -- occurred completely in the United States; that the EPROMs case held that infringement by domestically manufactured wafers and foreign assembled EPROMs was beyond the scope of the ITC's jurisdiction; that here, as in EPROMs, there is no nexus between importation and the alleged infringement.

Seagate argued that conservation of public and private resources dictates that partial summary determination is appropriate; that even if the Commission were to complete this investigation and determine that disks in issue infringe the Aine patent and violate section 337, EPROMs clearly indicates that the Commission cannot issue an exclusion order covering these disks and hence it is a waste of public and private resources to investigate whether domestically manufactured disks infringe the Aine patent; and that if the Commission affirms that it does not have jurisdiction over domestically manufactured, allegedly infringing products and grants Seagate's partial summary determination motion, respondents who only manufacture in the United States or purchase domestically manufactured disks may be terminated from this investigation.

Referring to complainant's arguments, prior to institution of this investigation, in which complainant relied upon Texas Instruments Inc. v. U.S. Int'l. Trade Comm., 988 F.2d 1165, 26 USPQ2d 1018, 1030-31 (Fed. Cir. 1993) (Texas Instruments) to support inclusion of domestically manufactured disks in this investigation, Seagate argued that in Texas Instruments, the Federal Circuit considered whether the Commission correctly construed the statute in rejecting Analog's argument that Analog, a respondent-importer who

manufactured the subject goods abroad but also held a partial license (limited to a particular quantity) from Texas Instruments, was immune to remedial orders under section 337 by virtue of being a member of the domestic industry, even with respect to products that exceeded the scope of the license (although Seagate does not contend, as Analog did, that it is beyond the jurisdiction of the Commission because it is a member of the domestic industry and instead contends that domestically manufactured disks are beyond the Commission's jurisdiction) citing Texas Instruments, that the Federal Circuit first affirmed the ITC's choice of remedy, in which the ITC issued a cease and desist order and a limited exclusion order to Analog, but specifically stated that these orders did not apply to Analog's products covered by the license Id.; that the Federal Circuit then considered whether membership in the domestic industry shielded Analog from the remedy imposed as to unlicensed products and in that context, the Federal Circuit stated:

Statutory interpretation begins with the language of the statute... If the statute clearly expresses Congress's intent, we must give effect to the "unambiguously expressed intent of Congress"

* * *

The plain language of subsection (a)(1)(B) prohibits the importation of articles found to infringe a valid and enforceable United States patent by any owner, importer or consignee. There is no suggestion in the statutory language that only owners, importers or consignees not in the domestic industry are subject to the remedial powers bestowed on the Commission by statute. This language is clear and its meaning is unambiguous. Membership in the domestic industry does not operate to shield an importer such as Analog from the purview of section 337. Our duty, as was the Commission's is to enforce the statute according to its terms.

Id. (Emphasis in original); that the Federal Circuit thus affirmed the exclusion order against Analog because it found the language "owner, importer, or consignee" in section 337(a)(1)(B) to be clear and unambiguous in that it made no exceptions for those in the domestic industry; that complainant's

quotation of the Federal Circuit's opinion in a letter to Acting Secretary Paul Bardos dated April 15, 1993 leaves out the emphasis contained in the original; that when read with the Federal Circuit's emphasis, it is clear that the Federal Circuit considered only the limited legal issue before it, and did not mean that section 337 was clear and unambiguous in its entirety and for every purpose; that even assuming arguendo that the Federal Circuit's analysis of section 337 in Texas Instruments is entitled to broader interpretation than argued here, the legislative history clearly expresses Congress' intent and must be followed, citing Johns-Manville Corp. v. United States, 855 F.2d 1556, 1559 (Fed. Cir. 1988), cert. denied, 489 U.S. 1066 (1989) ("clear evidence of legislative intent prevails over other principles of statutory construction"); that consequently, the Federal Circuit has not reviewed the language of section 337 with respect to the jurisdictional issue posed in the instant complaint, and Texas Instruments does not prohibit or otherwise limit the Commission's use of legislative history or the Commission precedent to construe the statute; that Texas Instruments made no findings whatsoever that other language of the statute clearly and unambiguously expresses Congress' intent; that nothing in Texas Instruments precludes the Commission from interpreting its jurisdictional power in the manner it did in EPROMs and in fact, the Commission correctly interpreted the statute in EPROMs; and that similarly, in the same letter to Paul Bardos dated April 15, 1993, complainant Aine then quoted from Texas Instruments' review of the legislative history, viz. that it was "Congress' stated intention 'to make [section 337] a more effective remedy for the protection of United States intellectual property rights,'" which, too, is quoted out of context and is not on point, because that quotation from the legislative history is part of a discussion that

broadened the threshold definition of domestic industry to include the exploitation of intellectual property rights by means other than domestic manufacture and Congress did not intend with this statement to broaden the Commission's jurisdiction as to alleged infringers Seagate, specifically referring to the following portion of the conference report stating:

In changing the wording with respect to importation or sale, the conferees do not intend to change the interpretation or implementation of current law as it applies to the importation or sale of articles that infringe certain U.S. intellectual property rights.

H. Rep. No. 100-576, 100th Cong., 2d Sess. 633 (1988). Moreover Seagate argued that in Texas Instruments the allegedly infringing process was carried out overseas and the resulting goods were then imported into the United States; and that there was no evidence that Analog manufactured any subject goods in the United States, then exported, incorporated them into a larger product, and reimported the product containing the allegedly infringing goods, as Seagate and the respondents in EPROMs have done.¹²

¹² The staff, relying on the quoted language of Texas Instruments, argued that the Federal Circuit has held that section 337 clearly and unambiguously did not contain the domestic industry exemption that Analog argued should be read into the statute. Complainant, in opposition to the motions in issue argued that while Seagate interprets the emphasized words in the above quotation of Texas Instruments as limiting the effect of the Federal Circuit's ruling and argued that the Court's interpretation of the plain meaning of the statute has no effect on the issue here because it was focused on the words "owner, importer or consignee," and that even if this were correct, which it is not, the Federal Circuit was interpreting the terms "owner, importer, or consignee" in context of the entire passage cited, including the terms "importation" or "article;" that the terms can not be read in isolation from each other; that the Federal Circuit was deciding what activities were covered by section 337; that the Court held that section 337 covers all infringing imports, including those from a member of the domestic industry; that moreover, each movant is an "owner, importer or consignee" within Seagate's interpretation of the Texas Instruments case; that the Federal Circuit's emphasis only serves to confirm that its holding applies to each of the movants, and the statute extends that coverage to each of their "agents" as well citing 19 U.S.C. §1337(a)(4).

(continued...)

Motion No. 350-4

Digital¹³, relying on a declaration of Robert Parmelee said to be employed by Western Digital and with the company for two years as Vice President Materials, provided the following statement of material facts "not in issue":

1. The products at issue in this investigation are thin film magnetic recording disks ("thin film disks") used in disk drives. (Complaint ¶ 5.1).
2. Western Digital Corporation operates a manufacturing facility in the United States in which thin film disks are produced. (Parmelee Decl., ¶ 2).
3. Western employs approximately [362] persons at its U.S. thin film disk manufacturing facility. (Parmelee Decl., ¶ 2).
4. Western manufactures thin film disks exclusively for incorporation into disk drives manufactured by Western. (Parmelee Decl., ¶ 3).
5. Western does not manufacture any thin film disks in any facility located outside the United States. (Parmelee Decl., ¶ 4).
6. Complainant Aine has acknowledged that Western manufactures thin film disks in the United States for its own use. (Complainant, ¶ 3.3.8).

¹²(...continued)

¹³ Paragraph 3.3.8 of the complaint reads:

3.3.8 Western Digital Corporation ("Western") is a Delaware Corporation with its principal place of business located at 8105 Irvine Center Drive, Irvine California 92718. On information and belief, Western manufactures at least 50,000 disks per month in California for its own use. Western also purchases infringing thin film disks from at least respondent Komag. Western installs both the purchased and manufactured disks in its disk drives in Singapore. Western and/or its customers import such disk drives for sale in the United States, either as peripheral devices or assembled in computer systems. On information and belief, Western's 199-92 disk drive sales exceeded \$150 Million.

7. The manufacture of thin film disks by Western is complete at Western's U.S. facilities; nothing further needs to be done to the disks before they can be assembled into disk drives. (Parmelee Decl., ¶ 5).

8. Once manufactured by Western, the thin film disks are shipped to Western's disk drive assembly facility for incorporation into disk drives. Western's disk drive assembly facility is located in Singapore. (Parmelee Decl., ¶¶ 6, 8).

9. Western does not have the manufacturing capacity to supply its full requirement of thin film disks. Currently, Western manufacturers an average of more than 33 percent of its requirement for thin film disks. Western purchases the balance of its requirement for thin film disks from various U.S. and foreign disk manufacturers. (Parmelee Decl., ¶ 7).

10. Western purchases thin film disks from Komag, Inc., which has been named as a Respondent in this investigation. (Parmelee Decl., ¶ 10).

11. Komag, Inc. has its thin film disk manufacturing facility in the United States. (Parmelee Decl., ¶ 10).

12. Western purchases thin film disks from Showa Denka K.K., Fuji Electric Co., Ltd., KME and Trace Storage Technology Corp., who are licensed under U.S. Patent Re 32,646. (Complaint, ¶ 9.1).

13. At least 89 percent of Western's requirement for thin film disks is either manufactured in the United States by Western or its vendors or purchased from licensed foreign vendors. (Parmelee Decl., ¶ 12).

Motion No. 350-8

Micropolis,¹⁴ relying on an attached declaration of Robert G. Wallstorm

¹⁴ Paragraph 3.4.4 of the complaint reads:

3.4.4 Micropolis Corporation ("Micropolis") is a Delaware Corporation with its principal place of business at 21211 Nordhoff Street, Chatsworth, California 91311. Micropolis purchases infringing thin film disks from Respondent Komag, Inc. Micropolis installs the infringing disks into disk drives at its manufacturing facilities in Bangkok, Thailand and in Singapore. Micropolis and/or its customers import such infringing disk drives into the United States either as peripheral devices or assembled in computer systems. On information and belief, Micropolis'

(continued...)

said to have been employed by Micropolis since May 1989 and currently Executive Vice President and General Manager, Storage Systems of Micropolis, in a statement of material facts "not in issue" represented:

1. Respondent Micropolis Corporation, is a Delaware corporation with its principal office located in Chatsworth, California. [Wallstorm Declaration, ¶ 2]

2. The complaint alleges that certain computer hard disks, including domestically manufactured disks, infringe complainant's patent. [Complaint, ¶ 5.1.]

3. Complainant alleges that certain sputtered carbon coated disks are covered by his United States Patent No. Re 32, 464 ("the Aine Patent"). [Complainant, ¶ 1.1]

4. Complainant further charges that these disks are supplied to disk drive manufacturers, such as Micropolis, installed in disk drives overseas then shipped back into this country. [Complaint, ¶ 1.1.3]

5. Micropolis does not manufacture storage disks. Rather, it purchases all such disks from suppliers. [Wallstorm Decl. ¶ 3]

6. The specific alleged basis for including Micropolis as a respondent in this matter is that Micropolis purchases disks manufactured in the United States by Komag, Inc. [Complainant, ¶ 3.4.4]

7. The complaint does not specifically allege that Micropolis has purchased disks manufactured outside the United States. [Complaint]

8. As alleged in the complaint, Micropolis purchases disks within the United States which are manufactured in the United States. [Wallstorm Decl. ¶ 4]

9. Micropolis does not purchase disks manufactured outside the United States, except from one company, which manufactures in Japan. However, that company is licensed by the complainant, Harry Aine. [Wallstorm Decl. ¶ 4]

Micropolis argued that as in EPROMs, the accused Micropolis wafers, were manufactured in the United States, "shipped overseas for assembly and use" and

¹⁴(...continued)

1991 disk drive sales were in excess of \$300 Million.

then shipped back to the United States; and that, if jurisdiction actually existed by way of a nexus through the "use" of the fabricated wafers in the EPROMs by their assembly overseas, the Commission in EPROMs would have enjoined the shipping of the "assembled" memories into the United States.

It is also argued that complainant Aine's alleged arguments of "use" through the sale of the disk drives employing the accused disks occurs in the United States and exactly the same reasoning applies with respect to the alleged acts of inducement to infringe on the part of the domestic disk drive manufacturers; and that any inducement which may occur with respect to domestic suppliers of the disks and Micropolis occurs domestically since both the domestic disk drive manufacturers and Micropolis are located in the United States, and thus, assuming arguendo, that Aine's inducement to infringe allegation is proper, it can be fully redressed in a federal district court action.

Micropolis argued that even assuming for argument that, as complainant Aine contends, "importation" means the shipping of domestically manufactured disks having a source and point of origin in the United States, the "mere incantation of the plain meaning rule. . . cannot substitute for meaningful analysis," citing Shippers Nat. Freight Claim Council, Inc. v. I.C.C., 712 F.2d 740, 747 (2d Cir. 1983); that in "filing" this investigation, Aine is attempting to ignore the clear legislative intent of section 337, i.e., to stop the wholesaling and retailing of foreign manufactured goods; that words in a statute must be construed to further, rather than frustrate, the legislative intent or purpose, citing Commissioner of Internal Revenue v. Brown, 380 U.S. 563, 571-72 (1965); Bartok v. Boosey & Hawkes, Inc., 523 F.2d 941, 947 (2d Cir. 1975) "[T]he plain meaning doctrine has always been

considered subservient to a truly discernible legislative purpose." Aviation Consumer Action Project v. Washburn, 535 F.2d 101, 106 (D.C. Cir. 1976), Wilderness Society v. Morton 479 F.2d 842, 855 (D.C. Cir.) (en banc), cert. denied, 411 U.S. 917 (1973); and that it has long been accepted that "[i]n expounding a statute [one] must not be guided by a single sentence or number of a sentences, but look to provision of the whole law, and to its object and policy," citing Branch v. Amoco Oil Co., 677 F.2d 1213, 1220 (7th Cir. 1982) (quoting United States v. Heirs of Boisdore, 49 U.S. (8 How.) 113, 122 (1849)); Philbrok v. Glodgett, 421 U.S. 707, 713 (1975). Micropolis argued that as explained by the Supreme Court in United Steelworkers of America, AFL-CIO-CLC v. Weber, 443 U.S. 193 (1979):

It is a familiar rule "that a thing may be within the letter of the statute and yet not fall within the statute, because not within its spirit nor within the intention of its markers."

443 U.S. at 201 (quoting Holy Trinity Church v. United States, 143 U.S. 457, 459 (1892)); Securities and Exchange Commission v. Mount Vernon Memorial Park, 664 F.2d 1358, 1364 (9th Cir. 1982), cert. denied, 456 U.S. 961 (1983); United States v. Falvey, 676 F.2d 871, 875 (1st Cir. 1982). It is further argued that as one court has warned "the surest way to misinterpret a statute or a rule is to follow its literal language without reference to its purpose," citing Viacom Intern. Inc. v. F.C.C., 672 F.2d 1034, 1040 (2d Cir. 1982); that even the most basic principles of statutory construction require that bare wording must yield to clear contrary evidence of legislative intent, citing Neptune Mut. Ass'n. Ltd. of Bermuda v. United States, 862 F.2d 1546, 1549 (Fed. Cir. 1988); Johns-Mansville Corp. v. United States, 855 F.2d 1556, 1559 (Fed. Cir. 1988), cert. denied, 489 U.S. 1066 (1989); that to ascertain legislative intent in construing a statute, courts may properly consider not

only language of the statute, but also the subject matter, object to be accomplished, purpose to be served, underlying policies, remedies provided, and consequences of various interpretations, citing Kifer v. Liberty Mut. Ins. Co., 777 F.2d 1325, 1332 (8th cir. 1985); that section 337 has been part of the law of the United States since 1922, first as section 316 of the Tariff Act of 1922 (42 Stat. 943), and then to date as section 337 of the Smoot-Hawley Tariff Act of 1930 (19 U.S.C. § 1337); that the legislative histories of both section 316 of the Tariff Act of 1922 and of section 337 of the Tariff Act of 1930 indicate that the intent of the statute was the protection of domestic manufacture of goods. 62 Cong. Rec. 5879; 71 Cong. Rec. 4638, 4648; that in addition, a stated purpose of the Tariff Act of 1922 was to "afford protection to American industries . . . created as a result of the war and considered vital to the future industrial independence of the American people." S. Rep. No. 595, pt. 2, 67th Cong., 2d Sess. (1922); that the Senate Finance Committee's report on the Trade Act of 1974 (which amended § 337) stated: "The public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding consideration in the administrative of this statute" Trade Reform Act of 1974, Report of the Committee on Finance, S. Rept. No. 93-1298 (93d Cong., 2d Sess.), 1974, p. 197; that the Tariff Act of 1930, and its predecessor statute, "were intended to provide an adequate remedy for domestic industries against unfair acts instigated by foreign concerns operating beyond the in personam jurisdiction of domestic courts," citing Sealed Air Corp. v. U.S. International Trade Comm'n. 645 F.2d 976, 985 (C.C.P.A. 1981). Micropolis argued that as the Federal Circuit enunciated in Akzo N.v. v. U.S. International Trade Comm'n. 808 F.2d 1471. 1488 (Fed. Cir. 1986), cert. denied, 482 U.S. 909 (1987) (Akzo):

Properly viewed, § 337 and its predecessor provisions represent a valid delegation of this broad Congressional power for the public purpose of providing an adequate remedy for domestic industries against unfair practices beginning abroad and culminating in importation. (Emphasis added by Micropolis).^[15]

and that nowhere in the legislative history of section 337, or elsewhere, is there an expressed intent to protect a patentee from the domestic manufacture of allegedly infringing product. It is argued that section 337 is not intended merely to further the patent rights of the patentee per se., citing Self-Closing Containers, TC Publication 55, 1962, p. 26; that complainant Aine's only purpose is to consolidate one lawsuit against many respondents to exact royalties and not to protect domestic industry; and that Aine's proper remedy against domestic manufacturers is an appropriate action in a district court.

It is argued that "Congress' lack of precision in drafting legislation should never be an instrument for defeating or frustrating the manifest purpose and intent of Congress, as revealed by the legislative history." citing Premachandra v. Mitts, 727 F.2d 717, 727 (8th Cir. 1984).

¹⁵ Complainant relies on the following portion of Akzo to show the actual Congressional intent, contrary to movants argument that the 1988 Omnibus Trade Competitiveness Act relates only to foreign companies:

Section 337 does not discriminate against foreign corporations by virtue of their foreign status. It applies to foreign and domestic corporations alike. Section 337 gives the Commission jurisdiction over products imported from a foreign country, even if they are manufactured and/or imported by a U.S. corporation. The Commission's jurisdiction lies in unfair acts occurring in connection with the importation of goods into the United States or their sale, and it extends to all persons engaged in such unfair acts. [Emphasis added by complainant]

808 F.2d at 1485, 1 USPQ2d at 1250.

Micropolis argued that the clear purpose of section 337 is to protect United States industry, not to harm it; that as complainant Aine's own authority makes absolutely clear, the predecessor statute of section 337 was enacted to provide remedies against a multitude of United States wholesalers or retailers of foreign manufactured goods because the jurisdiction of the United States federal courts does not extend to the foreign manufacturers that are the source of the goods, citing Orion, 71 F.2d at 467; that the effect of blocking the shipping of accused disks originally produced in the United States by a domestic manufacturer would be precisely contrary to the stated purpose of section 337 which is to protect U.S. industry; that specifically, the very first sentence of section 337 states that "[u]nfair methods of competition, . . . that effect or tendency of which is to . . . injure an industry . . . operated in the United States . . . are declared unlawful..."; and that complainant Aine has licensed at least one foreign manufacturer; and that in the event that an order should be entered barring the shipping of domestically manufactured disks, the probable effect would be to shift purchases from domestic disk manufacturers to the (licensed) foreign manufacturer or manufacturers which is precisely contrary to the intent of the statute.

Micropolis in a reply memorandum argued that EPROMs is binding precedent; that EPROMs included allegations of inducement to infringe and that complainant's allegation of subsequent infringement ignores the fact that accused products are beyond the scope of section 337.¹⁶

¹⁶ Respondent Maxtor Corporation supported Motion Nos. 350-1, 350-3, 350-4 and 350-8. It argued that the legislative history and historical development of section 337 indicates that foreign origin of the offending product was assumed and considered implicit in the use of the term "importation" in

(continued...)

Motion No. 350-14

Included with Nashua's Motion No. 350-14/response was an affidavit of Stephen E. Demos which stated in pertinent part:

2. As general manager I have overall responsibility for the manufacture and sales of thin film disks manufactured by Nashua.

3. Nashua manufactures thin film disks in its facilities located in Santa Clara, California. Nashua does not manufacture thin film disks overseas. All of its production of thin film disks is domestic in Santa Clara.

4. Nashua's thin film disks are sold by Nashua exclusively to a small number of disk drive manufacturers. Nashua's customers enclose the thin film disks in disk drives and thereafter in most cases sell them to computer manufacturers.

Nashua¹⁷ argued that its activities in connection with the computer disks that are the subject of this investigation, including the manufacture of such disks, take place entirely in the United States before such products are imported into the United States; that as set forth in the complaint (para. 3.36), Nashua's alleged direct infringement activities consist of the

¹⁶(...continued)
section 337.

¹⁷ Paragraph 3.3.6 of the complaint reads:

3.3.6. Nashua Corporation ("Nashua") is a Delaware Corporation with its principal place of business located at 44 Franklin Street, P.O. Box 2002, Nashua, New Hampshire 03061-2002. Nashua manufactures infringing magnetic disk media at two plants in Santa Clara, California. On information and belief, Nashua's primary customer is Respondent manufacturer/importer Conner Peripherals. Nashua also sells its infringing disks to other disk drive and computer systems manufacturers with the expectation that they will be installed in disk drives and/or computer systems outside the United States and imported into the United States. On information and belief, Nashua manufactures approximately 500,000 infringing disks per month. Its net sales for 1991 were approximately \$96.0 Million.

manufacture in the United States and shipment from the United States of the accused products; that because Nashua manufactures and sells to unrelated companies in the United States, the allegation that it may be selling or that its products are sold for "importation" into the United States is clearly untenable; that at best, a case could be made that Nashua is selling for "exportation" from the United States, but such activity is neither covered by the language nor the spirit of section 337; that Nashua has no involvement either directly or indirectly with any subsequent importation of the products (or sale after importation) that may occur and consequently, the nexus between Nashua's activities and the importation which is needed to invoke the Commission's jurisdiction pursuant to 19 U.S.C. § 1337 does not exist; and that the mere fact that Nashua's customers ship the product back to the United States does not vest on the Commission, jurisdiction over Nashua's activities. Nashua argued that while it recognizes that an argument could be made that the Commission although lacking subject matter jurisdiction over Nashua's activities since they are unrelated to importation, has jurisdiction over Nashua's domestically manufactured disks that are shipped back to the United States, Nashua seeks termination as to itself and its products and requests that if its product remains in the investigation, it be permitted to continue as a party-respondent since a remedy that covered Nashua's domestically manufactured products would have an adverse impact on Nashua. It is argued by Nashua that summary determination of this issue is warranted and will serve judicial economy and efficiency by permitting termination of Nashua as a respondent at an early stage of this investigation; that by limiting this investigation to genuine articles and parties -- as opposed to including domestic products and parties having no involvement with the requisite

importation, the Commission will carry out its mandate pursuant to the clear language of section 337.

Nashua argued that complainant's interpretation of section 337 could result in the Commission becoming a forum for infringement suits involving solely domestic parties and domestic products; that recent Dataquest information indicates approximately 75% to 80% of the world's thin film disks are manufactured in the United States; that in filing for this investigation against domestic producers and their products, complainant is using U.S. trade laws to attack one of the industries that those very laws were enacted to protect which was not the intent of the authors of section 337 and importation requirement in the statute was intended to prevent such an interpretation; that this is not an "unfair" situation where foreign producers have copied a U.S. inventor's recipe to make products; that Nashua and most if not all other U.S. producers were already manufacturing thin film disks in 1987 when the Aine patent in issue issued; that Nashua, HMT, Komag, Seagate, Akashic, or their predecessor companies had for 2-3 years prior to July 28, 1987, spent millions of dollars designing product, obtaining sophisticated equipment, setting up manufacturing plants and were producing in mass quantities product to industry specifications; that the administrative law judge and the Commission should not be persuaded to let this case continue as to the domestic products simply because this investigation also includes foreign manufactured products; that the presence of potentially proper parties does not neutralize the error of including domestic products and their manufacturers; and that if this investigation is permitted to proceed, the investigation as it relates to domestic products will set precedent that is contrary to the letter and the spirit of section 337. Moreover, Nashua argued that the courts favor early

resolution of jurisdictional issues.

It is argued that the Commission has consistently recognized that the existence of subject matter jurisdiction is premised on there being a nexus between the unfair methods or acts and the importation, citing Certain Rotary Printing Apparatus Using Heated Ink Composition, Components Thereof, and Systems Containing Said Apparatus and Components, Inv. No. 337-TA-320, Initial Determination at 4 (August 28, 1991) (reviewed on other grounds) (subject matter jurisdiction is limited to alleged unfair acts in connection with importation); Certain Nonwoven Gas Filter Elements, Inv. No. 337-TA-275, Unreviewed Initial Determination at 81, USITC Pub. 2129 (Sept. 1988) ("The Commission's jurisdiction lies in unfair acts occurring in connection with the importation of goods into the United States or their sale, after importation."); Certain Garment Hangers, Inv. No. 337-TA-255, unreviewed Initial Determination at 121 (June 17, 1987) (statute provides for subject matter jurisdiction based on act of importation itself in connection with unfair acts); that thus, although the Commission's jurisdiction is not limited to acts that take place during the importation itself, at the very least a connection must exist between the accused acts and the importation, citing Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99, USITC Pub. 1246, Commission Memorandum Opinion at 4 (May 1982); Certain Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29, USITC Pub. 863, Comm'n Op. at 11 (Feb. 1978); and that jurisdiction may be asserted where, for example, the named respondent was not involved in the importation of foreign origin goods or the immediate sale after such importation, but was involved in the sale of the imported merchandise at some later point in time, citing Orion, 71 F.2d at 466-67 (C.C.P.A. 1934) ("After the goods have been so

released into the commerce of the country, the American manufacturer may assert his rights against anyone who has possession of, or sells, the goods.") however Nashua argued however that, in naming Nashua, complainant seeks to expand the Commission's subject matter jurisdiction beyond Commission precedent as well as beyond the plain meaning of the statute; that the statute is directed to unfair acts related to importation and not to activity that cannot be reasonably related to the importation; that Nashua manufacturers the allegedly infringing products in the United States (Demos Decl., ¶ 3); that Nashua sells the allegedly infringing products to a small number of disk drive manufacturers who enclose them in disk drives (Demos Decl., ¶ 4); and that Nashua's involvement with such product ends at that point in time prior to any subsequent importation into the United States.

Motion No. 350-12

Hoya,¹⁸ in support of Motion No. 350-12,¹⁹ included a declaration of Gil

¹⁸ Paragraph 3.3.4 of the complaint reads:

3.3.4 Hoya Electronics Corporation ("Hoya") is, based on information and belief, a California corporation with its principal place of business located at 960 Rincon Circle, San Jose, California 95131. On information and belief, Hoya manufactures infringing thin film disks at facilities located in California. Hoya sells its infringing disks to disk drive and computer system manufacturers with the expectation that they will be installed in disk drives and/or computer systems outside the United States and imported into the United States. On information and belief, Hoya manufactures approximately 20,000 disks per month. Its disk sales in 1991-1992 were close to \$4.0 Million.

¹⁹ Hoya represented that if Motion No. 350-12 is denied, Hoya intends shortly to file a motion for summary determination for non-infringement on the grounds that the Hoya process for applying a ceramic overcoating to computer disk is completely different from the Aine coating process and could not possibly infringe the Aine patent.

Argentina, said to be the Senior Vice President and General Manager of the Memory Division of Hoya. The declaration states in part:

2. Hoya is a California corporation with its principal place of business in the City of San Jose, County of Santa Clara, California.
3. Hoya's sole manufacturing facility for thin film magnetic recording disks is located at its principal place of business in the City of San Jose, California. All thin film disks which it produces are manufactured at that facility.
4. Hoya currently employs approximately 100 employees in its operations in San Jose, California.
5. Hoya does not manufacture any thin film magnetic recording disks outside the United States.
6. Hoya does not import sputtered carbon overcoated thin film magnetic recording disks for sale to customers in the United States.
7. Paragraph 4.7 of the Complaint in this matter states:
"The Aine Patent is directed to protecting rigid thin film media with a sputtered carbon overcoat." Hoya does not produce or manufacture rigid thin film media with a sputtered carbon overcoat. Hoya produces thin film magnetic recording disks with a ceramic overcoat under its own proprietary technology.

Hoya further included a declaration of Takeo Matsudiara who is said to be director of Research and Development and Engineering of the memory division of Hoya and which stated:

2. Hoya is a California corporation with its principal place of business in the City of San Jose, Country of Santa Clara, California.
3. Hoya's sole manufacturing facility for thin film magnetic recording disks is located at its principal place of business in the City of San Jose, California. All thin film disks which it produces are manufactured at that facility. Some ^[20] of its disks are sold F.O.B. San Jose, California.

²⁰ The word "Some" was substituted at oral argument for "Most, which was in the affidavit as filed.

4. Hoya's manufacture of thin film magnetic recording disks is complete at its sole manufacturing facility located in San Jose, California. Nothing further is required to be done to the disks before they can be assembled into disk drives.

5. Hoya does not manufacture any thin film magnetic recording disks outside the United States.

6. Hoya does not import sputtered carbon overcoated thin film magnetic recording disks for sale to customers in the United States.

7. Paragraph 4.7 of the Complaint in this matter states: "The Aine Patent is directed to protecting rigid thin film media with a sputtered carbon overcoat." Hoya does not produce or manufacture rigid thin film media with a sputtered carbon overcoat. Hoya produces thin film magnetic recording disks with a ceramic overcoat under its own proprietary technology.

Hoya argued that the plain language of section 337 does not apply to Hoya; that in the words of the Commission, it is "crucial to discern some nexus between unfair methods or acts and importation before this Commission has power to act," citing Certain Welded Stainless Steel Pipe & Tube, Inv. No. 337-TA-29, U.S.I.Y.C. Pub. 863, 1 I.T.R.D. 5245 (Feb. 1978) (emphasis added by Hoya); that this nexus is utterly lacking in the present case; that Hoya is not an importer; that Hoya computer disks are not imported, but instead are manufactured solely in the United States, and thus, Hoya's participation in international trade is exclusively as a U.S. manufacturer and exporter, not as an importer of foreign articles that allegedly infringe a U.S. patent; that while Aine argues that the export and subsequent re-importation of certain Hoya disks in disk drives assembled overseas establishes jurisdiction under section 337(a), the importation complained of is completely unrelated to the alleged act infringement; and that Hoya's alleged infringement of the Aine patent, if any, is complete upon the manufacture of the disks in the U.S., and is distinct from any subsequent importation of disk drives or other computer equipment.

Hoya, as has other movants, relies on EPROMs and argued that this "case" presents an even more compelling case for dismissal than in EPROMS since Hoya's disks are completely manufactured in the U.S., and are not subjected to further modification or fabrication outside the United States.

It is argued by Hoya that the legislative history confirms Congress' intent and the Commission's determination in EPROMs that section 337 applies only to the import of foreign articles. Thus it is argued that section 337 was originally enacted as section 316 of the Tariff Act of 1922; that the House Report on section 316 states: "This section declares unlawful unfair methods of competition, and unfair acts in the importation and sale in the United States of foreign articles..." H.R. Rept. No. 7, 81st Cong., 1st Sess., p. 166 (May 9, 1929) (Emphasis added by Hoya); that during the Senate floor debate on section 316, it was stated: "Such a law as I have suggested would assure that American producers will not be subjected to unfair competition from countries abroad." Congressional Record-Senate at 5879 (1922) (emphasis added by Hoya); that in the Tariff Act of 1930, Congress amended section 316 and renumbered it section 337; that the legislative history of the 1930 Act is replete with references showing that section 337 was intended as a remedy against unfairly traded foreign goods, referring for example, in its report to the Congress on the administration of section 316 where the Tariff Commission stated:

Section 316 follows in general the suggestions made to Congress in the report entitled "Dumping and Unfair Foreign Competition in the United States." The intent of the section is to protect American industries from unfair foreign competition.

Trade Readjustment - 1929, Hearings Before the Committee on Ways and Means, H.R., 70th Cong., 2nd Sess., Volume 16, Administrative and Miscellaneous Provisions, p. 10657; that the Senate Finance Committee report states: "This

section (which is taken from section 316 of the tariff act of 1922) declares to be unlawful unfair methods of competition and unfair acts in the importation and sale in the United States of foreign articles...S. Rept. No. 37, 71st Cong., 1st Sess., p. 67 (1929) (emphasis added by Hoya); that in 1940, section 337 was amended to provide a remedy against the infringement abroad of U.S. process patents which statements in support of the amendment show clearly that its purpose was to provide a remedy against foreign infringement; that the then-Commissioner of Patents, Mr. Conway P. Coe, explained that "[t]he purpose of the bill is to protect the owner of a United States process patent against the importation of a production fabricated abroad in accordance with the patented process," citing letter from Coe, Hearings on Importation of Goods Covered by United States Patent Office, Hearings on Importation of Goods Covered by United States Patents, Subcommittee of Committee on Patents, H.R. 7851, 75th Cong., p. 1 (May 5, 1938); that writing in support of the amendment, the Federal Trade Commission stated: "At the outset, it may be said that it would seem that the holder of a valid United States process patent is entitled to protection against the importation and sale in the United States of products, manufactured in a foreign country by the use of the patented process..." S.Rept. No. 1903, 76th Cong., 3rd Sess., p. 3 (1940); that in approving Section 337a, the House Committee on Patents stated:

This bill is designed to correct the present problem which was created when the Court of Customs and Patent Appeals in the case In re Amtorg Trading Corporation reversed its former decisions and held that the importation of products made abroad in accordance with a United States process patent was not regarded as an unfair method of competition. Prior to this time such importation had been regarded as an unfair method of competition.

Id. at pp. 1-2; that the Committee emphasized that both section 337a and

section 337 are limited to foreign infringement:

Since the Amtorg decision owners of American process patents are helpless to prevent the infringement abroad of their patent rights. This bill will give to them the same rights which the owners of product patent have [under section 337].

at 4; that as one supporter of H.R. 8285 noted, "Obviously the proposed amendment only affects goods brought into the country." Id at 2 (statement of Mr. Henry D. Williams); that in the Trade Art of 1974, Congress amended section 337 and reestablished it as a viable trade law remedy; that in its report, the House Ways and Means Committee described the Commission's jurisdiction as follows: "Commission precedent, approved by the CCPA, establishes that the importation or domestic sale without license from the patent owner of articles manufactured abroad in accordance with the invention disclosed in an unexpired U.S. patent constitutes an unfair method of competition or unfair act within the meaning of section 337." H.H. Rep. No. 751, 93d Cong., 1st Sess. 78 (1973) (emphasis added by Hoya); that the Senate Finance Committee stated:

For a period of approximately 50 years, the Commission has entertained complaints of importation or sale of articles allegedly made in accordance with the specifications and claims of a U.S. patent, first under the provisions of section 316 of the Tariff Act of 1922 and then pursuant to the successor provisions of section 337 of the Tariff Act of 1930. In its investigations under these provisions, the Commission had found that, under certain circumstances, the importation or domestic sale of an article manufactured abroad in accordance with the investigation disclosed in a U.S. patent constitutes one type of unfair method or unfair act within the meaning of the statute.

S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974) (Emphasis added by Hoya).

Hoya, referring to complainant's reliance on Texas Instruments, argued that the Commission's determination in EPROMS, is fully consistent with Texas

Instruments; that in Texas Instruments respondent Analog acquired a limited license to import semiconductors; that after finding a violation of section 337, the Commission issued an order "prohibiting Analog and VLSI from importing circuits manufactured abroad using the process covered by claim 17 of the '027 patent." Id. at 1021 (emphasis added by Hoya); that Analog argued that by virtue of the license, it was part of the U.S. domestic industry and exempt from section 337 remedies; that the Court of Appeals rejected the argument, holding: "Membership in the domestic industry does not operate to shield an importer...from the purview of section 337." Id. at 1031; that Texas Instruments thus stands for the proposition that section 337 covers all importers of infringing foreign goods, including a U.S. license that technically is part of the domestic industry; and that taken together, Texas Instruments and EPROMS establish a clear and sensible demarcation of section 337 jurisdiction.

POSITION OF COMPLAINANT

Complainant, as already indicated, has opposed the motions in issue. It was argued that the plain language of section 337 covers all infringing articles imported into the United States and all respondents' related activities, regardless of whether a portion of the article contains domestically manufactured components; that had Congress wished to exempt domestic manufacturers from the purview of section 337, it would have said so which it did not; that Congress knows how to specify foreign made goods when it wants to and that it did not do so in section 337; and that the movants' infringement is not "complete" when the disks are manufactured.

While complainant relies on Texas Instruments for its statutory interpretation, counsel for complainant at oral argument agreed that the facts

in Texas Instruments are distinguishable from the facts here (Tr. at 42, 43). He also acknowledged that there are some respondents who only manufacture discs in the United States and either themselves or through other respondents or perhaps third parties, ship those disks overseas where they are assembled into disk drives and brought back into the United States (Tr. at 45, 46). Complainant's counsel argued that complainant's allegations however are that those respondents manufacturing disks in the United States know exactly what's going on and that they do it for that purpose, i.e. the disks are shipped overseas with the express purpose and intent and with knowledge and expectation that those disks will be put in disk drives in a foreign location, imported into the United States, and sold after importation in violation of complainant's patent rights and in violation of section 337. Complainant's counsel also argued that complainant should be entitled to have discovery on those allegations.²¹ (Tr. at 45).

Complainant argued that if the administrative law judge would grant any motion to the extent that the Commission has no in rem jurisdiction over domestically manufactured hard disks, such as thin film magnetic recording disks, which are manufactured in the United States, exported and then re-imported into the United States, he would be dealing with only one alleged act of infringement which is the manufacture of those disks in the United States; that there are at least three other independent and distinct acts of infringement alleged, viz. the use of those disks, the sale of those disks and the inducement of others to infringe the patent in issue through the use and sale of those discs (Tr. at 46, 47); and that the patent in issue covers not

²¹ On this point see portions of complaint referenced earlier in this initial determination.

only the process by which the disks are made but also the disks themselves (Tr. at 47).

Complainant argued in oral argument that his allegations would cover all the use of disks either directly by the named respondents in the United States, if the use relates to the reimportation in any way, as well as the "indirect" infringement with respect to the relationships between the named respondents and whether there is responsibility on the part of a respondent for the action of another and also the use of the disks as a components of the disk drives that are brought back into the country. (Tr. at 50, 51).

Complainant's counsel, to hypothesize because he stated he has had no discovery, referenced making a disk in the United States and there testing it to make certain it is proper before it is exported overseas for assembly into disk drives and then reimporting the disks as a component of the disk drive into the United States. He concluded that such activity is all part of one pattern of activity and argued that simply because one part of the "infringing act" is conducted in the United States, all activities that then flow from that one act should not be immune from jurisdiction of the Commission if those other activities have a relationship with the importation (Tr. at 51).

POSITION OF THE STAFF

The staff, as already indicated, has opposed the motions in issue. It argued that section 337 does not provide that infringing goods manufactured in the United States and later imported back into the United States are exempt from being held in violation; that the plain language of section 337 contains no limitation as to "where" an infringing article must be manufactured before it is covered by the statute and accordingly the inquiry does not end with the question of where the infringement originated; that under section 337, the

question for the respondent domestic disk manufacturers is whether they have made a "sale for importation" of infringing disks; that as for disk drive manufacturers that are using U.S. made disks the inquiry is also whether they have made "sale for importation" or an "importation" of infringing products; that nothing in the legislative history indicates a clear legislative intent to restrict the reach of section 337 by precluding a finding of violation where infringing imported articles originally manufactured in the United States are involved; and although the Commission has briefly addressed related issues in making certain remedy determinations, the Commission has never directly held that domestically manufactured goods can never form the basis for finding a section 337 violation. It was argued that summary determination would be premature on the issue of induced infringement since no discovery has yet been taken regarding the knowledge and intent of the parties, which are factual issues.

At oral argument the staff argued:

First in EPROMs, the Commission was not examining the Respondents' conduct for purposes of determining a violation.

Second, the rationale advanced by the Commission for its decision in EPROMs was that the Complainant there had a, and I quote -- Remedy in federal district court against infringement occurring in the United States.

However, the availability of a remedy in district court does not preclude bringing a Section 337 action against domestic Respondents. Domestic companies are routinely named in Section 337 investigations and have frequently been subjected to exclusion orders and cease and desist orders by the Commission.

Moreover, Section 337 applies and I quote -- In addition to any other provision of law. Thus it is both legally permissible and fairly common, for a Complainant to proceed with a Section 337 investigation while a parallel district court infringement action is pending.

The third reason EPROMs is not controlling is because the remedy portion of the EPROMs decision on which Respondents so

heavily rely, did not discuss the issue of induced infringement.

In addition, although the issue of induced infringement may have been raised to some extent of the violation portion of the EPROMs decision, it was clearly not the focus of the Commission's determination.

Moreover, EPROMs clearly does not state that as a matter of law induced infringement may never be found for the sole reason that the articles involved in the importation are initially manufactured in the United States.

And finally EPROMs is not controlling, the Staff submits ... the Commission never considered the issue of U.S. made but imported goods in EPROMs to the extent ... that it is doing here today.

A review of the entire EPROMs decision reveals that the issue was a peripheral one at best; it involved only one Respondent.

The issue here today is central to the entire case and affects most Respondents at least to some extent.

The discussion of this issue by the Commission in EPROMs was very brief as compared to the number of people in this room and the amount of paper that has been filed with respect to this one issue.

And finally, the only reason given by the Commission in support of its decision is not supported by the plain words of the statute.

(Tr. at 76-78).

Later the staff argued:

MR. CHUBB: There's nothing in this discussion in EPROM's which purports to be an interpretation of the statute. It doesn't purport to be an interpretation of the meanings importation, sale for importation or sale after importation.

I mean, I guess the question is overall and this is perhaps why we're here, did the Commission mean in this one statement to narrow the statute in a way it's done?

And I would think that you would not find this to be binding in the sense that I would prefer -- I guess there were some question as to what the Commission really meant here in saying there was no jurisdiction.

But I would prefer to limit it and say this was a statement that was perhaps slightly overly broad in the context of the remedy discussion taking place here on a limited discussion regarding these particular products that were at issue there. Then to think that they made a sweeping, universal narrowing of the statute reading

limitations into the statute based on no more analysis than is there.

* * *

MR. CHUBB: We are certainly arguing that the summary determination motion should be denied. I think that you have got what even Commissioner Watson acknowledged at the institution meeting, that is a somewhat novel legal issue here that is still open for interpretation.

I would not therefore say that the EPROMs decision is automatically binding upon you; you have; you can narrow its interpretation or say that it was a statement that was in a context so far removed from the context of violation in determining what is an unfair act under 337, that it should not be binding.

(Tr. at 271 to 273)

OPINION

Contrary to the positions taken by the complainant and the staff, the administrative law judge finds that EPROMs is controlling and requires that he grant Motion Nos. 350-1, 350-8, 350-12 and 350-14 terminating Akashic, Micropolis, Hoya and Nashua from this investigation and also that he grant Motion Nos. 350-3 and 350-4 of Seagate and Digital for partial summary determination. His action is based on the following clear and unambiguous language of the Commission in EPROMs:

We also determine that the exclusion order should not apply to ... [respondents] EPROMs, the wafers of which were fabricated in the United States, shipped overseas for assembly, and then reimported into the United States. 164 The infringement . . . is in the electronic circuitry, which is embodied in the chip during wafer fabrication. Thus, the infringement, if any, with respect to these EPROM wafers and the resulting assembled EPROMs, takes place in the United States. ... [Complainant] has a remedy in federal district court against infringement occurring in the United States. Such infringement is beyond the scope of the Commission's jurisdiction in section 337. We have therefore included in the order a provision exempting imported assembled EPROMs, the wafers of which were fabricated in the United States by ... [respondent], along with an appropriate certification

requirement. [22] [Emphasis added]

(EPROMs 12 ITRD at 1135)

Neither the complainant nor the staff has convinced the administrative law judge that the Commission applies a double standard in its interpretation of section 337 when it addresses remedy in one instance and violation in the other instance. The Commission in the language above has stated that "Such infringement is beyond the scope of the Commission's jurisdiction in section 337." It is clear to the administrative law judge that the Commission was talking about infringement involving reimported wafers there at issue. The term "infringement" is not novel to the Commission, and the Commission has made it clear, at least with respect to the use of the term "infringement" in defining the scope of investigation, that the term "infringement" embraces any direct, contributory and induced infringement. See eg., Tr. of Prelim. Conf. in Certain Anti-Theft Deactivatable Resonant Tags and Components Thereof, Inv. No. 337-TA-347 (April 14, 1993) at 138-53 (discussion regarding breadth of the term "infringement" used in the Commission scope of investigation section of the Commission's notice of investigation). The administrative law judge knows of no precedent to support the argument that the Commission intends one meaning for the term "infringement" when it is used in connection with a violation, and another when used in connection with the remedy phase of the investigation, both of which are governed by section 337. Thus, the administrative law judge rejects the argument of complainant's counsel that

22 Footnote 164 read:

We note that the cease and desist order, discussed below, does not apply Microchip's U.S. wafer fabrication operations.

the term "infringement," as used in the sentence "Such infringement is beyond the scope of the Commission's jurisdiction in section 377" pertains only to infringement with respect to EPROMs wafers and the resulting assembled EPROMs which takes place in the United States. (Tr. at 240, 241). As the Commission acknowledged in the same paragraph, those wafers had initially been fabricated in the United States, shipped overseas for assembly and then reimported into the United States. It further made clear that the infringement is involved in the electronic circuitry which is embodied in the chip during wafer fabrication in the United States. Such is the exact situation with the disks in issue in the pending motions which are accused of infringing the patent in issue. See referenced affidavits, supra. Moreover, complainant does not dispute the underlying facts with respect to manufacture of the disks in issue, their shipment overseas and their reimportation into the United States. See referenced portions of complaint, supra.

The staff has argued that the rationale advanced by the Commission for its decision in EPROMs was that there was a remedy in federal district court against infringement occurring in the United States. However, the staff also argued that the availability of a remedy in district court does not preclude bringing a section 337 action against domestic respondents, which is routinely done. Certainly the Commission was aware of this fact when it issued EPROMs.

The administrative law judge also rejects the argument of the complainant and the staff that the involved respondents should remain in the investigation for at least discovery purposes. The Commission either has or does not have in rem jurisdiction as it relates to any infringement of domestically manufactured disks which have been exported and subsequently reimported, and

that issue is ripe for decision. If the Commission does not have in rem jurisdiction under section 337, then the named party should not remain in the investigation. The fact that the party may have some information relevant to complainant's allegations is irrelevant. On this point there has been criticism with respect to the expenses incurred by a party in a section 337 investigation. Whether an entity is or is not a party is certainly controlling as to the action the entity takes, and its underlying costs, in an investigation. Moreover, the Commission interim rules provide for obtaining certain third party information during the discovery stage of an investigation, via subpoena. As pointed out at the oral argument, this administrative law judge has also issued third party trial subpoenas in the past.

The staff has indicated that the Commission's statement "Such infringement is beyond the scope of the Commission's jurisdiction in section 337" was "perhaps slightly overbroad" and "based on no more analysis than is there" or involved a "peripheral" issue at best. The administrative law judge is not prepared to so construe the Commission's statements in EPROMs. To the contrary, he finds that the Commission's analysis in EPROMs was adequate and its statements in EPROMs, as to its interpretation of its own section 337, to be clear and unambiguous and critical to its determination. Minnesota Power & Light Co. v. United States, 782 F.2d 167, 170 (Fed. Cir. 1986); Burlington Northern R.R. Co. v. United States, 752 F.2d 627, 629 (Fed. Cir. 1985); All Tech Specialty Steel Corp. v. United States, 745 F.2d 632, 642 (Fed. Cir. 1984). Accordingly he concludes that EPROMs must be followed.

Motion Nos. 350-1, 350-3, 350-4, 350-8, 350-12 and 350-14 are granted.

This initial determination is hereby CERTIFIED to the Commission,

together with supporting documentation. Pursuant to Commission interim rule 210.53(h), this initial determination shall become the determination of the Commission unless a party files a petition for review of this initial determination pursuant to Commission interim rule 210.54, or the Commission pursuant to rule 210.55 orders on its own motion a review of the initial determination or certain issues therein.

This initial determination will be placed on the public record in its entirety on June 7, 1993, unless counsel for the parties submit to the administrative law judge, by the close of business on June 4, bracketed versions of this initial determination identifying those portions containing information which should remain confidential.

Counsel for the movants, counsel for complainant and the staff were notified by telephone about the issuance of this order on May 27, 1993.


Paul J. Luckern
Administrative Law Judge

Issued: May 27, 1993

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)
)
CERTAIN SPUTTERED CARBON)
COATED COMPUTER DISKS)
AND PRODUCTS CONTAINING)
SAME, INCLUDING DISK DRIVES)

Investigation No. 337-TA-850

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U.S. OFFICE OF THE SECRETARY OF COMMERCE
INTERNATIONAL TRADE COMMISSION

INITIAL DETERMINATION

Section 210.53 of the Commission's interim rules requires that Order No. 50 be called an initial determination so that it can be reviewed by the Commission even if no petition for review is filed. This is not the final decision of the administrative law judge in this case, which also will be called an initial determination. This initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to Commission interim rule 210.54, or the Commission pursuant to Commission interim rule 210.55 orders on its own motion a review of the initial determination or certain issues therein. For computation of time in which to file a petition for review, refer to interim rules 210.54, 201.14, and 201.16(d).

that Komag's entire process of manufacturing thin film disks is conducted at its United States facilities; that nothing further needs to be done to the disks before they can be incorporated into disk drives (Johnson Decl., ¶ 5); and that once manufactured, Komag ships its thin film disks to customers in the United States and foreign countries. (Id., ¶ 6). It is also argued that complainant has acknowledged that Komag manufactures thin film disks in California and alleges that some of the disks which Komag ships outside the country are later reimported into the United States in disk drives.

Digital, in support of Motion No. 350-30, attached declarations of Messrs. Stephen Ritz and . It argued that Digital does not manufacture computer disks overseas (Reitz Decl., ¶ 7); that it assembles disk drives in the United States and overseas (Reitz Decl. ¶ 6); that all of the disk drives assembled by Digital overseas and imported into the United States contain disks which are manufactured in the United States (Reitz Decl., ¶ 3); that Digital purchases disks which are incorporated in Digital disk drives from its United States vendor (Reitz Decl., ¶ 4); and that the disks are manufactured exclusively in the United States at

Complainant opposes the motions in issue. He argued that in view of similar motions filed by six other respondents in this investigation, which are now the subject of petitions for review to the full Commission by complainant and the staff, the administrative law judge need not act on the motions. Complainant admits, however, that Digital, a disk drive maker and importer, is substantially in the same position as Seagate, Micropolis and Western Digital and Komag, a domestic disk maker, is substantially in the same position as Akashic and Nashua.

The staff supports the motions in issue to the extent that they seek partial summary determination based on this administrative law judge's ruling in his initial determination dated May 27, 1993, (May 27 Order) which is now the subject of review by the Commission.¹ The staff argued that in view of the May 27 Order with respect to respondents similarly situated to the moving parties here, it believes it would be appropriate to enter similar rulings on Motion Nos. 350-28 and 350-30. The staff does not support the aspect of Digital's motion that seeks termination of Digital in its entirety on the grounds that the motion does not assert any recognized ground for termination and that if the ruling sought by Digital is summary termination in toto, genuine issues of material fact remain.

On July 1, 1993, Komag filed a Motion For Leave To File A Reply to complainant's opposition to rebut "certain positions of complainant which are legally inaccurate." (Motion Docket No. 350-41). Motion No. 350-41 is granted.

Komag, in its reply, argued that complainant's argument that the administrative law judge need not act on Komag's motion until after the Commission renders a final decision on the motions for summary determination granted in favor of Seagate, Micropolis, Akashic, Nashua, Western Digital, and Hoya has no support; that under 19 C.F.R. ¶ 210.50(b), summary determination is to be rendered if the pleadings and affidavits show there is no genuine issue as to any material fact and the moving party is entitled to summary

¹ In a notice dated June 30, 1993, the Commission determined to review the May 27 Order, which notice established a schedule for the filing of written submissions by July 30 and reply submissions by August 9, 1993, and which notice stated that the Commission also intends to hold oral argument as part of its review at a date to be announced.

determination as a matter of law; that Komag has met the requirements for summary determination and is entitled to an order in its favor; and that while the Commission has granted review of the prior motions, it is important that the administrative law judge rule on Komag's motion, so that Komag may stand in the same position as the other respondents with regard to the Commission's review of the issue in question.

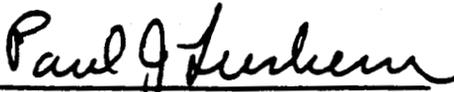
For reasons stated in the May 27 Order, the motions in issue are granted to the extent that they request partial summary determination.²

This initial determination is hereby CERTIFIED to the Commission, together with supporting documentation. Pursuant to Commission interim rule 210.53(h), this initial determination shall become the determination of the Commission within thirty (30) days after the date of service hereof unless the Commission grants a petition for review of this initial determination pursuant to Commission interim rule 210.54, or orders on its own motion a review of the initial determination or certain issues therein pursuant to Commission interim rule 210.55 . . .

This order will be made part of the public record unless a bracketed confidential version is received no later than Tuesday, July 13, 1993.

² The administrative law judge rejects Digital's contention that it should be terminated as a respondent in this investigation (pages 4 to 6 of Digital's supporting memo) because he finds genuine issues of material fact. See e.g., Digital's response to the staff's Interrogatory No. 6 which is referenced in Order No. 48 at 5.

On July 2, counsel for complainant and for respondents Komag and Digital, as well as the staff, were notified by telephone about the issuance of this order.


Paul J. Luckern
Paul J. Luckern
Administrative Law Judge

Issued: July 2, 1993

that Micropolis also purchases disks from a company licensed by the complainant; that the specific basis alleged in the complaint for including Maxtor as a respondent is that Maxtor purchases certain computer disks manufactured entirely in the United States by Komag; that Maxtor's other disk suppliers are also respondents who manufacture their disks in the United States; and that the sole supplier to Maxtor who manufactures abroad is a licensee of complainant.

It is argued that the material facts for purposes of Motion's No. 350-49 relate to the source of the accused disks; that Maxtor does not itself manufacture the accused disks, citing an accompanying Beaty Decl. para. 3 and complaint at 16; that the complaint alleges that Maxtor purchases its accused disks from respondent Komag, citing complaint at 16; that the complaint acknowledges that Komag manufactures its disks in the United States, citing Id. at 14; that Komag is, in fact, one of domestic disk manufacturers from whom Maxtor purchases its disks which those manufacturers are

, citing Beaty Decl. para. 4; that the domestic nature of those sources is acknowledged in the complaint, citing complaint at 12-14; and that the only non-domestic disks manufacturer from whom Maxtor purchases is , citing Beaty Decl. para. 4; which company is a licensee of complainant, citing complaint at 32.

Maxtor argued that it does not manufacture the accused disks and all the accused disks purchased by Maxtor are either manufactured in the United States or manufactured abroad under license from complainant, citing Beaty Decl. para. 3-4, and therefore that Maxtor's disk drives, which contain disks which are fabricated in the United States, shipped abroad for assembly, and

reimported into the United States, are beyond the scope of the Commission's jurisdiction.

Complainant opposed Motion No. 350-49. Complainant however agrees that, for the purposes of Motion No. 350-49, Maxtor is similarly situated to Micropolis, a respondent that previously filed a motion for summary determination. It is argued that complainant has set forth in his previous opposition to Micropolis' motion and the motions of other respondents, his reasons why summary determination is inappropriate, which reasons he incorporates in his opposition. Complainant argued, however, that Maxtor is incorrect that the "specific basis" for Maxtor's inclusion in the complaint is that Maxtor purchases disks manufactured entirely in the United States; that complainant's basis for including Maxtor, and all other disk drive importers, is that those respondents import, and sell within the United States after importation, infringing products, citing 19 U.S.C. § 1337(a); that the infringing products are disk drives that contain disks that both (1) infringe the product claims of the Aine patent in issue, and (2) were made by a process that infringes the process claims of the Aine patent, citing 19 U.S.C. § 1337(a) and complaint ¶ 3.4.3; that Maxtor, like other respondents, completely ignores the statute, focusing only on the irrelevant inquiry of where the computer disks were made; that jurisdiction under section 337 is not determined by where the product was made, but only by whether the product was imported into the United States; that, as argued by complainant in his prior papers, the Commission's remedy determination in Certain Erasable Programmable Read-Only Memories, Inv. No. 337-TA-276, U.S.I.T.C. Pub. No. 2196 (1989) (EPROMs), on which respondents, including Maxtor, primarily rely, is not controlling; that if EPROMs is interpreted to limit the Commission's

jurisdiction in the way posited by the respondents, it is necessarily contrary to the statute and such an interpretation can not stand; and that Maxtor's ignorance of the statute leads it to believe that the only material fact about which there must be an absence of dispute is the place of manufacture of the disks. Complainant argued that Maxtor thus ignores the true material facts, including its importation, sale after importation, past and future activities, and inducement.

The staff, on July 23, informed the attorney advisor that it would not respond to Motion No. 350-49.

For the reasons stated in the May 27 ID, Motion No. 350-49 is granted.

This initial determination is hereby CERTIFIED to the Commission, together with supporting documentation. Pursuant to Commission interim rule 210.53(h), this initial determination shall become the determination of the Commission within thirty (30) days after the date of service hereof unless the Commission grants a petition for review of this initial determination pursuant to Commission interim rule 210.54, or orders on its own motion a review of the initial determination or certain issues therein pursuant to Commission interim rule 210.55 .

Expedited action by the Commission is requested. See the Commission's Notice of Review dated July 21, 1993 of Order No. 50.

This order will be made part of the public record unless a bracketed confidential version is received no later than Tuesday, August 3, 1993.

On July 26, counsel for complainant and for respondent Maxtor were notified by telephone about the issuance of this order.



Paul J. Luckern
Administrative Law Judge

Issued: July 26, 1993

