

In the Matter of

CERTAIN AUTOMATIC CRANKPIN GRINDERS

Investigation No. 337-TA-60



USITC PUBLICATION 1022

DECEMBER 1979

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

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Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

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NOTICE OF INVESTIGATION

Notice is hereby given that a complaint was filed with the United States International Trade Commission on November 15, 1978 (and amended on November 29, 1978, and December 1, 1978), under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on behalf of the Landis Tool Company, Waynesboro, Pa. 17268, alleging that unfair methods of competition and unfair acts exist in the importation of certain automatic crankpin grinders into the United States, or in their sale, by reason of the alleged coverage of such automatic crankpin grinders by claims 5, 8, 9, 11, 16, 19, and 24 of U.S. Letters Patent 3,118,258, owned by Litton Industrial Products, Inc. The amended complaint alleges that the effect or tendency of such unfair methods of competition and unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Complainant requests that the articles in question be permanently excluded from entering the United States, and such additional temporary and permanent relief as the Commission authorizes.

Having considered the amended complaint, the U.S. International Trade Commission, on December 12, 1978, ORDERED THAT--

1. Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine under subsection (c) whether, on the basis of the allegations set forth in the amended complaint and the evidence adduced, there is a violation of subsection (a) of this section in the unauthorized importation of certain automatic crankpin grinders into the United States, or in their sale, by reason of the alleged coverage of such automatic crankpin grinders by claims 5, 8, 9, 11, 16, 19, and 24 of U.S. Letters Patent 3,118,258, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

2. For the purpose of this investigation so instituted, the following are hereby named as parties:

- a. The complainant: Landis Tool Company
Division of Litton Industrial Products, Inc.
Waynesboro, Pa. 17268
- b. The respondents are the following companies alleged to be involved in the unauthorized importation of such articles into the United States or in their sale, and are parties upon which the complaint and this notice are to be served:
 - i. Newall Machine Tool Company, Ltd.
Oundle Road
Peterborough, England
 - ii. The Ford Motor Company
The American Road
Dearborn, Michigan 48121

c. Robert M. M. Seto, U.S. International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436, is hereby named Commission investigative attorney and a party to this investigation.

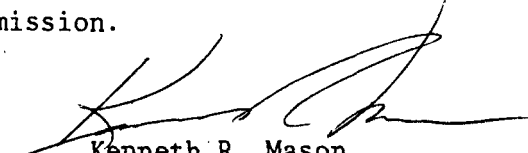
3. For the purpose of the investigation so instituted, Chief Administrative Law Judge Donald K. Duvall shall designate the presiding officer.

Responses must be submitted by the named respondents in accordance with section 210.21 of the U.S. International Trade Commission's Rules of Practice and Procedure, as amended (19 CFR 210.21). Pursuant to sections 201.16(d) and 210.21(a) of the Rules, such responses will be considered by the U.S. International Trade Commission if received no later than 20 days after the date of service of the amended complaint. Extensions of time for submitting a response will not be granted unless good and sufficient cause therefor is shown.

Failure of a respondent to file a timely response to each allegation in the amended complaint and in this notice may be deemed to constitute a waiver of the right to appear and contest the allegations, and will authorize the presiding officer and the U.S. International Trade Commission, without further notice to the respondents, to find the facts to be as alleged in the amended complaint and in this notice and to enter both a recommended determination and a final determination containing such findings.

The amended complaint is available for inspection by interested persons at the Office of the Secretary, U.S. International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436, and in the New York City Office of the Commission, 6 World Trade Center.

By order of the Commission.



Kenneth R. Mason
Secretary

ISSUED: December 12, 1978

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

In the Matter of
Certain Automatic Crankpin Grinders

Investigation No. 337-TA-60

COMMISSION DETERMINATION AND ORDER

Introduction

The U.S. International Trade Commission conducted investigation No. 337-TA-60 pursuant to section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), of alleged unfair methods of competition and unfair acts in the unauthorized importation and sale of certain automatic crankpin grinders. On December 4, 1979, the Commission unanimously determined that there was a violation of the statute in the importation or sale of certain automatic crankpin grinders which infringe claims 8, 16, and 19 of U.S. Letters Patent No. 3,118,258. The Commission determined, however, that the public interest factors enumerated in subsections (d) and (f) of the statute preclude the imposition of a remedy.

Determination

Having reviewed the record in this matter, the Commission has determined--

1. That there is a violation of section 337 of the Tariff Act of 1930, as amended, in the importation and sale of certain automatic crankpin grinders

which infringe claims 8, 16, and 19 of U.S. Letters Patent No. 3,118,258, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States;

2. That the effect of a remedy upon the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers precludes the issuance of an exclusion order or a cease and desist order pursuant to subsection (d) or (f) of section 337 of the Tariff Act of 1930, as amended. 1/

Order

Accordingly, it is hereby ordered that--

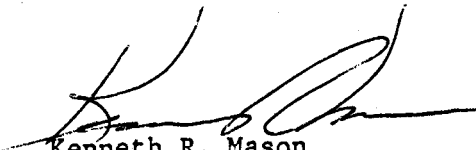
1. Investigation No. 337-TA-60 is terminated by the issuance and publication of the Commission determination and order in the Federal Register and by the issuance of this Commission determination, order, and opinions; and

1/ Chairman Parker determines that the appropriate relief in this case, in the light of the public interest and the remedial nature of section 337, is the issuance of an exclusion order preventing the importation of infringing articles during the life of the patent except (1) under license or (2) in the absence of the complainant granting a license when payment in the amount equal to but not to exceed the maximum license fee previously established by the patent owner Landis in arm's length agreement between the patent owner and any of its licensees is tendered by the importer to the patent owner. In the absence of the previous disclosure and establishment of such an amount, the amount that would be required to be tendered would be \$2,500 per imported article.

Commissioner Moore determines that the issuance of an exclusion order pursuant to subsection (d) of section 337 of the Tariff Act of 1930, as amended, preventing importation of infringing articles during the life of the patent except under license is the appropriate means to remedy the violation of section 337.

2. This order shall be served upon each party of record in this investigation and upon the U.S. Department of Health, Education, and Welfare, the U.S. Department of Justice, and the Federal Trade Commission.

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: December 17, 1979

OPINION OF VICE CHAIRMAN ALBERGER AND COMMISSIONERS BEDELL AND STERN

Procedural history

A complaint was filed with the Commission on November 15, 1978, and amended on November 29, 1978, and December 1, 1978, under section 337 of the Tariff Act of 1930, as amended, on behalf of the Landis Tool Company, Waynesboro, Pennsylvania 17268. The complaint as amended alleged that unfair methods of competition and unfair acts exist in the importation of certain automatic crankpin grinders into the United States, or in their sale, by reason of the alleged coverage of such automatic crankpin grinders by claims 5, 8, 9, 11, 16, 19, and 24 of U.S. Letters Patent 3,118,258. The patent is owned by Litton Industrial Products, Inc., and the complainant is a division of the patent owner. The patent is also licensed in the United States to Warner and Swasey Company, and the invention has been patented in Australia, France, Great Britain, Italy, Japan, and West Germany.

The Commission on December 12, 1978, instituted an investigation to determine whether there is a violation of the statute. The notice of investigation was published in the Federal Register on December 15, 1978 (43 F.R. 58642). Named as respondents in the notice of investigation were a foreign manufacturer, Newall Machine Tool Company, Ltd., of Peterborough, England, and a user of the accused grinders, the Ford Motor Company of Dearborn, Michigan.

On May 29, 1979, respondent Newall filed a motion for summary determination (motion docket No. 60-3) based on the claim that there is no

substantial injury to the domestic market. The motion was opposed by the complainant and the Commission investigative attorney. The administrative law judge denied the motion in an order issued June 28, 1979. On the same date, the administrative law judge also denied the following motions: (1) respondent Newall's June 4, 1979, motion to have the investigation designated more complicated (motion docket No. 60-4); (2) the Commission investigative attorney's motion for a thirty-day extension of the hearing date (motion docket No. 60-9); and (3) respondent Newall's June 4, 1979, motion to file a supplemental answer (motion docket No. 60-5).

Following a prehearing conference on July 2, 1979, an evidentiary hearing was held by the administrative law judge from July 3, 1979, until July 13, 1979. At the close of the hearing, complainant moved for a temporary exclusion order (motion docket No. 60-10), based upon the belief that an infringing grinder was to be imported in September. The motion was opposed by the other parties. In an order issued August 7, 1979, the administrative law judge denied complainant's motion because it was brought at a time too late for a meaningful decision on the temporary relief.

Pursuant to the administrative law judge's request for an additional fifteen days in which to file his recommended determination, the Commission granted the requested delay and ordered the recommended determination to be filed by September 26, 1979.

The administrative law judge determined and recommended that:

There is a violation of section 337 of the Tariff Act of 1930, as amended, in the unauthorized importation into the United States, and the sale of certain automatic crankpin grinders by reason of the fact that these automatic crankpin grinders infringe United States Letters Patent 3,118,258 with the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated in the United States.

In submissions filed October 10, 1979, and October 12, 1979, the Commission investigative attorney and the complainant, respectively, supported the recommended determination, findings of fact, and conclusions of law of the administrative law judge. No exceptions were filed by respondent Ford Motor Company. Respondent Newall filed extensive exceptions to the recommended determination and alternative findings of fact and conclusions of law on October 12, 1979.

Respondent Newall took exception to the recommended determination on the ground that the record requires a determination that:

(1) the automatic crankpin grinders imported by respondent do not infringe any valid U.S. patent;

(2) the importation of automatic crankpin grinders manufactured by respondent does not have the effect or tendency to destroy or substantially injure the U.S. industry for such grinders;

(3) the domestic industry for automatic crankpin grinders is not efficiently and economically operated;

(4) complainant has used patent rights to violate U.S. antitrust laws;

(5) complainant is barred from pursuing this investigation by reason of laches; and

(6) the exclusion from the U.S. marketplace of automatic crankpin grinders manufactured by respondent would have a significant and deleterious effect upon the health and welfare of the U.S. public not outweighed by potential injury to the domestic industry.

The Commission in a notice issued October 11, 1979, announced that it would hold a hearing on October 29, 1979, for two purposes. First, the Commission would hear oral arguments concerning the administrative law judge's recommended determination of September 26, 1979. Second, the Commission would

hear presentations concerning the appropriate relief, bonding, and the public interest in the event that the Commission were to determine that there is a violation of section 337.

Complainant, respondent Newall, and the Commission investigative attorney presented oral arguments concerning the recommended determination and information concerning relief, bonding, and the public interest at the Commission hearing. Respondent Ford's presentation at the hearing was limited to oral argument on the recommended determination. Complainant and the Commission investigative attorney submitted that the appropriate relief is the issuance of a cease and desist order preventing respondent Newall from accepting any orders for infringing crankpin grinders that are ultimately to be used in the United States until the expiration of the patent.

Pursuant to the notice of October 11, 1979, written submissions were received from the four parties, two government agencies, and two corporations which use crankpin grinders. The Department of Health, Education, and Welfare filed a statement that it has no advice or information to offer with respect to public health or other interests of United States consumers on October 19, 1979. In a letter dated November 11, 1979, the Federal Trade Commission advised the Commission that it had no comments to make on the certain automatic crankpin grinder investigation.

General Motors Corporation filed a statement with the Commission November 13, 1979, opposing that portion of the administrative law judge's recommendation which stated that "respondent's contention that orders placed before but not delivered until after expiration of the suit patent cannot

constitute injury under section 337 is fallacious". General Motors alleges that if this portion of the recommendation were adopted, grinders ordered before patent expiration would not be passed through customs if importation occurred after patent expiration. General Motors submits that this portion of the administrative law judge's recommendation has the effect of extending the patent monopoly by the time delay between patent expiration and the date when a pre-expiration order is filled.

Caterpillar Tractor Company, in a submission filed November 13, 1979, expressed the view that a decision in favor of excluding these imports would have an inhibiting and negative effect on its ability to produce diesel engines in 1980 and 1981. Caterpillar alleged that there is a direct relationship between excluding importation of machines and the ability of U.S. engine manufacturers to extend or refine engine manufacturing capabilities.

Violation of section 337

Having considered the administrative record including the administrative law judge's recommended determination, the transcript of the Commission hearing of October 29, 1979, and the written submissions, we determine that there is a violation of section 337 in the importation into and sale in the United States of certain automatic crankpin grinders, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. We hereby adopt the findings of fact and conclusions of law of the administrative law judge, more fully discussed below, to the extent not inconsistent with this opinion. The reasons for our findings are as follows.

a. Patent Infringement. The only unfair method of competition or unfair act alleged in this investigation is infringement of U.S. Letters Patent No. 3,118,258. This patent was issued on January 21, 1964, to Landis Tool Company as assignee of the named joint inventors, Ralph E. Price and Harold E. Balsiger. Title to the patent is held through mesne assignment by Litton Industrial Products, Inc. as here represented by complainant Landis Tool Company. Claims 5, 8, 9, 11, 16, 19, and 24 were alleged to be infringed by the complaint. Claims 8, 16, and 19 were designated as exemplary in the evidentiary hearing, and no evidence was taken concerning the other patent claims.

The invention is directed to a grinder that automatically grinds all the crankpins in a crankshaft. A crankpin is a critical component of every internal combustion engine, and serves to convert the lineal motion of the pistons up and down in the cylinder to a rotary motion, which is then communicated to the wheels or other drive mechanisms.

Respondents maintain that the Newall grinders do not infringe the suit patent because the suit patent is directed to the concept of employing a special rotary indexer in a pin grinder and that both claims 8 and 16 are directed to this specific indexing device. This special indexer is patentably different from the Newall concept which allegedly only mechanized the prior manual indexing action mentioned as prior art in the Rock reissue patent 24,091. It is alleged that claim 19 is not infringed by the Newall grinders for the same reasons that respondent's grinders do not infringe claims 8 and 16, i.e. because they do not include the relative rotation type of indexer and

the size control member does not actuate the indexing mechanisms. Moreover, it is alleged that claim 19 uses the concept of stopping the work support or table and then adjusting the position of a pin with respect to the stopped table.

While both complainant's grinders and the imported grinders index radially and laterally simultaneously, in the imported machine a separate motor provides the power for this indexing of the crankshaft relative to the grinding wheel in order to bring the next crankpin into alignment for grinding. In complainant's machine, the indexing power is generated by the workhead (chucks) as it continues to rotate during indexing. Complainant's expert, Dr. Youngdahl, testified that this different mode of operations still performs essentially the same function as the suit patent since the turning of the imported crankshaft, even when the chucks are stopped, still causes rotation of the crankshaft relative to the chucks within the scope of claim 16. In addition, both indexing methods achieve the same result of bringing another crankpin into position for grinding.

We believe that the record supports the administrative law judge's determination that all elements of claims 8, 16, and 19 read on the structure and mode of operation of the Newall automatic crankpin grinders installed at the Ford Cleveland engine plant. Moreover, under the doctrine of equivalents, a patent is infringed when the accused device does the same work as the patented invention in substantially the same way and accomplishes the same result. Graver Tank Mfg. Co., Inc. v. Linde Air Products, 339 U.S. 605 (1950).

b. Validity. Complainant relies on the statutory presumption of validity (35 U.S.C. 282) and presented uncontested evidence to show that its

5-R automatic crankpin grinder is covered by the suit patent. Respondents assert that the patent is invalid on a number of grounds, all of which were rejected by the administrative law judge.

(i) Anticipation--102(a). 35 U.S. Code 102 provides:

A person shall be entitled to a patent unless (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for the patent . . .

Respondents argue that the automatic crankpin grinder embodying the suit patent was shown and operated by complainant at a public machine tool show in Chicago in September, 1960, five months before the suit patent was filed. Respondents' argument is without merit since section 102(a) is directed to a prior use or knowledge of others in this or a foreign country at a time before the patent applicant's date of invention. The 1960 showing was displayed by applicant's assignee, not by "others." Moreover, the record supports the fact that Price and Balsinger, the patentees, conceived and developed the subject matter of the patent prior to the 1960 show. In addition, there is no evidence in the record to support any assertion that Price and Balsinger were not the first inventors of the subject matter.

(ii) Anticipation--102(b). Respondents also assert that the suit patent is not valid because of 35 U.S. Code 102(b) which provides:

A person shall be entitled to a patent unless . . . (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . .

In order to establish lack of novelty or anticipation under 35 U.S.C. 102(b), all claim elements must be found in a single prior art reference where they

are combined in the same way and perform the same functions therein. In re Marshall, 578 F.2d 301 (C.C.P.A. 1978). Respondent's argument of anticipation is based upon the Klingele patent (RX 150) which disclosed an automatic rotary indexing as a part of the complete automatic machine. Respondent alleges that the mere use of a known Landis crankshaft indexing device from Rocks 2,651,895 (RX 183) or Klingele in a crankpin grinder added nothing to the technology over the teaching of Klingele.

Complainant's expert, Dr. Youngdahl, testified with respect to suit patent claim 16 that Klingele did not disclose a caliper operable when a crankpin is ground to size. In addition, respondent's expert, Mr. Fisher, verified that Klingele did not include a caliper, but instead utilized cam wheels which initiated a stopping of the grinding cycle, retraction of the grinding wheel, and commencement of indexing the crankshaft when triggered by the grinding wheel support reaching a predetermined position as measured by a cam on the cam wheel. Further, the record supports the judge's finding that Klingele does not teach a locating device, and means actuated by said stopping means to actuate said locating device to effect precision longitudinal location of said crankpin and said grinding wheels as specified in claim 19 of the suit patent. In Klingele, unlike the suit patent, the locating device is a gauge which is used manually to obtain a precise longitudinal position of the first crankpin to be ground and which is not activated by any stopping means. Most importantly, since a claim of anticipation cannot legally be sustained by multiple prior art references, respondents' allegation of invalidity based on 102(b) fails.

(iii) Obviousness - Section 103. 35 U.S.C. 103 provides:

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

In applying the statutory test of non-obviousness, the Supreme Court in the landmark case of Graham v. John Deere Co., 383 U.S. 1, 17 (1966) stated as follows:

Under section 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or non-obviousness of the subject matter is determined. Such secondary considerations as commercial success, longfelt but unsolved needs, failure by others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or non-obviousness, these inquiries may have relevancy.

The administrative law judge applied the John Deere three-pronged test and determined that on the record there is insufficient evidence to show that the difference between the suit patent claims and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.

Respondent contends that the only difference between the suit patent claims 8, 16, and 19 and the Klingele patent is the caliper or size control member and the longitudinal locating device which, in the light of Rock, Balsinger and Happel, would have been obvious to one skilled in the art at the time of the invention, and therefore not such an inventive advance in the art to warrant patent protection. As previously discussed under the anticipation

section, Klingele taught an automatic multiple crankpin grinder which ground all the crankpins on a crankshaft without handling the crankshaft after it is put into the machine. It had automatic means for rotary and lateral indexing the crankshaft on the fly from one crankpin to the next in predetermined sequence. However, unlike suit patent claims 8, 16, and 19, it had a manual means (gauge) for longitudinal movement of the crankpin to a predetermined position relative to the grinding wheel and an imprecise means for stopping the grinding cycle when the crankpin is ground to the desired size. The Klingele patent did not teach the caliper precision sizing device or the precision longitudinal locator disclosed by the suit patent claims. While these two innovative devices were otherwise developed prior to the invention date by complainant, the fact remains that all these elements had never previously been incorporated in one embodiment prior to complainant's automatic crankpin grinder.

In addition, the disclosures of Klingele were never reduced to practice in the form of a working machine produced for the trade. A paper patent such as Klingele, the utility of which has never been demonstrated in actual experience, is to be construed strictly and is not entitled to the same breadth of construction which might be warranted by a machine of proved usefulness. Foster v. Chrysler, 33 F.Supp. 36 (W.D. Pa. 1940). Within two years after the public showing in 1960 of the suit patent's embodiment in complainant's grinder, the invention had substantially replaced the transfer type of crankpin grinders as the dominant sales item in the domestic market. Such reversal of direction and commercial success in the marketplace is indicative of nonobviousness and an advance over existing automatic crankpin

grinder technology. Other indicia of non-obviousness suggested by Graham v. John Deere include tribute (royalties) were paid by licensees and there was recognition of the patent by others including respondents through request for license rights.

(iv) Use requirement--Section 112. 35 U.S.C. section 112 provides in part:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . .

The purpose of this provision is to enable any person skilled in the art to which it pertains to use the invention. Respondents' argument that the patent is invalid because of 35 U.S.C. section 112 is completely without merit because even respondent's own witness, Mr. Wheeler, indicated that he could easily correct three minor errors in the patent diagram by utilizing his skills in the art. In addition, complainant's expert testified that he had no problem understanding the specification of the suit patent.

c. Enforceability of the patent. Respondents contend that even if the patent is valid, it is unenforceable.

(i) Laches. Respondent contends that complainant committed laches by bringing no infringement action against respondent until 1978, even though respondent sold a similar machine to Ford in 1970. There is no merit to this allegation based upon the facts in this case. Laches requires not only the passage of an undue length of time in enforcing a right of action, but also that the adverse party has been induced through the neglect of the enforcing party to change its position as to the property or right in question. The

facts in this case reveal that the most likely defendant in a 1970 infringement action was a then bankrupt company A.I.M. which was the exclusive distributor in the United States of the respondent's grinder. The record also shows a continued awareness and concern by respondent Newall of the possible infringement of the complainant's patent as witnessed by the repeated opinions of counsel on this issue.

As a matter of law, there is also a division among legal authorities as to whether a charge of laches, if proved, can have a prospective effect. In the Recloseable Plastic Bag 337-TA-22 (1977), the Commission preserved its flexibility by allowing determination of this issue on the merits in each case, bearing in mind that under section 337 there is no requirement that the unfair act be discovered by a certain time.

(ii) Fraud/Inequitable Conduct. Respondents further contend that even if the patent is valid, it is unenforceable because complainant breached its duty of candor by failing to disclose to the U.S. Patent and Trademark Office the Klingele patent. While it is true that patent applicants have the duty of disclosing to the Patent and Trademark Office all information material to the examination of the application, the courts have held that a party asserting invalidity of a patent on the ground of fraud must prove that the applicant intentionally withheld relevant information and that the Patent and Trademark Office would not have authorized the patent's issuance if the information had been disclosed. Corometrics Medical Systems, Inc. v. Berkely Bio-Engineering, Inc., 193 U.S.P.Q. 467 (N.D. Cal. 1977). The record in this investigation indicates that, while the Klingele patent was not cited during the prosecution of the suit patent, the suit patent did cite the Rocks patent as a prior

reference and Rocks in turn cited the Klingele reissue patent. In addition, the administrative law judge fully considered Klingele and still determined that the suit patent was valid in spite of Klingele. In view of the fact that the evidentiary record does not establish that complainant intentionally withheld material information from or attempted to deceive the Patent and Trademark Office, respondents' allegation that the patent is unenforceable because of the failure to cite the Klingele patent is without merit. While we agree with the respondents that it cannot be assumed that the patent examiner was aware of Klingele merely because it was a reference in another patent cited as prior art, nevertheless, as considered by the administrative law judge, it is persuasive evidence that no fraud was intended by the complainant.

(iii) Patent Misuse. Respondents contend that the suit patent is also unenforceable by reason of complainant's misuse of the patent by illegally extending the scope of monopoly granted under the patent. An examination of the record in this investigation supports the administrative law judge's determination that the essential nexus between the suit patent and complainant's licensing agreements with its foreign licensees has not been established by the respondents. The record does not establish any substantial antitrust violation directly connected with the suit patent, and therefore does not support respondents' allegation of patent misuse.

d. Efficiently and economically operated domestic industry. It is uncontested that the domestic industry consists of the facilities of complainant Landis and its domestic licensee Warner and Swasey which are devoted to the production of automatic crankpin grinders covered by the suit patent. Respondents' allegation that the domestic industry is not efficiently

and economically operated is completely without merit. The record indicates that the complainant's portion of the domestic industry, as measured by the various criteria used by the Commission in past cases including use of modern equipment and procedures, sufficient working capital, high investment in research and development, incentive benefit programs for employees, and sustained profitable operation, is efficiently and economically operated.

Respondents disputed the alleged efficient and economic operation of the complainant on the grounds that unacceptably long delivery quotation dates indicate inability to meet the changing needs of the marketplace, and it has a history of labor strikes and chronically late deliveries of machines after quoted delivery dates. No evidence in the record indicates that the two labor strikes in 1976 and 1977 were anything except isolated incidents. In addition, growing backlog in a cyclical industry does not necessarily indicate substantial inefficiency or uneconomic operation of the industry. Moreover, complainant has made efforts to shrink its backlog, including increasing its production facilities.

e. Injury. The crankpin grinders involved in this investigation are massive machines weighing approximately 20 tons. It requires approximately one year to complete fabrication of the machines, which are manufactured according to the customer's specifications.

This investigation was triggered by the importation and sale of eight crankpin grinders manufactured by respondent Newall and sold to respondent Ford in 1977-1978. Previously one grinder had been sold in 1970 to Ford by A.I.M., which was the respondent's exclusive distributor of grinders in the United States. Although the record does not establish directly any additional

imports, the record suggests that one additional grinder was imported and sold by the respondents after the close of the evidentiary record and prior to the Commission oral hearing.

Both complainant and respondent Newall's quoted price to respondent Ford on the eight machines subsequently installed in Ford's Cleveland Engine Plant No. 1 exceeded a quarter of a million dollars for each machine. Respondent's price for the eight machines exceeded complainant's quoted price by a significant amount, but respondent promised delivery of the grinders two months earlier than complainant. Complainant, who was the only other bidder on the order from Ford of eight grinders, lost the sale to respondent Newall at a time when its production schedule would have permitted it to fill the orders. The record supports the fact that these lost sales would have been profitable for complainant. Respondents' argument that complainant might not have received the order if Newall had not been the successful bidder, is not persuasive because there were only two bidders and it is fair to assume as did the administrative law judge that under these circumstances complainant lost the sales.

These lost sales had the effect or tendency of causing the loss of gross sales and profits, decreased production and production economies, weakened capital improvement programs, reduced capability to bear risks of innovation and reduced capability of maintaining a pool of highly skilled employees in the crankpin grinder art. Despite the current upswing in complainant's sales and profits, this is a cyclical industry which can be quickly affected by a downturn in the automotive industry or unfair competition. The ability of the complainant to adjust to the cyclical nature of the industry has been impaired by these unfair imports.

In view of our finding of injury to the domestic industry and our determination to issue no remedy on the basis of public interest, we do not reach the question of whether orders placed for goods before but not deliverable until after expiration of the suit patent can constitute injury under section 337. Accordingly, we do not adopt the administrative law judge's view that respondents' contention is fallacious that orders placed before but not delivered until after expiration of the suit patent cannot constitute injury under section 337.

Public interest factors

Subsections (d) and (f) of section 337 require the Commission after it has determined that a violation of the statute exists also to determine whether the effect of an exclusion order or a cease and desist order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers preclude the issuance of a remedy. The Trade Act of 1974 added the public interest determination to section 337. The legislative history of this provision reveals that Congress intended the public interest factors to be the overriding considerations in the administration of the statute:

The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore, under the Committee bill, the Commission must examine (in consultation with the other Federal agencies) the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare; on competitive conditions in the United States economy; on production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by

protecting the patent holder (within the context of the U.S. patent laws) then the Committee feels that such exclusion order should not be issued. This would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry. 1/

This is the first time the Commission has determined that the public interest factors preclude imposition of a remedy. The primary reason for our determination is that the domestic industry cannot supply the demand for new orders of the patented product within a commercially reasonable length of time. This conclusion is supported by the evidentiary record as well as by the information received by the Commission in the remedy, bonding, and public interest portion of the investigation. The administrative law judge found that complainant's backlog of ordered but undelivered goods is extensive. Neither complainant nor its domestic licensee can make delivery on a new order to a domestic customer prior to the expiration of the patent.

Further, the statement of Mr. L. M. Chicoine, Vice President Purchasing and Supply of Ford Motor Company, filed November 13, 1979, alleged that the availability of crankpin grinders to Ford is a critical element in Ford's program to meet the fuel economy standards mandated by Congress. Ford represented that when it determined in 1979 to introduce a new engine program for the 1982 model year, it first considered rebuilding some of its existing crankpin grinders for use in grinding crankshafts for the new engines. Complainant was asked to quote on the rebuilding of the existing machines, which it had originally produced. When complainant declined to quote a price, Ford decided to purchase new grinders. The following delivery schedules based upon May, 1979, quotes were received:

1/ S. Rep. No. 93-1298, 93rd Cong., 2d Sess. 197 (1974).

complainant - 102-122 weeks
 complainant's domestic licensee - April, 1981
 respondent Newall - July, 1980
 Sumitomo Corp. (Toyoda) - 52 weeks

Ford alleged that if it is limited to purchasing crankpin grinders only from complainant or its domestic licensee, Warner and Swasey, Ford's ability to meet the fuel economy standards by the production of smaller engines will be severely jeopardized, if not foreclosed. The written submission of Caterpillar Tractor Company also supported the view that the exclusion of the automatic crankpin grinders involved in this investigation would have a negative effect on its diesel engine production.

With the enactment of the Energy Policy and Conservation Act, 1/ the automobile industry was required to improve the fuel efficiency of its automobiles. Under a timetable established in part by Congress and in part by the Secretary of Transportation, all manufacturers of automobiles are required to meet, on a fleet-wide basis, the following fuel economy standards:

1979 - 19 MPH
 1980 - 20 MPH
 1981 - 22 MPH
 1982 - 24 MPH
 1983 - 26 MPH
 1984 - 27 MPH
 1985 - 27.5 MPH 2/

In addition, the energy crisis has been an important factor in stimulating activity in the domestic automotive engine plants, which in turn has benefited complainant's business. Respondents introduced at the evidentiary hearing the deposition of Mr. L. E. Jenneke, complainant's chief

1/ P.L. 94-163, 89 Stat. 871, Dec. 22, 1975.

2/ 49 CFR Section 531.5(a).

executive officer, who stated that "the energy crisis along with the EPA regulations stimulated the activity in the domestic automotive engine plants and the crankpin grinder business has picked up." (transcript 994-995)

In view of the fact that Congress and the President have also clearly established a policy requiring automotive companies to increase the fuel economy of the automobiles they produce and that some of these companies are encountering difficulties in obtaining automatic crankpin grinders on a timely basis, to produce the statutorily mandated energy efficient automobiles, we believe that it is not in the public interest to provide a remedy in this case. In this period of rapid changes in the energy field, there are overriding public interest considerations in not ordering a remedy which will hamper the supply of energy efficient automobiles. This is not merely a matter of meeting the demands of individual consumers for fuel efficient automobiles. The public as a whole has an interest in conserving fuel through the provision of energy efficient alternatives represented in this case by automobiles with more efficient engines which are produced with the assistance of crankpin grinders which are the subject of this investigation. The engine needs of automotive companies cannot always be anticipated two or more years in advance. 1/ Therefore, we have concluded that the public interest considerations, namely the domestic industry's inability to supply crankpin grinders which can be used to produce on a timely basis more energy efficient

1/ See for example the Wall Street Journal of Nov. 7, 1979, on "Many Who Ordered GM Compacts Find They're in Slow Lane" which describes the situation facing General Motors in which it incorrectly forecast the demand for 4 cylinder engines rather than 6 cylinder ones.

automobiles, and the engine producer's need for additional automatic crankpin grinders prior to the expiration of the patent are stronger than complainant's rights to enforcement of its patent monopoly through a remedy pursuant to section 337. Accordingly, we are providing no remedy for the violation of section 337, which we have found to exist.

Separate Views of Chairman Joseph O. Parker

In investigation No. 337-TA-60, I concur in the opinion of my colleagues that an unfair method of competition and unfair act exists in the importation or sale of certain automatic crankpin grinders which infringe claims 8, 16, and 19 of U.S. Letters Patent No. 3,118,258 and that there is a violation of section 337 of the Tariff Act of 1930, as amended. In this regard, I adopt the findings of fact and conclusions of law of the Administrative Law Judge to the extent not inconsistent with the majority opinion.

Subsections (d) and (f) of section 337, however, require the Commission, after it has determined that a violation of the statute exists, to determine whether the issuance of a remedy pursuant to either of those two subsections is precluded by a consideration of the factors set forth in those subsections.

Subsection (d) provides:

(d) Exclusion of articles from entry.-If the Commission determines as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned imported by any person violating the provision of this section be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions of the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. . . .

The public interest considerations provided for in section 337 were added by the Trade Act of 1974. The legislative history of this provision as described in the Senate Report of the Committee on Finance, reveals that the Congress intended the public interest factors enumerated in the statute to be the overriding considerations in the administration of the statute. That report states:

The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore, under the Committee bill, the Commission must examine (in consultation with the other Federal agencies) the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse impact on the public health and welfare; on competitive conditions in the United States economy; on production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by protecting the patent holder (within the context of the U.S. patent laws) then the Committee feels that such exclusion order should not be issued. This would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry. 1/

The public interest record in this investigation is composed of the oral argument presented at the hearing held on October 29, 1979, and also the written submissions filed pursuant to the Commission notice of October 11, 1979. Written submissions were received from the four parties, two government agencies, and two non-party corporations which use crankpin grinders. The two non-party corporations were the General Motors Corp. and the Caterpillar Tractor Co., both of whose submissions were made on November 13, 1979.

The position of the parties respondent in this investigation and also the non-party corporations who submitted public interest statements is essentially that Newell constitutes a primary alternate source of crankpin grinders for the United States market, that the complainant Landis is unable to supply the domestic market for the remainder of the period of complainant's patent, and that therefore, any domestic need for automatic crankpin grinders during this period would remain unfilled were the Commission to exclude imported crankpin grinders from the United States market. More specifically, respondent

1/ S. Rept. No. 93-1298, 93rd Cong., 2d Sess. 197 (1974).

Ford Motor Co., by their Vice President of purchasing and supply, Mr. L. M. Chicoine, stated that the availability of crankpin grinders to Ford is a critical element in Ford's program to meet the fuel economy standards mandated by Congress and that Ford's ability to meet these standards will be severely jeopardized, if not foreclosed, if Ford's source of supply is limited to complainant Landis or its domestic licensee Warner and Swazey. The submission made by Mr. D. F. Dominick, Vice President of Caterpillar Tractor Co., stated that a decision in favor of excluding imported crankpin grinders would have an inhibiting and negative effect on Caterpillar's ability to produce deisel engines in 1980 and 1981. Caterpillar also stated that complainant Landis currently quotes 122 weeks lead time for delivery which is the longest lead time for any machine used in Caterpillar's engine component manufacturing capability and that similar imported crankpin grinders have a substantially shorter lead time for delivery.

It is clear, on the basis of this record, that Landis cannot deliver any additional crankpin grinders to meet market needs for at least 2 years. The expiration date of Landis' '258 patent is January 21, 1981. In the Ford public interest submission which is based on quotations dated in May 1979, it was stated that foreign manufacturers of crankpin grinders may be able to supply the needs of the U.S. automobile companies as well as other potential domestic purchasers over the course of the next 14 months.

On the basis of the evidence and the failure of complainant to show that it can supply additional crankpin grinders in quantities needed to meet market needs and to enable the domestic industry to meet fuel economy standards, I believe that it is not in the public interest to completely exclude imported crankpin grinders from the domestic market. Therefore, I have determined that the appropriate relief in this case, in light of the public interest and the remedial nature of section 337, is the issuance of an exclusion order

preventing the importation of the infringing articles during the life of the patent, except under license, or in the absence of the complainant granting a license, except that the entry of unlicensed articles shall be permitted upon tender by the importer to complainant Landis, the patent owner, of a payment in an amount equal to, but not to exceed the maximum license fee previously established by the patent owner Landis in arms-length agreements between the patent owner, Landis, and any of its licensees. In the absence of the disclosure and establishment of such an amount by complainant, the amount which would be required to be tendered would be \$2500 per imported article.

I believe that this proposed remedy is more consistent with the remedial nature of section 337 and more appropriately balances both the private and public interests involved than does the determination of the majority which would not provide any remedy at all. In my opinion, the failure to provide any remedy will permit infringing articles to enter and will give the respondents a competitive advantage over licensees who are required to pay royalty fees. I would note that in the past this Commission has repeatedly affirmed during consideration of the public interest factors that there is a strong public interest in protecting persons who hold a valid U.S. patent from injurious infringing imports. By permitting the continued importation of infringing foreign goods, while at the same time requiring the importer to tender a payment of a fixed amount to the complainant, this Commission would be protecting both the public interest in promoting the continued availability to the United States market of an immediate source of automatic crankpin grinders, as well as protecting the public interest which inheres in a patent grant by the U.S. Government.

The amount of the payment to be made upon importation should be an amount commensurate with the patent owner's previous license agreements arrived at by arms length agreement between the patent owner and any licensee. It is not my intention to establish an arbitrary level of payment, but rather to insure that Landis receives, with respect to any future importations by respondents, an amount which the patent owner himself has previously negotiated and that the respondents not be given a preferential competitive position over existing licensees. The present record reveals that, in at least two previous instances, complainant has established a license fee of \$2500.

In conclusion, I note complainant's proposal that this Commission issue a cease and desist order prohibiting the importation, sale, or contracting for sale of automatic crankpin grinders by Newall during the life of the patent. However, I am not persuaded that complainant's proposal is the appropriate remedy. The remedy which I have proposed would permit the needs of the domestic market to be met while at the same time providing some remuneration to the patent holder for the infringing importation which may occur during the remaining life of the '258 patent.

Supplemental Views of Commissioner Moore

I concur with the views of the majority concerning the issue of violation of section 337 of the Tariff Act of 1930, as amended. However, I believe that the issuance of an exclusion order preventing the importation of infringing articles during the life of the patent, except under license, will not adversely affect the public interest factors outlined in subsection (d) of section 337 of the Tariff Act of 1930, as amended.

A patent is a constitutionally granted monopoly. The record in this investigation established that complainant utilizes its patent through production of automatic crankpin grinders, and the domestic industry is efficiently and economically operated. Moreover, the record established that complainant lost substantial sales of the patented product because of infringing imports, and there is no factual basis to conclude that such imports will not continue in the future.

Based upon this record, I believe the appropriate remedy is an exclusion order preventing importation of infringing automatic crankpin grinders, except under bond. Despite respondent Newall's representation at the Commission hearing that it has no outstanding orders for grinders, it is possible that new orders may be placed and delivered prior to the expiration of the patent. In addition, an exclusion order operates in rem, and it will prevent importation from other foreign manufacturers as well as from respondent Newall.

The exclusion order exception for importations under license of the patent holder provides the necessary flexibility for any temporary shortages

caused by strikes or increased demand. Indeed, the record supports the view that complainant has granted a spot license for grinders purchased from Japan by respondent Ford. Moreover, during a past strike, complainant utilized its foreign licensees to produce grinders for the domestic market.

The effect of such an exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers does not preclude issuance of the order. The legislative history of the public interest considerations which were added to section 337 by the Trade Act of 1974, indicates that Congress was particularly concerned about price gouging or monopolistic practices in the domestic industry. 1/ In this case complainant's prices were lower than the prices of the imported grinders, and complainant has licensed its patent to another domestic producer as well as on a spot basis to a foreign producer.

1/ S. Rep. No. 93-1298, 93rd Cong., 2d Sess. 197 (1974).