

In the Matter of

FOOD SLICERS AND COMPONENTS THEREOF

Investigation No. 337-TA-76



USITC PUBLICATION 1159

JUNE 1981

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Bill Alberger, Chairman

Michael J. Calhoun, Vice Chairman

Catherine Bedell

Paula Stern

Kenneth R. Mason, Secretary to the Commission

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

Determination

Having reviewed the record in this investigation, including Motion No. 76-16, the exhibits and the papers submitted in support thereof, and the recommended determinations of the Administrative Law Judge, the Commission, on June 15, 1981, unanimously determined--

1. That with respect to respondent E. Mishan & Sons, the sole remaining respondent in investigation No. 337-TA-76, there is no violation of section 337 of the Tariff Act of 1930 in the importation into the United States or sale of certain food slicers and components thereof for the reason that the accused Mishan food slicer does not infringe claims 6 and 7 of U.S. Letters Patent 3,766,817.
2. Chairman Bill Alberger and Commissioner Paula Stern in addition to finding no infringement of U.S. Letters Patent 3,766,817, further determined that the importation or sale of certain food slicers and components thereof by respondent, E. Mishan & Sons, does not have the effect or tendency to destroy or to substantially injure a domestic industry efficiently and economically operated in the United States. Vice-Chairman Michael J. Calhoun and Commissioner Catherine Bedell having determined that there is no infringement of U.S. Letters Patent 3,766,817 by certain food slicers and components thereof imported or sold by respondent E. Mishan & Sons do not make a determination with respect to injury.

Order

Accordingly, it is hereby ORDERED--

1. That Motion No. 76-16 is denied;
2. That investigation No. 337-TA-76 is terminated as to all issues and all respondents;
3. The Secretary shall serve this Action and Order and the Commission Opinion upon each party of record in this investigation, and upon the U.S. Department of Health and Human Services, the U.S. Department of Justice, the Federal Trade Commission, and the U.S. Customs Service; and

4. The Secretary shall publish notice of this Determination and Order in the Federal Register.

By order of the Commission.

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

Kenneth R. Mason
Secretary

Issued: June 22, 1981

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

_____))
In the Matter of))
))
CERTAIN FOOD SLICERS))
AND COMPONENTS THEREOF))
_____)

Investigation No. 337-TA-76

COMMISSION MEMORANDUM OPINION

Introduction

The issue before us on a motion for summary determination is whether there has been a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. §1337, in the importation into the United States or sale of certain food slicers and components thereof. We deny complainant's motion (Motion No. 76-16) and determine that there is no violation of section 337.

Procedural History

Our determination here marks the close of our second investigation of imported food slicers. 1/ Complainant Prodyne Enterprises, Inc., initiated investigation No. 337-TA-76 by filing a complaint on November 5, 1979. The complaint alleged that section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, was being violated by the importation into the United States or sale of food slicers and components thereof which infringed claim 7 of U.S Letters Patent 3,766,817 (hereinafter '817 patent).

1/ A prior investigation was terminated on the basis of settlement agreements between complainant and respondents, Certain Food Slicers and Components Thereof, Inv. No. 337-TA-38 (1978).

The Commission instituted this investigation on December 4, 1979, naming Crest Industries Corp., E. Mishan & Sons, Albert E. Price, Inc., and Taiwan Timing Trading Co. as parties respondent, 44 F.R. 75738 (Dec. 21, 1979).

Upon motion by complainant (Motion Nos. 76-2, 76-4), the Commission on June 9, 1980, amended the complaint and notice of investigation, and broadened the scope of the investigation to include the alleged infringement by Crest of claims 1, 6 and 7 of the '817 patent, and of claims 6 and 7 by the remaining respondents. 2/ The motion to expand the investigation to include the infringement of claim 1 by Mishan and Taiwan Timing was denied on the grounds that complainant had failed to show "good cause" under Section 210.20(d) and Section 210.22(a) of the Commission's rules, 19 CFR §§ 210.20(d), 210.22(a) (1980). 3/ The case was also designated "more complicated." (45 F.R. 41087).

Mishan and Taiwan Timing were served but have never appeared in this investigation, and are currently in default.

Price and Prodyne entered into a settlement agreement on March 21, 1980. Under the terms of that agreement, Price agreed to cease importing the food slicers which are alleged to infringe Prodyne's '817 patent. A proposed consent order agreement submitted by Price, Prodyne, and the Commission investigative attorney, which would have terminated the investigation as to Price, was remanded to the presiding officer on October 10, 1980. A second motion to terminate Price, 4/ this time on the basis of a settlement agreement

2/ Notice of Commission Determination to Amend the Complaint and Notice of Investigation and to Designate the Investigation "More Complicated", (June 9, 1980).

3/ Memorandum Opinion Amending the Complaint and Notice of Investigation (June 9, 1980) See discussion, infra, at pp. 13-14.

4/ Motion 76-13.

which cured the deficiencies in the initial consent order, was granted on March 2, 1981 (46 F.R. 16159).

On August 1, 1980, Prodyne and the only remaining active respondent, Crest Industries Corp., entered into a licensing agreement. Under the agreement, Prodyne authorized Crest to import up to 10,000 food slicers covered by the patent per year without payment of a royalty. 5/ In return, Crest agreed to withdraw from the active defense of this investigation.

On September 10, 1980, Prodyne filed a motion for summary determination against Crest, the two defaulting respondents, Mishan and Taiwan Timing, and against the products of other persons who allegedly were importing infringing food slicers.

The motion was denied as to all three respondents. 6/ We determined that in view of the Prodyne-Crest licensing agreement, the investigation as to Crest was moot, and therefore we found it unnecessary to decide the issue of whether Crest had violated section 337. 7/ We denied the motion as to respondent Mishan on the grounds that Prodyne had failed to produce substantial, reliable, and probative evidence sufficient to establish the absence of a genuine issue of material fact. In particular since Prodyne had never introduced an exhibit of the Mishan slicer, the features of the slicer were unknown, making it difficult to decide the issue of patent infringement. Finally, Prodyne had produced no evidence at all with regard to the third respondent, Taiwan Timing Trading Co.

5/ Licensing Agreement, p. 2.

6/ Action and Order (December 22, 1981).

7/ Memorandum Opinion in Support of Order (January 27, 1981).

There being no apparent reason to continue the investigation as to Crest, the Commission terminated the investigation with respect to Crest on the basis of the licensing agreement on March 20, 1981 (46 F.R. 18632).

The deadline specified in the Commission's rules for conducting a hearing having expired on December 21, 1980, the time for completion of an evidentiary hearing was extended to April 30, 1981, to enable Prodyne to proceed against the remaining respondents if it so desired. The investigation as to Mishan and Taiwan Timing was remanded to the ALJ. Prodyne thereupon filed Motion No. 76-15 to terminate the investigation as to Taiwan Timing on the basis that there was no violation by that party and Motion No. 76-16 for summary determination against respondent Mishan. The Commission investigative attorney also submitted a sample of the accused Mishan device as required by section 210.20(b) of the Commission's rules, 19 CFR § 210.20(b) (1980). We granted the motion to terminate Taiwan Timing on June 8, 1981.

The presiding officer certified her second recommended determination to the Commission on March 26, 1981. She found no genuine issue of material fact as to the infringement of the '817 patent by Mishan and left in effect the findings of her first recommended determination for the issues of patent validity, substantial injury and the definition of the domestic industry. Of the original respondents, only Mishan remains a party.

After reviewing the record, the motion papers and the exhibits submitted in support thereof, we requested the parties to submit briefs on the issues of patent validity (particularly as to the questions of anticipation and obviousness), the infringement of claim 6 and/or claim 7 in view of the doctrine of file wrapper estoppel, and substantial injury. The purpose of the

request for briefs was to obtain a clarification of the parties' views as to why the facts in the record established a prima facie case of violation of section 337 (46 F.R. 25375).

Violation

Having reviewed the record in this investigation, including Motion No. 76-16, the papers and exhibits submitted in support thereof, and the recommended determinations of the administrative law judge, we determine that there is no violation of section 337 in the importation or sale in the United States of certain food slicers and components thereof by respondent E. Mishan & Sons. Our determination is based on our finding that the '817 patent has not been infringed. 8/

1. Standard of Review

A finding of a violation of section 337 requires something more than a mere showing that a respondent has defaulted. The remedy of an exclusion order, unlike the relief available in the federal courts, sometimes affects persons other than the named parties respondent. For that reason, a default does not per se establish complainant's right to relief. "[T]he Commission's practice has been . . . to require a reasonable effort on the part of complainant and/or the Commission investigative attorney to produce substantial, reliable and probative evidence sufficient to establish a prima

8/ Chairman Alberger and Commissioner Stern further determine that the importation or sale of the accused Mishan food slicer does not have the effect or tendency to destroy or to substantially injure a domestic industry, efficiently and economically operated, in the United States. Vice Chairman Calhoun and Commissioner Bedell, having determined that there is no infringement of the '817 patent, do not make a determination as to injury.

facie case of violation by respondents." 9/ The complainant cannot rest on allegations in the complaint except where critical information cannot be obtained after a reasonable effort.

In Certain Electric Slow Cookers, Inv. No. 337-TA-42, the Commission denied a motion for summary determination which was based on defaults by the named respondents. The Commission found complainant's allegations that certain Japanese firms were importing and selling electric slow cookers which infringed U.S. Letters Patent 3,881,090 were not supported by reliable, substantial and probative evidence. The complainant had failed to produce examples of the imports which allegedly infringed complainant's patent, or evidence to corroborate alleged lost sales. The Commission stated that such reliable, probative and substantial evidence might include the following:

- (1) Physical samples of the infringing electric cookers;
- (2) Customs invoices establishing importation; or
- (3) Affidavits of former customers establishing lost sales. 10/

When the Commission granted a subsequent motion for summary determination in Certain Electric Slow Cookers, it relied in part on respondents' failure to answer requests for admissions. 11/ Thus, complainant's inability to obtain relevant information did not preclude an affirmative determination where there

9/ Certain Window Shades and Components Thereof, Inv. No. 337-TA-83, USITC Pub. No. 1152, p.5 (1981); See Commission Opinion in Support of Orders Terminating Certain Respondents, Declaring this Matter More Complicated, and Remanding This Matter for Further Proceedings, in Certain Electric Slow Cookers, Inv. No. 337-TA-42, at 6 (1979); Certain Attache Cases, Inv. No. 337-TA-49, USITC Pub. 955 (1979); and Certain Novelty Glasses, Inv. No. 337-TA-55, USITC Pub. 991 (1979).

10/ USITC Pub. No. 994, Commission Opinion of March 15, 1979, p. 9 (1979).

11/ Commission Opinion (August 9, 1979) USITC Pub. No. 944 pp. 4,6,. (1979).

was evidence of a reasonable effort to obtain such information.

In cases where the complainant and/or Commission investigative attorney fail to sustain their burden of producing substantial, reliable and probative evidence, a finding of no violation will ensue. Certain Combination Locks. ^{12/} Thus in several investigations involving defaults, we have found on the basis of the evidence submitted that there is no violation of section 337. Certain Attache Cases ^{13/}; Certain Cigarette Holders. ^{14/}

In the case before us, we find no evidence that the requisite effort to obtain substantial, reliable and probative evidence was made. The evidence submitted by complainant proves very little and is replete with gaps and inconsistencies. Our examination of the evidence convinces us that complainant and the Commission investigative attorney have failed to sustain their burden of making a prima facie showing.

1. Validity of the '817 patent.

Once issued, a patent is presumed valid, 35 U.S.C. § 282. ^{15/} Until rebutted by clear and convincing evidence, the presumption is sufficient to sustain a finding of validity. Solder Removal Co. v. U.S. International Trade Commission, 582 F.2d 628 (C.C.P.A. 1978). Moreover, when the pertinent prior art was considered by the patent examiner, the presumption of validity is strengthened. Universal Athletic Sales Co. v. American Gym, Recreational &

^{12/} Inv. No. 337-TA-45, USITC Pub. No. 945, pp. 5-6 (1979).

^{13/} Inv. No. 337-TA-49, USITC Pub. No. 955 (1979).

^{14/} Inv. No. 337-TA-51, USITC Pub. No. 959 (1979).

^{15/} Although we find that there is no infringement of the '817 patent, we discuss the issue of validity in order to comply with the CCPA's suggestion that we reach all patent issues in patent-based section 337 actions. Coleco Industries v. U.S. International Trade Commission, 573 F.2d 1247, 1253 fn.5 (CCPA 1978).

Athletic Equipment Corp., 546 F.2d 530, 540 n. 28 (3d Cir. 1976); cert, denied 430 U.S. 984; Ortho Pharmaceutical Corp. v. American Hospital Supply Corp., 534 F.2d 89, 93-94 (7th Cir. 1976); Tapco Products Co. v. Van Mark Products Corp., 446 F.2d 420, 426 (6th Cir. 1971), cert denied. 406 U.S. 948.

Claims 6 and 7 of the '817 patent describe a device for cutting food into slices of any desired thickness. Claim 6 is an independent claim containing the following elements:

a base providing a flat cutting surface;

a transverse slot therein;

a passageway in the base

said passageway extending inwardly from the edge of said base parallel to said flat cutting surface and displaced downwardly therefrom and extending inwardly across said slot;

said bar [sic] having a generally U-shape with one leg extending into said passageway and across said slot for pivotal movement across said slot; and a cutting element attached to said bar to be received in said slot, said cutting element being looped around the portion of said one leg transversing said slot, whereby said one leg forms a fulcrum for said cutting element, and said element serves to hold said leg in said passageway.

Claim 7 incorporates all the elements of claim 6 and adds a means mounted on the other leg of the U-shaped bar for drawing the cutting element to a taut position.

The prior art in the record includes several food-cutting devices similar to the Prodyne slicer. The new concept introduced by the '817 patent is to construct in the base a passageway which runs parallel to the cutting surface

and across the transverse slot, instead of being externally attached to the outside of the base as in the prior art. The bar is held in place by the attachment of the cutting wire to one arm of the U-shaped bar so that the cutting wire fits into the transverse slot. Although the subject-matter of the '817 patent appears relatively simple, there does appear to be a difference between the invention claimed by the '817 patent and the prior art. The pertinent prior art was also before the Patent Office at the time the '817 patent was issued, thus strengthening the presumption of validity. Under the circumstances, we are not persuaded that the patent would have been obvious to one possessed of ordinary skill in the art of food slicers, and determine that claims 6 and 7 of the '817 patent are valid.

2. Infringement of claims 6 and 7 of the '817 patent.

We find that there is no infringement of claims 6 and 7 of the '817 patent. Our determination is based on our finding that the accused device employs a cutting wire which is slotted-through the U-shaped bar rather than "looped around" as required by claims 6 and 7.

On December 22, 1980 we denied Prodyne's motion for summary determination against Mishan (Motion No. 76-12). We based our determination on complainant's failure to submit a physical exhibit of the Mishan slicer. Submission of such an exhibit whenever practical and possible is required by section 210.20(b) of the Commission's rules, 19 CFR § 210.20(b) (1980). In the absence of an exhibit or other appropriate evidence, it is difficult if not impossible to make a finding as to whether there is a prima facie showing of infringement of a patent.

On March 23, 1981, the Commission investigative attorney submitted a physical exhibit (SX-A) of the Mishan slicer. 16/ This slicer had been obtained by him at a meeting with Allen Mishan, president of E. Mishan & Sons.

Although the Mishan slicer arrived at the Commission in a broken and disassembled state, the Commission investigative attorney, who obtained the slicer, informed representatives of the Office of the General Counsel and counsel for complainant at the time of our request for briefs that its cutting wire is "slotted-through." 17/ Our examination of the Mishan slicer reveals that it has a hole in the U-shaped bar at the same point as the redesigned Crest slicer (Exhibit A) which is slotted-through and which it resembles in almost every respect. The hole in the bar could serve no logical and rational purpose other than to hold a slotted-through cutting wire in place.

The two affidavits submitted by complainant to the effect that the cutting wire is "looped-around " are apparently based on an examination of Exhibit SX-A. The affidavits are inconsistent with the physical exhibit, and, in the absence of some plausible explanation for the role of the hole in the U-shaped bar, have little or no probative value. After our request for briefs, complainant had an opportunity to resolve this question but failed to do so. 18/

16/ Supplement of the Commission Investigative Attorney to the Joint Motion for Summary Determination Against Respondent E. Mishan & Sons (March 23, 1981).

17/ Conference Call with Mr. Dinan, Mr. Beecher, and representatives of the Office of the General Counsel (April 30, 1981).

18/ Notice, 46 F.R. 25375. For example, an assembled version of the Mishan slicer could have been submitted.

In view of the fact that the cutting wire is slotted-through, there can be no literal infringement of claims 6 and 7, which specify that the cutting element is to be "looped around" the bar.

We further determine that the doctrine of file wrapper estoppel precludes a finding of infringement under the doctrine of equivalents. The doctrine of equivalents provides that although the accused device does not fall clearly within the literal confines of the patent claim, the accused device may still infringe the patent if it is the substantial equivalent of the patented invention in structure, operation and result.

The doctrine of file wrapper estoppel, however, limits the application of the doctrine of equivalents. ^{19/} The leading case on the doctrine of file wrapper estoppel is Exhibit Supply Co. v. Act Patents Corp., 315 U.S. 126 (1941). The patent involved a contact switch for a pinball machine. The switch was placed on the surface of the game board so as to serve as a target for the ball, and to close an electrical circuit when struck by the ball. The contested claim of the patent specified that the "conductor means" must be "embedded in the table." On the accused devices the conductor means were not embedded in the table, but "carried by the table." In his original patent application, the patentee had sought to claim a "conductor carried by the table." However, after the original claim was rejected by the patent examiner, the applicant altered the claim to provide for conductor means "embedded in" the table. The claim was allowed as amended.

^{19/} Certain Apparatus for the Continuous Production of Copper Rod, Advisory Opinion Proceeding, Inv. No. 337-TA-52, pp. 10-12, (USITC 1980).

The Supreme Court held that by amending his claim, the patentee relinquished his right to rely on the doctrine of equivalents to recapture material surrendered by amendment. The Court held, per Mr. Chief Justice Stone:

Had Claim 7 been allowed in its original form, it would have read upon all the accused devices, since, in all the conductor means complementary to the coil spring are "carried by the table." By striking that phrase from the claim and substituting for it "embedded in the table," the applicant restricted his claim to those combinations in which the conductor means though carried on the table, is also embedded in it. By the amendment, he recognized and emphasized the difference between the two phrases and proclaimed his abandonment of all that is embraced in that difference. The difference which he thus disclaimed must be regarded as material, and since the amendment operates as a disclaimer of that difference it must be strictly construed against him.

315 U.S. 136-37. (citations omitted).

The amendments to claims 6 and 7 of the '817 food slicer patent present a classic example of file wrapper estoppel. In the application for the '817 patent, claim 7 specified that the device had a cutting element "attached to" the U-shaped bar. 20/ The original claim was rejected by the examiner, who stated:

Claim 7 is rejected as being clearly anticipated by Nadeo, of record, 35 U.S.C. 102. The following explanation is given in reply to applicant's remarks. Nadeo discloses a slicing device comprising a flat cutting surface 5, a transverse slot 6 therein, a passageway formed by a pair of angle brackets 7 at one side of the slot, a generally U-shaped bar 8 having a cutting element secured thereto, said bar being pivoted in the brackets. Thus, Claim 7 is readable on the Nadeo patent. 21/

20/ The original claim 7 in the application is the basis for claims 6 and 7 of the '817 patent.

21/ File Wrapper, Office Action (April 17, 1973). (Emphasis added).

To overcome this prior art rejection, the applicants amended claim 7 to recite a slicing device incorporating a "cutting element having one end [attached to] looped around the portion of said one leg traversing said slot, whereby said one leg forms a fulcrum for said cutting element, and said cutting element serves to hold said leg in said passageway." 22/

In a letter to the examiner, counsel for applicants stated that "[I]n order to distinguish the combination of the invention more distinctly from Nadeo, claim 7 has been amended so that the cutting element is defined as "looped around" the leg of the bar" 23/ By amending and narrowing claims 6 and 7 to claim a device having the cutting wire "looped around" the bar, the patentees waived their right to claim non-looped around embodiments and are estopped from invoking the doctrine of equivalents to permit claims 6 and 7 to read on a slotted-through device. This case falls squarely within the rule of Exhibit Supply.

Prodyne has argued that the accused Mishan slicer also infringes claim 1. Claim 1 is not within the scope of our investigation. When the complaint and notice of investigation were amended on June 9, 1980, the scope of the investigation was defined to include claims 1, 6 and 7 as to Crest only, and claims 6 and 7 as to Mishan, Price and Taiwan Timing.

We stated:

The Commission, in its determination to grant complainant's motions to amend, has specifically indicated that the alleged infringement of claim 1 of the '817 patent is charged only against respondent Crest Industries and that all respondents are charged with infringement of

22/ Id. The bracketed words "attached to" were in the original claim 7, and were changed to the underlined words "looped around" in the amended claim.

23/ Id.

claims 6 and 7 as claim 7 is a dependent claim of claim 6. This distinction was incorporated into the Commission's determination because complainant's allegations with respect to claim 1 and the evidence submitted in support thereof were directed only at Crest Industries. 24/

Prodyne has never moved for reconsideration of the Commission's order of June 9, 1980.

Broadening the investigation to include claim 1 as to Mishan could not be done without notice to Mishan, which has not been given. Although it is unlikely Mishan would object, the possibility cannot be completely discounted. Other persons unknown who are importing food slicers 25/ are also without notice that claim 1 might be brought back into the investigation. Had a physical exhibit been submitted in a timely manner, or an appropriate motion to amend been filed once the physical exhibit was obtained and the file wrapper estoppel problem became apparent, appropriate notice could have been given. Under the circumstances, we must limit Prodyne to its original allegation that the accused slicer infringes claims 6 and 7.

3. Injury to the domestic industry. 26/

We find that there has not been a prima facie showing that, even assuming the accused Mishan slicer infringes the '817 patent, the effect or tendency of the alleged unfair act is to substantially injure an efficiently and

24/ Memorandum Opinion Amending Complaint and Notice of Investigation; Notice (45 F.R. 47769).

25/ Id.; Motion No. 76-12.

26/ Vice Chairman Calhoun and Commissioner Bedell, having found no violation based on the lack of infringement, do not join this discussion of injury.

economically operated domestic industry. 27/

Although complainant clearly has had recurring problems from imported food slicers, much of the evidence submitted is not relevant to this case, since it concerns food slicers which were not imported or sold by parties respondent to this investigation and as to which there is no showing of unfair acts or unfair methods of competition.

Prodyne relies heavily on injury alleged to have occurred as a result of the importation or sale of food slicers by parties respondent in our earlier food slicers investigation. The Commission's first investigation, Certain Food Slicers and Components Thereof, investigation No. 337-TA-38 was terminated on the basis of a Commission finding of no present violation. 28/ The Commission's finding was based on a joint motion by the Commission investigative attorney, complainant Prodyne, and respondents Federated Department Stores, Inc., and Carson Pirie Scott & Co. The grounds for the motion 29/ were that Federated and Carson Pirie Scott had filed affidavits stating they were no longer importing the accused devices, and respondent Scan Look, a Malaysian company, had informed the Commission that it had stopped exporting to the United States.

27/ The domestic industry is that portion of the business of the patent holder and its licensees which is devoted to the exploitation of the patent. Prodyne appears to be the only firm in the United States manufacturing food slicers covered by the '817 patent. Patented food slicers are its only product. Efficient and economic operation is clearly apparent. Prodyne is a growing and profitable company, and has recently moved into a new plant and has the potential to greatly expand its production capacity. (Prodyne's Answers to Interrogatories; Mc Ardle Disposition pp. 9-10, 23-29).

28/ Commission Determination, Order and Memorandum Opinion. Certain Food Slicers and Components Thereof, Inv. No. 337-TA-38 (July 12, 1978).

29/ Joint Motion to Terminate, Inv. No. 337-TA-38.

The Commission determined that:

Inasmuch as the Commission Investigative Attorney, Complainant Prodyne Enterprises, Inc., and Respondents Federated Department Stores, Inc., and Carson Pirie Scott & Company are satisfied that no importation of the subject items is presently occurring or will occur in the future, the Commission concludes that no present violation of Section 337 exists. 30/

We conclude that the food slicers involved in our earlier investigation are not within the scope of our present investigation, which concerns imports by Crest, Price, Mishan and Taiwan Timing. There is no showing that the Scan Look slicer, which was manufactured in Malaysia, 31/ is in any way related to the devices imported or sold by parties respondent to the present investigation, which were manufactured in Taiwan. Moreover, there is no evidence that Scan Look, Federated or Carson Pirie Scott have breached or are contemplating breaching their agreements not to import or sell infringing food slicers in the United states.

Prodyne also argues that offers to sell imported food slicers were made to certain of its customers during 1978. However, Prodyne again fails to show any connection between the offer and the parties respondent named in the complaint and notice of investigation in investigation No. 337-TA-76. We note that Prodyne was aware of these alleged offers and lost sales at the time it filed its complaint. If it intended to allege an injury resulting from these efforts or lost sales, it should have made an effort to name the offeror,

30/ Commission Determination Order and Memorandum Opinion, supra. At that time (in 1978), the Commission interpreted section 337(c) as requiring it to proceed to a determination of violation or no violation in every case.

31/ Joint Motion to Terminate, Inv. No. 337-TA-38.

importer and/or seller involved as a party respondent. Then these persons would have been apprised of the Commission's investigation and of their opportunity to appear and protect the continued importation of the accused goods. Physical exhibits of these slicers have not been submitted.

We turn now to the showing of substantial injury in the Commission's present investigation, Certain Food Slicers and Components Thereof, investigation No. 337-TA-76. In determining whether the effect or tendency of unfair methods or acts is to destroy or substantially injure a domestic industry, the Commission in past cases has considered a number of factors, including the volume of imports, prices (vis-a-vis domestic prices), foreign capacity, domestic capacity, domestic capacity utilization, employment, production, shipments, inventories, sales and/or profit and loss figures in the domestic industry. In making our determination in the present case, we have examined evidence relevant to these and similar factors.

The presence of a small quantity of infringing articles is not enough per se to sustain a finding of substantial injury or tendency to substantially injure, Certain Cigarette Holders, 32/ Certain Combination Locks, 33/ Certain Attache Cases. 34/

In Certain Combination Locks, we found no injury when the record showed imports of 30,000 infringing locks which constituted about 2 percent of the domestic patent holder's production. In that case, complainant's sales were increasing and there was no specific evidence in the record of lost

32/ Inv. No 337-TA-51, USITC Pub. No 959 (1979).

33/ Inv. No. 337-TA-45, USITC Pub. No 945. (1979).

34/ Inv., No. 337-TA-49, USITC Pub. No. 955 (1979).

customers. While there were 9 Taiwanese firms producing infringing locks, we found that "evidence of capacity, even if coupled with a large U.S. market does not show a tendency to injure absent a strong showing that foreign manufacturers intend to direct their capacity toward penetrating the U.S. market." 35/

Complainant Prodyne is a healthy and growing company. Its sales nearly doubled over a 3 year period from 1977-79, to well over a million dollars, 36/ while production of food slicers also nearly doubled over 1977-79 such that the company now produces several hundred thousand units per year.

The volume of Mishan imports is minuscule by comparison, consisting of between two and four thousand food slicers and between 5 and 10 thousand dollars of sales. 37/

Prodyne was unable to name any customers who were lost or to whom sales were lost due to imported Mishan slicers. 38/ The testimony in the record pertains to disappointed expectations of penetrating the New York market, rather than specific lost customers, or to sales lost to firms involved in our 1978 investigation.

The patented device appears relatively simple to produce. We note that somewhat similar devices have been imported by Price and Crest and that there is evidence of underselling. 39/ However, the mere feasibility of foreign production will not sustain a finding of substantial injury or tendency to substantially injure. There must be, as we determined in Certain Combination

35/ USITC Pub. No. 945 at 11.

36/ Prodyne Interrogatories.

37/ Mishan Interrogatories.

38/ McArdle Deposition.

39/ Id.

Locks, some further showing of foreign capacity and of the likelihood that foreign manufacturers will export to the United States. 40/ There is no evidence of overseas production capacity with regard to infringing food slicers, nor is there any evidence that imports of Mishan-type slicers will increase beyond their present de minimis volume to an injurious level. More importantly, the possibility of drastic future increases in imports of infringing slicers is completely speculative. It also appears relatively simple to design around claims 6 and 7 of the patent, so that it is possible that future import competition would not infringe the claims of the patent in issue here.

In the course of this investigation, the question has arisen of whether it is proper to aggregate the impact of imports by parties who have been terminated from an investigation on the basis of legitimate settlement or licensing agreements. We do not intend to discourage the amicable settlement of section 337 actions. We conclude that injury from imports by parties terminated from an investigation will as a general rule be relevant to the "effect" of imported devices, when there is some indication that an "unfair act" has occurred. In addition, import competition is an economic factor relevant to our consideration of tendency to injure. For example, the presence of significant import competition may be an indication that a domestic industry is vulnerable to injury. A slight increase in unfair import competition could have a disproportionate future impact, and this circumstance could sustain a finding of tendency to injure. The relevance of such imports will be dependent on the facts presented.

40/ Inv. No. 337-TA-45, USITC Pub. No. 945 at 11 (1979).

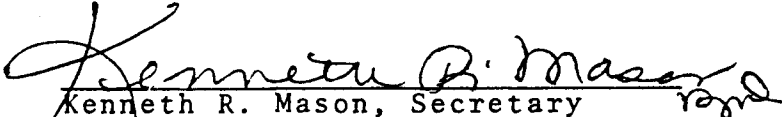
However, even assuming that we were to cumulate the impact of Crest, Mishan and Price, we would find no present substantial injury. Prodyne is a growing and apparently profitable company. We also note that the Prodyne-Crest licensing agreement permits Crest to import up to 10,000 food slicers per year royalty-free, an increase of several thousand units over Crest's previous import volume. The terms of the licensing agreement do not support an inference that the Crest slicer was unfairly traded. Moreover, the fact that the license is royalty-free and yet permits a significant increase in imports of Mishan-type slicers suggests the possibility that such imports do not pose a serious threat to complainant in the foreseeable future. We can find no indications of vulnerability in the record, especially in the absence of any showing regarding Taiwanese capacity or the likelihood of significant future increases in the volume of imports of allegedly infringing food slicers. We determine that there is no effect or tendency on the part of the imported Mishan slicer to destroy or substantially injure an efficient and economically operated United States industry.

Conclusion

We determine that there is no violation of section 337 of the Tariff Act of 1930 by the importation or sale in the United States of certain food slicers and components thereof by respondent E. Mishan & Sons.

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Notice Of Termination of Investigation was served upon Donald R. Dinan, and upon the following parties via first class mail, or air mail where necessary on June 23, 1981.


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