In the Matter of

# CERTAIN HEADBOXES AND PAPERMAKING MACHINE FORMING SECTIONS FOR THE CONTINUOUS PRODUCTION OF PAPER, AND COMPONENTS THEREOF

Investigation No. 337-TA-82A

USITC PUBLICATION 1197

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

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Catherine Bedell

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Alfred E. Eckes

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

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| In the Matter of<br><br>CERTAIN HEADBOXES AND PAPERMAKING MACHINE FORMING SECTIONS FOR THE CONTINUOUS PRODUCTION OF PAPER, AND COMPONENTS THEREOF | Investigation No. 337-TA-82A |

COMMISSION ACTION AND ORDER

Introduction

The United States International Trade Commission conducted investigation No. 337-TA-82A to determine whether there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in alleged unfair methods of competition and unfair acts in the importation into the United States of certain headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof, or in the sale of such articles, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

The Commission instituted these proceedings on its own initiative (Commissioner Stern dissenting) following the President's disapproval of the Commission action and order previously issued on April 8, 1981, at the conclusion of investigation No. 337-TA-82, Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof.

In that case, the Commission determined (Commissioner Stern dissenting) that there was a violation of section 337 in the importation and sale of multi-ply headboxes that infringed and contributed to or induced the infringement of claims 1, 12, 15, 16, or 22 of U.S. Letter Patent RE 28,269 and claims 4, 5, and 6 of U.S. Letters Patent 3,923,593, the tendency of which was to substantially injure an industry, efficiently and economically operated, in the United States. 1/ After also determining that an exclusion order was the most appropriate remedy, and that the public-interest factors did not preclude relief, 2/ the Commission issued an order excluding the subject merchandise from entry into the United States for the remaining terms of the patents, except under license, but permitting the articles to enter under a bond of 100-percent ad valorem until the Commission's determination became final or was disapproved by the President. 46 F.R. 22083 (Apr. 15, 1981); USITC Publication 1138 (April 1981).

On June 8, 1981, the President disapproved the Commission's determination for policy reasons relating to the broad scope of the exclusion order and its potential adverse impact on the domestic papermaking industry. 46 F.R. 32361 (June 22, 1981).

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1/ In determining that there was a violation of sec. 337, Commissioner Bedell determined that there was an effect or tendency to substantially injure an industry, efficiently and economically operated, in the United States.

2/ Chairman Alberger determined that there were no overriding public-interest considerations which precluded the issuance of a remedy. However, he believed that the issuance of a cease and desist order was the most appropriate remedy and better served the public interest. USITC Pub. 1138, Views of Chairman Bill Alberger Regarding Remedy and the Public Interest.

Commissioner Stern, having previously determined that no violation had occurred, did not vote on the issues of remedy, the public interest, and bonding.

On June 23, 1981, the Commission voted (Commissioner Stern dissenting) to institute the present investigation. 3/

On October 19, 1981, the Commission determined by a 4-to-1 vote (Commissioner Stern dissenting and Commissioner Frank not participating) that there is a violation of section 337 in the importation and sale of multi-ply headboxes and papermaking machine forming sections, and components thereof and spare parts therefor, which infringe, contribute to the infringement of, or induce tne infringement of claims 1, 12, 15, 16, or 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, or 6 of U.S. Letters Patent 3,923,593. The Commission also determined by 4-to-0 vote (Commissioner Stern not voting and Commissioner Frank not participating) that a limited exclusion order is the appropriate remedy, that the statutory public-interest considerations do not preclude relief in this investigation, and that the articles ordered to be excluded shall be permitted to enter under a 100-percent ad valorem bond until

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3/ Subpart C of part 211 of the Commission's Rules of Practice and Procedure establishes procedures for the modification and revocation of final Commission actions under section 337, including exclusion orders. Subsection (g), para. (4), of section 337 provides that the Commission's determination becomes final only if the President approves the determination and notifies the Commission within the prescribed 60-day period, or, if the President fails to disapprove the determination within that period.

Owing to the President's disapproval of the Commission's determination, in investigation No. 337-TA-82, the action taken with respect thereto did not become final. Consequently, the Commission could not revise the exclusion order under the authority of section 211.57 (to be codified at 19 CFR § 210.57), the rule governing modification of final Commission actions.

The limitations of the statute also barred the Commission from issuing a new remedy on the basis of its previous determination of the violation of section 337. The Commission has the authority to order a remedy under subsections (d) and (f) of section 337 only if it has determined, as a result of an investigation, that there is a violation. Although the Commission had conducted an investigation and had made the requisite determination, the effect of the President's disapproval--in spite of its limited focus--was the nullification of the action taken pursuant to the determination, as well as the nullification of determination itself. See 19 U.S.C. § 1337(g)(2).

the Commission's determination becomes final or is disapproved by the President.

Action

Having reviewed the record compiled in investigation No. 337-TA-82A, the Commission, on October 19, 1981, determined that--

1. There is a violation of section 337 of the Tariff Act of 1930 in the importation and sale of certain multi-ply headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof and spare parts therefor, which infringe claims 1, 12, 15, 16, or 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, or 6 of U.S. Letters Patent 3,923,593, the effect or tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States. 4/

2. The issuance of an exclusion order, pursuant to subsection (d) of section 337 of the Tariff Act of 1930, preventing the importation of multi-ply headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof and spare parts therefor, manufactured by Aktiebolaget Karlstads Mekaniska Werkstad (KMW), of Karlstad, Sweden, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, which infringe and contribute to or induce the infringement of claims 1, 12, 15, 16, or 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, or 6 of U.S. Letters Patent 3,923,593, for the remaining terms of said patents, except where such importation is licensed by the owner of said patents, is the appropriate remedy for the violation of section 337.

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4/ In determining that there is a violation of sec. 337, Chairman Alberger and Vice Chairman Calhoun determined that the unfair methods of competition and unfair acts found to exist in this case have the tendency to substantially injure an industry, efficiently and economically operated, in the United States. Commissioners Bedell and Eckes determined that there was an effect or tendency to substantially injure an industry, efficiently and economically operated, in the United States.

3. The public-interest factors enumerated in subsection (d) of section 337 of the Tariff Act of 1930 do not preclude the issuance of an exclusion order in this investigation.

4. The bond provided for in subsection (g)(3) of section 337 of the Tariff Act of 1930 during the period this matter is before the President shall be in the amount of 100 percent of the c.i.f. value of the imported articles.

## Order

Accordingly, it is hereby ordered that--

1. Multi-ply headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof or spare parts therefor, manufactured by Aktiebolaget Karlstads Mekaniska Werkstad, of Karlstad, Sweden, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, which infringe claims 1, 12, 15, 16, or 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, or 6 of U.S. Letters Patent 3,923,593 are excluded from entry into the United States for the remaining term of the patents, except where such importation is licensed by the patent owner;

2. KMW papermaking machine forming sections which are imported individually and not in combination with multi-ply headboxes are not subject to this order.

3. The articles ordered to be excluded from entry into the United States shall be entitled to entry under bond in the amount of 100 percent of the c.i.f. value of the imported articles from the day after this order is received by the President pursuant to subsection (g) of section 337 of the Tariff Act of 1930 until such time as the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after the date of receipt;

4. Notice of this Action and Order shall be published in the Federal Register;

5. Copies of this Action and Order and the opinions of the Commissioners shall be served upon each party of record in this investigation and upon the Department

of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury; and

6. The Commission may amend this order in accordance with the procedure described in section 211.57 of the Commission's rules (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR § 211.57).

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: November 18, 1981

VIEWS OF CHAIRMAN BILL ALBERGER, VICE CHAIRMAN MICHAEL J. CALHOUN, COMMISSIONER CATHERINE BEDELL, AND COMMISSIONER ALFRED ECKES

## BACKGROUND AND PROCEDURAL HISTORY

The Commission instituted these proceedings on its own initiative 1/ following the President's disapproval of the Commission action and order issued on April 8, 1981, at the conclusion of investigation No. 337-TA-82, Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof. Upon review of the record in investigation No. 337-TA-82A, the Commission determined on October 19, 1981, that there is a violation of section 337 of the Tariff Act of 1930 in the importation and sale of the subject headboxes and papermaking machine forming sections and components thereof. 2/

Having determined that there is a violation in this investigation, we believe that the patentee should be awarded appropriate relief. In the present case, although the relief we have chosen is not identical to that recommended in the earlier investigation, a limited exclusion order is clearly the most satisfactory form of relief available that meets all of the legal and policy considerations of the statute. This choice is clearly preferable to granting no relief at all. To deny relief altogether would, in our view, fail to observe the statutory mandate to provide effective and equitable relief when a violation of the statute is found to exist. We do not view our

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1/ Commissioner Stern dissenting.
2/ Commissioner Stern dissenting and Commissioner Frank not participating.

reconsideration of this case as a decision which weakens our status as an independent agency. Rather, the action taken is responsive to the needs of a domestic industry found to be deserving of relief from unfair import practices. Notwithstanding the Commission's separate statutory responsibilities, we operate within a framework of foreign policy considerations which Congress has designated as appropriate for the President to consider; our responsibility is to fashion relief that is effective and efficient.

In the earlier case, the Commission determined 3/ that there was a violation of section 337 in the importation and sale of certain multi-ply headboxes that infringed and contributed to or induced the infringement of the claims 1, 12, 15, 16, and 22 of U.S. Letter Patent RE 28,269 ('269 patent) and claims 4, 5, and 6 of U.S. Letters Patent 3,923,593 ('593 patent), the tendency of which was to substantially injure an industry, efficiently and economically operated, in the United States. 4/ After having also determined that the public interest factors did not preclude relief and that an exclusion order was the most appropriate remedy, 5/ the Commission issued an order excluding the subject merchandise from entry into the United States for the

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3/ Commissioner Stern dissenting.

4/ In determining that there was a violation of sec. 337 in that case, Commissioner Bedell determined that there was an effect or tendency to substantially injure a domestic industry, efficiently and economically operated, in the United States.

5/ Chairman Alberger determined that there were no overriding public interest considerations which precluded the issuance of a remedy. However, he believed that the issuance of a cease and desist order was the most appropriate remedy and better served the public interest. USITC Publication 1138, Views of Chairman Bill Alberger Regarding Remedy and the Public Interest.

Commissioner Stern, having determined that no violation had occurred, did not vote on the issues of remedy, the public interest, and bonding.

remaining terms of the patents, except under license, but permitting the articles to enter under a 100-percent ad valorem bond until the Commission's determination became final or was disapproved by the President. 46 F.R. 22083 (Apr. 15, 1981); USITC Publication 1138 (April 1981).

On June 8, 1981, the President disapproved the Commission's determination for policy reasons. The disapproval stemmed from the broad scope of the exclusion order and its potential adverse impact on the domestic papermaking industry. 46 F.R. 32361 (June 22, 1981). Citing various factors concerning the nature of the industry and the U.S. market, the President concluded that a broad exclusion order applying prospectively to products of all foreign multi-ply headbox manufacturers was not warranted. The President also found that the burden of proof imposed on foreign manufacturers and importers other than the respondents could cause delays in customs clearance and delivery, a circumstance that in turn would create the potential for unnecessary disruption of the domestic production of paper and restriction of the papermaking industry's choice in acquisition of machinery. Id.

Although he disapproved the Commission's determination, the President added that such disapproval did not mean that the patent holder was not entitled to relief. He concluded that an exclusion order directed only to the products of the KMW respondents or a narrowly drawn cease and desist order would have been justifiable and appropriate, in light of the existing facts and circumstances. Lacking the authority to revise the Commission's remedy himself, the President urged the Commission to take such action expeditiously on its own initiative. Id.

The Commission concluded that in light of its inability to revise the previous action or to issue a new remedy absent a new determination of violation, its only recourse was to institute new proceedings concerning the violation of section 337 which had been the subject of investigation No. 337-TA-82 and the disapproved determination. Consequently, on June 23, 1981, the Commission voted to institute a new investigation. 6/

Although the Commission did not schedule a public hearing on the issues of (1) the action to be taken if the Commission determined that there was a violation of section 337, (2) the public-interest factors, and (3) bonding, the parties were given the opportunity to request that such a hearing be conducted. No request was received. However, the parties were required, and interested members of the public were encouraged, to submit written comments addressing those issues. In addition to the briefs filed by the parties, three nonparty submissions were received: two filed on behalf of certain foreign and domestic producers and importers of papermaking machinery and one filed on behalf of a trade association representing certain U.S. paper manufacturers.

## VIOLATION OF SECTION 337

In order for the Commission to make an affirmative determination regarding violation of section 337 in this case, we must find that an unfair method of competition or an unfair act exists in the importation of articles into the United States, or in the sale thereof, the effect or tendency of

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6/ See footnote 3 in the Commission Action and Order.

which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. 19 U.S.C. § 1337(a).

We have determined in this investigation that there is a violation of section 337 in the importation of certain multi-ply headboxes and papermaking machine forming sections for the continuous production of paper, and components thereof, which infringe and contribute to or induce the infringement of claims 1, 12, 15, 16, and 22 of U.S. Letters Patent RE 28,269 and claims 4, 5, and 6 of U.S. Letters Patent 3,923,593, and in the sale of such articles, the effect or tendency of which is to substantially injure an industry, efficently and economically operated, in the United States. 7/

The notice instituting this investigation and defining its scope was published in the Federal Register on July 1, 1981. 46 F.R. 34437. It stated that these proceedings would encompass the same issues, parties, and subject matter as investigation No. 337-TA-82, 8/ except that--

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7/ In determining that there is a violation of sec. 337, Chairman Alberger and Vice Chairman Calhoun determined that the unfair methods of competition and unfair acts found to exist in this case have the tendency to substantially injure an industry, efficiently and economically operated, in the United States. Commissioners Bedell and Eckes determined that there was an effect or tendency to substantially injure an industry, efficiently and economically operated, in the United States.

8/ That investigation was initiated on the basis of a complaint filed on behalf of the Beloit Corp., a manufacturer, developer, and distributor of machinery for the manufacture of paper. The complaint alleged that there was a violation of sec. 337 with respect to certain papermaking machine apparatus incorporating parts that directly infringed and contributed to or induced the infringement of certain claims of three patents assigned to Beloit: claims 1, 12, 14-16, and 22 of U.S. Letters Patent RE 28,269 (covering a headbox); claims 1, 2, and 4-6 of U.S. Letters Patent 3,923,593 (covering a headbox); and claims 1-5 and 7-14 of U.S. Letters Patent 3,876,498 (covering a twin-wire papermaking machine and method for forming a fibrous web).

(Continued)

(1) In the absence of new allegations of section 337 violations or new evidence regarding the allegations that were the basis of investigation No. 337-TA-82, this new inquiry would be limited to the issues of the appropriate remedy, the public interest, and the value of the bond, if any, to be imposed during the 60-day period for review by the President, and

(2) Aktiebolaget Karlstads Mekaniska Werkstad (KMW), of Karlstad, Sweden, and KMW Johnson (KMW), of Charlotte, N.C., would be the only respondents.

The evidence and information concerning the elements of a section 337 violation that were on the record of investigation No. 337-TA-82 were

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(Continued)

The remedy that the complainant sought was an order excluding the allegedly infringing headboxes and forming sections, either as complete assemblies or as components thereof or spare parts therefor, from entry into the United States for the remaining terms of the patents, except under license.

The notice instituting the investigation and defining its scope was published in the Federal Register on Apr. 8, 1980 (45 F.R. 23832). The parties alleged to be in violation of sec. 337 and named as respondents included a Swedish manufacturer of papermaking machinery, Aktiebolaget Karlstads Mekaniska Werkstad (KMW); a KMW subsidiary and distributor of KMW paper, machinery, and woodyard equipment in the United States, KMW Johnson, Inc. (KMW); and four domestic paper companies which had purchased and used the imported KMW machinery: Procter & Gamble Co., Scott Paper Co., Crown Zellerbach, and Fort Howard Paper Co.

During the investigation, certain respondents were terminated as parties and the patent issues were narrowed. On the basis of complainant's stipulations of noninfringement, three of the domestic paper company respondents--Procter & Gamble Co., Fort Howard Paper Co., and Crown Zellerbach--were dismissed from the investigation. Consequently, the only respondents remaining were the KMW companies and Scott Paper Co.

The narrowing of the patent infringement issues occurred as the result of several events. Following complications which arose during proceedings before the U.S. Patent and Trademark Office for the reissue of the '498 patent (twin-wire web-forming section), the complainant withdrew its allegations concerning that patent, and the Commission subsequently terminated it from the investigation. At the prehearing conference on Oct. 22, 1980, the patent issues were limited further when the parties stipulated to the withdrawal of claim 14 of the '269 patent and to the removal of claims 1 and 2 of the '593 patent from the contested category. Consequently, the only patent issues remaining before the Commission were the validity and infringement of claims 1, 12, 15, 16, and 22 of the '269 (headbox) patent and claims 4, 5, and 6 of the '593 (headbox) patent.

incorporated by reference into the record of these proceedings, in accordance with the notice of institution, and no violation issue previously litigated in investigation No. 337-TA-82 would be relitigated unless (1) within 20 days after the new investigation was instituted, a party filed a petition which alleged new violations of section 337 or presented new evidence concerning the previously alleged violation and showed good cause for relitigating the issues in question, and (2) the Commission granted that petition.

On July 19, 1981, the respondents filed a petition (Motion No. 82A-27) to introduce new evidence and to amplify and update the record. The complainant and the Commission investigative attorney subsequently filed a joint response opposing the petition.

Upon review of the petition, the Commission found that it did not conform to the requirements enunciated in the notice, since the "new" evidence which the respondents sought to introduce consisted of information which was known to them during the prior investigation and which could have been presented during the course of those proceedings. Additionally, the Commission found that the request for a determination of whether the respondents' modified multi-ply headbox infringed the patents in issue was premature and was beyond the scope of the investigation, since there had been no allegation of infringement concerning the modified headbox. Finally, the Commission concluded that reopening discovery would be of limited value and would unnecessarily delay the Commission's determination. Consequently, on September 11, 1981, the Commission voted 9/ to deny the petition.

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9/ Commissioner Stern dissenting.

On October 13, 1981, the respondents filed a motion (Motion No. 82-28) for reconsideration of the definition of the domestic industry on the basis of the record in the prior investigation. The complainant subsequently filed a response opposing the motion. On October 16, 1981, the Commission voted 10/ to reject the motion for its failure to adhere to the subject matter limitations and the deadline prescribed by the notice of investigation.

On the basis of the record in this investigation, we determine that there is a violation of section 337 in the unauthorized importation into the United States and the sale of the articles which were the subject of this investigation. We find that the patents in issue are valid and that the asserted claims have been infringed by the acts of the respondents. 11/ Defining the relevant domestic industry as that portion of the complainant's Paper Machinery Division which is devoted to the manufacture, sale, and maintenance of the multi-ply headboxes and components thereof which are produced in accordance with the subject patents, we find that it is efficiently and economically operated and that the unfair methods of competition and unfair acts of the respondents have had the effect or tendency to substantially injure that industry. 12/ We adopt the analysis of the foregoing issues which is set forth in our opinion issued at the conclusion of investigation No. 337-TA-82 (USITC Publication 1138), to the extent that the findings and conclusions contained therein are not inconsistent with our findings and determination in this case.

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10/ Commissioner Stern dissenting and Commissioner Frank not participating.

11/ With respect to the '269 patent, we find that the respondents have infringed, contributed to, and induced the infringement of claims 1, 12, 15, 16, and 22. With respect to the '593 patent, we find that the respondents have infringed and contributed to the infringement of claims 4, 5, and 6.

12/ See n. 5, supra.

## REMEDY, THE PUBLIC INTEREST, AND BONDING

### Remedy

Having determined that there is a violation of section 337, the Commission may direct that the articles concerned be excluded from entry into the United States, or, in lieu of such action, may issue a cease and desist order. 19 U.S.C. §§ 1337(d) and (f). The Commission must provide a remedy which is comprehensive enough to eliminate all conceivable means of avoiding the prohibition, and yet is narrow enough to avoid problems in the administration of the order. We have concluded that the most appropriate remedy for the violation which we have found to exist in this investigation is an exclusion order incorporating the limitations discussed below. 13/

Our primary reason for determining that a limited exclusion order is the most appropriate remedy is that the alleged unfair methods of competition and

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13/ Chairman Alberger notes that, although he voted for the issuance of a cease and desist order in investigation No. 337-TA-82, upon reconsideration of the facts incorporated in the instant case, he now determines that a limited exclusion order is the most effective remedy for the violation found to exist. Chairman Alberger's goal in the previous investigation was to prevent further violation of sec. 337 by the KMW respondents in the importation and sale of infringing headboxes and components thereof without affecting or unduly disrupting trade in noninfringing papermaking machinery produced by other manufacturers. His vote for a limited exclusion order in the present case is consistent with Chairman Alberger's desire, as evidenced by his vote on remedy in Large Video Matrix Display Systems, inv. No. 337-TA-75 (June 1981), to fashion the most effective and enforceable remedy available. While a cease and desist order would provide adequate relief, a limited exclusion order would be more efficiently enforced, as any such infringing goods imported by the KMW respondents would be automatically stopped by Customs. This procedure has a two-fold benefit in that (1) the order excludes only the articles of the particular respondents found to be infringing the subject patents and (2) the enforcement of the order is handled through the Customs channels at the port of entry, thus reducing the monitoring burden on the complainant as well as the Commission.

unfair acts in this case are patent infringement. In almost all investigations, the Commission has determined that an exclusion order was the appropriate remedy in cases involving patent infringement, on the grounds that the patentee has the essential right to exclude others from using his property, and that the injury, which results from an unfair act inherent in the design of the articles themselves, can only be remedied by exclusion. See Chain Door Locks, investigation No. 337-TA-5, USITC Publication 770 (April 1976), p. 42; Reclosable Plastic Bags, investigation No. 337-TA-22, USITC Publication 801 (January 1977), p. 15; and Thermometer Sheath Packages, investigation No. 337-TA-56, USITC Publication 992 (July 1979), p. 28.

Accordingly, the following limitations are incorporated into the exclusion order:

1. The apparatus which is covered by this exclusion order is restricted to multi-ply headboxes that directly infringe (or contribute to or induce the infringement of) any of the asserted claims of the subject patents.

2. The exclusion order applies to the infringing multi-ply headboxes imported and sold by KMW's affiliates, parent or subsidiary companies, or other related business entities or their successors or assigns. By excluding the infringing apparatus which might be produced, imported, or sold by KMW affiliates and related companies, we have eliminated one avenue by which the prohibition contained in this exclusion order could be circumvented: employing a third party or an affiliate, which did not participate in the investigation, to import and sell the infringing merchandise in the United States. Thus, this order would affect companies or third parties that did not participate in these proceedings only if they import or sell infringing

articles. This order also would bar only the infringing articles, and it does not apply to other noninfringing papermaking machine apparatus.

An order of this type is not without precedent. In Certain Large Video Matrix Display Systems And Components Thereof, investigation No. 337-TA-75, the Commission issued an exclusion order covering the subject merchandise of the respondent and its "affiliated companies, parents, subsidiaries or other related business entities, or their successors or assigns." USITC Publication 1158 (June 1981), p. 3.

In Sealed Air Corp. v. USITC and Unipak (H.K.) Ltd. v. USITC, Nos. 79-35, 80-4 (C.C.P.A. Mar. 12, 1981), the Court, affirming the Commission's jurisdiction to issue exclusion orders, held that "an exclusion order operates against goods, not parties." The Court stated that--

> the purpose of the exclusion remedy was to get away from in personam procedures which United States business found unsatisfactory. Being unable in most cases to sue a foreign supplier, a U.S. business faced with infringing products from abroad was forced to pursue a multiplicity of individual importers, and if a court enjoined one, another could be found to take his place. Thus, the exclusion remedy was conceived.

Id. (Opinion of Nies & Baldwin, J.J., concurring with respect to 79-35, and dissenting with respect to 80-4). See also Coin-Operated Audio-Visual Games and Components Thereof, investigation No. 337-TA-87, USITC Publication 1160 (June 1981), p. 28.

3. The order covers the infringing multi-ply headboxes in combination with the papermaking machine forming sections that are referred to in claims 4-6 of the '593 patent. The inclusion of forming sections is necessary because claims 4-6 of the '593 patent are combination claims that include a

"forming section" or "forming surface" in combination with a specific headbox. Although the forming section or forming surface is only generally recited in the claims, it is nevertheless specifically included as a positive claim element in combination with the headbox. (USITC Publication 1138, pp. 19-27; app. I.) For that reason, the importation of a forming section in combination with the specifically claimed headbox would infringe the '593 patent and thus should be excluded from entry, whereas a forming section imported by itself or not intended to be used in combination with the specifically claimed headbox would not constitute infringement and would therefore be entitled to entry.

We are not including in the order an expositive description of the articles concerned. There are several factors which, in our view, make the inclusion of such a description unnecessary and inappropriate.

First, the respondents have stated their intention to designate the allegedly infringing headboxes and their modified multi-ply headboxes by different nomenclatures, thereby facilitating easy handling by U.S. Customs Service officials without undue delay. Second, as the complainant points out, the inventions covered by the patents are defined by the claims thereof, which were drafted by representatives of Beloit and were approved by the U.S. Patent Office. If the complainant or the Commission were required to summarize the descriptions of the patented articles or the components thereof, any departure from the specific language of the claims could either deprive the complainant of its remedy, as the result of an overly narrow description, or, could result in an overly broad exclusion order owing to an overly broad description. For those reasons, we believe that the language of the patent claims involved should serve as a description of the merchandise covered by the order.

The public interest

The issuance of an exclusion order with respect to any violation found to exist is contingent upon the Commission first considering the effect that such exclusion would have 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 U.S. consumers, and then determining whether those aspects of the public interest preclude the Commission from taking the action contemplated.

With respect to the public health and welfare, the record shows that the exclusion of the papermaking machinery which is the subject of the investigation would not have an impact on those aspects of the public interest and would not affect national security or environmental concerns. Compare Certain Inclined-Field Acceleration Tubes, investigation No. 337-TA-67, USITC Publication 1119 (December 1980) and Certain Automatic Crankpin Grinders, investigation 337-TA-69, USITC Publication 1022 (December 1979).

Insofar as the effect that a narrowly drawn exclusion order would have upon competitive conditions in the U.S. economy, there is no indication that fair competition in the U.S. market would be diminished by the exclusion of the merchandise in question. An exclusion order would only serve to enforce and protect the legal monopoly to which the complainant is entitled as the assignee of the patents in issue. There is no competitive right to infringe valid United States patents. Doxycycline, investigation No. 337-TA-3, USITC Publication 964 (April 1979). Moreover, a limited exclusion order will bar only infringing KMW merchandise from entry; the free flow of noninfringing papermaking apparatus would not be impeded.

Regarding the domestic production of like or directly competitive articles, the complainant is fully capable of meeting all needs for multi-ply headboxes and components thereof. The Commission has in previous cases considered a complainant's ability to supply domestic demand. In Certain Automatic Crankpin Grinders, investigation No. 337-TA-60, supra, the Commission denied relief because of the domestic industry's inability to satisfy domestic demand for the articles in question.

Finally, in connection with the impact that the proposed exclusion would have upon U.S. consumers the record fails to demonstrate any adverse effect.

For the reasons discussed above, we conclude that the public interest factors do not preclude the issuance of a limited exclusion order in connection with this investigation.

Bonding

Having determined, as a result of this investigation, that there is a violation of section 337 and that the public interest factors do not preclude Commission action with respect thereto, we must determine the amount of the bond under which the articles subject to the Commission's order shall be entitled to entry until the Commission's determination becomes final or is disapproved. 19 U.S.C. § 1337(g)(4). We determine that the appropriate bond is 100 percent ad valorem c.i.f. port of entry.

The legislative history of the section 337 14/ and section 210.14(a)(3) of the Commission's rules (19 CFR § 210.14(a)(3)) provide that the value of

14/ S. Rep. No. 93-1298, 93d Cong., 2d Sess. 198 (1974).

the bond is to be calculated by determining the amount which would offset any competitive advantage resulting from the alleged unfair methods of competition and unfair acts enjoyed by the parties benefitting from the importation. The "competitive advantage" heretofore enjoyed by KMW in the U.S. market was the ability to sell headboxes covered by the asserted claims of the '269 and '593 patents without having to pay royalties to the complainant. The respondents also nave derived tangible benefits from those unauthorized sales by collecting the profits incident thereto, notwithstanding that such sales were in violation of U.S. law.

Although KMW has stated that there are no importations pending or scheduled, we conclude that KMW's representation is not a sufficient basis for eliminating the bond. We find that a 100-percent ad valorem bond would be sufficient to offset any competitive advantage accrued by the respondents as a result of unfair acts and to protect the rights of the complainant. Additionally, this amount is appropriate since there is no established price structure for either the patented or the imported articles (they are custom made and subject to contract biddings) and because each sale which the complainant loses has economic consequences far beyond the mere loss of profits.

Dissenting Opinion of Commissioner Paula Stern

I must dissent from the views of my fellow Commissioners on the issue of injury in this investigation and determine that there is no indication of an effect or tendency to "destroy or substantially injure an industry, efficiently and economically operated in the United States." 1/ My determination is compelled by the same considerations that led to my dissent in the Commission's initial investigation regarding headboxes. I do not reach the questions of relief, the public interest, or bonding.

The need to reaffirm the same negative vote cast in Investigation No. 337-TA-82 is dictated by the procedural context of this second investigation. The Commission's refusal to hear new arguments on the violation issue deprived this body of the best evidence available and inequitably denied the parties the hearing that would have been available to them had this proceeding truly been a "new" investigation. The existing information for both Investigation Nos. 337-TA-82 and 337-TA-82A leaves me no choice but to reach a negative determination. Furthermore, the self-initiation procedure and determination of a new remedy in Investigation No. 337-TA-82A, reached after Presidential disapproval of the Commission's prior determination, can be interpreted in such a way as to diminish the Commission's reputation as a totally objective decision-maker.

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1/ 19 U.S.C. section 1337(a).

In addition to dissenting from the substantive determination in both the initial and the current investigations, I was also forced to dissent from the self-initiation of this second headbox investigation. The Commission placed limits on the issues which could be relitigated. Moreover, by subsequently refusing to hear new evidence, it in effect applied res judicata to the issue of violation of section 337 in this investigation.

The actions of the majority in this investigation were not a direct application of res judicata to the issue of violation. However, the appearance from the beginning was of an attempt to reach the same result as applying res judicata, while avoiding the statutory provisions which would prohibit its use in this investigation.

Although the Commission has considerable discretion in applying res judicata principles and admitting new evidence, I believe that this action deprived the Commission of important evidentiary information which was inequitable to the respondents. I base my position on language contaned in section 337 and on policy considerations in the exercise of the Commission's discretion.

The terms of the statute itself preclude application of res judicata in the context of a section 337 determination after Presidential disapproval of that determination. Section 337(g)(2) 2/ provides that, if the

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2/ 19 U.S.C. section 1337(g)(2).

President disapproves the Commission's determination, then "effective on the date of notice, such determination and action taken under subsection (d), (e), or (f) of this section with respect thereto shall have no force or effect." (Emphasis added.) This provision implies that the determination in the first investigation did not become final because the President disapproved it. Application of res judicata requires a final determination, and that element was absent from the prior investigation.

In addition to the lack of a final determination, there is a statutory requirement of a full hearing for each investigation. Section 337(c) provides that: "The Commission shall determine with respect to each investigation conducted by it under this section, whether or not there is a violation of this section . . . . All legal and equitable defenses may be presented in all cases." 3/ Under this statutory language, respondents in this new investigation are entitled to a full hearing on the issue of violation. Such a hearing must include an opportunity to present all legal and equitable defenses, particularly absence of substantial injury to an efficiently and economically operated U.S. industry.

Aside from the question of the legal basis for the Commission's actions, fairness and equity should have led the Commission to hear evidence on the violation issue in this case. In the initial headbox investigation the

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3/ 19 U.S.C. section 1337(c).

Commission modified its traditional definition of domestic industry, and the respondents desired in this investigation to point out some potential errors on the part of the Commission resulting from this novel method of defining domestic industry. However, because the information which the respondents desired to discuss was known to them during the prior investigation and, therefore, could have been presented during the course of those proceedings, the Commission denied respondents' motion to hear evidence on the scope of the domestic industry. 4/ Initially, the respondents, of course, did not have reason to expect that this information was important. Although expectations of the parties do not require relitigation of an issue, fairness and the desire to base a determination on all of the information available during a proceeding should have led the Commission to find good cause for hearing evidence on the issue of violation. This is particularly so since the failure to reopen argument on the violation issue in this investigation has resulted in a definition of domestic industry which is the same as defined in the prior investigation -- an industry which does not even include that portion of complainant's operation that was engaged in competition for the sales lost to the respondents. Considering the novelty of such a request, respondents should have had the opportunity to address this issue in this second investigation.

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4/ Motions Nos. 82 A-27, 82 A-28.

Injury

The Commission incorporated by reference the documents and information concerning the violation of section 337 from the record of the prior headbox investigation. 5/ Having limited relitigation of violation to allegations of new violations or new evidence concerning previously-alleged violations where the party demonstrated good cause 6/ and having denied respondents' motions to introduce new evidence and amplify the record 7/, the Commission forced the injury question and the determination of violation to be based on the prior investigation.

As I discussed more extensively in my opinion in the first headbox investigation 8/, two essential elements must be present to satisfy the requirements necessary for a finding of violation. First, there must be an efficiently and economically operated U.S. industry encountering unfair acts. The Commission has previously defined a U.S. industry in

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5/ Notice, 46 Fed. Reg. 34437 (1981).

6/ Id.

7/ Motions 82 A-27, 82 A-28.

8/ Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper and Components Thereof, Dissenting Opinion of Commissioner Paula Stern, Inv. No. 337-TA-82 (1981).

patent-based cases to include those companies engaged in the exploitation of the patents in issue. Congress and the courts have confirmed this definition. 9/ The majority erred in this and the previous investigation when it departed from this course and adopted a definition based only on production which simultaneously utilizes the two patents at issue. 10/ This novel definition resulted in an overly narrow construction of the relevant domestic industry. Of course, the more narrowly one draws the domestic industry, the more easily impact from particular unfair acts rises to the level of the substantial injury standard set forth in the statute. Had the majority not used this contracted definition, it could not have found more than de minimis injury to a domestic industry. 11/

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9/ Id. at 8-10.

10/ Id. at 10-14.

11/ The exploitation of the patent definition of industry has become an accepted legal fiction. However, I do not mean to imply that it should be applied without question in situations where it could lead to an unreasonable definition of industry. See Spring Assemblies and Components Thereof and Methods for their Manufacture, Additional Views of Paula Stern, Inv. No. 337-TA-88 (1981). The majority in Headboxes, however, has reached a definition which is far less reasonable than the exploitation of the patent fiction.

The second statutory requirement of an effect or tendency to substantially injure or destroy remains unsatisfied in this investigation. While conceivable lost sales may support a finding of tendency to substantially injure, they do not presumptively do so. 12/

The complainant in this investigation established patent infringement and lost sales. But that is not enough. It failed to establish a causal relation between the lost sales and any possible injury. It also failed to prove any substantial injury by demonstrating deterioration of economic indicators such as return on investment, employment levels, price levels, or reduction in backlog. 13/ Under section 337(a) both a cause and an effect must be present in order for there to be a finding of violation.

Faced with this record I am compelled to reach the same conclusion as in the initial investigation. Consequently, I determine that there is no violation of section 337 of the Tariff Act of 1930 in the importation and sale of certain headboxes and papermaking machine forming sections and components thereof.

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12/ Supra n.8.

13/ See id. at 24-30 for a complete discussion of economic indicators in this investigation.

Implication of this Investigation

The sole fact distinguishing this investigation from the previous one is the Presidential disapproval of the remedy selected in the prior investigation. 14/

The decision to institute a new investigation following a Presidential disapproval has far-reaching implications. The Commission chose to select a different remedy, one which the President finds more acceptable. Thus, the implication exists that the Commission's determination was influenced by the executive branch of the government. I find this most disturbing. The Commission must maintain its integrity and avoid any implication that it will engage in negotiation of the best remedy with the executive

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14/ It is clear from the face of the statute that the President's role is to decide whether policy considerations should prevent the issuance of the remedy selected by the Commission; it is not to select a remedy that he finds preferable. 19 U.S.C. section 1337(g).

branch. 15/ This investigation may be construed by some as an abdication of the Commission's responsibility to make an independent and objective determination. The Commission has thus placed itself in a position where the basic structure of the statute has been compromised and the appearance of impropriety exists. Protecting not only the integrity,

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15/ Commission remedies should be fashioned to alleviate injury to a U.S. industry, and the majority's statement to the contrary, a cease and desist order is certainly capable in certain circumstances of providing adequate relief for patent infringement. See Certain Apparatus for the Continuous Production of Copper Rod, 337-TA-82, 1979; Certain Large Video Matrix Display Systems and Components Thereof, Views of Commissioner Stern Regarding Remedy, 1981; Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper and Components Thereof, Views of Chairman Alberger Regarding Remedy and the Public Interest, 337-TA-82, 1981; Certain Slide Fastener Stringers and Machines and Components Therefor for Producing Such Slide Fastener Stringers, Dissenting Opinion of Commissioner George Moore, 337-TA-85, 1981; Certain Luggage Products, Views of Commissioners Ablondi and Minchew on Temporary Relief, 337-TA-39, 43 Fed. Reg. 35399, Aug. 9, 1978; Certain Chain Door Locks, Views of Commissioner Ablondi, 337-TA-5, 1976.

I find it difficult to distinguish between the exclusion order proposed by the majority in this case and a cease and desist order as suggested by Chairman Alberger in the original investigation. The linchpin of the proposed exclusion order is that the respondents will label the infringing headboxes and their modified headboxes differently from all other shipments. Presumably, this will avoid trade disruption by eliminating the need for the U.S. Customs Service to inspect shipments of these products from other producers. In fact, the limited exclusion order will not reduce the monitoring burden on the complainant or the Commission since Customs' monitoring will be limited only to pre-marked shipments. Thus, in effect the majority has chosen the functional equivalent of a cumbersome cease and desist order.

The issue of the forming section is a good illustration of where the flexibility of a cease and desist order can give the Commission more efficient remedies. See Spring Assemblies and Components Thereof and Methods for Their Manufacture, Additional Views of Paula Stern, 337-TA-88, 1981. As drafted, the majority's exclusion order requires Customs to determine the intent of the importer in the use of the forming section before a determination can be made to exclude. This is an administrative burden which could be avoided through the use of a cease and desist order.

but the appearance of the integrity of this Commission, is a responsibility which I do not take lightly. And it is my judgment that the long-term best policy for the operation of this statute would be best served by not taking an action which could compromise the "appearance" of integrity of this body.

This problem with the 337 process, of the President disapproving only the particular remedy selected by the Commission and not a remedy in general, brought clearly to our attention by the choice we faced in this investigation, is certainly one which deserves some attention. Had there been any way to help the original petitioner caught in this problem without doing violence to our independent character, my vote would have been in the affirmative on self-initiation.

Conclusion

Having considered the record as it exists, minimally altered from the prior investigation, and finding no indication of an effect or tendency to substantially injure an efficiently and economically operated domestic industry, I determine that there is no violation of section 337 of the Tariff Act of 1930 in the importation and sale of certain headboxes and papermaking machine forming sections and components thereof. I reach this determination having been left with no choice but to vote in an investigation that I opposed instituting since this second investigation gives the appearance that inappropriate influence from the executive branch of the U.S. government exists.

# APPENDIX I

Claim 1 of the '269 patent reads:

> In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising a plurality of trailing elements positioned in the slice chamber, each of said elements extending transversely of said headbox from pondside to pondside, means anchoring said elements only at their upstream ends at locations spaced generally perpendicular to the stock-flow stream with their downstream portions unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice. (Emphasis in original).

Claim 12 of the patent reads:

> In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising a trailing element positioned in the slice chamber, said element extending transversely of said headbox from pondside to pondside, means anchoring said element only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice. (Emphasis in original).

Claim 14 of the '269 patent reads:

withdrawn from the investigation

In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising a rigid member positioned in the slice chamber, said member projecting downstream generally in the direction of stock flow, means supporting said member only at its upstream end and trailing elements attached to the downstream end of said member, said elements being attached to said member only at their upstream ends with their downstream portions unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice.

Claims 15 and 16 of the '269 patent read:

15. In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising:

perforate walls means mounted in said slice chamber transversely of said slice chamber and located in an upstream portion of said slice chamber,

a plurality of rigid plates,

means for attaching the upstream ends of said plates to said wall means,

said plates extending transversely of said headboxes from pondside to pondside and projecting downstream generally in the direction of stock flow,

and trailing elements attached to the downstream ends of said plates,

said elements being attached to said plates only at their upstream ends with their downstream portions unattached and constructed to be self-positionable so as to be solely responsive to forces exerted by the stock flowing towards the slice.

16. The structure of claim 15 wherein said elements are in the form of sheets extending transversely of said headbox.

Claim 22 of the '269 patent reads:

In a headbox for delivering stock to a forming surface, the headbox having a slice chamber and a slice opening, the improvement comprising:

perforate all means mounted in said slice chamber and located in an upstream portion of said slice chamber,

a rigid plate,

means for attaching the upstream end of said plate to said wall means,

said plate extending transversely of said headbox from pondside to

pondside and projecting downstream generally in the direction of stock flow,

and a trailing element attached to the downstream end of said plate,

said element being attached to said plate only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be solely responsive to forces exerted thereon by the stock flowing towards the slice.

# APPENDIX II

Claim 1 of the '593 patent reads:

In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier, the combination comprising

uncontested in the investigation

a headbox having a lower wall and an upper wall;

a slice chamber connected to the headbox having a lower slice wall and an upper slice wall being extensions of the headbox walls, one of said slice walls being pivoted at its upstream edge with said slice walls tapered toward each other and terminating in a slice opening;

flow divider plates in the headbox extending completely across the headbox in the direction of flow and dividing the headbox into separate stock chambers;

separate stock supply means to each of said chambers for delivering stocks of different physical characteristics;

flexible sheet members in the slice chamber secured at their upstream ends in alignment with the plates with their downstream ends being unattached and extending to the slice opening whereby the stocks of the separate chambers do not intermix and remain separate for the full travel onto the forming surface and the pressure of the stock flows on opposite sides of said sheet members remains equal for uniform velocity flow at the slice opening;

and a forming surface positioned to have stock discharged thereon from the slice opening.

Claim 2 of the '593 patent reads:

uncontested in the investigation

In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier constructed in accordance with claim 1:

wherein the forming surface is formed of a pair of looped traveling forming wires with guides therein arranged to form a forming throat into which the stock is discharged followed by a forming run.

Claim 4 of the '593 patent reads:

In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carier, the combination comprising:

a foraminous forming surface for receiving a liquid stock and dewatering the stock;

a headbox having a slice chamber formed by slice walls terminating in slice lips which form a slice opening for directing a jet stream onto the forming surface; said slice lips extending substantially the same distance toward said surface; said headbox also having a preslice chamber immediately upstream of the slice chamber; a first rigid partition extending across said preslice chamber dividing the preslice chamber into multiple stock chambers;

a second partition extending across said slice chamber forming a continuation of said first partition and dividing the slice chamber into multiple stock chambers to extend to the slice opening; said second partition being supported only at its upstream end with its downstream portion unattached and constructed to be self-positionable so as to be responsive to forces exerted thereon by the stock flowing toward the slice so that the stocks from the multiple chambers exit through the slice opening at uniform velocity;

and means for supplying stocks of different characteristics to each of said multiple stock chambers in the preslice chamber.

Claim 5 of the '593 patent reads:

In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid carrier constructed in accordance with claim 4:

wherein said forming surface is comprised of a first looped traveling forming wire and a second looped traveling forming wire;

and guide means within said wires guiding the wires to provide a forming throat receiving stock from said slice followed by a forming run between the wires.

Claim 6 of the '593 patent reads:

In a machine for making a multi-ply web such as a paper from stocks having a slurry of fibers in a liquid corrier constructed in accordance with claim 4:

including a third partition extending across said preslice chamber so that the headbox is divided into at least three stock chambers comprising two outer chambers and one intermediate chamber and including a fourth partition being a continuance of the third partition which extends to the slice opening and is self-positioning.