

**In the Matter of**

**CERTAIN COMPOUND ACTION METAL  
CUTTING SNIPS AND COMPONENTS  
THEREOF**

**Investigation No. 337-TA-197**



**USITC PUBLICATION 1831**

**MARCH 1986**

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

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**Address all communications to**  
**Kenneth R. Mason, Secretary to the Commission**  
**United States International Trade Commission**  
**Washington, DC 20436**



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

By order of the Commission.



Kenneth R. Mason  
Secretary

Issued: July 19, 1985

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

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In the Matter of ) )

CERTAIN COMPOUND ACTION METAL )  
CUTTING SNIPS AND COMPONENTS )  
THEREOF )  
\_\_\_\_\_)

Investigation No. 337-TA-197

COMMISSION ACTION AND ORDER

Background

On July 5, 1984, the Commission instituted investigation No. 337-TA-197, Certain Compound Action Metal Cutting Snips and Components Thereof, to determine whether there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation into and sale in the United States of certain compound action metal cutting snips by reason of (1) infringement of complainant's Register Trademark No. 640,640 for METALMASTER; (2) infringement of complainant's common-law trademark for the designations M1, M2, M3; (3) misappropriation of trade dress; (4) false and deceptive advertising; (5) misrepresentation of source; (6) false designation of origin; and (7) passing off, the effect or tendency of which unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

The investigation was based upon the complainant of Cooper Industries, Inc. (Cooper) filed on June 7, 1984. Cooper, through its subsidiaries, is engaged in the manufacture of hand tools and is the owner of the registered trademark in controversy.

The Commission's notice of investigation originally named ten respondents to the investigation. Three foreign respondents -- (1) Fedco International, Inc. of Taiwan, (2) Home-Chain Enterprise Co., Ltd. of Taiwan, and (3) Harko Industrial Co., Ltd. of Taiwan -- were alleged to be foreign manufacturers and/or exporters of the allegedly infringing metal cutting snips. Seven domestic respondents -- (1) U.S. General Supply Corp. of New York, (2) Homier Distributing Co. of Indiana, (3) Action Eagle, Inc. of California, (4) J & C Wholesale of Michigan, (5) Coast Freight of California, (6) Jameson & Sons of Pennsylvania, and (7) Azco Tool, Inc. of California -- were alleged to be engaged in the importation into and/or sale in the United States of the allegedly infringing metal cutting snips.

None of the named respondents entered an appearance in this investigation. However, respondents Fedco International, Inc. (Fedco); Home-Chain Enterprises, Co., Ltd. (Home-Chain); Action Eagle, Inc. (Action Eagle); Jameson & Son (Jameson); and Harko Industrial Co., Ltd. (Harko) responded to the complaint by letter. The presiding administrative law judge (ALJ) held a

preliminary conference on September 5, 1984, at which complainant and the Commission investigative attorney (IA) entered appearances.

On September 21, 1984, the ALJ granted respondent Action Eagle's motion for termination as a respondent in the investigation (Order No. 4). The Commission issued a notice of its decision not to review the ID terminating Action Eagle on October 31, 1984. 49 Fed. Reg. 43808 (1984). On September 24, 1984, the ALJ denied complainant's motion to amend the complaint to add Marco Corp. and Zayre Corp. as respondents to the investigation (Order No. 5).

In two orders issued on January 24, 1985 (Orders Nos. 8, and 9), the ALJ granted the motions of complainant and the IA to compel discovery from certain respondents. Subsequently, complainant filed a motion on February 12, 1985 (Motion No. 197-9), for entry of default and adverse inferences against respondents Home-Chain, Fedco, Homier, Harko, J & C Wholesale, Azco Tool, Coast Freight, and U.S. General Supply. The IA supported the motion in part, and the ALJ granted the motion in part in the final ID.

The ALJ held a prehearing conference on February 11, 1985, and the evidentiary hearing followed immediately thereafter. Both complainant and the IA entered appearances, but no respondent appeared at either the prehearing conference or the hearing itself. The evidentiary hearing concluded on February 12, 1985.

On April 8, 1985, the ALJ granted the joint motion of complainant Cooper and respondent U.S. General to terminate the investigation as to U.S. General on the basis of a consent order (Order No. 12). The Commission issued a notice of its decision not to review the ID terminating U.S. General on May 10, 1985. 50 Fed. Reg. 21146 (1985). In another ID issued on April 18, 1985, the ALJ granted the joint motion of complainant Cooper and respondent Azco to terminate Azco as a respondent on the basis of a settlement agreement (Order No. 13). The Commission determined not to review the ID and issued a notice to that effect on May 23, 1985. 50 Fed. Reg. 23083 (1985).

On April 18, 1985, the Commission's ALJ issued an ID that there is a violation of section 337 in the importation and sale of the compound action metal cutting snips under investigation. Specifically, the ALJ found that complainant is the exclusive owner of Registered Trademark No. 640,640 for METALMASTER and that the accused devices manufactured, imported, and sold by respondents infringe that registered trademark. Further, the ALJ found that the accused products infringe complainant's common-law trademark in the designations M1, M2, and M3; that respondents have misappropriated complainant's sleeve packaging trade dress; and that respondent Coast Freight had falsely advertised that its own cold-stamped metal cutting snips have hot drop-forged molybdenum steel blades. While the ALJ found that no respondent has failed to



designate the country of origin in connection with imported metal cutting snips, he did find that respondents have passed off imported snips as having originated from complainant. The ALJ determined that the effect or tendency of certain respondents' unfair acts is to destroy or substantially injury an efficiently and economically operated domestic industry.

On May 31, 1985, complainant and respondent Jameson moved the Commission to terminate the investigation as to Jameson (Motion No. 197-14). However, before action could be taken on that motion, the Commission decided not to review the ID, which became the Commission's determination on violation of section 337. 50 Fed. Reg. 24712 (1985).

The issue of violation having been decided by the Commission's determination not to review the ID dealing with violation of section 337, the issues remaining for the Commission to decide are those of the proposed termination of respondent Jameson, remedy, the public interest, and bonding.

#### Action

Having determined that these issues are properly before the Commission, and having reviewed the written submissions filed on the proposed termination of respondent Jameson, remedy, the public interest, and bonding and those portions of the record relating to those issues, the Commission has determined to deny as moot the motion to terminate respondent Jameson and to issue a general exclusion order prohibiting entry into the United States of the following:

- (1) compound metal cutting snips that bear the "METALMASTER", "M1", "M2", or "M3" marks or colorable imitations thereof (including those snips bearing the designations "R-M1", "R-M2", or "R-M3");
- (2) packaging or sales and advertising materials for snips that bear the "METALMASTER", "M1", "M2", or "M3" marks or colorable imitations thereof (including packaging or materials bearing the designations "R-M1", "R-M2, or "R-M3"); and
- (3) packaging or sales and advertising materials which incorporate a red and white hexagonal shield and is confusingly similar to complainant's trade dress.

The Commission has also determined to issue cease and desist orders prohibiting respondents J & C Wholesale and Coast Freight from passing off their imported compound action metal cutting snips as having originated with complainant.

The Commission has also determined that the public interest factors enumerated in subsections 337(d) and (f) (19 U.S.C. §1337(d) and (f)) do not preclude issuance of the aforementioned exclusion order, and cease and desist orders, and that the bond during the Presidential review period should be in the amount of 170 percent of the entered value of the articles concerned.


Order

Accordingly, it is hereby ORDERED THAT--

1. Compound action metal cutting snips that bear the "METALMASTER", "M1," "M2", or "M3" marks or colorable imitations thereof (including those snips bearing the designations "R-M1", "R-M2", or "R-M3") are excluded from entry into the United States except under license from the trademark owner;
2. Packaging or sales and advertising materials for snips that bear the "METALMASTER", "M1", "M2", or "M3" marks or colorable imitations thereof (including packaging or materials bearing the designations "R-M1", "R-M2", or "R-M3") are excluded from entry into the United States, except under license of the trademark owner;
3. Packaging or sales and advertising materials which incorporate a red and white hexagonal shield and are confusingly similar to complainant's trade dress are excluded from entry into the United States, except under license of the trademark owner;
4. Respondents J & C wholesale and Coast Freight shall cease and desist from passing off their imported compound action metal cutting snips as having originated with complainant, as provided in the cease and desist orders attached hereto;
5. The articles ordered to be excluded from entry into the United States shall be entitled to entry under bond in the amount of 170 percent of the entered value of the subject articles from the day after this order is received by the President pursuant to subsection (g) of section 337 of the Tariff Act of 1930, until such time as the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after the date of receipt of this action;
6. The joint motion (Motion No. 197-14) to terminate respondent Jameson & Sons, Inc. on the basis of a settlement agreement is denied as moot;

7. The Secretary shall serve copies of this Commission Action and Order and the Commission Opinion in support thereof upon each party of record to this investigation and publish notice thereof in the Federal Register; and
8. The Commission may amend this Order in accordance with the procedure described in section 211.57 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 211.57).

By order of the Commission.



Kenneth R. Mason  
Secretary

Issued: July 19, 1985

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

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In the Matter of )

CERTAIN COMPOUND ACTION )  
METAL CUTTING SNIPS )  
\_\_\_\_\_ )

Investigation No. 337-TA-197

ORDER TO CEASE AND DESIST

It is hereby ordered that J & C Wholesale cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) by passing off its imported compound action metal cutting snips as snips originating with Cooper Industries, Inc.

I

(Definitions)

As used in this Order:

- (A) "Commission" shall mean the United States International Trade Commission.
- (B) "Complainant" shall mean Cooper Industries, Inc., First City Tower, Suite 4000, P.O. Box 4446, Houston, Texas 77210, including Wiss, an operating entity of The Cooper Group, a division of Cooper Industries, Inc.
- (C) "Respondent" shall mean J & C Wholesale, 4903 Grand River, Lansing, Michigan 48906.

- (D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation or other legal or business entity other than the above Respondent or its majority owned and/or controlled subsidiaries, their successors and assigns.
- (E) "United States" shall mean the fifty states, the District of Columbia, and Puerto Rico.
- (F) "Compound action metal cutting snips" shall mean snips made of metal, sometimes referred to as "aviation snips," designed to cut various kinds of sheet metal, including aluminum and galvanized steel.
- (G) "Imported compound action metal cutting snips" shall mean compound action metal cutting snips that are manufactured in any country other than the United States for shipment or export to the United States for resale in the United States.

## II

### (Applicability)

The provisions of this cease and desist order shall apply to respondent and to its principals, stockholders, officers, directors, employees, agents, licenses, distributors, controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors and assignees, all persons acting in concert with them, and to each of them, and to all other persons who receive actual notice of this order by service in accordance with section VII hereof.

### III

#### (Conduct Prohibited)

Respondent shall not represent, or aid other persons to represent, that imported compound action metal cutting snips are in any way manufactured, sponsored, authorized, approved by or associated with, Complainant. The prohibited conduct includes the use, in connection with the sale of imported metal cutting snips of Complainant's "M1", "M2", or "M3" and "METALMASTER" marks, or Complainant's trade dress as portrayed in the attached photograph.

This order is effective with respect to imported compound action metal cutting snips acquired by Respondent subsequent to July 19, 1984.

### IV

#### (Conduct Permitted)

Notwithstanding any other provisions of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, such specific conduct is licensed or authorized by Complainant.

### (V)

#### (Reporting)

For purposes of this reporting requirement, each reporting period shall commence on July 19 and shall end on the following July 18. The first report required under this section shall cover the period July 19, 1984 to July 18, 1985. This

reporting requirement shall continue in force until further notice from the Commission, and failure to report shall constitute a violation of this Order.

Within 14 days after the last day of each reporting period, Respondent shall report to the Commission the following:

- (A) Its importations, if any, during the reporting period in question;
- (B) Its sales in the United States, during the reporting period in question, of imported compound action metal cutting snips acquired by Respondent on or after July 19, 1984; and
- (C) All contracts, whether written or oral, entered into during the reporting period in question, to sell imported compound action metal cutting snips after July 19, 1984.

In connection with the importations and sales of compound action metal cutting snips referred to in paragraphs A and B above, Respondent shall provide the Commission with two copies of all invoices, delivery orders, bills of lading, and other documents concerning the importation or sale in question. Such copies shall be attached to the reports required by paragraphs A and B above.

In connection with the sales of imported compound action metal cutting snips referred to in paragraph B above, Respondent shall provide the Commission with two copies of each brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature distributed to one or more direct or indirect vendee(s) where such material advocates, describes, explains, illustrates, or refers to compound action



metal cutting snips. For each brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature, Respondent shall indicate to which vendee(s) or prospective vendee(s) such document was distributed. The required copies shall be attached to the reports required by paragraph B above.

In connection with the sales of imported compound action metal cutting snips referred to in paragraph B above, Respondent shall provide the Commission with two copies of each advertisement or announcement published subsequent to the date of issuance of this order. For such advertisement or announcement furnished, Respondent shall indicate when and in which publication such advertisement or announcement was published. The required copies shall be attached to the reports required by paragraph B above.

## VI

### (Compliance and Inspection)

Respondent shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to Respondent's principal office in the United States, all books, ledgers, accounts, correspondence, memoranda, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter or statement contained in the reports required under section V of this Order.

## VII

### (Service of Order)

Respondent is ordered and directed to:

- (A) Serve, within 30 days after the date of issuance of this Order, a copy of the Order upon each of its respective officers, directors, managing agents, agents and employees who have any responsibility for the advertising, marketing, distribution or sale of imported compound action metal cutting snips in the United States.
- (B) Serve, within 30 days after succession of any of the persons referred to in paragraph A above a copy of this order upon each successor.
- (C) Maintain such records as will show the name, title and address of such officer, director, managing agent, agent and employee upon whom the Order has been served, together with the date on which service was made.
- (D) All obligations set forth in paragraphs B and C above shall remain in effect until further notice from the Commission.

## VIII

### (Confidentiality)

Information obtained by the means provided in sections V and VI of this Order will be made available only to the Commission and its authorized representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than duly authorized representatives of the Commission, except as may be

required in the course of securing compliance with this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to Respondent's principal office in the United States.

IX

(Enforcement)

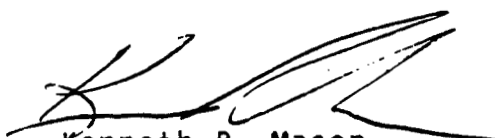
Violation of this order may result in an action for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. § 1337(f)) and such other section as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information as required by this Order.

X

(Modification)

This order may be modified by the Commission on its own motion or upon motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. 19 C.F.R. § 211.57.

BY ORDER OF THE COMMISSION



Kenneth R. Mason  
Secretary

Issued: July 19, 1985





- (D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation or other legal or business entity other than the above Respondent or its majority owned and/or controlled subsidiaries, their successors and assigns.
- (E) "United States" shall mean the fifty states, the District of Columbia, and Puerto Rico.
- (F) "Compound action metal cutting snips" shall mean snips made of metal, sometimes referred to as "aviation snips," designed to cut various kinds of sheet metal, including aluminum and galvanized steel.
- (G) "Imported compound action metal cutting snips" shall mean compound action metal cutting snips that are manufactured in any country other than the United States for shipment or export to the United States for resale in the United States.

## II

## (Applicability)

The provisions of this cease and desist order shall apply to Respondent and to its principals, stockholders, officers, directors, employees, agents, licenses, distributors, controlled (whether by stock ownership or otherwise) and/or majority-owned business entities, successors and assignees, all persons acting in concert with them, and to each of them, and to all other persons who receive actual notice of this order by service in accordance with section VII hereof.

## III

## (Conduct Prohibited)

Respondent shall not represent, or aid other persons to represent, that imported compound action metal cutting snips are in any way manufactured, sponsored, authorized, approved by or associated with, Complainant. The prohibited conduct includes the use in connection with the sale of imported metal cutting snips of complainant's "M1", "M2", or "M3" marks.

This order is effective with respect to imported compound action metal cutting snips acquired by Respondent subsequent to July 19, 1984.

## IV

## (Conduct Permitted)

Notwithstanding any other provisions of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, such specific conduct is licensed or authorized by Complainant.

## (V)

## (Reporting)

For purposes of this reporting requirement, each reporting period shall commence on July 19 and shall end on the following July 18. The first report required under this section shall cover the period July 19, 1984 to July 18, 1985. This reporting requirement shall continue in force until further

notice from the Commission, and failure to report shall constitute a violation of this Order.

Within 14 days after the last day of each reporting period, Respondent shall report to the Commission the following:

- (A) Its importations, if any, during the reporting period in question;
- (B) Its sales in the United States, during the reporting period in question, of imported compound action metal cutting snips acquired by Respondent on or after July 19, 1984; and
- (C) All contracts, whether written or oral, entered into during the reporting period in question, to sell imported compound action metal cutting snips after July 19, 1984.

In connection with the importations and sales of compound action metal cutting snips referred to in paragraphs A and B above, Respondent shall provide the Commission with two copies of all invoices, delivery orders, bills of lading, and other documents concerning the importation or sale in question. Such copies shall be attached to the reports required by paragraphs A and B above.

In connection with the sales of imported compound action metal cutting snips referred to in paragraph B above, Respondent shall provide the Commission with two copies of each brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature distributed to one or more direct or indirect vendee(s) where such material advocates, describes, explains, illustrates, or refers to compound action



metal cutting snips. For each brochure, pamphlet, leaflet, instruction sheet, or other item of sales or technical literature, Respondent shall indicate to which vendee(s) or prospective vendee(s) such document was distributed. The required copies shall be attached to the reports required by paragraph B above.

In connection with the sales of imported compound action metal cutting snips referred to in paragraph B above, Respondent shall provide the Commission with two copies of each advertisement or announcement published subsequent to the date or issuance of this order. For such advertisement or announcement furnished, Respondent shall indicate when and in which publication such advertisement or announcement was published. The required copies shall be attached to the reports required by paragraph B above.

## VI

### (Compliance and Inspection)

Respondent shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission mailed to Respondent's principal office in the United States, all books, ledgers, accounts, correspondence, memoranda, financial reports, and other records or documents in its possession or control for the purpose of verifying any matter or statement contained in the reports required under section V of this Order.

## VII

## (Service of Order)

Respondent is ordered and directed to:

- (A) Serve, within 30 days after the date of issuance of this Order, a copy of the Order upon each of its respective officers directors, managing agents, agents and employees who have nay responsibility for the advertising, marketing, distribution or sale of imported compound action metal cutting snips in the United States.
- (B) Serve, within 30 days after succession of any of the persons referred to in paragraph A above a copy of this order upon each successor.
- (C) Maintain such records as will show the name title and address of such officer, director, managing agent, agent and employee upon whom the Order has been served, together with the date on which service was made.
- (D) All obligations set forth in paragraphs B and C above shall remain in effect until further notice from the Commission.

## VIII

## (Confidentiality)

Information obtained by the means provided in sections V and VI of this Order will be made available only to the Commission and its authorized representatives, will be entitled to confidential treatment, and will not be divulged by any authorized representative of the Commission to any person other than duly authorized representatives of the Commission, except as may be required in the course of securing compliance with

this Order, or as otherwise required by law. Disclosure hereunder will not be made by the Commission without 10 days' prior notice to Respondent's principal office in the United States.

## IX

## (Enforcement)

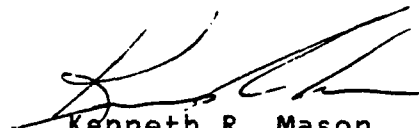
Violation of this order may result in an action for civil penalties in accordance with the provisions of section 337(f) of the Tariff Act of 1930 (19 U.S.C. §1337(f)) and such other section as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information as required by this Order.

## X

## (Modification)

This order may be modified by the Commission on its own motion or upon motion by any person pursuant to section 211.57 of the Commission's Rules of Practice and Procedure. 19 C.F.R. §211.57.

BY ORDER OF THE COMMISSION



Kenneth R. Mason  
Secretary

Issued: July 22, 1985



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

OFFICE OF THE SECRETARY  
ECONOMIC JUSTICE

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In the Matter of )  
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CERTAIN COMPOUND ACTION METAL )  
CUTTING SNIPS AND COMPONENTS )  
THEREOF )  
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Investigation No. 937-TA-197

COMMISSION MEMORANDUM OPINION  
ON REMEDY, THE PUBLIC INTEREST, AND BONDING

On June 7, 1984, Cooper Industries, Inc. (Cooper), of Houston, Texas, filed a complaint with the Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) alleging unfair methods of competition and unfair acts in the importation into or sale in the United States of certain compound action metal cutting snips and components thereof. Cooper's complaint alleged that such importation and sale constitute unfair acts by reason of: (1) infringement of Cooper's Registered Trademark No. 640,640 for METALMASTER; (2) infringement of Cooper's common-law trademark for the designations M1, M2, and M3; (3) misappropriation of trade dress; (4) false and deceptive advertising; (5) misrepresentation of source; and (6) false designation of origin and passing off.

The Commission instituted this investigation on July 5, 1984, and notice of the investigation was published in the Federal Register on July 19,

1984. 1/ None of the named respondents entered an appearance in this investigation. 2/

On April 18, 1985, the administrative law judge (ALJ) issued an initial determination that there is a violation of section 337 in the importation and sale of the compound action metal cutting snips under investigation. Specifically, the ALJ found that complainant Cooper is the exclusive owner of Registered Trademark No. 640,640 for METALMASTER and that the accused devices manufactured, imported, and sold by respondents infringe that trademark. Further, the ALJ found that the accused products infringe complainant's common-law trademark in the designations M1, M2, and M3; that respondents have misappropriated complainant's sleeve packaging trade dress; and that one respondent has falsely advertised that its cold-stamped metal cutting snips have hot-dropped forged molybdenum steel blades. The ALJ found that no respondent has failed to designate the country of origin in connection with imported metal cutting snips. He did find that respondents have passed off imported snips as having originated from complainant. The ALJ determined that the effect or tendency of certain respondents' unfair acts is to destroy or substantially injure an efficiently and economically operated domestic industry.

The Commission determined not to review the ID, which then became the Commission's determination on violation of section 337. 3/ The notice of the

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1/ Notice of Institution, 49 Fed. Reg. 29160 (1984). The notice named the following respondents: Fedco International, Inc.; Home-Chain Enterprise Co., Ltd.; Harko Industrial Co., Ltd.; U.S. General Supply Corp.; Homier Distributing Co.; Action Eagle, Inc.; J & C Wholesale; Coast Freight Salvage; Jameson & Sons; and Azco Tool, Inc.

2/ Action Eagle, Inc., Azco Tool, Inc., and U.S. General Supply Corp. were terminated as respondents on the basis of settlement or consent order agreements.

3/ 50 Fed. Reg. 24712 (1985).

Commission's determination requested comments on remedy, the public interest, and bonding, the only issues remaining for resolution in this investigation.

#### REMEDY

We have determined that a general exclusion order and two cease and desist orders are the appropriate remedies in this investigation. <sup>4/</sup> The violation of section 337 that the Commission has found to exist can best be remedied by such orders. The general exclusion order will prevent future infringing imports; the cease and desist orders prohibit domestic respondents Coast Freight Salvage and J & C Wholesale from continuing to injure the domestic industry by selling their inventories of infringing metal cutting snips, which have already entered the United States.

The facts of this case satisfy the criteria established in Certain Airless Paint Spray Pumps and Components Thereof <sup>5/</sup> for the issuance of a general exclusion order. In Spray Pumps, we noted that the Commission has an obligation to balance complainant's interest in complete protection against the inherent potential of a general exclusion order to disrupt legitimate trade. <sup>6/</sup> Accordingly, the Commission has since required that a complainant seeking a general exclusion order prove "both a widespread pattern of unauthorized use of its patented invention [viz., unauthorized imports or

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<sup>4/</sup> Commissioner Eckes and Commissioner Lodwick do not agree that the appropriate remedies in this investigation should include two cease and desist orders and believe that only a single cease and desist order directed to the separate unfair acts of respondent Coast Freight should issue. The bases for this position are fully set forth infra at note 14.

<sup>5/</sup> Inv. No. 337-TA-90, USITC Pub. 1199 (1981). While Spray Pumps involved unfair acts based on patent infringement, the standards regarding remedy set forth therein are equally applicable to investigations involving other unfair acts.

<sup>6/</sup> Id. at 18.

sales of infringing goods] and certain business conditions from which [the Commission] might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles." 7/

In establishing whether a widespread pattern of unauthorized use exists, the Commission has considered:

- (1) unauthorized importation into the United States of infringing articles by numerous foreign manufacturers;
- (2) pending foreign infringement suits based upon foreign patents which correspond to a domestic patent in issue; and
- (3) other evidence which demonstrates a history of unauthorized foreign use of the patented invention. 8/

The evidence of record amply demonstrates widespread unauthorized sales of infringing imported compound action metal cutting snips. The ALJ determined that each of the named respondents either had infringed complainant's registered trademark or common-law trademark or had misappropriated complainant's trade dress. 9/ These infringing and/or misleadingly-packaged, imported snips are widely available for sale by respondents.

Concerning the "business conditions" required for issuance of a general exclusion order, the Commission has considered:

- (1) an established demand for the product in the U.S. market and conditions of the world market;
- (2) the availability of marketing and distribution networks in the United States for potential foreign manufacturers;

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7/ Id. It should be noted that in Spray Pumps the Commission declined to issue a general exclusion order because the facts of the case did not satisfy the enumerated criteria.

8/ Id. at 18-19 (footnotes omitted).

9/ ID at 15 (infringement of registered trademark); 39-40 (infringement of common-law trademark; 43-44 (misappropriation of trade dress).



(3) the cost of foreign entrepreneurs of building a facility capable of producing the articles;

(4) the number of foreign manufacturers whose facilities could be retooled to produce the article; and

(5) the cost to foreign manufacturers of retooling their facility to produce the articles. 10/

The record in this case reflects significant demand in the United States for complainant's metal cutting snips as evidenced by the level of sales enjoyed by complainant, as well as the number of sales of infringing snips. 11/ Similarly, the evidence of record shows that marketing and distribution networks for foreign producers are available in the United States and that such networks include a number of well-established, well-known retailers. 12/ As to the question of foreign capacity, the record evidence demonstrates that a number of Taiwanese hot-drop forging operations exist and that these facilities could be rapidly and inexpensively converted to the production of metal cutting snip blades. 13/ Therefore, we are of the view that a general exclusion order should issue.

In addition to requesting a general exclusion order, complainant requested cease and desist orders directed to respondents J & C and Coast Freight. Complainant contends that these orders are necessary to protect it from respondents' inventories of infringing metal cutting snips and the "passing off" of those snips as having originated with complainant.

We agree that the general exclusion order standing alone cannot redress the injury being suffered by the domestic industry by virtue of the unfair

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10/ See Spray Pumps at 18-19; see also Certain Single Handle Faucets, Inv. No. 337-TA-167, USITC Pub. 1606 (1984) at 3-4.

11/ See ID at 202.

12/ Id. at 61.

13/ Id. at 64.

acts engaged in by respondents. 14/ In the present case, the large volume of imports in respondent's inventory which has yet to be sold is a potential cause of substantial injury to the domestic industry. Only the issuance of cease and desist orders will prevent the further sale of these infringing imports. 15/

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14/ As has been noted, Commissioner Eckes and Commissioner Lodwick disapprove of the issuance of general exclusion and cease and desist orders which are directed to the same unfair act. They believe that the correct approach is that specified in section 337(f) of the Tariff Act of 1930 as applied by the Commission in Certain Molded-In Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99, USITC Pub. 1246 (1982). See also Certain Plastic Food Storage Containers, Inv. No. 337-TA-152, USITC Pub. 1563 (1984); Certain Cast-Iron Stoves, Inv. No. 337-TA-69, USITC Pub. 1126 (1981).

Section 337(f) states: "[i]n lieu of taking action under subsection (d) or (e) of this section [which provide for issuing a temporary or permanent exclusion order] the Commission may issue . . . an order directing such persons to cease and desist from engaging" in the unfair acts. The Commission initially construed this language to mean that an exclusion order and a cease and desist order were mutually exclusive remedies. See Doxycycline, Inv. No. 337-TA-3 (1979).

However, in Sandwich Panel Inserts, the Commission recognized that exclusion orders and cease and desist orders could issue in a single investigation, but only where the orders were directed to separate and distinct unfair acts. The Commission thus distinguished its earlier approach taken in Doxycycline on the grounds that Doxycycline involved a request for both forms of relief to remedy a single unfair act.

We decline to go beyond the exception created in the Sandwich Panel Inserts investigation. Accordingly, we concur in the cease and desist order directed to Coast Freight, which engaged in a separate unfair act ["passing off"] as distinguished from the acts engaged in by other respondents.

Commissioner Eckes and Commissioner Lodwick disassociate themselves from statements wherever they appear in this opinion which do not comport with the views expressed in this footnote.

15/ Commissioner Lodwick notes that the statute empowers the Commission to order persons "to cease and desist from engaging in the unfair methods or acts involved." Where the unfair act is "passing-off," the Commission can direct the recipient of the order not to engage in "passing-off" in connection with the sale of the product in question. However, the Commission has no authority to absolutely prohibit the sale of the product in question, i.e., in the absence of the recipient of the order engaging in "passing-off." If it is some feature of the product which constitutes, or is the basis for, the "passing-off" it may be that that feature can be removed or be so altered as to no longer be so regarded. In that event, there would be no basis for prohibiting its sale.

Section 337(f) states: "[i]n lieu of taking action under subsection (d) or (e) of this section [which provide for issuing a temporary or permanent exclusion order] the Commission may issue . . . an order directing such person to cease and desist from engaging" in the unfair acts. The legislative history of section 337 states that the Commission's power to issue cease and desist orders was designed to add remedial flexibility. 16/ This intended flexibility would be rendered a nullity if the Commission were precluded from issuing a cease and desist order together with a general exclusion order in cases where both types of orders are required in order to provide an effective remedy. 17/

The Commission previously has recognized that a cease and desist order may issue together with a general exclusion order where the investigation involves separate and distinct unfair acts. For example, in Certain Airtight Cast-Iron Stoves, 18/ the Commission unanimously determined to issue an exclusion order and six cease and desist orders where four separate unfair

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16/ See S. Rep. No. 1298, 98th Cong., 1st Sess. 198 (1974).

17/ See note 14 supra. Commissioner Lodwick notes that originally, as to remedies, the Commission's choice was Hobson's choice: an exclusion order, or nothing. By amendment, Congress introduced a degree of flexibility: a cease and desist order could be imposed in lieu of an exclusion order. The statutory language provides no other articulation; the majority's handling of the provision as though it were fully gimballed damages the statutory mechanism.

While ~~what-the-statute-says~~ permits no other flexion, ~~what-the-statute-does-not-say~~ did permit the Commission in Molded-In Sandwich Panel Inserts to engage in a permissible exercise of judicial interstitial extrapolation. There is sufficient "play" in the language of the ~~cease-and-desist~~ provision to accommodate the Commission's construction that an exclusion order and a cease and desist order can be issued in an investigation when each is based upon a finding of a separate and distinct unfair act. But the joint is sprung when the leverage of irresistible logic is used to wedge in exemptions for all of the "several distinct and equally important elements of a violation of section 337." At that point the ~~in-lieu-of~~ language ceases to function.

18/ Inv. No. 337-TA-69, USITC Pub. 1126 (1981).

acts (false advertising, passing off, common-law trademark infringement, and registered trademark infringement) were involved.

The Commission again unanimously determined to issue an exclusion order and several cease and desist orders in Certain Molded-In-Sandwich Panel Inserts and Methods for Their Installation, Inv. No. 337-TA-99, USITC Pub. 1246 (1982). The Commission found that issuance of both an exclusion order and cease and desist orders did not conflict with the "in lieu of" language of the statute since the two types of orders were directed at different unfair acts. Similarly, in Certain Plastic Food Storage Containers, Inv. No. 337-TA-152, USITC Pub. 1563 (1984), the Commission issued a limited exclusion order and cease and desist orders to remedy separate unfair acts.

The rationale of the foregoing cases cannot logically be limited only to instances where there are separate "unfair acts." The existence of an "unfair act" is one of several distinct and equally important elements of a violation of section 337. Nothing in section 337(a) provides a basis for distinguishing the effect of multiple unfair acts from the effects of multiple importation and sale or multiple types of injury. It remains, of course, to the Commission's discretion to determine, where these conditions exist, that it would be proper, given the unique facts of the particular investigation, to issue such a remedy. 19/

---

19/ Vice Chairman Liebeler notes that an exclusion order can never apply to infringing imports already in the United States, but only to future imports. In order to prevent the harm from the sale of infringing goods imported prior to the issuance of the exclusion order, it is necessary for the Commission to be able to issue a cease and desist order in lieu of an exclusion order. It is consistent with the statute for the Commission to issue both orders because they apply to different goods; the exclusion order to future imports and the cease and desist order to goods already in the United States.

The facts of this investigation compel the Commission to issue both a general exclusion order and cease and desist orders if effective relief is to be afforded complainant. As we have noted, there have been importations of large numbers of infringing metal cutting snips, which have yet to be sold. These inventories are a potential cause of substantial injury to the domestic industry. The failure to prohibit further sale of these inventories would effectively deny remedy for this potential injury. Accordingly, we have issued cease and desist orders covering sale of the infringing articles in addition to excluding such articles from entry into the United States.

#### THE PUBLIC INTEREST

The Commission may issue an exclusion order and/or a cease and desist order only after "considering the effect of such [orders] upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers." 20/ Because of the nature of the product involved, we believe it highly unlikely that the issuance of general exclusion and cease and desist orders will have an adverse effect on these public interest factors.

Compound action metal cutting snips are not essential items for the preservation of the public health and welfare, and the exclusion of infringing snips and the cessation of their sale are not likely to have any effect on competitive conditions in the United States. There are several domestic manufacturers of snips which compete to a greater or lesser extent with complainant. 21/ Moreover, the proposed exclusion order we have issued does not bar noninfringing metal cutting snips from entry into the United States,

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20/ 19 U.S.C. § 2337(d).

21/ ID at 60.

nor do the proposed cease and desist orders prevent the sale of noninfringing snips. Finally, we note that complainant Cooper appears to have ample capacity to meet domestic demand. 22/ Therefore, we find that the public interest factors enumerated in sections 337(d) and (f) do not preclude the issuance of the aforementioned relief in this case.

#### BONDING

Section 337(g) provides for the entry of infringing articles upon the payment of a bond during the 60-day Presidential review period. 23/ The Commission generally establishes a bond in an amount sufficient to "offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefitting from the importation." 24/

We determine to impose a bond of 170 percent of the entered value of the subject compound action metal cutting snips. In this investigation, a bond of 170 percent will ensure that the retail price of the infringing imports approximate complainant's retail price, thereby offsetting the price advantage enjoyed by respondents.

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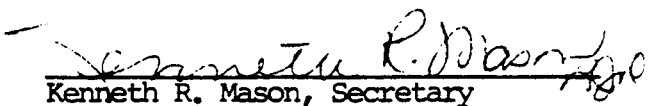
22/ Id.

23/ 19 U.S.C. § 1337(g)(3).

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

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Commission Memorandum Opinion on Remedy, The Public Interest, and Bonding was served upon the following parties via first class mail, and air mail where necessary, on November 5, 1985.

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

Behalf of Cooper Industries, Inc.

Victor M. Wigman, Esq.  
WIGMAN & COHEN  
Suite 200, Crystal Square 3  
1735 Jefferson Davis Hwy.  
Arlington, VA 22202

Behalf of Home Chain Enterprise

Home Chain Enterprise Co., Ltd.  
P.O. Box 58005  
Taipei, Taiwan

Behalf of Fedco Int'l Inc.

Fedco International Inc.  
P.O. Box 84-252  
Taipei, Taiwan

Behalf of Coast Freight

Coast Freight  
21100 Superior Street  
Chatsworth, CA 91311-4383

Behalf of Harko Ind. Co., Ltd.

Harko Industrial Co., Ltd.  
No. 2-44 E. Lane  
Chinchum Chelu  
P.O. Box 1227  
Taichung, Taiwan

Behalf of Jameson & Sons

Jameson & Sons  
2 Viaduct Avenue  
Downington, PA 19335

Behalf of Homier Distributing Co.  
Homier Distributing Co.

Homier Distributing Co.  
1328 Etna Avenue  
Huntington, IN 46750

Behalf of J & C Wholesale

J & C Wholesale  
4903 North Grand River  
Lansing, MI 48906

GOVERNMENT AGENCIES:

Mr. Charles S. Stark  
Antitrust Div./U.S. Dept of Justice  
Room 7115, Main Justice  
• Pennsylvania Avenue & Tenth Street, N.W.  
Washington, D.C. 20530

Edward F. Glynn, Jr., Esq.  
Asst Dir for IntlAntitrust  
Federal Trade Commission  
Room 502-4, Logan Building  
Washington, D.C. 20580

Darrel J. Grinstead, Esq.  
Dept of Health and Human Svcs.  
Room 5362, North Building  
330 Independence Avenue, S.W.  
Washington, D. C. 20201

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



PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

MAR 25 11 44 AM '85

713702

In the Matter of )  
 )  
CERTAIN COMPOUND ACTION METAL CUTTING )  
SNIPS AND COMPONENTS THEREOF )

Investigation No. 337-TA-197

ID rec'd	
Conf.	4-18-85
Public	4-25-85
ID rec'd	4-19-85 (A) 4-26-86
Petition due	5-1-85
Resp to pet. due	
Gov't comments due	5-21-85
Public comments due	
Comm. decision due	

6-3-85

INITIAL DETERMINATION

John J. Mathias, Administrative Law Judge

Pursuant to the Notice of Investigation in this matter (49 Fed. Reg. 29160, July 18, 1984), this is the Administrative Law Judge's Initial Determination under Rule 210.53(a) of the Rules of Practice and Procedure of this Commission. (19 C.F.R. 210.53(a)).

The Administrative Law Judge hereby determines that there is a violation of Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337, hereafter Section 337), in the importation of certain compound action metal cutting snips and components thereof into the United States, or in their sale. The complaint herein alleges that such importation or sale constitutes unfair methods of competition and unfair acts by reason of alleged (1) infringement of complainant's Registered Trademark No. 640,640 for METALMASTER; (2) infringement of complainant's common law trademarks for the designations M1, M2 and M3; (3) misappropriation of trade dress; (4) false and deceptive advertising; (5) false representation; (6) false designation of geographic origin; (7) failure to mark country of origin; and (8) passing off. It is further alleged that the effect or tendency of the unfair methods of competition and unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.



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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for consistent and reliable data collection processes to support informed decision-making.

3. The third part of the document focuses on the role of technology in modern data management. It discusses how advanced software solutions can streamline data collection, storage, and analysis, leading to more efficient and accurate results.

4. The fourth part of the document addresses the challenges associated with data management, such as data quality, security, and privacy. It provides strategies to mitigate these risks and ensure that data is used responsibly and ethically.

5. The fifth part of the document concludes by summarizing the key findings and recommendations. It stresses the importance of ongoing monitoring and evaluation to ensure that data management practices remain effective and up-to-date.

PROCEDURAL HISTORY

On June 7, 1984, a complaint was filed with the U.S. International Trade Commission on behalf of Cooper Industries, Inc., First City Tower, Suite 4000, P.O. Box 4446, Houston, Texas 77210 pursuant to Section 337 of the Tariff Act of 1930, as amended. (19 U.S.C. § 1337, hereafter Section 337). The complaint alleged unfair methods of competition and unfair acts in the importation of certain compound action metal cutting snips and components thereof into the United States, or in their sale, by reason of alleged: (1) infringement of complainant's Registered Trademark No. 640,640 for METALMASTER; (2) infringement of complainant's common law trademark for the designations M1, M2, and M3; (3) misappropriation of trade dress; (4) false and deceptive advertising; (5) misrepresentation of source; (6) false designation of origin; and (7) passing off. The effect or tendency of these unfair methods of competition and unfair acts was alleged to be to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The complainant requested that the Commission institute an investigation, and, after a full investigation, issue both a permanent exclusion order and permanent cease and desist order.

Upon consideration of the complaint, the Commission ordered, on July 5, 1984, that an investigation be instituted pursuant to subsection (b) of Section 337 to determine whether there is a violation of subsection (a) of Section 337, as alleged in the complaint. The Commission defined the alleged unfair acts numbered (5) and (6) above as (5) false representation; (6) false

designation of geographic origin; and (7) failure to mark country of origin. The notice of institution of such investigation was published in the Federal Register on July 19, 1984. (49 Fed. Reg. 29160).

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

Fedco International, Inc.  
P.O. Box 84-252  
Taipei, Taiwan

Home Chain Enterprise Co., Ltd.  
P.O. Box 58005  
Taipei, Taiwan

Harko Industrial Co., Ltd.  
No. 2-44 E. Lane  
Chinchun Chelu  
P.O. Box 1227  
Taichung, Taiwan

U.S. General Supply Corp.  
100 Commerical Street  
Plainview, N.Y. 11803

Homier Distributing Co.  
1328 Etna Avenue  
Huntington, IN 46750

Action Eagle, Inc.  
307 Duke Lane  
Santa Ana, CA 92704

J & C Wholesale  
4903 North Grand River  
Lansing, MI 48906

Coast Freight  
21100 Superior Street  
Chatsworth, CA 91311-4383

Jameson & Sons  
2 Viaduct Avenue  
Downington, PA 19335



Azco Tool, Inc.  
P.O. Box 5339  
Los Angeles, CA 90014

Patricia Ray, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, was named as Commission investigative attorney, a party to this investigation.

By Order No. 1, issued July 18, 1984, then Chief Administrative Law Judge Donald K. Duvall designated John J. Mathias as Administrative Law Judge in this investigation. (49 Fed. Reg. 30028, July 25, 1984).

Although none of the above-named respondents formally entered an appearance in this investigation, responses to the complaint in the form of letters were filed by respondents Fedco International, Inc. (Fedco), Home Chain Enterprises Co., Ltd. (Home Chain), Action Eagle, Inc., Jameson & Son (Jameson), and Harko Industrial Co., Ltd. (Harko).

A preliminary conference was held on September 5, 1984, pursuant to notice issued July 24, 1984. Appearances were made on behalf of complainant and the Commission staff. No respondents appeared at this conference.

Order No. 4, issued September 21, 1984, was an initial determination granting respondent Action Eagle's motion for termination. No petition to review this initial determination was filed, and on October 24, 1984, the Commission issued notice of its Determination Not To Review Initial Determination Terminating Respondent. (49 Fed. Reg. 43808, October 31, 1984).

Order No. 5, issued September 24, 1984, denied complainant's motion to amend the complaint and notice of investigation to add Marco Corp. and Zayre Corp. as parties respondent to this investigation.

Order Nos. 8 and 9, issued January 24, 1985 granted motions by complainant and the Commission investigative attorney, respectively, to compel discovery from certain respondents. Subsequently, on February 12, 1985, complainant filed a motion for entry of default and adverse inferences against respondents Home Chain, Fedco, Homier, Harko, J & C Wholesale, Azco Tool, Coast Freight Salvage and U.S. General Supply. (Motion Docket No. 197-9). The Commission investigative attorney supports this motion in part. For the reasons stated hereinafter, Motion 197-9 is granted in part.

Following the hearing in this matter, joint motions were filed to terminate respondents Azco Tool, Inc. (Motion Docket Nos. 197-10 and 197-13) on February 22, 1985 and April 16, 1985, U.S. General Supply (Motion Docket No. 197-11) on February 28, 1985, and Jameson & Son (Motion Docket No. 197-12) on March 6, 1985.<sup>1/</sup> Order No. 12 granted Motion 197-11 to terminate U.S. General as a respondent. Order No. 13, issued April 18, 1985, granted the second, revised Motion 197-13 to terminate Azco Tool as a respondent. These initial determinations are currently pending before the Commission. Motion 197-12, which is a joint motion to terminate respondent

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<sup>1/</sup> Although Motion 197-12 was filed in the Secretary's Office on March 6, 1985, it was not properly served on all parties until March 26, 1985. Accordingly, it is deemed to have been filed on March 26, 1985 for purposes of calculating response time.

Jameson & Son on the basis of a settlement agreement, suffers from the same defect as the original motion to terminate Azco Tool (Motion 197-10), which was denied by Order No. 11. For the same reasons set forth in Order No. 11, Motion 197-12 is hereby denied, without prejudice to resubmission of an appropriately amended settlement agreement.

A prehearing conference was held in this matter on February 11, 1985. The hearing commenced immediately thereafter before Administrative Law Judge John J. Mathias to determine whether there is a violation of Section 337 as alleged in the complaint and set forth in the Notice of Investigation. Appearances were made on behalf of complainant and the Commission staff. No appearances were made by any respondent at either the prehearing conference or the hearing.

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

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

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

• • • •

The following abbreviations are used in this Initial Determination:

- Tr. - Official Transcript, usually preceded by the witness' name and followed by the referenced page(s);
- CX - Complainant's Exhibit, followed by its number and the referenced page(s);
- CPX - Complainant's Physical Exhibit;
- SX - Staff Counsel's Exhibit;
- SPX - Staff Counsel's Physical Exhibit;
- CB - Complainant's Post Hearing Brief;
- SB - Staff Counsel's Post Hearing Brief;
- CRB - Complainant's Reply Brief;
- SRB - Staff Counsel's Reply Brief;
- FF - Findings of Fact;
- W.S.- Witness Statement, preceded by the exhibit number and witness' name, and followed by the page number or paragraph number referenced.

## FINDINGS OF FACT

### I. JURISDICTION

1. The complaint and notice of investigation were served on all respondents on July 11, 1984. Commission records indicate that the complaint and notice of investigation were actually received by respondents J & C Wholesale, Homier Distributing Co., U.S. General Supply Corp., Jameson & Sons, and Coast Freight. In addition, responses to the complaint and notice of investigation were filed by respondents Fedco International, Inc., Harko Industrial Co., Ltd., Home Chain Enterprises Co., Ltd., and Jameson & Sons. Respondent Azco Tool filed notice of its intention not to respond to the complaint on the basis of its agreement to settle the dispute with Cooper. Thereafter, a joint motion to terminate Azco on the basis of a settlement agreement was filed with the Commission. (SX 2-6; Letter of September 4, 1984 from Tobey B. Marzouk, Esq. of Spriggs, Bode & Hollingsworth; Motion Docket No. 197-10).

### II. PARTIES

2. Complainant Cooper Industries (Cooper) is an Ohio corporation having its principal place of business at First City Tower, Suite 4000, Houston, Texas. Cooper is a diversified manufacturing company which does business in the areas of tools and hardware, compression and drilling equipment, and electrical and electronic products. The Cooper Group, headquartered in Raleigh, North Carolina is engaged in the manufacture of hand

tools under product lines such as Crescent, Lufkin, Nicholson, Plumb, Weller, Wiss, Xcelite and Baker. (CX 63, Gillooly W.S., ¶¶ 3-4; CX 62).

3. Wiss is an operating entity of the Cooper Group which manufactures the metal cutting snips at issue. The predecessor of the Cooper entity known as Wiss was the New Jersey company J.W. Wiss & Sons, a company originally founded in 1848 which manufactured shears, scissors and snips. Wiss was acquired by Cooper Industries in 1976 as part of the Cooper Group and in 1978 opened new facilities in Statesboro, Georgia. (CX 63, Gillooly W.S., ¶ 9; CX 43; SX 7, at Ex. 10).

4. Respondent Fedco International, Inc. (Fedco) is a company located at P.O. Box 84-252, Taipei, Taiwan. In March 1982, at the Home Center Show in Chicago, Fedco displayed metal cutting snips which were advertised in its catalogues as "METALMASTER" snips. (SX 4; CX 19).

5. Respondent Home Chain Enterprise Co., Ltd. (Home Chain) is a company located at P.O. Box 58005, Taipei, Taiwan. Home Chain started its export business in January 1983. As indicated in a product catalogues, Home Chain at one time offered metal cutting snips for sale under the name "METALMASTER." (SX 5; CX 20).

6. Respondent Harko Industrial Co., Ltd. (Harko) is a company located at No. 2-44 E. Lane, Chinchun Chelu, Taichung, Taiwan. Harko alleges that it is a manufacturer of crimping tools, and does not manufacture metal cutting snips. On occasion, Harko has utilized advertising which shows its own

products and compatible products of other manufacturers. Harko would fill any orders received for these compatible products by purchasing them from the manufacturer and reselling them to a customer. A 1982 advertisement from the catalogues Taiwan Hardware shows metal cutting snips with the designations METALMASTER and R-M1, R-M2 and R-M3 offered for sale by Harko. (SX 3; CX 21).

7. Respondent Homier Distributing Co. (Homier) is located at 1328 Etna Ave., Huntington, Indiana 46750. Homier has sold imported metal cutting snips in the United States which bear the markings M1, M2 and M3. (CX 23; CPX 1-3, 20, 28, 39-40).

8. Respondent J & C Wholesale (J & C) is located at 4903 North Grand River, Lansing, Michigan 48906. J & C has sold imported metal cutting snips in the United States in sleeve packaging bearing the marks R-M1, R-M2, and METALMASTER. (Complaint, ¶ 11; SX 2; CPX 7-8; Gillooly, Tr. 29).

9. Respondent Coast Industrial Exchange (Coast Freight) is located at 21100 Superior Street, Chatsworth, California 91331. As of January 1985, Coast Freight was technically insolvent and was in the process of reorganization. Coast Freight is a mail order company which purchases products from the United States and overseas for resale. Coast Freight has imported metal cutting snips from Taiwan and sold such snips in the United States. Coast Freight has used the markings M3 on its snips as well as on the packaging. (Gillooly, Tr. 35-39; SX 19; CPX 44).

10. Respondent U.S. General Supply Corp. (U.S. General) is located at 100 Commercial Street, Plainview, New York 11803. U.S. General has offered

metal cutting snips for sale in the United States bearing the marks M1, M2 and M3. A joint motion to terminate U.S. General on the basis of a consent order agreement has been granted by Order No. 12. This initial determination is currently pending before the Commission. (CX 22; Motion Docket No. 197-11; Order No. 12).

11. Respondent Jameson & Sons (Jameson) is located at 2 Viaduct Avenue, Downingtown, Pennsylvania 19335. Jameson has sold imported metal cutting snips in the United States which bear the mark M3. A joint motion to terminate this investigation as to Jameson on the basis of a settlement agreement was denied herein. (SX 6; CPX 13; Motion Docket No. 197-12; Procedural History, supra).

12. Respondent Azco Tool Co. (Azco) is located at P.O. Box 5339, Los Angeles, California 90014. Azco has sold imported metal cutting snips in the United States which bear the marks M1 and M2. A joint motion to terminate the investigation as to Azco on the basis of a settlement agreement (Motion 197-13) was granted by Order No. 13, issued April 18, 1985. This initial determination is pending before the Commission. (Complaint, ¶ 15, SX 2; CPX 21-22; Gillooly, Tr. 31).

13. Action Eagle, Inc. is located at 307 Duke Lane, Santa Ana, California 92704. Action Eagle has imported metal cutting snips into the United States which bear the markings M1, M2 and M3, and has sold such snips in the United States. By Order No. 4, Action Eagle was terminated as a



respondent from this investigation. This Initial Determination became final by the Commission's decision not to review the initial determination on October 24, 1984. (CX 8; see Procedural History, supra).

### III. THE PRODUCT

14. The products at issue in this investigation are compound action metal cutting snips ("aviation snips"), specifically those manufactured by Wiss and marketed by the Cooper Group with model designations M1, M2 and M3. Physical specimens of the subject snips produced by Wiss have been entered into evidence. (CX 63, Gillooly, W.S., ¶¶ 12, 15, 59; Gillooly, Tr. 30; CPX 14-16, 29; CX 31-32).

15. Aviation snips were originally developed and introduced by the Wiss company in 1939 for cutting the extremely tough alloys used in the aircraft industry. Since that time they have become widely used by home craftsmen and professional metal workers in gutter and flashing work, fabrication of heating and cooling ducts and aluminum siding installation. They also find extensive application by maintenance specialists and industrial workers in the appliance, automotive, electrical and construction industries. (CX 63, Gillooly W.S., ¶ 10).

16. The aviation snips produced by Wiss are designed to cut acute angles, complex patterns and perfect circles of large or small diameter in various kinds of sheet metal, including aluminum and galvanized steel up to 18 gauge. The serrated jaws of Wiss' snips are made of extra tough and wear-resistant special molybdenum steel to provide the extra service demanded

by the compound lever action and to withstand the severe strain of cutting heavy stock and tight curves. They are hot drop-forged and have polished jaws for smooth action and cleaner cutting. (CX 63, Gillooly W.S., ¶ 11). The blades are serrated to prevent slippage while cutting. (SPX 1, Gillooly Dep., Exhibit A, p. 3).

17. These compound action metal cutting snips are a heavy duty cutting tool with compound leverage for transmitting force from the handles to the blades. (SPX 1, Gillooly Dep., Exhibit A, p. 3; See e.g., CPX 1-6, 9-16).

18. Complainant's snips are commonly referred to by several names, including aviation snips and METALMASTERS. Complainant usually refers to them as METALMASTERS. (Gillooly, Tr. 69). It is also common for members of the industry, including complainant, to refer to the snips by their "M" designations. (CX 64, Arnold W.S., ¶¶ 44-47).

19. The basic design of complainant's snips has been the same for many years. (Gillooly, Tr. 70).

20. Complainant's compound action metal cutting snips come in three models: left cutting (model M1), right cutting (model M2), and straight cutting (model M3). (SPX 1, Gillooly Dep., Exhibit A, p. 3).

21. Complainant's left cutting snips (model M1) are normally sold with red vinyl grips. The snips are packaged in a packaging sleeve which designates the snips as M-1R. While M1 is stamped into the jaw of the snip,

the "R" is not stamped into the metal snip as part of the model designation. The designation "R" only appears on the packaging, in catalogues and in some promotional materials. (SPX 1, Gillooly Dep., Exhibit A, p. 3; SPX 14, 15 and 16).

22. Complainant's right cutting model M2 snips are normally sold with green hand grips. The snips are packaged with the marking M-2R on the package sleeve, but the "R" is not stamped onto the snip as part of a model designation. (SPX 1, Gillooly Dep., Exhibit A, p. 3).

23. Complainant's straight cutting model M3 snips are normally sold with yellow handle grips. The snips are packaged in a sleeve marked M-3R, but the "R" is not stamped into the snip as part of a model designation. (SPX 1, Gillooly Dep., Exhibit A, p. 3).

24. Each of complainant's snips carries an "M" designation and an imprint of the name "Wiss" on the blades thereof. (Helfgott, Tr. 358; CPX 14-16).

25. Red, green, and yellow handles to indicate left, right and straight cutting snips are standard in the industry. (Gillooly, Tr. 97-98).

26. Approximately two-thirds of complainant's sales of metal snips are to professional users. (CX 63, Gillooly W.S., ¶ 49).

27. Complainant's compound action metal cutting snips are typically displayed and sold in cardboard "sleeves" with a hexagonal shield horizontally

divided into red and white zones. (CX 63, Gillooly W.S. ¶ 60; Gillooly, Tr. 57; CPX 17-19). This same packaging has been used for many years, although recently there have been some slight changes made in the color arrangement and wording on the shield. (CX 63, Gillooly W.S., ¶¶ 60-61; CPX 17-19).

28. The registered trade name METALMASTER appears on the sleeve packaging of complainant's snips. (CPX 17, 18, 19).

29. Complainant has relied on several trade names and designations to create an association between it and its snips, including the M1, M2 and M3 designations, the METALMASTER registered trademark, the "Wiss" name, and the "Cooper" name. Only the "M" designation and the "Wiss" name appear on the snips themselves. (CX 63, Gillooly W.S., ¶¶ 67-68; CPX 14-19).

#### IV. UNFAIR ACTS

##### A. Infringement of the Registered METALMASTER Trademark

30. The trademark "METALMASTER" was registered by the Wiss Corporation in 1957 and has been continuously and exclusively used by complainant and its predecessor, Wiss, since 1939. (CX 63, Gillooly W.S., ¶¶ 58, 73; CX 33).

31. This trademark appears on the packaging of complainant's snips and in catalogs, advertisements and other materials used in the promotion of complainant's snips. (CX 63, Gillooly W.S., ¶ 58; CX 33).

32. None of the respondents have been licensed to use the trademark "METALMASTER." (CX 63, Gillooly W.S., ¶ 73).

33. Respondents Fedco, Harko and Home Chain have engaged in advertising in the United States showing packaging for their snips which bears the trademark "METALMASTER." (CX 19-21).

34. The sleeve packaging of snips of respondent J & C bears the mark "METALMASTER." (CPX 7, 8).

35. Respondents Fedco, Harko, and Home Chain have used the "METALMASTER" trademark prominently in their advertising of metal cutting snips. (CX 19-21). Respondent J & C has sold snips in packaging bearing the "METALMASTER" mark. (Gillooly, Tr. 29; CPX 7-8).

36. Complainant has recently discovered counterfeit "METALMASTER" snips offered for sale by Forest City Warehouse, Schaumburg, Illinois. (CX 63, Gillooly W.S., ¶ 73; CX 16; CPX 26).

B. Infringement of Complainant's Common Law Trademarks - The "M" Designations

1. Industry and User Recognition

37. The M1, M2 and M3 model designations were originally adopted and used to describe different models of snips. (CX 64, Arnold W.S., ¶¶ 44, 47).

Since 1945, these markings have been continuously used to designate respectively, the left cutting (M1), right cutting (M2) and straight cutting (M3) models of Wiss aviation snips. These model designations appear on the metal jaws of the snips, on the snips' packaging, and in catalogs, advertisements and other promotional materials. (CX 63, Gillooly W.S., ¶ 59; CX 31, 60; CPX 14-19).

38. On the packaging of the Wiss snips, in complainant's catalog listings, and in some advertisements, a variant of the "M" designations is used. In those instances the letter and number are hyphenated and the letter R is added, designating that the snips have PVC handle grips. Thus, the snips are designated on the sleeve and in the catalog listings as M-1R, M-2R and M-3R, respectively. (CPX 17-19; CX 18, 31; CX 63, Gillooly W.S., ¶ 77, n.).

39. Competing domestic suppliers of aviation snips, such as Bergman, Midwest, Clauss, and Diamond do not use the markings M1, M2 and M3 on their snips or on their packaging or in their advertising, not even to indicate direction of cutting. Thus, if a sheet metal worker wants, for example, a left-cutting Bergman snip, he will identify it as "left-cutting" or, perhaps by the color of the handle grips. Nor, with the exception of the recent foreign counterfeiters, are there any known instances in which foreign producers of aviation snips have used the M1, M2 and M3 designations. Not even those snips manufactured by Wiss that are marketed under private brands carry the M1, M2 and M3 designations. (CX 63, Gillooly W.S., ¶ 62; CX 42; Gillooly, Tr. 34, 35, 135; CX 64; Arnold W.S., ¶ 49; CPX 34-37, 42-43).

40. The vice president of sales of Stanley Tools, a U.S. producer of aviation snips, regards the designations M1, M2 and M3 as uniquely and exclusively associated with Wiss' aviation snips. This association has existed throughout his 35-year career in the industry. (CX 59, Molchan Dep., pp. 1, 10).

41. Stanley Tools' distributors, and their purchasing personnel and customers, associate the "M" designations with Wiss' aviation snips. When Stanley attempts to promote the advantage of its aviation snips, distributors, purchasing personnel and customers compare them to the Wiss "M" designations. (CX 59, Molchan Dep., p. 10).

42. Since its acquisition of Wiss in 1973, Cooper has consciously carried forward the Wiss company's continuous use of the M1, M2 and M3 designations to maintain and reinforce the association between Wiss' aviation snips and their reputable source. (CX 63, Gillooly W.S. ¶ 66).

43. In its marketing and promotion of aviation snips, The Cooper Group has not relied solely on the Wiss name or the METALMASTER registered trademark to maintain and reinforce the association between the snips and their reputable source. Rather, it has prominently displayed the M1, M2, and M3 markings and, indeed, some of its advertising has been laid out in such a way as to make these markings a focal point. In general, Wiss advertisements show the tool in use, out of the package, to familiarize the potential customer with the physical appearance of the tool. (CX 63, Gillooly W.S., ¶ 67; Gillooly, Tr. 109-11; CX 18, 69).

44. Advertisements by Cooper and its retailer and wholesaler customers utilizing the M1, M2 and M3 designations have been distributed throughout the United States and have appeared in such media as newspapers, magazines and trade journals since Cooper's acquisition of Wiss in 1976. The Wiss company likewise used the M1, M2 and M3 designations in its advertisements of the aviation snips since 1945. (Gillooly, CX 63, ¶ 68).

45. Well over 30 million units of Wiss snips bearing the M1, M2 and M3 markings have been sold by complainant and its predecessor, Wiss, since the designations were adopted in 1945. (CX 63, Gillooly W.S., ¶ 69; CX 15, 56, 61).

46. Some of Wiss' retailer and wholesaler customers have advertised the product in such a way as to place primary focus on the M1, M2 and M3 markings, rather than the Wiss name or the METALMASTER trademark. For example, in a K-Mart advertisement promoting a sale on hand tools and other consumer items, in contrast to other metalworking products -- such as Weller soldering guns and Solidox welding torches -- of which the brand names are prominently displayed in the advertisement, the model designation "M-3R" is the only indication given of the source of the Wiss aviation snips appearing in the advertisement. (CX 63, Gillooly W.S., ¶ 70; CX 18; Gillooly, Tr. 114-17).

47. It is common in the aviation snips manufacturing industry for people to use the designation M1 (or M2 or M3) substantially interchangeably



with other ways of identifying Wiss' snips, such as the "METALMASTER" name. (CX 64, Arnold W.S., ¶¶ 44-47).

48. In addition to people in the industry, people who purchase and use aviation snips likewise associate M1 exclusively with the Wiss' products. The assistant manager of the Statesboro plant finds, for example, if he is having a conversation with a sheet metal worker, it will not be uncommon for the worker to say something like "Oh, you work for Wiss. You're the people that make the M1 snips." This type of comment has been heard both from professionals and do-it-yourselfers. (CX 64, Arnold W.S., ¶ 45; Arnold, Tr. 198-99).

49. Through countless conversations over a period of many years, with fellow members of the industry as well as users of the aviation snips, the Wiss assistant plant manager's experience is that many people identify the "M1" markings directly with Wiss' reputation for quality. That is, according to his experience, most people will use the term "M1" -- just as they might use the trademark "METALMASTER" or even the Wiss company name -- to refer generally to aviation snips that come from Wiss, as opposed to snips that come from Bergman or some other vendor. This use of the "M" markings is separate and distinct from their use to designate direction of cutting. (CX 64, Arnold W.S., ¶¶ 46-48).

## 2. The Consumer Survey

50. CX-66, entitled "A Study of Consumer Response to Metal Snips Nomenclature M1, M2 and M3" ("Consumer Survey") was prepared for complainant by Dr. Myron Helfgott. The study was conducted to determine the degree to which consumers associate the terms M1, M2 and M3 with a particular source of metal snips. (Helfgott, Tr. 262).

51. Dr. Helfgott received a Doctor of Philosophy degree in social psychology from the University of Michigan in 1952. Over the past 30 years, he has performed every type of consumer research study, including motivational tests, attitude surveys, product and packaging testing, advertising effectiveness surveys, visual response testing and sales analysis. In the specific area of package product and trademark design research, he has conducted over 1,000 surveys. Over the course of his career he has worked for over 300 of the Fortune 500 corporations and has been a member of several professional organizations. In recent years, he has conducted a number of consumer research surveys for litigation purposes, including surveys for Certain Heavy-Duty Staple Gun Tackers, Inv. No. 337-TA-137 (1984), and Certain Cube Puzzles, Inv. No. 337-TA-112 (1983). (CX 66, Helfgott W.S., ¶¶ 1-5 and attached curriculum vitae).

52. The Consumer Survey in this matter (CX 66) was initiated upon the hypothesis that some degree of association could be measured between the "M" designations and a source of snips. Therefore, the design of the survey was

specifically aimed at discerning the degree to which the "M" designations were identifiable as a mark of origin as opposed to only a model designation for snips. (Helfgott, Tr. 263-64).

53. The consumer survey did not measure the degree to which the "M" designations were functional or descriptive. Rather, it measured the degree to which the terms were identified with a single source. (Helfgott, Tr. 264).

54. Three questionnaires were used in the Consumer Survey, questionnaire A, questionnaire B1, and questionnaire B2. Each questionnaire was designed to elicit the degree to which consumers associated the "M" designations with a particular source. (Helfgott, Tr. 265).

55. The Consumer Survey was designed to study a sample of people which represented the universe of present and potential purchasers of complainant's snips. This universe included both professional and non-professional users of snips. (Helfgott, Tr. 268).

56. To get a profile of consumers which represented the universe of present and potential customers, the Consumer Survey, in each case, asked two screening questions as to whether the interviewee used metal cutting snips (1) at home or (2) at work. Only those interviewee candidates who responded positively to one of these questions were engaged for questioning. (Helfgott, Tr. 268).

57. The desired universe for the study was conceived in conjunction with complainant. (Helfgott, Tr. 269, 270; Gillooly, Tr. 122).

58. The actual selection of a sample profile of consumers for the study was conducted entirely apart from complainant. (Helfgott, Tr. 271-73).

59. Dr. Helfgott, himself, selected the three cities to be covered by the survey. Selection of sites within those cities for obtaining a sample customer profile was done after getting some assistance from complainant, but selections were not made by complainant. Complainant provided suggestion lists of appropriate store sites, from among which some of the ultimate survey sites were selected. (Helfgott, Tr. 271-73; Gillooly, Tr. 122-24).

60. In designing the study Dr. Helfgott took into consideration the possibility of regional variations across the nation. This is because, in part, the study aimed to demonstrate the nationwide existence of secondary meaning. (Helfgott, Tr. 273; SX 28).

61. Selection of sites for the Consumer Survey was done according to the following criteria: (1) the store site must have a large retail traffic pattern; (2) the store site must permit customer interviewing; (3) the store must have a clientele which includes both professional and non-professional snip users; (4) the store must sell complainant's and at least one other type of snip. (Helfgott, Tr. 275, 279; SX 29; Gillooly, Tr. 125).

62. There was some difficulty in obtaining stores which met the above criteria. Complainant gave assistance in locating such stores, specifically

stores which had a clientele of professional, as well as non-professional snip users. (Helfgott, Tr. 274, 276, 277).

63. In selecting the interview sites at New York, Los Angeles and Chicago, it was first ascertained that there had not been an extraordinary amount of advertising on the part of complainant prior to the survey. (Helfgott, Tr. 279-80, 304).

64. Interviewing and data collection for the Consumer Survey was conducted by experienced personnel who are known for their accuracy and reliability in data collection procedures. (Helfgott, Tr. 282-85).

65. Training of interviewers at survey sites was done independently of complainant. Interviewers were selected for their reliability, maturity, and experience in data collection and handling. (Helfgott, Tr. 280-82).

66. The interviewers knew that the study was conducted for some litigation, but they had no knowledge of this particular litigation. (Helfgott, Tr. 282).

67. Each interviewer for the Consumer Survey was trained in the proper method of conducting the survey. The interviews were to be conducted as people entered the store, just inside the front door. Persons who had overheard a previous interview were precluded as interview subjects. Sometimes interviews were conducted of those who were leaving the store. (Helfgott, Tr. 283).

68. Each interviewer was trained to ask the questions printed on the questionnaire and to record the relevant information. The interviews were entirely oral, and the interviewees did no writing or recording of information. (Helfgott, Tr. 284).

69. At the end of each interview day in the Consumer Survey, a local field supervisor collected the interview sheets and tallied the results. Those results were sent to the local office of the interview firm for tabulation. (Helfgott, Tr. 285-86).

70. The manner by which the Consumer Survey was conducted provided for its validation. The name and phone number of each interviewee was entered on the survey questionnaire form. Subsequent to conducting the survey interviews, 20% of the interviewees were contacted by telephone to ascertain their participation as represented on the questionnaire form. (Helfgott, Tr. 286).

71. Each questionnaire provided for identification of the interviewer and the interviewee. (Helfgott, Tr. 312).

72. The collection and tabulation of data from the Consumer Survey was carefully checked and rechecked. (Helfgott, Tr. 289).

73. There were three crucial points in the design of the survey questions. First, the universe, and how to isolate a representation of that universe was considered. Second, how to present the questions to interviewees

as an appropriate stimulus. Third, how to design the survey to assure that the response was to the question asked, and not other things. Questions asked of interviewees in the consumer survey were designed as simply as possible so to, as closely as possible, not permit undesired stimuli. Interviewing was verbal; the snips were never shown to interviewees. (Helfgott, Tr. 290-92).

74. One specific criteria in selection of interview sites in Los Angeles, New York and Chicago, alike, was obtaining both professional and non-professional users. Dozens of site possibilities were rejected (independently of complainant) before any one was selected in each city. (Helfgott, Tr. 303).

75. Interviewees were questioned according to three forms of questioning -- questionnaire A, questionnaire B1 and questionnaire B2. (The interviewees never saw the questionnaires, they merely responded to the given questioning format). (CX 66, Appendix).

76. For each of the three survey questionnaire formats, the desired profile of consumers for the survey was obtained by asking each potential interviewee initially whether they used compound action metal cutting snips at home or at work. This brought both professional and non-professional users into the survey for the desired sample profile. The answers to these initial questions were recorded, tabulated and ultimately used to break down the survey participants into professional versus home users. (Helfgott, Tr. 293).

77. Questionnaire A was used in New York, Chicago and Los Angeles to elicit an answer to the following core question:

The terms M1, M2 and M3 are used to designate different models of snips. Do you associate those terms with any particular brand, company or manufacturer of metal snips?

The answer to this question, yes or no, was recorded and tabulated.

(Helfgott, Tr. 292).

78. Those who associated "M1, M2 or M3" with a single source were then asked to identify which brand or manufacturer. (Helfgott, Tr. 296).

79. The Consumer Survey was first conducted in the New York City area at a location called The Tool Warehouse in Farmingdale, New York. At that location 126 people were interviewed with the questionnaire A format and 66% of them stated that they identified the "M" designations with a single source. Fifty-seven percent of the interviewees identified Wiss as the source. This was called "Wave I" of the survey. (Helfgott, Tr. 294; CX 66).

80. The training of interviewers and the data collection procedures for the Los Angeles and Chicago sites of the survey were similar to those of the New York study. The same assurances of accurate data collection procedures and study validation were followed at each survey interview site. (Helfgott, Tr. 304-05).

81. In all cases the interviewers had no knowledge of the aim of the Consumer Survey. (Helfgott, Tr. 305).



82. A second wave of interviews, again employing questionnaire A, was conducted in Los Angeles. Ninety-five interviews were conducted at two sites, each selected by the established criteria for site selection, with some assistance from complainant in locating appropriate possibilities for interview sites in that locality. (Helfgott, Tr. 300-03).

83. The results from "Wave II" of the survey in Los Angeles were that, of a total of 95 people interviewed, 35% stated that they associated the "M" designations with a particular brand or manufacturer of snips. (Helfgott, Tr. 306; CX-66, pp. 8-9).

84. Breaking those "Wave II" (Los Angeles) results into professional and non-professionals, of those interviewees who use metal snips at work, 40% responded affirmatively to an association of the "M" designations with Wiss. (CX-66, p. 17).

85. In reviewing the design of questionnaire A, the possibility was considered that questionnaire A was suggestive of a single source and that interviewees responding with the name Wiss were merely identifying Wiss because of its dominant position in the snips industry. (Helfgott, Tr. 295-96).

86. To avoid possible bias in questionnaire A, an alternative questionnaire format was prepared. This alternative included control terms which would avoid suggestion of the desired response. (Helfgott, Tr. 296-97).

87. The use of an alternative questionnaire with control terms confirmed that questionnaire A was not necessarily suggestive of a single source for the "M1, M2, M3" designations. (Helfgott, Tr. 297).

88. The alternative questionnaires B1 and B2 (attached to CX-66 in Appendix) asked interviewees whether they associated the following terms with a particular brand or manufacturer: CLV, CRV, M1, M2, M3, 220 and HDty, LDty. (Helfgott, Tr. 310-11).

89. "Wave III" of the Consumer Survey was another set of interviews conducted in the New York City area (at the Tool Warehouse again) but with alternative questionnaire B1. (See Questionnaire B1 attached to CX-66). (Helfgott, Tr. 312).

90. By asking interviewees for their association with any of the sets of terms, CLV, CRV, 220, M1, M2, M3, or HDty, LDty, the Consumer Survey was able to determine if Wiss was being randomly identified by interviewees because of Wiss' prominent position in the market. The addition of control terms added a range of possibilities such that the responses to the "M" designations could be measured relative to the responses to other terms. (Helfgott, Tr. 311).

91. The results of Wave III were that 81 persons were interviewed and 22% indicated that they associated the "M" designations with a particular source. Breaking this down into professionals, 42% of those who use metal snips at work said that they associated the "M" designations with a single source. (CX 66, p. 17).

92. Another result of Wave III of the survey was that interviewees did not associate the control terms with a single source to any significant degree. By contrasting non-association of the control terms with markedly higher association with the "M" designations, Dr. Helfgott was of the opinion that any suspected bias in questionnaire A was unfounded. (Helfgott, Tr. 313-15).

93. Wave IV of the "Consumer Survey" involved interviews of 241 people in Chicago at two separate interview sites. This round of questioning used questionnaire B2, a slightly modified version of the B1 questionnaire. (Helfgott, Tr. 316).

94. The difference between questionnaire B1 and B2 is slight. Format B1 involves showing an interviewee a card with all of the terms listed and asking the interviewee to state initially whether he associates any of the terms ("M" or control terms) with a brand or manufacturer. A cutoff of further questioning is effected by a simple "no" answer. In contrast, B2 is an alteration of the format, such that the interviewee is asked a separate question for each of the "M" and control terms. (Helfgott, Tr. 317).

95. Questionnaire A was used alternatively with questionnaire B2 in the Wave IV interviews in Chicago. The questionnaires were arranged so that different people were interviewed alternatively with the A and the B2 format (color coding of questionnaire sheets was used to accomplish this). (Helfgott, Tr. 317-18).

96. Site selection for the survey interviews in Chicago was done independently of complainant, although complainant's assistance in finding appropriate sites in the locale was sought. Sixteen stores were contacted and rejected before two sites were found to be acceptable under the established criteria. (SX 24; Helfgott, Tr. 319-21).

97. Collection and reporting of data from the Chicago survey interviews was done accurately by interviewers and other personnel trained in the same manner as at previous interview sites. (Helfgott, Tr. 321).

98. The results of Wave IV (in Chicago) are reported on pages 13-14 of CX 66, which shows that 7% of the persons interviewed identified the "M" designations with a single source. This result is only marginally significant over chance of random error. (Helfgott, Tr. 326). Page 17 of the Consumer Survey report breaks that figure down further; to professional users as a percentage of those who associate the "M" marks with Wiss. The result in such instances is that 27% of those who use the snips in their work associate the "M" designations with one source. (CX-66, pp. 13, 14 and 17).

99. There is a wide variation between cities in the overall results of the Consumer Survey. That is, 57% association in New York (Wave I), and 7% in Chicago (Wave IV). (Helfgott, Tr. 327). The identification among survey respondents of "M" markings with Wiss were as follows:

	<u>% of interviewees who identified "M" markings with Wiss</u>
New York (Wave I and Wave III)	57% - 20%
Los Angeles (Wave II)	23%
Chicago (Wave IV)	7% - 6%

(CX-66, pp. 14-15).

100. Because of such wide city-to-city variations, the Consumer Survey includes two further breakdowns of results. Such breakdowns are by the percentage association of a single source with the "M" designations by two types of users: (1) those who reported in the interview that they used the snips in their work; and (2) users in certain occupational use groups. Dr. Helfgott testified that these breakdowns were for the purpose of clarifying the results. (CX 66, pp. 16-20; Helfgott, Tr. 333).

101. The first of these breakdowns is quite significant. In each of the interview waves, a very substantial percentage of those who associated the M1, M2 and M3 markings with Wiss consisted of those who said they used snips of this type in their work. The results of such breakdown were as follows:

Wave I	62%
Wave II	40%
Wave III	42%
Wave IV	27%

(CX 66, p. 17).

102. The second breakdown tends to give a similar result. (CX 66, p. 17). In determining these categories and the occupations within them, Dr. Helfgott separated every occupation reported in the survey into one of four groups.<sup>2/</sup> The first of these he called the primary snip-involved

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<sup>2/</sup> These categories were not based on the portion of the questionnaire which established whether or not the interviewee actually used snips in his work, but rather, on the questions which elicited the occupation of the interviewee and the industry in which he or she worked. (Helfgott, Tr. 335; CX 66, Appendix).

occupational group. The other three groups were intended to include professions in descending order of snip use. (Helfgott, Tr. 336-40). Dr. Helfgott determined the groupings through briefing sessions with his client (complainant) and conversations with a friend of his who is a retired shop teacher. (Helfgott, Tr. 336, 339). I find these categorizations to be somewhat subjective. There is no showing that they are based on a marketing survey or other study, nor is there evidence of any special expertise on the part of Dr. Helfgott in making such categorizations. Moreover, there is no evidence of the reliability of Dr. Helfgott's sources for advice in this regard. (Helfgott, Tr. 332-40; CX 66).

103. Nevertheless, such categorizations and Dr. Helfgott's analysis thereof do have some evidentiary value. In the first place, the results of his analysis mirror to a great extent, and confirm the results of, the analysis of the first breakdown, noted above. (CX 66, p. 17). Furthermore, Dr. Helfgott's categorizations tend to be self-authenticating. The fact that the interviewees were engaged in certain occupations is established by the interview reports themselves. (SPX 3). Dr. Helfgott has merely grouped these responses together, based upon his inquiry into which of these occupations are more likely to use or be familiar with metal cutting snips. (Helfgott, Tr. 332-40; CX 66, p. 16). Whether his classifications accurately reflect use or familiarity with metal cutting snips by a particular occupation in general, does not affect the accuracy of his resulting statistics. In each of the categories he has set out, the persons engaged in the listed occupations associated the terms M1, M2 and M3 with Wiss to the extent indicated by Dr. Helfgott's figures. (SPX 3; CX 66, pp. 16-18). At the very least, his

analysis, when compared with the analysis of those who said they used snips in their work, indicates that the professional user of snips, as well as others who could be expected to be relatively familiar with metal snips, tend to associate the "M" designation with a single source and, in particular, with Wiss. (CX 66, pp. 15-20; Helfgott, Tr. 332-40).

104. Strength of secondary meaning reflected in a study such as this Consumer Survey is a function of the nature of the survey itself. When a substantial amount of controls are added into the procedure the results may be lower but of greater integrity. (Helfgott, Tr. 232-35). When the survey deals with a name or a trademark which is relevant to only a partial population, a principal question to be asked is whether the survey has found that population. (Helfgott, Tr. 233). Due to the fact that there was some trouble in defining the relevant population in the present survey and then separating them out, the figures arrived at in Dr. Helfgott's analyses are indicative of a high degree of association that exists in the relevant population -- the professional and discriminating home users of metal cutting snips. (Helfgott, Tr. 233, 329, 332-40, 346).

105. Dr. Helfgott concluded from the survey that consumers, especially the professional and discriminating home users, associate the "M" designations with a single source, and that the source is primarily Wiss. (Helfgott, Tr. 300, 329, 332-40, 346; CX 66, pp. 6-20).

106. The survey further revealed that consumers' association of the "M" marks with Wiss is meaningful and not the result of chance or the prominence of the company. (Helfgott, Tr. 313-14, 323, 326, 329, 349).

107. The higher the percentage of professional users in a sample segment, the greater is the rate of consumers identifying the "M" designations with Wiss as the source. (Helfgott, Tr. 334, 340, 346; CX 66, pp. 16-20).

108. The variations between the sites in the number of consumers identifying these marks with Wiss is explained by the percentage of professionals entering the sites during the survey. (Helfgott, Tr. 345-46).

109. I find that Dr. Helfgott's Consumer Survey is a significant measure of the relationship between the "M" designations and a single supplier, Wiss, and that it evidences the fact that the M1, M2 and M3 marks have acquired a secondary meaning and are used to distinguish complainant's snips from those of competitors, as well as being descriptive of the usage of the three models of snips involved. (FF 50-108).

3. The Addition of an "R" to "M" Designations on the Packaging and in Catalogues

110. The packaging, the catalogues and some of the advertising of complainant's snips contain a variation of the "M" designations, in that the letter and number are hyphenated and the letter "R" is appended thereto. Thus, the model designations appear therein as M-1R, M-2R and M-3R. (FF 21-23, 38).

111. The counterfeit snips themselves which are in evidence, all bear the M1, M2 and M3 designations, without the "R", the same as complainant's snips. (CPX 1-6, 9-13, 21-28, 30-33, 39, 44, 49).



112. The packaging and promotional material for some of the counterfeit snips, however, add an "R" to the designations (as complainant does in its similar materials) except for the fact that the "R" is put in the beginning of the designation, rather than at the end. Thus, such designations generally read R-M1, R-M2, and R-M3. (CPX 7-8, 26-27; CX 19-21, 26-27).

113. The Consumer Survey of Dr. Helfgott did not include the "R" as part of the designation to be considered by the interviewee. (CX 66, Appendix). Dr. Helfgott has testified however, that in his opinion the significance of the "M" markings is not diminished by the presence of the "R" on the packaging of the parties. (Helfgott, Tr. 245, 247-48).

114. Dr. Helfgott has had formal training and experience in the field of perception psychology. This is a formal area of psychology concerning the way in which people perceive the world around them. In addition to formal courses in this area at all three levels of his education -- bachelor, masters and Ph.D levels -- Dr. Helfgott had extensive experience in this field during his association with a company called Names, Inc., during the period 1957-1962. This work was concerned with consumer reaction to nomenclature. (Helfgott, Tr. 211-19). Such work did not entail, however, demonstrating secondary meaning of a trade name or trade designation. (Helfgott, Tr. 223).

115. The use by complainant of the M-1R, M-2R and M-3R designations is at least as prevalent as its use of the "M" designations without the "R", since the "M-R" designations appear on the sleeves in which the snips are

usually displayed, in the company's catalogues, and in other promotional materials. (FF 38; see e.g., CX 18; Gillooly, Tr. 62, 68, 114-15).

116. It is Dr. Helfgott's opinion that the "R" is part of the nomenclature of tool users.<sup>3/</sup> He stated that the use of the "R" as a prefix or suffix is of negligible effect and that its addition to the "M" designation in respondents' packaging and promotional materials increases confusion. He is of the opinion that the use of an "R" by Wiss in combination with the "M" designation increases the amount of confusion when respondents use an "R" in their designations because of the establishment of a "tangential relationship" between the "R" and Wiss. (Helfgott, Tr. 245-46, 255-57). However, he made no consumer survey to substantiate such opinions. (CX 66; Helfgott, Tr. 253-54).

#### 4. Likelihood of Confusion

117. The Consumer Survey of Dr. Helfgott did not directly measure the likelihood of confusion. Its focus was on the demonstration of secondary meaning. (FF 50-108).

118. Dr. Helfgott, the survey expert, concluded from his survey that secondary meaning associated with the M1, M2 and M3 marks is very high among

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<sup>3/</sup> The "R" stands for the rubber or PVC handle grips. (FF 38; Helfgott, Tr. 253-54).

professional users, but that it is diminished somewhat among non-professional, home users of the snips. (Helfgott, Tr. 259-61).

119. Although the counterfeiters have copied a number of aspects of the Wiss snips, such as the red, green and yellow grips, the "M" markings, and in some cases, the METALMASTER name and the packaging, it was the opinion of complainant's witnesses that the "M" markings were the principal source of confusion to the users of these products. (Gillooly, Tr. 105; Arnold, Tr. 198-99).

120. There have been a number of defective counterfeit snips returned to Wiss under the mistaken belief that they were Wiss snips. The salesman's reports and internal correspondence dealing with such defective returns generally credit the "M" markings on such counterfeit snips as a principal source of confusion. (CX 3, 41, 49). Correspondence from salesman stating their concerns about competition from the counterfeit snips frequently refer to the "M" markings as a source of confusion. (CX 4, 5, 6, 16, 41, 49, 52). In fact, one report specifically notes that the hardware store clerk thought the counterfeit snips were Wiss snips and the report cites to the "M" marks as the principal cause. (CX 16).

121. Even one of complainant's domestic competitors has attested to the uniqueness of the "M" designations to the Wiss snips. Mr. Molchan, Vice President of Stanley would not use the "M" marks because they were exclusively Wiss designations and such use by Stanley might lead to confusion in the

trade. He stated that the distributors, purchasing people and customers of Stanley would associate the "M" markings with Wiss. He further testified that Stanley promotes the advantages and utility of its snips by comparing them to the Wiss designations M1, M2 and M3, both from the utility and pricing standpoint. He opined that foreign manufacturers might copy the "M" markings because the Wiss snip is "the best known snip in the marketplace and enjoys the greatest market share." (CX 59, Molchan Dep., pp. 10-12).

122. Weighing all of this evidence, including the findings of the consumer survey concerning the fairly strong secondary meaning associated with the M1, M2 and M3 marks within certain consumer groups, along with the salesmen's reports, and actual instances of confusion by users between the counterfeit snips and the Wiss snips, I find a likelihood of confusion in the use of the "M" marks on the imported counterfeit snips. (FF 109, 117-121).

123. The addition of an "R" on the front or end of the "M" marks is a rather minor variation. The M-1R, M-2R and M-3R designations have been used just as frequently, and prominently, by complainant as the "M" mark without the "R". (FF 38; CPX 17-19). Some of the salesmen's reports of counterfeits cite to the "M" marks with the "R" appended as a source of confusion. (CX 16, 41, 49).

124. Although Dr. Helfgott has not conducted any consumer survey to determine the effect of adding the "R" to the "M" designations, his expertise is instructive on the question of likelihood of confusion, when weighed along

with the other evidence of record concerning complainant's long and prominent use of the M-1R, M-2R and M-3R marks, as well as the M1, M2 and M3 marks, and the salesman's reports stating concern over the use of the M-R marks on counterfeit snips. (FF 38, 123).

125. Furthermore, the manner in which respondents have appended the "R" to the "M" designations separates out and distinguishes the "M" marks, so as to make them prominent. Thus the marks on the packaging and promotional materials for the counterfeit snips appears as R-M1, R-M2 and R-M3. (CPX 7, 8).

126. Accordingly, I find that the marks R-M1, R-M2 and R-M3, as used by some of the counterfeiters, are confusingly similar to the marks used by complainant -- M1, M2, M3, M-1R, M-2R and M-3R. (FF 123-125).

5. Respondents and Others Have Copied Complainant's Mark

127. Respondents Azco, Homier, Jameson, Harko, U.S. General, Action Eagle and Coast Freight have infringed complainant's asserted common law trademark in the model designations M1, M2 and M3. These respondents have imported and/or sold snips displaying such "M" marks. (CPX 1-3, 13, 21, 22, 44, 49; CX 8, 17, 21, 22, 26). In addition, several non-respondents have imported and/or sold counterfeit snips with such markings imprinted on the blades. These include: Alltrade (CPX 4-6); Harbor Freight Salvage Co. (CPX 10; CX 68); Lustre Line Products (CPX 9); West Building Supply (CPX 23-25; Gillooly, Tr. 32); and Forest City Warehouse (CPX 26, 27; Gillooly, Tr. 33). The importers and sellers of several other counterfeit snips bearing such marks are unknown. (CPX 30-33).

128. Respondents Fedco, Harko, Home Chain and J & C have used the "R-M" marks in their advertisements, offers for sale and/or packaging. (CX 19-21; CPX 7, 8).

129. There is no evidence that Fedco, Home Chain or J & C have imported and/or sold compound action metal cutting snips with the M1, M2 and M3 marks imprinted on the blades. There are no snips from these respondents in evidence as physical exhibits and the advertisements or promotional materials in evidence for Fedco and Home Chain display the snips in their sleeves, so that such marks would not be visible even if they exist. (CX 19, 20; FF 158-160, 162).

C. Misappropriation of Trade Dress

130. Complainant has introduced two versions of trade dress for its compound action metal cutting snips -- one used prior to 1984 (CPX 18, 19) and one used since 1984 (CPX 17).

131. For many years, Wiss aviation snips have been marketed in distinctive cardboard "sleeves" having a hexagonal shield horizontally divided into red and white zones. Wiss aviation snips are generally displayed and sold in these cardboard sleeves, and photographs and drawings of the snips appearing in advertisements and promotional materials sometimes show them in the sleeves. (CX 63, Gillooly W.S., ¶ 60).

132. Recent changes in the design of the sleeve were made to promote identification of the snips with The Cooper Group in keeping with complainant's marketing concept. Both the old and new sleeves are of the same size and shape, both have an identical hexagonal shield, insofar as size and shape are concerned, and each have the hexagonal shield divided into red and white zones. However, the wording and arrangement of the printed material has been changed, as well as the arrangement of the red and white zones. The names Wiss and METALMASTER are still prominently displayed. The M-1R, M-2R and M-3R still appear, but are less prominent on the shield, and less product information is provided on the back of the sleeve. (The old sleeve provided information concerning other snips also, whereas the new sleeve provides information only as to these three snips). (CPX 17-19).

133. There had been one earlier change in the design of the Wiss sleeve. Prior to Wiss' acquisition by Cooper in 1976, the sleeve had the same basic shape, including the hexagonal shield, but the color scheme consisted of yellow, black and white. (Gillooly, Tr. 36; CPX 47).

134. Among the types of customers to which Wiss' marketing efforts are principally directed, the colors red and white, which appear on both the current and the pre-1984 packaging, are known to be associated with the Cooper Group. No other tool company has red and white as its predominant color scheme. (Gillooly, Tr. 58-59, 65-66).

135. The hexagonal shield on the Wiss sleeve, in conjunction with the red and white color scheme, is uniquely associated with Cooper. The only other domestic manufacturer of aviation snips known to use a hexagonal shield, Diamond, uses a green and white color scheme quite distinct from the colors used by Cooper. (Gillooly, Tr. 60; CPX 34).

136. Unit sales of Wiss aviation snips during the period in which they were sold in the 1976-1983 packaging were in excess of eight million units. (CX 63, Gillooly W.S., ¶ 69; CX 15, 56, 61).

137. Tens of thousands of the pre-1984 Wiss sleeves for aviation snips are still in the chain of distribution, and it will be at least 1987 before the number of such sleeves is less than a thousand. Cooper's experience has shown that it generally takes at least two or three years for product revisions to pass through the distribution chain all the way to the end user. (Gillooly, Tr. 39-41).

138. Some other manufacturers of aviation snips package their snips in cardboard sleeves, the purpose of which is to enable the prospective buyer to remove the snips and try them out. However, the packaging used by other domestic manufacturers is sufficiently different from Wiss' in color and design to avoid any potential confusion between their products and those of Wiss, as can be seen in physical samples of Diamond and Midwest aviation snips in their packaging. (CX 63, Gillooly W.S., ¶ 75; Gillooly, Tr. 34, 35, 57; CPX 34, 36-37, 42-43).



139. Counterfeit snips offered for sale by respondents Fedco, Home Chain, Harko and J & C, appear in packaging virtually identical to that used in the marketing and promotion of Wiss' aviation snips. (CX 63, Gillooly W.S., ¶ 74; CPX 7-8, 17-19; CX 19-21; 27, 35-36).<sup>4/</sup>

140. Cooper has recently discovered snips in such packaging offered for sale by Forest City Warehouse. (CX 63, Gillooly W.S., ¶ 74; CPX 26-27; CX 16).

141. The packaging used by respondents Fedco, Home Chain, Harko and J & C, and on snips found at Forest City Warehouse, appears to have been deliberately designed to trade on the reputation and good will of Wiss and The Cooper Group. Their packaging is virtually identical to that of the 1976-1983 packaging, which has been in use much longer than the more recent, modified packaging. In fact, their packaging has the exact same color scheme and the printed matter thereon is quite similar, even to the extent of using complainant's registered mark, METALMASTER. (CX 63, ¶ 76).

142. Sleeves used for snips sold or offered for sale in the United States by respondents Fedco, Home Chain, Harko and J & C, and those

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<sup>4/</sup> Staff counsel disagrees with this statement insofar as it pertains to Fedco, Harko and Home Chain on the basis that CX 19-21, the promotional materials revealing the packaging of these respondents are in black and white and the color scheme is not there revealed. Although this is true of the extra copies of these exhibits, the originals of CX 19-21, in the official docket, are in color and do reveal the same color scheme as complainant's 1976-1983 packaging.

in which snips found at Forest City Warehouse were packaged, meticulously imitate the features of the pre-1984 packaging used for Wiss' snips, including the overall shape of the sleeves, the dark color of the back portion of the sleeves (front view); the centered, circular white area for price on said back portion, the hexagonal shield comprising the front portion of the sleeves, the division of the shield into a white upper zone and red lower zone with a dark narrow band separating the zones, the positioning of the name "METALMASTER" immediately above the line separating the white and red zones, the size and positioning of the word "snips" on said respondents' packaging (corresponding to that of the Wiss brand name on complainant's packaging), the use of model designations similar to those used by Wiss, the positioning of those model designations immediately below the line separating the red and white zones, the use of the words "Compound Action," (identical in position and printing style to Wiss' use of the same words), and the positioning and printing style of the words indicating cutting direction. Features of the reverse side of Wiss' packaging that these parties have copied include the slogan "Do your job better," and drawings of available models of snips shown with the blades pointing to the left and captioned by model designations similar to those used by Wiss. (CX 35-36; CPX 8, 18).

D. Passing Off

143. The use by respondents Fedco, Home Chain, Harko and J & C and by the manufacturer/exporter of the snips found at Forest City Warehouse, of the "METALMASTER" trademark and of packaging virtually identical to that

used by Wiss constitutes a deliberate passing off of their snips as originating from Wiss or from a source authorized by Wiss. (CX 63, Gillooly W.S., ¶¶ 74, 76; CPX 7-8, 26-27; CX 19-21, 35-36).

144. On January 31, 1985, one of respondent Coast Freight's salesmen contacted C. Gordon Gillooly, an officer of the Cooper Group, to inquire whether Mr. Gillooly would be interested in purchasing aviation snips from Coast Freight. Mr. Gillooly had purchased imported counterfeit snips from Coast Freight in October 1984. However, the salesman did not know that Mr. Gillooly was a Wiss employee, having simply learned his name from the former purchase. (Gillooly, Tr. 36-37).

145. In response to a request for further information on the Coast Freight snips, the salesman informed Mr. Gillooly that the snips were manufactured at the same plant in Japan as that at which Wiss snips were made. This information was false, since Wiss does not manufacture snips in Japan and, furthermore, the Coast Freight snips are from Taiwan. (Gillooly, Tr. 37-38).

146. The false information given to Mr. Gillooly by the Coast Freight salesman was read verbatim out of a Coast Freight salesman's training manual. Such manuals are frequently used especially for telephone marketing. (Gillooly, Tr. 38-39).

147. Other respondents, such as Azco, Jameson, Homier, and U.S. General have only been shown to have used the M1, M2 and M3 marks on the blades of snips which they have imported and/or sold. (FF 127).

E. Failure to Designate Country of Origin

148. Complainant has accused respondents Fedco, Harko, Home Chain, Homier, Jameson, U.S. General, Coast Freight and Azco and several non-respondents with failure to mark their foreign manufactured snips with the country of origin -- Taiwan. (CF 196; CB, at 29).

149. Complainant has provided neither physical exhibits nor testimony concerning the absence of markings on the snips of Fedco, Harko, Home Chain and U.S. General. The only evidence in the record of the snips of these respondents are pictures of packaged snips from which the absence of markings cannot be ascertained. (CX 19-22).

150. Respondents Homier and Azco do not have the country of origin imprinted directly on the snips. However, the pouches in which the Homier snips are packaged and the packaging of the Azco snips do indicate that their snips were made in Taiwan. (CPX 1-3, 21, 22, 28, 39).

151. There is no designation on the snips of respondent Jameson as to the country of origin of its snips. However, the evidence does not include the packaging for the Jameson snips. Therefore, it cannot be determined from the record evidence whether the packaging for such snips reveals the country of origin. (CPX 13).

152. Both the snips themselves and the packaging of the snips imported and/or sold by respondent Coast Freight reveal that such snips were manufactured in Taiwan. (CPX 44).

153. Mr. Gillooly has testified that the target group for complainant's snips is the professional and discriminating do-it-yourselfer. He states that these people are very resistant to purchasing any imported product, partly because of the fact that it's imported. According to Mr. Gillooly, these users know that the performance of the imported products does not meet their requirements, i.e., that they are inferior products. (Gillooly, Tr. 42).

F. False and Deceptive Advertising

154. Wiss has long used a hot drop-forging process, which it pioneered, to manufacture the blades of its snips from high-quality molybdenum steel. (CX 64, Arnold W.S., ¶¶ 5-7, 53, 58; CX 63, Gillooly W.S., ¶ 78; Gillooly, Tr. 93).

155. This produces a superior product to the alternative of simply stamping the blades out from cold, flat metal. (CX 63, Gillooly W.S., ¶¶ 80-81; Gillooly, Tr. 93-94).

156. One of the respondents, Homier, has sold and advertised snips which have been stamped from cold, flat metal as having a "drop-forged molybdenum steel" blade. (CPX 40; CX 23). This respondent sells both drop-forged molybdenum steel snips and those stamped from cold, flat metal. However, the advertisement (CX 23) appears to refer to the stamped snips, since it refers to a \$9.95 price for the snips. The 3 snip pouch of stamped

snips in evidence from Homier shows a \$9.95 price (CPX 40), whereas, the pouch of forged molybdenum steel snips of Homier that are in evidence are priced at \$15.99. (CPX 1-3). This respondent did not cooperate in discovery in this matter, so I can only infer that the advertisement referred to the cheaper of the two sets; since it used the identical price. (CPX 40; CX 23).

157. The Homier pouch containing the stamped snips and stating that the snips are made of "drop forged molybdenum steel" does not include reference to any of the proprietary marks of complainant and the snips themselves are not stamped with the "M" designations. (CPX 20, 40).

#### V. IMPORTATION AND SALE

##### A. By Respondents

158. Respondent Fedco has offered metal cutting snips for sale in the United States in an advertisement displaying the snips in packaging bearing the markings METALMASTER and R-M1, R-M2 and R-M3. The packaging is also similar in appearance to the Wiss snip sleeve. There is no evidence that Fedco has actually exported to or sold such snips in the United States. (CX 19; SX 4).

159. Respondent Home Chain has offered metal cutting snips for sale in the United States in an advertisement displaying the snips in packaging bearing the markings METALMASTER and R-M1, R-M2 and R-M3. The packaging is

also similar in appearance to the Wiss snip sleeve. There is no evidence that Home Chain has actually exported to or sold such snips in the United States. (CX 20; SX 5).

160. Respondent Harko has offered metal cutting snips for sale in the United States in an advertisement displaying the snips in packaging bearing the markings METALMASTER and R-M1, R-M2 and R-M3. The blades of the metal cutting snips bear the imprints of M1, M2, and M3. The individually packaged snips appear in sleeves similar in appearance to the Wiss snip sleeves. There is no evidence that Harko has actually exported to or sold these snips in the United States. (CX 21; CPX 49; SX 3).

161. Respondent Homier has sold metal cutting snips in the United States which bear the marks M1, M2 and M3 on the blades. These snips are packaged in plastic pouches which are labeled with the name "Buffalo Brand" and marked as being made in Taiwan. (CPX 1, 2, 3, 28, 39; CX 23; Gillooly, Tr. 27-28, 33, 34-35).

162. Respondent J & C Wholesale has sold metal cutting snips in the United States in sleeve packages bearing the marks METALMASTER, R-M1 and R-M2. The packages are similar in appearance to the Wiss snip sleeves. (CPX 7, 8; Gillooly, Tr. 29).

163. Respondent Coast Freight has sold metal cutting snips in the United States which bear the marks M1, M2 and M3 on the blade. The plastic packaging in which the snips are sold indicates that their origin is Taiwan.

Some of the bolts on the snips are also marked "Taiwan." Coast Freight has also sold metal cutting snips in the United States which originate in Taiwan that do not have the M1, M2 and M3 marks. (CPX 44; SPX 4; SX 19).

164. Respondent U.S. General has offered for sale in the United States, metal cutting snips bearing the marks M1, M2 and M3. (CX 22).

165. Respondent Jameson & Son has offered for sale and sold in the United States metal cutting snips bearing the mark M3. (Gillooly, Tr. 30; CX 4; CPX 13; SX 6).

166. Respondent Azco Tool has sold imported metal cutting snips in the United States which bear the marks M1 and M2. (Gillooly, Tr. 32; CPX 21, 22).

167. Former respondent Action Eagle imported 3,180 metal cutting snips bearing the markings M1, M2 and M3 from Taiwan in 1981. In 1982, Action Eagle imported an additional 600 metal cutting snips bearing the marks M1 and M2. Action Eagle has sold these snips in the United States. (CX 8).

B. Third Parties

C                   168. Between March 1983 and July 1984, Alltrade sold approximately  
C                   three-piece sets of metal cutting snips in the United States and had  
C                   approximately       sets remaining in inventory in August 1984. Importation of



these snips from Taiwan by Alltrade closely approximates the volume of sales. These imported snips bear the marks M1, M2 and M3. (CX 7; Gillooly, Tr. 28, CPX 4-6).

C 169. Harbor Freight Salvage imported from Taiwan a total of  
metal cutting snips bearing the markings M1, M2 and M3 from 1982-1984. Harbor  
C Freight sold of these snips in the United States during this period  
C and had a remaining inventory of snips as of October 8, 1984. These snips  
C were imported by Harbor Freight from Taiwan. (Gillooly,  
Tr. 30; CPX 10-12; CX 68).

= C 170. In 1984, Zayre Corp. purchased metal cutting snips from an  
entity called Marco. These snips are of Taiwanese origin and bear the "M"  
markings at issue. (CX 45, 55).

171. Complainant has located metal cutting snips imported from Taiwan  
bearing the "M" designations at issue for sale at numerous locations  
throughout the United States, including Lustre Line in the Northeast, West  
Building Supply in Atlanta, Georgia, Forest City Warehouse in Illinois, and  
Thermal Supply in Houston Texas. (Gillooly, Tr. 29, 32-33; CPX 9, 23-27,  
30-33).

## VI. DOMESTIC INDUSTRY

172. Wiss' entire production of aviation snips for the U.S. market is  
carried out at facilities located in the United States, with materials and

components obtained from U.S. sources. (Gillooly W.S., CX 63, ¶ 13).

173. Forging of the blades for the aviation snips is carried out at Wiss facilities in Newark, New Jersey and Monroe, North Carolina; Wiss is currently in the process of relocating the entire forging operation from Newark to Monroe. Final assembly and finishing of the snips is carried out at a Wiss facility in Statesboro, Georgia. (Gillooly W.S., CX 63, ¶ 14; Arnold W.S., CX 64, ¶ 3. See also CX 13).

174. Wiss devotes approximately 120,000 square feet of its manufacturing space principally to the production of its aviation snips, of which about 75,000 is solely devoted to the snips. Approximately percent of the manufacturing activities at the Statesboro plant relate to aviation snips. (Gillooly W.S., CX 63, ¶ 16; Arnold W.S., CX 64, ¶¶ 4, 39).

175. Wiss has 119 employees generally associated with its aviation snips. Approximately day shift and night shift employees work solely on aviation snips. (Gillooly W.S., CX 63, ¶ 17; Arnold W.S., CX 64, ¶ 40).

176. The Cooper Group in Raleigh, North Carolina is responsible for the marketing, sales, promotion and advertising of Wiss' aviation snips as well as other products of the Cooper Group. (Gillooly W.S., CX 63, ¶¶ 15, 40).

177. Cooper's sales force is divided into five divisions, with a divisional sales manager over each area. These five divisions cover the United States. (Gillooly, Tr. 46).

C 178. Cooper has a network of over sales representatives across the United States. These salesmen call on wholesale and retail stores for, among other things, supplying complainant's compound action metal cutting snips to each account. (Gillooly, Tr. 43).

179. None of the Cooper salespeople is devoted exclusively to aviation snips or to Wiss products, since most of its customers are in the market for more than one of its diversified product lines. (Gillooly W.S., CX 63, ¶ 41).

C 180. On the basis of sales of aviation snips relative to sales of all Cooper tools, Cooper allocates approximately percent of its annual marketing expenditures to aviation snips. (Gillooly W.S., CX 63, ¶ 42).

181. On the basis of FF 172-180, supra, I find that the relevant domestic industry is comprised of Cooper's domestic facilities devoted to the manufacture, assembly, marketing, distribution and sale of the aviation snips at issue. (FF 172-180).

#### VII. EFFICIENT AND ECONOMIC OPERATION

182. Cooper uses modernized equipment and innovative technology in order to produce its cutting snips more efficiently, and to yield a high quality output. Modernized equipment also has enabled Cooper to increase the productivity of its employees. (Gillooly W.S., CX 63, ¶¶ 22-24).

183. Cooper has expended the following sums on capital equipment for modernization of its manufacturing process for compound action metal cutting snips:

	<u>Year</u>	<u>Title</u>	<u>Amount</u>
C	1977		
C	1980		
C	1982		
C	1983		
C	1983		
C	1984		
C		TOTAL	

(Gillooly W.S., Cx 63, ¶ 26; CX 11).

184. Cooper has made the following expenditures for research and development related to new product development and improvement of existing products:

C	1979
C	1980
C	1981
C	1982
C	1983

Approximately one third of these expenditures can be allocated to the metal cutting snips at issue. (Gillooly W.S., CX 63, ¶¶ 27-28; Arnold W.S., CX 64, ¶ 35; CX 10).

C 185. Wiss' capacity to produce aviation snips is approximately million units per year at present employee levels. With existing equipment, that capacity could be substantially increased merely by adding employees to the night shift. (Gillooly W.S., CX 63, ¶ 20; Arnold W.S., CX 64, ¶ 41).

186. Wiss uses a hot drop-forging process in the manufacture of the blades of its aviation snips, rather than less expensive alternatives, such as stamping from flat metal. Also, Wiss continues to forge its blades from high-quality molybdenum steel rather than cheaper, less durable metals. (Gillooly W.S., CX 63, ¶ 21; Gillooly, Tr. 93-94).

187. The forging process Wiss uses for the blades is superior to alternative methods available, such as blanking from cold steel, for at least two reasons: first, it enables Wiss to use a higher quality steel, with a higher carbon content, than would otherwise be possible. Wiss uses 4068 carbon alloy steel in the manufacture of blades for its snips. Second, the superior shape, cross-section and strength Wiss achieves through forging would not be possible if it were to blank the blades from cold steel. (Arnold W.S., CX 64, ¶¶ 15-17; Gillooly, Tr. 94-95).

188. The manufacture of snips and other products at Wiss is guided by a plant manual that describes in detail the manufacturing process, setting forth bills of materials, manufacturing sequences and other information concerning Wiss products and their production. (Gillooly W.S., CX 63, ¶ 14; Arnold W.S., CX 64, ¶ 29; CX 13).

189. Wiss has an extensive quality control program in effect for the production of its metal cutting snips. Various inspections, tests and controls performed by Wiss in the manufacture of its aviation snips and other products are described in the Wiss Quality Control Manual and the Inspector's Handbook, prepared by the quality control manager at the Statesboro plant. (Gillooly W.S., CX 63, ¶ 30; Arnold W.S., CX 64, ¶ 23; CX 12, 48).

190. Wiss has a quality control lab, quality control people within each department and a roving quality control operator. (Arnold W.S., CX 64, ¶ 18).

191. In the quality control lab, specialized machinery and techniques are used to determine such things as the hardness and carbon content of the steel, and the cutting life of the snips. (Arnold W.S., CX 64, ¶ 19).

192. The quality control personnel within each department keep check on the specifications of the part of the product or the operation for which their department is responsible, ranging from the hardness of the steel to the size of the holes drilled in the product at various phases of the operation. (Arnold W.S., CX 64, ¶ 20).

193. The roving quality control operator double-checks the work of the quality control personnel within each department. (Arnold W.S., CX 64, ¶ 21).

194. The equipment used in Wiss' quality control labs includes, among other things, four Rockwell hardness testing machines at the Statesboro

facility. Such hardness testing, in combination with a carefully controlled and monitored forging and hardening process, insures a high-quality output in terms of product durability. (Gillooly W.S., CX 63, ¶ 36).

195. Product performance (ease and cleanness of cutting) relates to the strength of the handles as well as the strength and life of the spring, both of which are continuously tested at the Statesboro operation. (Gillooly W.S., CX 63, ¶ 37).

196. Wiss insures a good product appearance by, among other things, controlling the color and consistency of the grips and by making certain that the metal parts of the snips are clean and rust-free. (Gillooly W.S., CX 63, ¶ 38).

197. For each operation in the plant Wiss has developed a job description and a learning curve that tells it how much time to expect a new employee will need in order to master the operation. A new employee is given an orientation by the supervisor, and usually a day or two during which he mainly observes an experienced employee perform the operation, before he begins to operate the equipment himself. After that, he is supervised continuously to help him improve his job performance. (Arnold W.S., CX 64, ¶ 27).

198. Wiss has an incentive program to reward employees for improving their productivity; that program stresses the quality of the worker's output as much as the quantity. (Arnold W.S., CX 64, ¶ 28).

199. Wiss' management, clerical and manufacturing employees are compensated to the level of their abilities and backgrounds and receive various fringe benefits, such as life, medical and dental insurance. (Gillooly W.S., CX 63, ¶ 19; CX 14).

200. Cooper has advertised its compound action metal cutting snips through advertising brochures, in magazines, at trade shows, and by other means. (Gillooly W.S., CX 63, ¶¶ 43-44).

201. On the basis of FF 182-200, supra, I find that the domestic industry as defined herein is efficiently and economically operated. (FF 182-200).

#### VIII. INJURY

202. Cooper's total sales and profits for its METALMASTER snips for the period 1980-1983 are as follows:

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Total Snip Sales				
Profit Before Tax				
Average Net Sales Price				

Figures on sales and profits for 1984 were unavailable. (CX 15; Gillooly, Tr. 149).

203. Cooper's unit sales of its M1, M2 and M3 METALMASTER snips for the period 1978-1982 are as follows:



C  
C  
C  
C

1978  
1979  
1980  
1981  
1982

(CX 56).

204. Cooper's total standard production costs for its M1, M2 and M3 METALMASTER snips for the period 1981-1984 are as follows:

C  
C  
C

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
M-1R				
M-2R				
M-3R				

These costs include materials, labor, overhead and distribution costs. (CX 51).

205. Wiss snips are a higher priced, but reputedly top-of-the-line product. Cooper has sought and achieved for itself a niche in the market for the sale of compound action metal cutting snips. Cooper characterizes this niche as the premium segment of the market. Accordingly, complainant aims its sales primarily at the professional user of snips and also at "discriminating" non-professional users who are interested in purchasing a strong, long lasting tool. (Gillooly W.S., CX 63, ¶¶ 47, 49-52; Gillooly, Tr. 42, 74, 122-23).

206. Cooper's wholesale and suggested retail prices for its METALMASTER M1, M2 and M3 aviation snips are as follows for the period 1980-1983:

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Net Distributor Price				
Retail Price	11.90	12.90	13.55	13.55

(CX 61).

207. Other metal cutting snips produced domestically and competitive with Wiss, such as Bergman, Midwest and Diamond, are priced approximately 10-25% below Wiss. (Gillooly W.S., CX 63, ¶¶ 54-57; Gillooly, Tr. 145-46).

208. Complainant justifies its higher selling price for snips based on product performance and an established image of quality. (Gillooly, Tr. 146).

209. Complainant relies on customer identification with the Cooper name and its proprietary trade names. Quality rather than pricing is considered by complainant to be its competitive advantage. (Gillooly W.S., ¶¶ 63-64, CX 63).

210. The category of purchaser referred to by Cooper as the "reluctant do-it-yourself" is a customer who typically may need certain types of tools for a one-time project. This type of customer tends to be more price conscious than quality conscious. (Gillooly W.S., CX 63, ¶ 52; Gillooly, Tr. 122-23).

211. Since about 1982, Cooper has begun to experience the phenomenon of shared accounts. These accounts are Wiss customers who continue to purchase METALMASTER snips, but have also begun to purchase the accused imported snips. Cooper has discovered, through reports of its sales personnel, that it is sharing accounts with the imported snips with such customers as Hechinger's, Handy Dan, Tab Merchandising, Jameson Hardware, Sam's Wholesale, Zayre's, Central Hardware and Thermal Supply. (Gillooly W.S., CX 63; ¶ 117; Gillooly, Tr. 25-27, 49-51; CX 4-6, 37, 49, 52).

212. Evidence on this record indicates that at least the following volume of the accused snips having the markings M1, M2 and M3 have been imported into the United States between 1981-1984:

	<u>Time</u>	<u>Volume</u>
C	Alltrade	
C	Action Eagle	
C	Zayre	
C	Harbor Freight	
	through in inventory	
	TOTAL	<u>120,555</u> units

These figures do not reflect total imports, due to unavailability of information from nonparticipating respondents. (CX 7, 8, 55, 68).

213. Cooper's sales personnel have discovered sales of imported snips bearing "M" designations at various outlets at uniformly lower prices than Wiss METALMASTER snips. For example, Sam's Wholesale in Midwest City, Oklahoma, has offered three-piece snip sets with the M1, M2 and M3 markings for a price of \$7.39. Another salesman found the accused snips for sale at Forest City Warehouse in Schaumburg, Illinois for a price of \$4.88 per pair. (CX 5, 16).

214. The retail selling prices of the imported snips bearing the M1, M2 and M3 markings have a wide range, as demonstrated by the price tags on the physical exhibits in evidence:

<u>Exhibit</u>	<u>Origin</u>	<u>Price</u>
CPX 1, 2, 3	Buffalo Brand	\$15.99 (3 piece set)
CPX 39	Buffalo Brand	15.99 (3 piece set)
CPX 9	Lustre Line	7.25 (1 pair)
CPX 21	Azco Tool	4.99 (1 pair)
CPX 25	West Building Supply	1.99 (1 pair)
CPX 26, 27	Unknown	4.88 (1 pair)
CPX 28	Buffalo Brand	5.99 (1 pair)

215. Cooper has a longstanding policy of accepting for return any of its products which a customer claims is defective and for which return is requested. The customer is issued either a replacement or a money credit. Complainant's customers (wholesalers and retailers) have often claimed credits for returned snips they believed -- and the consumer believed -- were Wiss snips. Upon inspection, it was determined that these returns were similar to complainant's product, but were not manufactured by Wiss. Determining that

the snips are not manufactured by complainant is simple: complainant stamps the name "Wiss" onto each of its snips. If the name is not on the snip, it is not complainant's. (Gillooly, Tr. 46-48; CX 3).

216. Cooper credited a return of four metal cutting snips from Thermal Supply Co. in Houston, Texas for which Thermal Supply wanted a credit from Cooper because the consumer had complained that the snips were defective. The consumer and Thermal Supply mistakenly believed that the defective snips were from Wiss. (Gillooly, Tr. 48-49; CPX 30-33).

217. Complainant has been pressured by its customers to reduce its price because of the lower price of the imported lookalike snips. For example, customers have requested discounts as a result of the presence of cheaper imports in the market. (Gillooly, Tr. 74-75, 119; Gillooly W.S., CX 63, ¶ 110).

C 218. Cooper currently is running        shifts in its production  
operation. No additional expenditures in terms of equipment would need to be  
C made to increase production. A step up to the running of  
would result in greater utilization of equipment and capital goods.  
(Gillooly, Tr. 117).

219. If a snip which is wrongly associated with complainant performs poorly, the purchaser of the snip is unlikely to purchase complainant's snips in the future. (Gillooly, Tr. 101).

220. Cooper has conducted tests to assess the quality of the imported snips in comparison to Wiss METALMASTER snips. These tests show that the imported snips are of lesser quality in terms of manufacturing quality control, quality of materials used, and performance. (Gillooly W.S., CX 63; ¶¶ 81-89; Arnold W.S., CX 64, ¶¶ 51-61; CX 1, 17, 47).

221. Mr. Edward Weaver, one of complainant's employees, in travels to Taiwan, has observed that there exists equipment in Taiwan for drop forging which could easily be used for production of hand tool parts. One possibility is the conversion of such forging operations to the production of aviation snip blades. (Weaver W.S., CX 65, ¶ 6).

222. Creation of dies for the adoption of existing hot-drop forging operations to accommodate production of snip blades would take only approximately six weeks. (Weaver, Tr. 159).

223. Production costs, including raw materials (steel) and labor, are lower in Taiwan than in the United States. Thus, the Taiwanese have a cost advantage over a U.S. producer, such as complainant. (Weaver, Tr. 162-64; Weaver W.S., CX 65, ¶ 7).

224. On the basis of the foregoing facts, I find that the effect and tendency of the importation into and sale in the United States of the accused metal cutting snips by respondents and other nonparties is to substantially injure the relevant domestic industry. (FF 202-223).

## OPINION

### I. JURISDICTION

Section 337 confers subject matter jurisdiction on the Commission to investigate, and as appropriate, to remedy, unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale, which have the effect or tendency to destroy or substantially injure an efficiently and economically operated domestic industry. 19 U.S.C. § 1337. The Commission's power to decide a case must be based on the existence of both subject matter jurisdiction and jurisdiction over either the parties or the property involved. Certain Steel Rod Treating Apparatus and Components Thereof, Inv. No. 337-TA-97, Commission Memorandum Opinion, 215 U.S.P.Q. 229, 231 (1981) (Steel Rod).

The record in this investigation establishes that the complaint and notice of investigation in this matter were served by the Commission, and that each respondent received actual notice of the pendency of this investigation. (FF 1). Although several respondents informally responded to the complaint, no formal appearances were entered, and no respondent appeared at the hearing. (See Procedural History, supra).

The evidence in this matter establishes that each of the domestic respondents has sold or offered for sale in the United States imported metal cutting snips bearing the markings M1, M2 or M3 utilized by complainant, and that some respondents have used complainant's mark METALMASTER, or a trade dress similar in appearance to Cooper's trade dress in connection with these

snips. (FF 161-166). However, with the respect to foreign respondents Fedco, Harko and Home Chain, there is no evidence that any one of them has exported the accused snips to the United States. Rather, the limited information concerning these respondents suggests that they had previously voluntarily agreed not to export the products alleged to infringe Cooper's proprietary rights at Cooper's request. (FF 158-160; SX 3-5). Nevertheless, there is ample evidence that the accused snips are being manufactured in Taiwan and exported to the United States by one or more nonparties to this investigation. (FF 168-171).

The power of the Commission to issue an exclusion order is based on its in rem jurisdiction over the imported product. Thus, this remedy operates against property, rather than against parties, and the Commission may assert jurisdiction over the imported articles whether or not the foreign manufacturer has been named as a respondent or received actual notice of the investigation. Sealed Air Corp. v. International Trade Commission, 209 U.S.P.Q. 469 (C.C.P.A. 1981). In addition the Commission need not have personal jurisdiction over a party to name it as a respondent or to affect adversely its interest in the property under dispute. Steel Rod, 215 U.S.P.Q. at 232.

There is insufficient evidence on this record to find conclusively that the Commission has personal jurisdiction over the foreign respondents. In view of the Commission's in rem jurisdiction over the accused metal cutting snips imported into the United States, a finding of personal jurisdiction as to these respondents is unnecessary. The due process requirement that these



respondents be given notice of the pendency of this matter has been satisfied, and the record is clear that actual notice has been received by each of the foreign respondents. (FF 1). Steel Rod, 215 U.S.P.Q. at 231, citing Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306 (1950).

For the foregoing reasons, I find that the Commission has jurisdiction over the subject matter of this investigation, personal jurisdiction over the named domestic respondents, and in rem jurisdiction over the accused imported metal cutting snips as well as over the accused imported trade dress. (FF 1).

## II. COMPLAINANT'S MOTION FOR DEFAULT AND SANCTIONS

At the close of the hearing in this matter, on February 12, 1985, complainant filed a motion for entry of default and adverse inferences against respondents Home Chain, Fedco, Homier, Harko, J & C Wholesale, Azco Tool, Coast Freight and U.S. General. (Motion Docket No. 197-9). The Commission investigative attorney supports this motion in part. No other responses to this motion have been filed.

Cooper requests that a finding of default be made as to each of the above-named respondents, and that these respondents not be heard to contest the allegations of the complaint at the hearing or in written submissions during or subsequent to the hearing. In addition, complainant requests that the following adverse inferences be drawn against respondents Home Chain, Fedco, Harko, and J & C:

1. Said respondents have exported to, imported into and/or sold in the United States compound action metal cutting snips of the type at issue in this investigation.
  
2. The markings "M1", "M2" and "M3" are forged on the blades of said snips in the place at which and in the style in which said markings appear on compound action metal cutting snips manufactured and marketed in the United States by complainant.
  
3. Said snips bear no designation of their country of origin, Taiwan.

The Commission investigative attorney supports complainant's request for a finding of default and imposition of the first adverse inference above, but opposes imposition of the second and third adverse inferences.

Under Rule 210.25(a), failure of a respondent to:

File a response to the complaint and notice pursuant to § 210.21 within the time provided, respond to a motion for summary determination, respond to a motion which materially alters the scope of the notice of investigation, or appear at a hearing before the administrative law judge on the issue of violation of section 337, may be deemed to constitute a waiver of the respondent's right to appear, to be served with documents, and to contest the allegations at issue in the investigation.

In this case, responses to the complaint were filed only by respondents Home Chain, Fedco and Harko. (SX 3-5). No respondent appeared at the hearing on violation of Section 337. Following the hearing motions were filed to terminate Azco on the basis of a settlement agreement and U.S. General on the basis of a consent order agreement. (See Procedural History, supra). Coast Freight filed a response to orders compelling discovery which was received on the first day of the hearing. (SX 19).

Rule 210.25(a) permits a finding of default when a respondent fails to do any one of the actions set forth in subsection (a). Thus, although a respondent may timely respond to the complaint and notice of investigation, it may be found in default for failure to appear at the hearing on violation. In the circumstances of this case, although certain respondents did respond to the complaint and notice, none participated in discovery or appeared at the hearing. Therefore, I find that respondents Home Chain, Fedco, Harko, Homier, J & C, Azco Tool, Coast Freight and U.S. General are in default and have waived their right to appear in the remainder of this investigation. In addition, respondents Homier, J & C, Azco Tool, Coast Freight and U.S. General, who did not respond to the complaint and notice, are held to have waived the right to contest the allegations at issue in the investigation.

Complainant also seeks the imposition of adverse inferences in the nature of sanctions against respondents Home Chain, Fedco, Harko and J & C. Under Rule 210.36, appropriate sanctions may be imposed for failure to comply with an order compelling discovery. Order Nos. 8 and 9 in this investigation

compelled these respondents to respond to discovery requests from complainant and the Commission investigative attorney. None of these respondents has complied with either of these orders within the time set forth therein. Although it is appropriate to impose sanctions under these circumstances, with one exception noted below, the adverse inferences requested by complainant will not be imposed for the reasons which follow.

Irrespective of a finding of default and the imposition of certain sanctions, complainant is not relieved of its burden of establishing a prima facie case of violation of Section 337, as to each respondent. The Administrative Procedure Act requires that an initial determination on violation of Section 337 be based on "reliable, probative, and substantial evidence." 5 U.S.C. 556(d). Thus a finding of default authorizes the administrative law judge to create certain procedural disabilities against defaulting respondents and to entertain, without opposition, proposed findings of fact and conclusions of law, which must be based on substantial, reliable and probative evidence. Certain Electric Slow Cookers, Inv. No. 337-TA-42, Commission Opinion in Support of Orders Terminating Certain Respondents, Declaring This Matter More Complicated and Remanding This Matter for Further Proceedings (March 15, 1979).

The first sanction requested by complainant is an inference that respondents Fedco, Home Chain, Harko and J & c have exported to, imported into and/or sold the accused snips in the United States. With respect to respondent J & C, complainant has introduced into evidence a sleeve package

for a metal cutting snip of the type at issue. (CPX 7). Complainant has not been able to locate a sample of the snip itself. In the presence of a sleeve package from J & C it is reasonable to infer that such package was at one time accompanied by a metal cutting snip. On the basis of the evidence that has been submitted concerning J & C, the inference is drawn that J & C has sold in the United States metal cutting snips of the type at issue in this investigation.

Complainant seeks the same inference with respect to respondents Fedco, Harko and Home Chain. The only evidence on this record of these respondents' alleged activities in connection with these snips consists of three undated advertisements. (CX 19-21). Each of these respondents has submitted a response to the complaint indicating that they voluntarily ceased to engage in any activities involving complainant's claimed trademarks upon complainant's request well before the commencement of this investigation. (SX 3-5). The statements made by these respondents are in no way inconsistent with the limited evidence offered by complainant, and complainant has not attempted to rebut such claims. Other evidence on this record suggests that other entities in Taiwan have engaged in manufacture of the accused snips and exportation of such snips to the United States. (CX 8, 68). These latter entities have not been named as respondents.

Thus, there is no substantial, reliable or probative evidence on this record to establish that the metal cutting snips at issue were manufactured or exported by any one of respondents Fedco, Harko or Home Chain. Rather, the

evidence tends to show that the snips that have been imported into the United States were manufactured and exported by other, identified or unidentified nonparties to this investigation. Under these circumstances, the evidence submitted is contrary to the inference sought by complainant, and the adverse inference requested will not be imposed as to these three respondents.

With respect to the second and third adverse inferences requested by complainant, as noted by the Commission investigative attorney, either there is no substantial evidence of record to support these inferences, or there is sufficient direct evidence to establish the point without the necessity of an adverse inference. Thus, complainant has established that respondent Harko has advertised snips which have the "M" designations stamped on the blades. (CX 21; CPX 49). There is no substantial evidence to support the inference that respondents Fedco, Home Chain and J & C have sold snips having "M" designations stamped in the blades, or that any of these respondents have failed to mark their snips with the country of origin. Accordingly, the second and third adverse inferences requested by complainant will not be imposed.

Although the requested inferences will not be imposed, except as provided above, the default and failure to comply with requests for discovery by the respondents named in this motion do warrant the imposition of the following sanctions pursuant to Rule 210.36(b):

- (1) Each respondent named in Motion 197-9 may not introduce into evidence or otherwise rely upon previously withheld testimony or documents in support of its position; and

- (2) Each respondent named in Motion 197-9 will not be heard to object to introduction and use of secondary evidence to show what withheld discovery or other evidence would have shown.

To this extent, and on the terms stated herein, Motion 197-9 is granted in part.

### III. UNFAIR ACTS

#### A. Infringement of Registered Trademark

Complainant is the exclusive owner of U.S. Trademark Registration No. 640,640 for "METALMASTER" and has not authorized or licensed any other party to use this trademark. The "METALMASTER" trademark was registered by the Wiss Corporation in 1957, and renewed in 1977, and has been continuously and exclusively used by complainant and its predecessor, Wiss, since 1939. (CX 33; FF 30, 32).

Four respondents, Fedco, Harko, Home Chain and J & C have used the "METALMASTER" mark in promotional materials and on the packaging for aviation snips which they have offered for sale. (FF 33-35). Also, a non-respondent, Forest City Warehouse, Schaumburg, Illinois, was shown to have offered for sale aviation snips in packaging bearing this mark. (FF 36).

Section 32(a) of the Lanham Act, 15 U.S.C § 1114(a) provides that:

(1) Any person who shall, without the consent of the registrant --

- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
- (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

In Certain Coin Operated Audiovisual Games, Inv. No. 337-TA-87, 214 U.S.P.Q. 217, 222 (1981) ("Games I"), the Commission adopted the following considerations of the Restatement of Torts § 729 for determining likelihood of confusion: 1) the degree of similarity between the designation and the alleged trademark; 2) the intent of the actor in adopting the accused design; 3) the relation in use and manner between the goods and services marketed by the actor and those marketed by others; and 4) the degree of care likely to be exercised by purchasers. This standard has been consistently followed by the



Commission See, e.g., Certain Single Handle Faucets, Inv. No. 337-TA-167 at 48 (1984) ("Single Handle Faucets"); Certain Heavy Duty Staple Gun Tackers, Inv. No. 337-TA-137, at 52 (1984) (Staple Gun Tackers); Certain Vertical Milling Machines and Parts, Attachments and Accessories Thereto, Inv. No. 337-TA-133, 223 U.S.P.Q. 333, 343-46 (1984) ("Milling Machines"), aff'd, Textron, Inc. v. U.S. International Trade Commission, 224 U.S.P.Q. 625 (Fed. Cir. 1985).

Likelihood of confusion need not be established through evidence of actual confusion, although such evidence may be especially probative on the issue of whether confusion is likely. In this case, customer returns of respondents' snips to complainant are not conclusive evidence of actual confusion resulting from the use of the "METALMASTER" mark, especially since none of the returned snips were shown to have been purchased from respondents or others who have copied this registered trademark. (CX 3-6, 16, 19-21, 41, 49; CPX 7, 8, 11, 26, 30-33). However, the evidence does show actual confusion by consumers between complainant's snips and counterfeit snips (FF 120) and the use of the registered trademark by competing snips could only add to that confusion.

The designation on the products of Fedco, Harko, Home Chain, J & C and Forest City Warehouse is identical to complainant's registered mark. Moreover, it is clear that it was the intent, in each of these instances, to deliberately copy complainant's mark. The mark "METALMASTER" appears in identical print and in the same location on their packaging sleeves as on complainant's packaging sleeve. (CPX 7-8, 17-19, 26; CX 19-21). In addition, the sleeves in which the snips were packaged, in each of these instances,

imitate in great part the pre-1984 packaging of complainant. (FF 139-142). Such detailed imitation belies any accidental similarity in the marks.

The fact that the mark has been used on competing aviation snips fulfills another of the Commission's criteria, supra. All have used the same mark in connection with compound action metal cutting snips marketed in the same channels of trade. (CX 9, 19-21; CPX 7-8, 26; Gillooly, Tr. 29, 33).

Finally, the fact that some counterfeit snips have been returned to complainant under the mistaken idea that they were complainant's snips indicates that the degree of care exercised by customers of aviation snips is not such as to overcome any confusion caused by the misuse of the "METALMASTER" mark. (FF 120).

Accordingly, the evidence shows that respondents Fedco, Harko, Home Chain and J & C have infringed complainant's registered trademark, "METALMASTER." Such use violates Section 32(a) of the Lanham Act, supra, and constitutes an unfair method of competition and an unfair act under Section 337. In re Von Clemm, 108 U.S.P.Q. 371 (C.C.P.A. 1955).

B. Infringement of Complainant's Common Law Trademark

A trademark is defined at common law as it is under the Lanham Act, as any word, name, symbol, or device, or any combination thereof, adopted and used by

a manufacturer or a merchant to identify his goods and to distinguish them from those manufactured or sold by others. 15 U.S.C. § 1127; 1 McCarthy, Trademarks and Unfair Competition, § 3:1 (1984). A trademark generally serves to signify that all goods with which it is associated come from a single, albeit anonymous, source, that all goods bearing the trademark are of an equal level of quality, and finally it serves as a prime tool for the advertising and selling of goods. 1 McCarthy, supra, § 3:1. Infringement of a common law trademark is an unfair act within the meaning of Section 337. Staple Gun Tackers, supra; Certain Novelty Glasses, Inv. No. 337-TA-55, 208 U.S.P.Q. 830 (1979).

A trademark is deemed established and protectible upon proof that the complainant has a right to use the mark, that the mark is inherently distinctive or has acquired secondary meaning, that the mark is not primarily functional, and that the mark has not acquired generic meaning. Staple Gun Tackers, supra; Certain Cube Puzzles, Inv. No. 337-TA-112, 219 U.S.P.Q. 322 (1982); Certain Vacuum Bottles and Components Thereof, Inv. No. 337-TA-108 (1982) (Vacuum Bottles); Novelty Glasses, supra.

In the instant case, complainant asserts a common law trademark in the designations M1, M2 and M3. These designations have been used continuously by complainant and its predecessor, Wiss, since 1945. Such designations have been used, and continue to be used, as model designations by complainant -- the M1 designating left cutting snips, the M2 designating right-cutting snips, and the M3 designating straight-cutting snips. These model designations

appear on the metal jaws of the snips, on the snips' packaging and in catalogs, advertisements and other promotional materials. (FF 37).

Even though M1, M2 and M3 describe particular models of snips, they may nevertheless constitute protectible trademarks if complainant demonstrates that they have also been used to indicate origin and have acquired secondary meaning.

[A]s with all descriptive terms, merely because a term serves as a grade designation, it does not necessarily follow that that the term cannot also perform a trademark function. Such a designation, if so used as to acquire consumer recognition and secondary meaning, can function and be protected as a trademark. If such a designation is so promoted, used and advertised that buyers link it with only one seller, then it has acquired secondary meaning and will be protected as a mark. Upon proof of secondary meaning, a grade or style designation ... can be protected at common law against such use which is likely to cause confusion.

1 McCarthy, supra, § 11.15 at 469. See also, Thompson Medical Company, Inc. v. Pfizer, Inc., 753 F.2d 208 (2d Cir. 1985).

Because style or grade designations serve to describe the type or quality of the product, such designations are regarded as "descriptive" and, therefore, require proof of secondary meaning for trademark status. 1 McCarthy, supra, § 11:15 at 468-69. Since the "M" designations here at issue were originally adopted and used to describe different models of snips and the functions they performed, they are not fanciful and arbitrary, and are protectible as trademarks only upon proof of secondary meaning.

1. Proof of Secondary Meaning

Secondary meaning is the public's association of a mark with a single (but not necessarily known) manufacturing source. Certain Miniature Plug-In Blade Fuses, Inv. No. 337-TA-114, 221 U.S.P.Q. 792, 803, 804 (1983) ("Fuses"); 1 McCarthy, supra, § 15.2. In order to establish secondary meaning, a party must prove that a substantial proportion of the relevant buyer group associates the mark in question with a single seller or source. Proof of secondary meaning may consist of both direct evidence and circumstantial evidence. Direct evidence consists of the actual testimony of buyers, including information obtained from consumers through surveys. Circumstantial evidence consists of information relevant to length of use, commercial success and advertising. Milling Machines, 223 U.S.P.Q. at 338; 1 McCarthy, supra, §§ 15.10, 15.13, 15.16.

There is evidence in the record of secondary meaning of the "M" designations in the form of a consumer survey (CX 66) conducted on complainant's behalf. The survey involved a total of 533 respondents in New York, Chicago and Los Angeles who stated that they owned or used metal cutting snips at work or at home. Each of these respondents was asked whether they associated the terms M1, M2, and M3 with a particular brand, company or manufacturer of metal cutting snips.<sup>5/</sup>

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<sup>5/</sup> The survey questions were varied such that (a) 335 respondents (those in Wave I, II and half of those in Wave IV) were told that the terms M1, M2 and M3 designated different models of metal cutting snips and then asked whether they associated the terms with a particular brand, company or manufacturer, and (b) 291 respondents (those in Wave III and half of those in Wave IV) were asked whether they associated any of four sets of terms (three sets of "control terms" and the terms M1, M2 and M3) with metal cutting snips and then, for each set to which they responded affirmatively, they were asked if they associated those terms with any particular brand, company or manufacturer of metal cutting snips. (See FF 77, 82, 88-95).

The methodology employed in the Consumer Survey is described at length in CPF 50-109. The survey was conducted in accordance with the guidelines prescribed by the Judicial Conference of the United States for a survey to be admissible in evidence. In accordance with these guidelines, the survey involved:

1. examination of the proper universe (FF 55-56);
2. a representative sample drawn from that universe (FF 56, 60, 76);
3. a correct mode of questioning interviewees (FF 54, 64-71);
4. a recognized expert conducting the survey (FF 50, 51, 64);
5. accurate reporting of the data gathered (FF 64-72);
6. sample design, questionnaire, and interviewing in accordance with generally accepted standards of objective procedure and statistics in the field of such surveys (FF 60, 61, 71-73);
7. sample design and interviews conducted independently of the attorneys (FF 58-59); and
8. interviewers trained in the field, have no knowledge of the litigation or the purpose for which the survey is to be used. (FF 66).<sup>6/</sup>

The results of the survey were that 143 respondents or 27% of the total survey respondents indicated that they associated the "M" designations with a particular brand, company, or manufacturer, and that 118 respondents or 22% of the total survey respondents associated these terms with Wiss. (CX 66, pp. 7,

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<sup>6/</sup> Factors listed as (1)-(8) are the Judicial Conference guidelines. These were adopted by the Commission in Single Handle Faucets, supra at 41, (citing the Handbook of Recommended Procedures for the Trial of Protracted Cases 73-74 (West ed. 1960)).

9, 11, 14).<sup>7/</sup> Although these overall percentages are rather low for proof of secondary meaning, it must be remembered that secondary meaning is established through proof that "the relevant buyer class"<sup>8/</sup> associates the term in question with a particular source. Thus, it is significant that the percentage of association was higher among complainant's primary purchasing group -- professional users of snips -- than among the overall sample.<sup>9/</sup> Specifically, of the 233 respondents who stated that they used metal cutting snips at work, 37% stated they associated M1, M2 and M3 with Wiss. In fact, recognition by those using such snips in their work went as high as 62% among such professional users in the Wave I survey in New York. (FF 101). Indeed, Dr. Helfgott, the survey expert, recognized that association of the "M" designations resides principally in professional users. (FF 100-105).

Inasmuch as proof of secondary meaning requires only that a significant or substantial portion of the buying public associate the mark in question with a

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<sup>7/</sup> In terms of the three cities in which the survey was conducted, 48% of the respondents in New York City, 35% in Los Angeles, and 7% in Chicago indicated that they associated M1, M2 and M3 with a particular source of snips. (CX 66, pp. 7, 9, 11, 14).

<sup>8/</sup> American Ass'n. for Advancement of Science v. Hearst Corp., 206 U.S.P.Q. 605, 617 (D.D.C. 1980). See also Single Handle Faucets, *supra* at 42 (survey of plumbers, "the primary purchasers of the faucets at issue").

<sup>9/</sup> Approximately two-thirds of complainant's sales of metal cutting snips are made to professional users. (CX 63, Gillooly W.S., ¶ 49).

single source,<sup>10/</sup> the number of single source identifications established through Dr. Helfgott's survey is sufficient for purposes of establishing that the M1, M2 and M3 designations have acquired secondary meaning. Indeed, the survey shows that among professional users, in certain regions of the country, these designations have acquired a fairly strong recognition. (FF 100-105). In any event, the survey reveals that a substantial portion of the consumer population does associate these marks with a single source. (FF 109).

In addition to the survey, testimony from Mr. Arnold, assistant manager of the Wiss plant in Statesboro, Georgia attests to complainant's long-standing usage of the M1, M2 and M3 designations as an indicator of source, as well as style, of snips. (FF 47-49). The deposition testimony of Mr. Molchan of Stanley Tools has also been offered to show that the M1, M2 and M3 designations have been continuously and exclusively used by Wiss and have come to be identified with Wiss by other manufacturers and customers in the snips field. (FF 40, 41, 121).

The circumstantial evidence of secondary meaning is less conclusive, but does support a finding of secondary meaning. The record reveals that complainant and its predecessor have continuously used these marks for 40

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<sup>10/</sup> See, e.g., Food Fair Stores, Inc. v. Lakeland Grocery Corp., 301 F.2d 156, 161 (4th Cir.), cert. denied, 371 U.S. 817 (1962), (a substantial number of present or prospective customers); Carling Brewing Inc. v. Philip Morris, Inc., 277 F. Supp. 326, 330 (N.D. Ga. 1967), (a significant part of the public); Premier-Pabst Corp. v. Elm City Brewing Co., 9 F. Supp. 754, 760 (D. Conn. 1935) (the public or any substantial part of it).



years. (FF 37, 44, 45). Well over 30 million units of Wiss snips bearing the "M" designations have been sold during this period. (FF 45). A competitor has testified that the "M" designations have been uniquely and exclusively associated with Wiss aviation snips throughout his 35-year career in the industry. (FF 40). This competitor testified further that the Wiss snip is "the best known snip in the marketplace and enjoys the greatest market share." (FF 121). He also said that in promoting its own snips, his company compares its snips to the M1, M2 and M3 designations in terms of quality and price. (FF 121). Such evidence concerning length and extent of use and the commercial success of the M1, M2 and M3 snips, certainly supports a finding of secondary meaning.

On the other hand, the evidence concerning advertising is inconclusive. It is impossible to determine from the record just what portion of complainant's advertising expenditures have been devoted to the promotion of the "M" marks. (Gillooly, Tr. 109-11). Although some of complainant's advertising does prominently display the M1, M2 and M3 marks, see, e.g., CX 69, it is impossible to tell from this record how the use and extent of such advertising compared to other advertising by the company which may not have featured the "M" marks. (FF 43; Gillooly, Tr. 109-11). It is impossible to ascertain from the evidence what portion of complainant's advertising budget was devoted to advertisements such as CX 69, nor even how, where and how often such advertisements were published. (Gillooly, Tr. 109-16). The paucity of information available concerning advertisements which feature the "M" designations makes it impossible to determine what effect complainant's

advertising may have had toward the establishment of secondary meaning for these marks.

In any event, the other evidence of record, particularly the survey of Dr. Helfgott and the testimony of Messrs. Arnold and Molchan, is sufficient to show that secondary meaning has been established for the M1, M2 and M3 marks.

## 2. Likelihood of Confusion

As noted above, in connection with infringement of complainant's registered trademark "METALMASTER," a respondent's use of complainant's mark constitutes infringement only if such use gives rise to likelihood of confusion. To determine whether the requisite likelihood of confusion exists, the Commission and the courts look at several factors, including the degree of similarity between the marks, the intent of the actor in adopting the mark, the relation in use and manner between the goods marketed by the trademark holder and the alleged infringer, and the degree of care likely to be exercised by purchasers. (See p. 74, supra).

Respondents Azco, Homier, Jameson, Harko, U.S. General, as well as other non-respondents have used the identical M1, M2 and M3 marks on their snips, even to the point of having such marks imprinted at the identical spot on the snip blades. (FF 127,; CPX 1-6, 9-10, 13-16, 21-27; 30, 33, 44, 49; CX 8, 17, 21, 22, 26). Mr. Molchan, of Stanley Tools, a domestic competitor of complainant has stated the opinion that the foreign manufacturers have

deliberately copied complainant's "M" markings because of the prominence and market position of the Wiss snips. (FF 121).

The exact copying by these respondents of the "M" marks and the permanent appearance of these marks on a relatively low priced product which closely resembles complainant's product and which is distributed to the same type of stores and through similar distribution channels is ample evidence of the likelihood of confusion. (CX 4-8, 9, 16, 19-23, 26, 37, 41, 49, 52, 68). However, there is also evidence of actual confusion in the record. A number of defective counterfeit snips have been returned to complainant under the mistaken belief that they are Wiss snips. The salesman's reports concerning such returns generally credit the "M" markings as a source of confusion. Internal communications of the sales department also cites to the "M" markings on counterfeit snips as causing confusion. (FF 120). Such actual confusion also bolsters the inference that the users of such snips are not careful or discriminating and thus are likely to be confused by such copying.

Accordingly, the evidence not only establishes that the M1, M2 and M3 marks have acquired secondary meaning, but also, that the use of such marks by competitors on the accused snips is likely to cause confusion among consumers of aviation snips. Therefore, the evidence reveals that complainant's common law trademarks -- M1, M2 and M3 -- have been infringed.

### 3. The addition of an "R" by some respondents

Several other respondents namely, Fedco, Harko, Home Chain and J & C have used the designations R-M1, R-M2 and R-M3 in their advertisements, offers for

sale and/or packaging. (FF 128). Staff counsel maintains that there is no proof of secondary meaning or likelihood of confusion, in the use of these "R-M" designations. (SB, at 23-24).

Dr. Helfgott's consumer survey did not address the "R-M" designations. (FF 124). However, he did testify, based upon his training and experience in the field of perception psychology that the use of the "R" in the above manner by some respondents tends to increase the confusion. This testimony was based in part upon the fact that complainant itself uses an "R" on its packaging and promotional materials, although, in such cases the R is appended at the end of the "M" designations rather than at the beginning. (FF 114-116). While Dr. Helfgott's credentials are impressive, his testimony in this regard is hampered by lack of proof of one of the premises for his conclusion. That is, that the "R" is part of the nomenclature of tool users. (FF 116). While it is shown on the record that complainant uses the "R" to denote that its snips have rubber or PVC handle grips (FF 38), there is no evidence of record that the letter "R" is part of the general nomenclature of tool users in this regard.

On the other hand, there is sufficient evidence of record to indicate a likelihood of confusion in the use by some competitors of the R-M1, R-M2 and R-M3 marks. In the first place, viewing these marks in their entirety along with the M1, M2 and M3 marks of complainant, and considering the fact that they are being used on identical products sold in the same channels of trade, it is clear that the "R-M" marks are confusingly similar. Specialty Brands, Inc. v. Coffee Distributors Inc., 223 U.S.P.Q. 1281 (Fed. Cir. 1984). This is

especially so since the R is set off from the principal designations, M1, M2 and M3 by a hyphen, so as to be easily recognizable.

Moreover, other evidence of record substantiates this fact. The evidence showing that complainant also uses an R as part of its designations on its packaging, in its catalogues and in some promotional materials reinforces this conclusion. More importantly, however, are the other indications in the evidence that the packagers of respondents snips have deliberately copied complainant's marks. The R-M1, R-M2 and R-M3 marks have generally been used, in the case of these respondents, on the sleeves in which the snips are packaged. (CPX 7, 8; CX 19-21). These sleeves in most other respects are slavish copies of complainant's packaging. (FF 139-142). Such copying of complainant's packaging is a clear indication of intent to copy complainant's common law trademarks by using the R-M1, R-M2 and R-M3 designations. McCarthy summarizes the relevant case law on this point as follows:

The practical reality is that as the elements of similarity between the marks and their trade dress, format and background details begin to mount up, all heads turn to defendant to hear some explanation. When no credible explanation is forthcoming, the common sense reaction is that defendant intentionally meant to simulate plaintiff's marks and "image" in the marketplace. And why would defendant do so? The presumption is that defendant meant to make customers think that its products were those of plaintiff or somehow sponsored by or connected with plaintiff. Thus is made the critical connection between the state of mind of the defendant and the state of mind of customers. Like an electrical circuit closing, the ultimate conclusion of likely confusion of customers is linked up with the mental intent of the copier.

2 McCarthy, supra, § 23:34, at 154.

Finally, some of the salemen's reports cite to the "M" marks with an "R" appended as being a source of confusion in the marketplace. (FF 123). This is further proof of confusion resulting from the "R-M" marks.

C. Misappropriation of Trade Dress

The packaging for the aviation snips offered for sale by respondents Fedco, Home Chain, Harko and J & C is virtually identical to the pre-1984 packaging for complainant's snips. (FF 139-142). Such packaging has adopted the shape, color scheme, printing layout and other features of complainant's packaging, even to the extent of copying complainant's registered trademark "METALMASTER" thereon. (FF 141-142).

Complainant relies upon the distinctiveness of its packaging and the intentional copying thereof to establish its charges in this regard. (SRB, at 8-11). Staff counsel takes the position that secondary meaning must be demonstrated for charges of misappropriation of trade dress to be maintained, even where distinctiveness of the trade dress and/or intentional copying have been shown. Staff asserts that complainant's position as to distinctiveness is only followed in the Fifth Circuit and that only certain New York cases find secondary meaning unnecessary where intentional copying has been shown. (SB, at 26). Staff further asserts that the record does not support a finding of distinctiveness for complainant's trade dress and that, in any event, the packaging which was allegedly copied by respondents has been abandoned. (SB, at 27).

My review of the case law reveals that at least two circuits other than the Fifth Circuit, also do not require separate proof of secondary meaning where it is shown that a first user's trade dress is arbitrary and distinctive. In Feathercombs, Inc. v. Solo Products Corp., 134 U.S.P.Q. 209, 214-15 (2nd Cir. 1962), cert. denied 371 U.S. 910 (1962), the Second Circuit has adopted this position. The Ninth Circuit has also dispensed with separate proof of secondary meaning where distinctiveness of the trade dress and intentional copying are shown. Uniden Corp. of America v. Unipacific Corp., 223 U.S.P.Q. 70, 74 (C.D. Cal. 1983), citing Faberge, Inc. v. Saxon Products, Inc., 204 U.S.P.Q. 359, 360-61 (9th Cir. 1979).

In fact, it would be contrary to logic when inherent distinctiveness in a common law trade mark eliminates the need for separate proof of secondary meaning, that the same should not be true in the case of misappropriation of trade dress. Trade dress is generally far more complex and detailed than a trademark. There would seem to be far less chance of an accidental simulation of trade dress. Nor would one be likely to go to the trouble and expense of simulating a detailed trade dress, unless one expected to gain from it. As stated by the Fifth Circuit in Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc., 212 U.S.P.Q. 904, 911 (5th Cir. 1981), cert. denied, 457 U.S. 1126:

[T]rademark law requires a demonstration of "secondary meaning" only when the claimed trademark is not sufficiently distinctive of itself to identify the producer.

The same principles should apply to the protection of trade dresses. If the features of the trade dress sought to be protected are arbitrary and serve no function either to describe the product or assist in its effective packaging, there is no reason to require a plaintiff to show consumer connotations associated with such arbitrarily selected features.

212 U.S.P.Q. at 911.

Also, proof of intentional copying may be a surrogate for, or constitute proof of, secondary meaning in courts other than in New York. The Ninth Circuit and the Second Circuit (which of course includes New York) have both adopted such positions. In Audio Fidelity, Inc. v. High Fidelity Recordings, Inc., 127 U.S.P.Q. 306, 311 (9th Cir. 1960), the court ruled:

That proof [of copying] without any opposing proof, is sufficient to establish a secondary meaning ....

The Second Circuit has ruled in similar fashion. In Harlequin Enterprise Ltd. v. Gulf & Western Corp., 210 U.S.P.Q. 1, 3 (2nd Cir. 1981), the court stated:

Perhaps the most significant evidence of secondary meaning in this case, however, was the attempt by Simon & Schuster to capitalize on the Harlequin Presents cover when it introduced its own romance series.

210 U.S.P.Q. at 3. As noted by the Second Circuit, it is to be presumed that a person intends the natural results of his actions. Where one meticulously copies the rather complex trade dress of another, it is obvious that he intends to trade on the good will of the other. It is equally clear that if there is no secondary meaning for that trade dress, and no hope that such imitation will confuse the consumer, there is no incentive to copy it.

Sleeves used for counterfeit snips sold or offered for sale in the United States by respondents Fedco, Home Chain, Harko and J & C, and those in which



snips found at Forest City Warehouse were packaged, meticulously imitate the features of the pre-1984 packaging used for Wiss' snips, including the overall shape of the sleeves, the dark color of the back portion of the sleeves (front view); the centered, circular white area for price on said back portion, the hexagonal shield comprising the front portion of the sleeves, the division of the shield into a white upper zone and red lower zone with a dark narrow band separating the zones, the positioning of the name "METALMASTER" immediately above the line separating the white and red zones, the size and positioning of the word "snips" on the counterfeiters' packaging (corresponding to that of the Wiss brand name on complainant's packaging), the use of model designations similar to those used by Wiss, the positioning of those model designations immediately below the line separating the red and white zones, the counterfeiters' use of the words "Compound Action," (identical in position and printing style to Wiss' use of the same words), and the positioning and printing style of the words indicating cutting direction. Features of the reverse side of Wiss' packaging that the counterfeiters have copied include the slogan "Do your job better," and drawings of available models of snips shown with the blades pointing to the left and captioned by model designations similar to those used by Wiss. (FF 142).

Staff urges that analysis of the misappropriation of trade dress claim is complicated by the fact that complainant ceased using the trade dress in question at the end of 1983. (SB, at 27). However, I have found that the 1984 changes in complainant's packaging was relatively minor. (FF 132). More

importantly, though, complainant cannot be considered to have abandoned the pre-1984 packaging. There are still tens of thousands of Wiss snips on the market in the pre-1984 packaging. It will be at least 1987 before that number is reduced to less than a thousand. (FF 137).

Staff also contends that complainant's packaging is not protectible, in that it is principally the red and white colors and not the overall appearance of complainant's packaging which customers recognize. (SB 27; SF C99). Staff's proposed finding in this regard does not fully consider the testimony of Mr. Gillooly. (SCF C99). Mr. Gillooly clearly did not so limit the importance of complainant's packaging. Although staff's cross examination stressed the importance of the colors and the Wiss name on the package, Mr. Gillooly also stressed in his answers the basic shape of the shield, the use of METALMASTER, the "R-M" designations and other features of the counterfeit sleeves, as compared to the Wiss sleeve. (Gillooly, Tr. 58-61, 67-69; CX 63, Gillooly W.S., ¶¶ 60, 75).

Furthermore, the record evidence shows that complainant's packaging is quite distinctive and arbitrary in the trade. There is only one other competitor in the domestic trade that uses a hexagonal shield on its sleeve. Diamond uses a hexagonal shield, but its color scheme is green and white, in contrast to the red and white colors of complainant's packaging. (FF 134). The packaging of Malco referred to in Staff's proposed finding 100 is pentagonal in shape, with a flat upper margin, and uses the colors red and yellow and features the Malco name. (CPX 36; Gillooly, Tr. 64).

Thus, the detail and color scheme of complainant's packaging is distinctive in the relevant market. (FF 130-135). Such trade dress is also shown by the record evidence to be quite arbitrary. The exhibits in evidence show that there is a very wide variety of possible packaging for aviation snips. They may be displayed and sold in single or multiple pouches, in sleeves of a great variety of shapes, blister packs, and possibly other types of packaging, or simply as loose tools. (CPX 1-3, 7-9, 17-19, 21, 22, 28, 36, 37, 40, 42; Gillooly, Tr. 42-43).

Under the circumstances, there can be little doubt that there has been misappropriation of trade dress in the sale or offer for sale of snips in packaging which meticulously copies the packaging sleeves of complainant. Such finding is reinforced by the fact that the Wiss compound action metal snip is "the best known snip in the marketplace and enjoys the greatest market share" (FF 121), as well as the fact that complainant has sold over eight million units in the copied packaging since 1976. (FF 136).

D. Passing Off

Complainant has accused all respondents of passing off their snips as complainant's. However, the evidence only establishes that five respondents -- Fedco, Home Chain, Harko, J & C and Coast Freight -- have engaged in the unfair act of passing off.

Commission precedent indicates that "passing off" consists of an

intentional act of deception, beyond mere copying, with the purpose of confusing the public into believing one's product is that of another. Cube Puzzles, 219 U.S.P.Q. at 333-34; Staple Gun Tackers, supra, at 58; Vacuum Bottles supra, RD at 64.

Because there is a dual usage of the "M" marks as model designations and as marks of origin, the use of these designations is insufficient, of itself, to demonstrate the requisite intent to deceive for purposes of establishing passing off. Thus, since the only evidence offered by complainant in support of its claims of passing off against the other respondents consists of materials demonstrating that these respondents use "M" or "R-M" designations in connection with their snips, complainant has failed to establish that these respondents have committed the unfair act of passing off.

However, complainant has established its claim of passing off with respect to respondents Fedco, Home Chain, Harko, and J & C. These respondents have adopted the METALMASTER trade name and a trade dress which copies that of complainant. (FF 142-143). Additionally, the evidence also shows that respondent Coast Freight has engaged in passing off. Coast Freight has attempted to deceive purchasers into thinking that its snips are actually those of complainant. (FF 144-146). Such practice constitutes "passing off." Cube Puzzles, supra.

E. Failure To Designate Country of Origin

Complainant has accused respondents, Fedco, Harko, Home Chain, Homier, Jameson, U.S. General, Coast Freight and Azco, and several non-respondents, of failure to mark their foreign manufactured snips with the country of origin -- Taiwan. (CB at 29; CF 196).

Yet complainant has provided neither physical exhibits nor testimony concerning the presence or absence of markings showing the country of origin on the snips of Fedco, Harko, Home Chain and U.S. General. The only evidence of record for these respondents are photographs of snips, from which the absence of markings cannot be ascertained. (FF 149).

The snips of respondents Homier and Azco are not imprinted with the country of origin. However, the pouches and packaging in which they are displayed do indicate that the snips were made in Taiwan. (FF 150). As for respondent Jameson there is no designation of country of origin on the snips, and the packaging for such snips has not been placed in evidence, so it cannot be shown whether such packaging might show the country of origin. (FF 151).

Respondent Coast Freight has been shown to have imported and/or sold snips from Taiwan which were marked with country of origin on both the snips and the packaging. (FF 152).

Complainant maintains that disclosure on the packing is insufficient since

it is alleged that snips are often sold without the packaging and that many retailers "dump bare snips into unmarked bins for quick sale." (RB at 30). However, the rather vague and brief testimony of Mr. Gillooly as to these contentions is all too general and unquantified to justify a finding that disclosure of country of origin on the packaging is insufficient for the purpose of informing the consumer that the snips are imported from Taiwan.

Accordingly, complainant has failed to prove that any respondent has failed to designate the country of origin of its products.

F. False Advertising By Respondent Homier

Respondent Homier has sold and advertised snips which have been stamped from cold, flat metal as having a "drop-forged molybdenum steel" blade. Although this respondent sells both drop-forged molybdenum steel bladed snips and stamped snips, the weight of the evidence indicates that the advertisement refers to the cold stamped snips. (FF 156). Additionally, a three snip pouch of Homier's cold stamped snips is in evidence which states that the snips therein are "Drop Forged Steel" and have "Molybdenum Blades." (CPX 40).

The evidence also shows that hot drop-forging blades from molybdenum steel produces a superior product to one wherein the blades are simply stamped from cold, flat steel. (FF 154-155). Accordingly, it appears that respondent Homier has falsely advertised and sold snips stamped from cold, flat steel as drop-forged molybdenum steel bladed snips.

However, the record also shows that, in these instances, neither the advertisement in question, nor the pouch and snips, refer to any of the proprietary marks or trade dress of complainant. (FF 157). Thus, there are no confusing similarities between these products and those of complainant which could give rise to injury or tendency to injure complainant, as required by Section 337.

#### IV. IMPORTATION AND SALE

The evidence of record indicates that each of the domestic respondents has offered for sale and/or sold imported compound action metal cutting snips bearing the marks M1, M2, or M3 in the United States. (FF 160-166). Due to the nonparticipation of these respondents in this investigation, the volume of their sales is not known. Nevertheless, there is sufficient evidence to establish that each of the domestic respondents has engaged in the requisite sale of the accused imported metal cutting snips. Certain Trolley Wheel Assemblies, Inv. No. 337-TA-161, CD at 7-8 (1984).

The record does not indicate that the foreign respondents Fedco, Home Chain and Harko have actually exported the accused snips to the United States. (FF 158-160). Each of these respondents claims that, in compliance with Cooper's request in 1982 that they not sell metal cutting snips bearing Cooper's "M" designations or utilizing the trademark METALMASTER, they voluntarily refrained from exporting such snips to the United States. (SX 3-5). Cooper has offered no evidence to rebut these contentions, nor has it established that any of the accused imported snips originated with Fedco,

Harko or Home Chain. Thus, I cannot find that respondents Fedco, Harko and Home Chain have exported to, imported into or sold in the United States, the accused aviation snips.

In spite of the fact that none of the named foreign respondents appear to be the source of the accused snips, it is clear that there is a significant volume of metal cutting snips being imported into the United States. Complainant has gathered evidence which demonstrates that between 1981 and October 1984 there have been imports in excess of 130,000 pairs of metal cutting snips. (FF 168-171). These figures are of imports by third parties and thus do not necessarily reflect the volume of imports by the respondents, who did not provide discovery in this investigation. Thus, the volume of imports of these snips which has been documented understates by an indeterminate amount the actual number of aviation snips that have imported and sold in the United States.<sup>11/</sup>

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<sup>11/</sup> Complainant has attempted to estimate the total volume of imports of aviation snips which are marked with "M" designations from figures provided in reports on imports of hand tools by the Department of Commerce and the United States International Trade Commission. (CX 40, 57, 58). The extrapolations of data derived by Cooper are based on assumptions and estimates for which no reliable support or foundation was provided on the record. (See CPF 209-212). Therefore, I find that the volume of imports estimated by Cooper based on these reports is far too speculative to be reliable or probative of this issue. Other evidence of imports, incomplete though it may be due to nonparticipation by respondents, provides a sufficient and reliable basis for evaluating the issue of injury.



## V. DOMESTIC INDUSTRY

When the unfair methods of competition alleged under Section 337 consist of infringement of trademark rights, the domestic industry is defined as the portion of complainant's domestic operations devoted to exploitation of the trademark rights at issue. Games I, 214 U.S.P.Q. 217. Appropriate exploitation of the proprietary rights by complainant may include domestic manufacture, distribution and sale of the subject articles. Staple Gun Tackers, supra at 66 (1983).

In this investigation, the trademark rights at issue consist of the designations M1, M2 and M3 placed on the blades of complainant's aviation snips for which complainant claims a common law trademark; the registered trademark METALMASTER which appears on the packaging of the snips; and the sleeve package, for which complainant claims trade dress rights. All manufacture of the subject snips is carried out by Wiss at its plants in New Jersey and North Carolina. Assembly and final finishing of the snips occurs at a Wiss plant in Georgia. (FF 172-175). Marketing, sales and promotion of Wiss METALMASTER snips is the responsibility of the Cooper Group, which is headquartered in North Carolina. (FF 176). Cooper's sales divisions cover the United States by region, and there is a network of sales representatives who sell the full line of Cooper tools, including Wiss METALMASTER snips. (FF 177-179).

Based on the evidence of record, I find that the domestic industry consists of the domestic operations of Cooper and its Wiss division devoted to manufacture, assembly, marketing, distribution and sale of the subject Wiss METALMASTER aviation snips. (FF 181).

#### VI. EFFICIENT AND ECONOMIC OPERATION

Complainant must establish that the relevant domestic industry is efficiently and economically operated. This may be shown by evidence of the use of modern equipment and facilities, investment in research and development, effective quality control programs, profitability of the relevant product line, substantial expenditures in advertising and promotion, development of consumer good will, and employee incentive benefit programs. Certain Plastic Food Storage Containers, Inv. No. 337-TA-152, at 77 (1984) (Food Storage Containers); Certain Methods for Extruding Plastic Tubing, Inv. No. 337-TA-110, 218 U.S.P.Q. 348 (1982) (Plastic Tubing); Certain Coin-Operated Audiovisual Games and Components Thereof, Inv. No. 337-TA-105, 216 U.S.P.Q. 1106 (1982) (Games II); Certain Spring Assemblies and Components Thereof and Methods for Their Manufacture, Inv. No. 337-TA-88, 216 U.S.P.Q. 225 (1981) (Spring Assemblies); Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, 205 U.S.P.Q. 71 (1979).

The evidence pertaining to this issue demonstrates that the operations of the relevant domestic industry satisfy all of the above criteria. Wiss has expended significant resources in capital equipment since its acquisition by

Cooper, and maintains modern facilities which result in improved productivity and product quality. (FF 182-183). Cooper has continued to conduct research and development into new products and improvement of existing products, including the aviation snips at issue. (FF 184). Wiss has developed comprehensive quality assurance procedures, and conducts extensive quality control at every step of the production process. (FF 188-196). Wiss has employee benefit programs which stress the quality of the worker's output. In addition, Wiss provides appropriate employee training and supervision. (FF 197-199).

As a result of complainant's efforts to run an efficient and modern operation, complainant has established a reputation for its Wiss aviation snips as a premium, high quality product. (FF 186-187, 205). This emphasis on quality is backed by a liberal refund or replacement policy to maintain customer good will. (FF 215). Wiss also engages in advertising and promotion of its METALMASTER snips in brochures, at trade shows, and in trade publications. (FF 200).

On the basis of the foregoing facts, I find that the relevant domestic industry is efficiently and economically operated. (FF 201).

## VII. INJURY

An essential component in an action under Section 337 is proof that the alleged unfair acts and methods of competition have the effect or tendency to destroy or substantially injure the relevant domestic industry. This element

requires proof separate and independent from proof of an unfair act. Textron, Inc. v. U.S. International Trade Commission, 224 U.S.P.Q. at 631. In addition, complainant must establish a causal connection between the injury suffered and the unfair acts of respondents. Spring Assemblies, 216 U.S.P.Q. at 243.

A. Effect of Substantial Injury

Proof of injury to the domestic industry caused by importation of the accused imported articles may be established by such factors as lost customers and lost sales, underselling, volume of imports, and harm to good will and reputation. Milling Machines, 223 U.S.P.Q. at 348 (1984); Food Storage Containers, supra, at 83-84; Games II, 216 U.S.P.Q. at 1113, rev'd on other grounds sub nom. Bally/Midway Mfg. Co. v. U.S. International Trade Commission, 219 U.S.P.Q. 97 (Fed. Cir. 1983) (Bally/Midway). The Federal Circuit has recently defined the threshold for reaching a determination of injury:

Both this court and the ITC have acknowledged that the quantum of proof of injury is less in the context of patent, trademark, or copyright infringement ... than in other types of unfair trade practices, because the holder of the former type of rights is entitled to exclude competitors entirely from using the intellectual property covered by those rights.... Even in the context of patent, trademark or copyright infringement, the domestic industry must normally establish that the infringer holds, or threatens to hold, a significant share of the domestic market in the covered articles or has made a significant amount of sales of the articles. (Citations omitted).

Textron, Inc. v. U.S. International Trade Commission, 224 U.S.P.Q. at 632.

Although there is relatively little evidence on this record concerning the sales activities of respondents, largely due to their nonparticipation, complainant has submitted sufficient evidence of the level of activity of respondents and other nonparties to support a finding of injury.

Cooper alleges that the importation and sale of the accused snips has resulted in lost customers, lost sales, reduced sales revenues, loss of profits, and underutilization of domestic capacity. (CB at 39-40). The record supports complainant's contentions only in part.

The evidence of record establishes that Cooper has created a niche for Wiss METALMASTER snips in the premium end of the market. Wiss goes to great lengths to ensure that it markets a high quality product and Cooper targets as customers professional users and discriminating do-it-yourselfers who are concerned with quality before price. (FF 205, 208, 209). As a result, the retail price of Wiss METALMASTER snips is higher than the price of Cooper's domestic competitor's snips. (FF 207). This price differential is justified by Wiss' claims of higher quality. (FF 208). A nonprofessional "reluctant do-it-yourselfer" who may need metal cutting snips for only a single project, may not be concerned with quality, and will tend to be more price conscious in the choice of snips purchased. (FF 210).

It has been established that both the wholesale and retail prices of the accused snips sold by respondents are significantly lower than complainant's prices. In addition, complainant has shown that the imported snips that it

tested, which were not snips sold by any respondent in this investigation, are of much lower quality than Wiss METALMASTER snips. (FF 206, 213, 214, 220). Complainant's various claims of injury must be assessed within this market framework.

Since about 1982, Cooper has encountered a situation in which it is sharing accounts of its existing customers with the accused imported snips. Thus, a number of Cooper's customers, although they continue to purchase METALMASTER snips from Cooper, are also selling the imported snips. (FF 211). It has not been established that any of these customers have actually reduced the volume of METALMASTER snips purchased from Cooper, but it is clear that these outlets are concurrently selling the imported snips in competition with METALMASTER snips. On occasion, some of these customers have sought credits from Cooper for defective snips which turned out to be the imported snips. (FF 215, 216). I conclude from these facts that Cooper has lost potential sales of its snips from these shared accounts, and that the occurrence of returns of defective imported snips to Cooper in the belief that they were Wiss snips can only injure Cooper's reputation and good will among its customers. (FF 219). See Certain Cloisonne Jewelry, Inv. No. 337-TA-195, at 66 (1985).

Cooper's claims that reduced sales, loss of profits and underutilization of capacity are attributable to sales of the accused snips are not fully substantiated on this record. Cooper has provided data regarding dollar volume of METALMASTER sales and profits only through 1983, and unit sales only through 1982. (FF 202, 203). By contrast, the evidence of imports shows the

largest volume of imports occurring in 1983-1984. (FF 212). This asymmetry in the time periods covered by complainant's evidence of domestic sales and sales of imports complicates the analysis of the causal relationship between the alleged injury to the domestic industry and sales of the accused imported snips.

The record indicates that the total volume of Cooper's sales of METALMASTER snips declined from 1979-1982. (FF 202, 203). Although the total number of snips sold between 1981-1982 declined slightly, the dollar value and profitability of such sales increased, presumably due to an increase in the unit price. (FF 202, 203, 206). Between 1982-1983, the price of Wiss' snips remained substantially constant, but the dollar value of sales and profitability both increased. (FF 202, 206). This fact suggests that unit sales of METALMASTER snips increased from 1982-1983. Cooper has provided no data of METALMASTER sales for any portion of 1984.

Cooper has established a total volume of imports of the accused snips between the end of 1981 to the end of 1984 to be in excess of 170,000 pairs of snips. More than 135,000 of these snips were imported into or sold in the United States during 1983-1984. (FF 212). Since this volume of imports reflects only imports or sales by third parties, and does not reflect the level of sales of any of the respondents, it is fair to say that the volume of imports established on the record understates the volume actually imported. Nevertheless, as noted above at n. 11, complainant's efforts to estimate the volume of snips bearing Wiss' "M" markings that may have been imported into

the United States by extrapolations from data compiled by the Department of Commerce and U.S. International Trade Commission is far too unreliable and speculative to be probative of this issue.

The evidence of record will not support the notion that the decline in sales of METALMASTER snips before 1983 can be attributed to importation and sale of the accused snips. Since 1983, the evidence indicates that METALMASTER sales and profits increased, even in the presence of the imported snips. (FF 202, 212). Nevertheless, it is clear that although complainant's cost of production has continued to increase, Cooper has not consistently raised its wholesale and suggested retail prices to accommodate these increased costs. (FF 204, 206). Although Cooper is not particularly sensitive to the lower prices of its domestic competitors, it has been pressured to reduce its prices in the face of competition from the drastically lower priced imported snips which, in appearance only, are substantially identical to complainant's snips. (FF 206-208, 213-214, 217).

The foregoing factual ambiguities do not, however, militate against a finding of injury. Complainant's demonstration of shared accounts, resulting in lost sales, the dramatic difference in price between complainant's snips and the imported snips, the return of defective counterfeit snips for reimbursement by Wiss, and proof of a substantial volume of imports, amply support a finding that there has been a significant penetration of the United States market by the imported snips that has been injurious both to the economic position of the domestic industry, and to complainant's good will and reputation. (FF 206, 211-214, 219).



In proving injury, complainant must establish a causal connection between the injury suffered and the unfair acts committed by respondents. This burden is easier to meet with respect to claims of trademark infringement, because complainant is entitled to exclude others from the use of its intellectual property rights. Textron, Inc. v. U.S. International Trade Commission, 224 U.S.P.Q. at 632. However, the burden of proving injury caused by other forms of unfair competition, such as false advertising, is stricter. Id.

In this case, Cooper claims that Homier's advertisement of unmarked, stamped snips as being hot drop-forged, constitutes false and deceptive advertising, and is an unfair act within the meaning of Section 337. In addition, it is claimed that certain respondents' failure to mark country of origin on their snips is an unfair act under Section 337. Neither of these claims can be said to be based on a property right to which complainant is entitled to exclusivity. Thus, complainant must establish that these alleged unfair acts, independently of the infringement of complainant's trademark rights, cause injury to the domestic industry. There is no such evidence on this record. Thus, for example, nothing on this record suggests that the domestic industry has lost any sales or customers due to Homier's false advertisement of snips that do not bear any of complainant's trademarks. In addition, there is no evidence of injury caused by the absence of the marking Taiwan on accused the imported snips. Therefore, I find that the unfair acts of false and deceptive advertising and failure to mark country of origin alleged by complainant are not a cause of any injury to the domestic industry.

A distinction must also be drawn in this case between injury caused by respondents and injury caused by third parties. As discussed previously, complainant has established that each of the domestic respondents has sold or offered for sale unknown numbers of the accused snips in the United States. Complainant has also established a significant volume of importation and sale of the accused snips by third parties. However, it has not been reliably proved that respondents Fedco, Home Chain or Harko have exported any quantity of the accused snips to the United States or sold such snips in the United States. Therefore, I find that any injury to the domestic industry is attributable to the domestic respondents and other nonparties, but cannot be assigned to any one of respondents Fedco, Home Chain or Harko.

On the basis of the evidence of record as discussed herein, I find that the importation and sale of the significant volume of compound action metal cutting snips which bear the marks M1, M2 or M3, or which are packaged in sleeves utilizing the registered trademark METALMASTER or complainant's trade dress have the effect of substantially injuring the domestic industry defined herein. (FF 224).

B. Tendency To Substantially Injure

In assessing the probability of future injury to the domestic industry, relevant indications of such injury include foreign cost advantage and production capacity, ability of the imported product to undersell complainant's product, or substantial manufacturing capacity combined with the

intention to penetrate the United States market. Certain Methods for Extruding Plastic Tubing, Inv. No. 337-TA-110, 218 U.S.P.Q. 348 (1982); Reclosable Plastic Bags, Inv. No. 337-TA-22, 192 U.S.P.Q. 674 (1977); Panty Hose, Tariff Comm'n Pub. No. 471 (1972).

In this case, the testimony suggests that there is significant capacity in Taiwan for the manufacture of drop-forged hand tools. (FF 221). It is relatively easy to make the necessary moulds for manufacture, and commencement of production could be started within about six weeks. (FF 222). Thus, the barriers to entry in this market are quite low. It also appears that the cost of materials and labor for manufacture of the type of snips at issue is lower in Taiwan than it is in the United States. (FF 223). The significant volume of imports of these snips from a variety of sources in Taiwan that has already occurred suggests that there is both substantial capacity and intent to penetrate the United States market. (FF 167-170).

In view of the foregoing facts, I find that importation into and sale in the United States of compound action metal cutting snips which bear the marks M1, M2 or M3 or are packaged in sleeves bearing the trademark METALMASTER or utilizing complainant's trade dress by the domestic respondents and other nonparties have the tendency to substantially injure the relevant domestic industry. (FF 224).

## CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter of this investigation, in rem jurisdiction over the accused compound action metal cutting snips imported into and sold in the United States, and in personam jurisdiction over the domestic respondents named in this investigation. 19 U.S.C. § 1337.

2. Complainant is the exclusive owner of Registered Trademark No. 640,640 for METALMASTER which is used in connection with the sale of complainant's compound action metal cutting snips.

3. Respondents Fedco, Harko, Home Chain and J & C Wholesale have utilized complainant's trademark METALMASTER in connection with compound action metal cutting snips. Such unauthorized use is likely to cause confusion among consumers as to the source of respondents' snips, and therefore, infringes complainant's registered trademark. 15 U.S.C. § 1114(a).

4. Complainant has a common law trademark in the designations M1, M2 and M3 which appear on the blades of its compound action metal cutting snips, on the snips' packaging, and in catalogues, advertisements and other promotional materials.

5. Respondents Azco, Homier, Jameson, Harko, U.S. General, and Coast Freight, and nonparties to this investigation have utilized complainant's

designations M1, M2, and/or M3 in connection with imported compound action metal cutting snips. Such unauthorized use is likely to cause confusion as to the source of these imported snips, and therefore, infringes complainant's common law trademark.

6. Respondents Fedco, Harko, Home Chain and J & C Wholesale have utilized the designations R-M1, R-M2 and/or R-M3 in their advertisements, offers for sale, and/or packaging of imported compound action metal cutting snips. Such designations are confusingly similar to the common law trademarks of complainant. Such unauthorized use is likely to cause confusion as to the source of these snips and, therefore, infringes complainant's common law trademark.

7. Trademark infringement is an unfair method of competition or unfair act under Section 337.

8. Respondents Fedco, Home Chain, Harko and J & C Wholesale, and nonparties to this investigation have misappropriated complainant's sleeve packaging trade dress utilized in connection with compound action metal cutting snips.

9. Misappropriation of trade dress is an unfair act or method of competition under Section 337.

10. Respondent Homier has falsely advertised and represented that certain cold stamped metal cutting snips have hot drop-forged molybdenum steel blades.

11. False advertising is an unfair act or method of competition under Section 337.

12. It has not been established that any respondent has failed to mark country of origin in connection with imported compound action metal cutting snips.

13. Respondents Fedco, Home Chain, Harko, J & C Wholesale, and Coast Freight and nonparties to this investigation have passed off imported compound action metal cutting snips as being snips originating from complainant.

14. Passing off is an unfair act or method of competition under Section 337.

15. Each of the domestic respondents, Homier Distributing Co., J & C Wholesale, U.S. General Supply Corp., Coast Freight Salvage, Jameson & Sons, and Azco Tool, Inc. has sold or offered for sale the accused imported compound action metal cutting snips in the United States.<sup>12/</sup>

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<sup>12/</sup> Respondent U.S. General has been terminated as a respondent on the basis of a consent order agreement by Order No. 12. That initial determination is currently pending before the Commission. The consent order agreement provided that it did not constitute a determination that U.S. General has violated Section 337. Respondent Azco Tool has been terminated as a respondent on the basis of a settlement agreement by Order No. 13. That initial determination, which does not constitute a determination that Azco Tool has violated Section 337, is pending before the Commission concurrently with this Initial Determination on violation of Section 337.

16. There is no evidence that foreign respondents Fedco International, Inc., Home Chain Enterprise Co., Ltd. or Harko Industrial Co., Ltd. have exported to, imported into or sold in the United States any quantity of the accused compound action metal cutting snips.

17. The accused compound action metal cutting snips have been exported to and imported into the United States by nonparties to this investigation.

18. The domestic industry consists of complainant's facilities in the United States devoted to manufacture, assembly, marketing, distribution and sale of Wiss METALMASTER compound action metal cutting snips having the designations M1, M2 and M3.

19. The relevant domestic industry is efficiently and economically operated.

20. Importation and sale by domestic respondents and nonparties of compound action metal cutting snips which bear the markings M1, M2, or M3 or which are packaged in sleeves marked with the registered trademark METALMASTER or which are substantially similar in appearance to complainant's trade dress have the effect and tendency to substantially injure the relevant domestic industry.

21. Advertising by respondent Homier Distributing Co. that certain cold stamped compound action metal cutting snips have hot drop-forged molybdenum steel blades does not have the effect or tendency to substantially injure the relevant domestic industry.

22. Failure to mark country of origin on the accused imported compound action metal cutting snips does not have the effect or tendency to substantially injure the relevant domestic industry.

23. There is no evidence that the alleged activities of respondents Fedco International, Inc., Home Chain Enterprise Co., Ltd., or Harko Industrial Co. have the effect or tendency to substantially injure the relevant domestic industry.

24. There is a violation of Section 337.



INITIAL DETERMINATION AND ORDER

Based on the foregoing findings of fact, conclusions of law, the opinion and the record as a whole, and having considered all of the pleadings and arguments presented orally and in briefs, as well as proposed findings of fact and conclusions of law it is the Administrative Law Judge's DETERMINATION that there is a violation of Section 337 in the unauthorized importation into and sale in the United States of the accused compound action metal cutting snips and components thereof.

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

1. The transcript of the hearing, with appropriate corrections as may hereafter be ordered by the Administrative Law Judge; and further,

2. The exhibits accepted into evidence in the course of the hearing, as listed in the Appendix attached hereto.

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

Further, it is ORDERED that:

1. In accordance with 19 C.F.R. 210.44(b), all material heretofore marked in camera for reasons of business, financial and marketing data found by the Administrative Law Judge to be cognizable as confidential business information under 19 C.F.R. 210.6(a) is to be given in camera treatment;


2. Complainant's motion for entry of default and adverse inferences against certain respondents, Motion 197-9, is granted in part on the terms stated herein;

3. The joint motion to terminate this investigation as to respondent Jameson & Sons, Motion 197-12 is denied without prejudice to resubmission to the Commission of an appropriately amended settlement agreement;

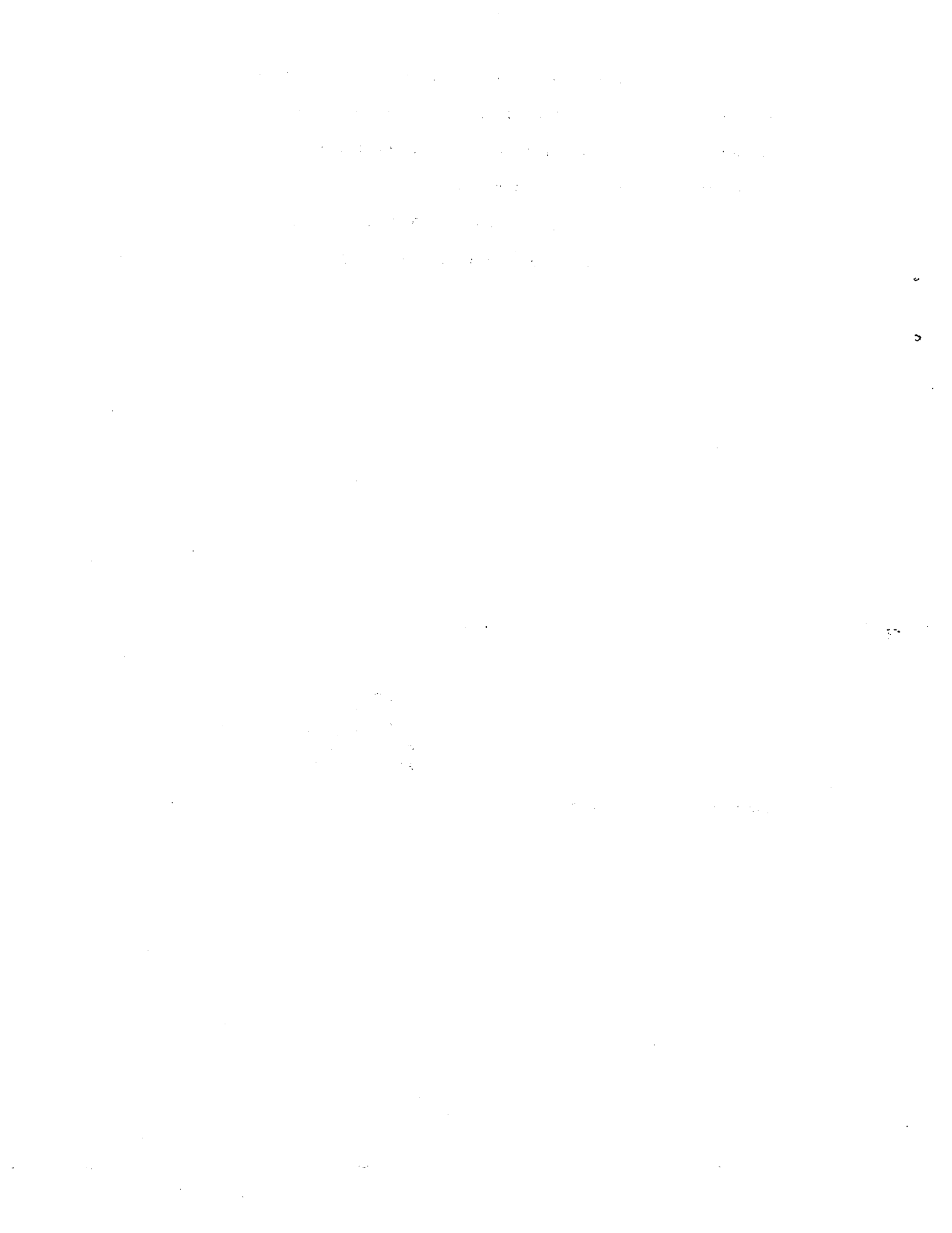
4. The Secretary shall serve a public version of this Initial Determination upon all parties of record, and the confidential version upon counsel for complainant and upon the Commission investigative attorney;

5. Counsel for complainant shall indicate to the Administrative Law Judge not later than April 24, 1985 those portions of this Initial Determination which contain confidential business information to be deleted from the Public Version of this Initial Determination;

6. This Initial Determination shall become the determination of the Commission forty-five (45) days after the service thereof, unless the Commission, within forty-five (45) days after the date of filing of the Initial Determination shall have ordered review of the Initial Determination or certain issues therein, pursuant to 19 C.F.R. 210.54(b) or 210.55 or by order shall have changed the effective date of this Initial Determination.


  
John J. Mathias  
Administrative Law Judge

Issued: April 18, 1985



CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached INITIAL DETERMINATION (PUBLIC VERSION) was served upon Lynn I. Levine, Esq., and upon the following parties via first class mail, and air mail where necessary, on April 26, 1985.

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

FOR: COMPLAINANT COOPER INDUSTRIES, INC.:

Victor M. Wigman, Esq.; Scott M. Daniels, Esq.;  
Ralph C. Patrick, Esq.  
WIGMAN & COHEN  
Suite 200, Crystal Square 3  
Arlington, Virginia 22202

RESPONDENTS

Fedco International, Inc.  
P.O. Box 84-252  
Taipei, Taiwan

Harko Industrial Co., Ltd.  
No. 2-44 E.Lane  
Chinchun Chelu  
P.O. Box 1227  
Taichung, Taiwan

Homier Distributing Co.  
1328 Etna Avenue  
Huntington, Indiana 467500

J & C Wholesale  
4903 North Grand River  
Lansing, Michigan 48906

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CERTIFICATE OF SERVICE- page 2

Home Chain Enterprise Co., Ltd.  
P.O. Box 58005  
Taipei, Taiwan

U.S. General Supply Corp.  
100 Commercial Street  
Plainview, New York 11803

Coast Freight  
21100 Superior Street  
Chatsworth, California 91311

Azco Tool Inc.  
P.O. Box 5339  
Los Angeles, California 90014

Jameson & Sons  
2 Viaduct Avenue  
Downington, Pennsylvania 19335

GOVERNMENT AGENCIES:

Mr. Charles S. Stark  
Antitrust Div./U.S. Dept of Justice  
Room 7115, Main Justice  
Pennsylvania Avenue & Tenth Street, N.W.  
Washington, D.C. 20530

Edward F. Glynn, Jr., Esq.  
Asst Dir for Intl Antitrust  
Federal Trade Commission  
Room 502-4, Logan Building  
Washington, D.C. 20580

Darrel J. Grinstead, Esq.  
Dept of Health and Human Svcs.  
Room 5362, North Building  
330 Independence Avenue, S.W.  
Washington, D.C. 20201

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

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