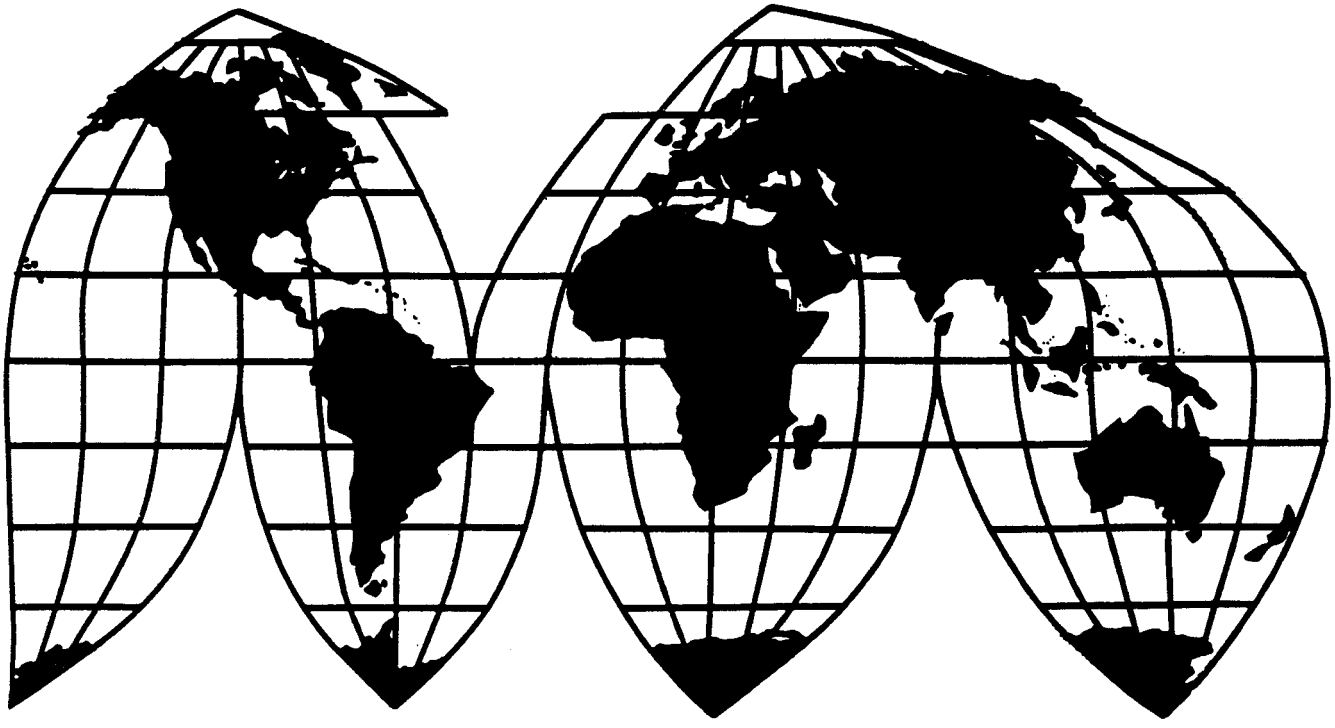
In the Matter of

Certain Woodworking Accessories

Investigation No. 337-TA-333

Publication 2700 **November 1993**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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

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	)	Investigation No. 337-TA-333
CERTAIN WOODWORKING ACCESSORIES	)	

NOTICE OF ISSUANCE OF LIMITED EXCLUSION ORDER

AGENCY: U.S. International Trade Commission.

ACTION: Notice

SUMMARY: Notice is hereby given that the Commission has issued a limited exclusion order in the above-captioned investigation.

FOR FURTHER INFORMATION CONTACT: Cynthia P. Johnson, Esq., Office of the General Counsel, U.S. International Trade Commission, telephone 202-205-3098.

SUPPLEMENTARY INFORMATION: The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in section 210.58 of the Commission's Interim Rules of Practice and Procedure (19 C.F.R. § 210.58).

On November 25, 1991, Cantlin, Inc. ("Cantlin") of Lincoln, Massachusetts filed a complaint and a motion for temporary relief with the Commission pursuant to section 337. Cantlin's complaint alleged violations of section 337 in the importation and sale of certain woodworking accessories. The complaint alleged infringement of all 18 claims of Cantlin's U.S. Letters Patent 4,805,505 ("the '505 patent") by four firms: (1) Woodever Products Co., Ltd. ("Woodever") of Taiwan; (2) Taiwan Zest Industrial Co., Ltd. ("Taiwan Zest") of Taiwan; (3) Trend-Lines, Inc. ("Trendlines") of Malden, Massachusetts; and (4) An Yun Industrial Co., Ltd. ("An Yun") of Taiwan. On December 30, 1991, the Commission voted to institute an investigation of

Cantlin's complaint and to provisionally accept its motion for temporary relief and refer that motion to an administrative law judge ("ALJ"). Woodever, Taiwan Zest, Trendlines, and An Yun were named respondents. A notice of investigation was published in the Federal Register on January 6, 1992. 57 Fed. Reg. 416. The motion for temporary relief was later dismissed.

Respondents Taiwan Zest and Woodever were terminated on the basis of a consent order. Respondent Trendlines was found not to be a proper party to the investigation.

On April 3, 1992, the presiding administrative law judge issued an initial determination ("ID") finding respondent An Yun in default. The Commission determined not to review that ID. 57 Fed. Reg. 20505 (May 13, 1992).

On October 13, 1992, Cantlin declared that pursuant to Commission interim rule 210.25(c), 19 C.F.R. 210.25(c), it sought a limited exclusion order directed against respondent An Yun.

The Commission solicited comments from the parties, interested government agencies, and other persons concerning the issues of remedy, the public interest, and bonding. 57 Fed. Reg. 53337 (November 9, 1992).

Complainant and the Commission investigative attorney filed proposed remedial orders and addressed the issues of remedy, the public interest, and bonding. No comments were filed by interested government agencies or other persons.

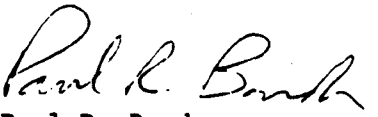
Section 337(g)(1) of the Tariff Act of 1930 provides that the Commission shall presume the facts alleged in a complaint to be true, and upon request issue a limited exclusion order and/or cease and desist order if: (1) a complaint is filed against a person under section 337, (2) the complaint and a notice of investigation are served on the person, (3) the person fails to

respond to the complaint and notice or otherwise fails to appear to answer the complaint and notice, (4) the person fails to show good cause why it should not be found in default, and (5) the complainant seeks relief limited solely to that person. Such an order shall be issued unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the Commission finds that such exclusion should not be issued.

Each of the statutory requirements for the issuance of a limited exclusion order was met with respect to defaulting respondent An Yun. The Commission further determined that the public interest factors enumerated in section 337(g)(1) did not preclude the issuance of such relief. The Commission determined that bond under the limited exclusion order during the Presidential review period shall be in the amount of one hundred (100) percent of the entered value of the imported articles.

Copies of the limited exclusion order 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, 500 E. Street, S.W., Washington, D.C. 20436, telephone 202-205-2000. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810.

By order of the Commission.



Paul R. Bardos
Acting Secretary

Issued: January 4, 1993

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

In the Matter of	)	
	)	
CERTAIN WOODWORKING ACCESSORIES	)	Investigation No. 337-TA-333
	)	

ORDER

On November 25, 1991, Cantlin, Inc. ("Cantlin") of Lincoln, Massachusetts filed a complaint and a motion for temporary relief with the Commission pursuant to section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). Cantlin's complaint alleged violations of section 337 in the importation and sale of certain woodworking accessories. The complaint alleged infringement of all 18 claims of Cantlin's U.S. Letters Patent 4,805,505 ("the '505 patent") by four firms: (1) Woodever Products Co., Ltd. ("Woodever") of Taiwan; (2) Taiwan Zest Industrial Co., Ltd. ("Taiwan Zest") of Taiwan; (3) Trend-Lines, Inc. ("Trendlines") of Malden, Massachusetts; and (4) An Yun Industrial Co., Ltd. ("An Yun") of Taiwan. On December 30, 1991, the Commission voted to institute an investigation of Cantlin's complaint and to provisionally accept its motion for temporary relief and refer that motion to an administrative law judge ("ALJ"). Woodever, Taiwan Zest, Trendlines, and An Yun were named respondents. A notice of investigation was published in the Federal Register on January 6, 1992. 57 Fed. Reg. 416. The motion for temporary relief was later dismissed.

Respondents Taiwan Zest and Woodever were terminated on the basis of a consent order. Respondent Trendlines was found not to be a proper party to the investigation.

On April 3, 1992, the presiding ALJ issued an initial determination

("ID") finding respondent An Yun in default. The Commission determined not to review that ID. 57 Fed. Reg. 20505 (May 13, 1992).

On October 13, 1992, Cantlin declared that, pursuant to Commission interim rule 210.25(c) (19 C.F.R. § 210.25(c)), it sought a limited exclusion order directed against respondent An Yun.

The Commission solicited comments from the parties, interested government agencies, and other persons concerning the issues of remedy, the public interest, and bonding as they relate to defaulting respondent An Yun. 57 Fed. Reg. 53337 (November 9, 1992).

Section 337(g)(1) of the Tariff Act of 1930 provides that the Commission shall presume the facts alleged in a complaint to be true, and upon request issue a limited exclusion order and/or cease and desist order if: (1) a complaint is filed against a person under section 337, (2) the complaint and a notice of investigation are served on the person, (3) the person fails to respond to the complaint and notice or otherwise fails to appear to answer the complaint and notice, (4) the person fails to show good cause why it should not be found in default, and (5) the complainant seeks relief limited solely to that person. Such an order shall be issued unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the Commission finds that such exclusion should not be issued.

Each of the statutory requirements for the issuance of a limited exclusion order has been met with respect to defaulting respondent An Yun. The Commission has further determined that the public interest factors enumerated in section 337(g)(1) do not preclude the issuance of such relief. The Commission has established that the bond under the limited exclusion order

during the Presidential review period shall be in the amount of one hundred (100) percent of the entered value of the imported articles.

Accordingly, it is hereby **ORDERED THAT** --

1. Woodworking accessories manufactured or imported by or for An Yun Industrial Co., Ltd. of Taichung, Taiwan, or any of its affiliated companies, parents, subsidiaries, licensees, contractors, or other related entities, or their successors or assigns, that are covered by any of claims 1-18 of U.S. Letters Patent 4,805,505, are excluded from entry into the United States for the remaining term of the patent, except under license of the patent owner.

2. In accordance with 19 U.S.C. § 1337(l), the provisions of this Order do not apply to woodworking accessories imported by or for the United States.

3. The items identified in paragraph 1 of this Order are entitled to entry into the United States under bond in the amount of one hundred (100) percent of their entered value from the day after this Order is received by the President, pursuant to 19 U.S.C. § 1337(j), until such time as the President notifies the Commission that he approves or disapproves this Order, but in any event, no later than 60 days after the date of receipt of this Order by the President.

4. The Commission may amend this Order in accordance with the procedure described in section 211.57 of the Commission's Interim Rules of Practice and Procedure, 19 C.F.R. § 211.57.

5. A copy of this Order shall be served upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, and the Federal Trade Commission.

6. Notice of this Order shall be published in the Federal Register.

By order of the Commission.

Paul R. Bardos
Acting Secretary

Issued: January 4, 1993

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

9-30-92

In the Matter of	)	
	)	
CERTAIN WOODWORKING ACCESSORIES	)	Investigation No. 337-TA-333
	)	

Order No. 34: Initial Determination Terminating The Investigation

On November 25, 1991, complainant Cantlin, Inc. (Cantlin) filed a complaint and a motion for temporary relief with the Commission alleging violations of section 337 in the importation and sale of certain woodworking accessories. The complaint alleged infringement of all claims of Cantlin's U.S. Letters Patent No. 4,805,505, (the '505 patent) by four named respondents, viz., Taiwan Zest Industrial Co. (Taiwan Zest), Trend-Lines Inc. (Trendlines), Woodever Products, Ltd. (Woodever) and An Yun Industrial Co. Ltd. (An Yun). The Commission voted to institute an investigation on Cantlin's complaint on December 30, 1991, naming the following respondents: Taiwan Zest, Trendlines, Woodever and An Yun.[1]

An initial determination (Order No. 27), which issued April 3, 1992, found An Yun in default and in so doing found that An Yun had waived its right to appear, to be served with documents and to contest the allegations at issue in the investigation. By notice dated May 5, the Commission determined not to review that initial determination. An initial determination (Order No. 31), which issued April 21, 1992, granted Motion No. 333-15 to terminate the investigation as to Woodever on the basis of a consent order and consent order agreement. By notice dated May 22, the Commission determined not to review that

1 The notice of investigation was published in the Federal Register on January 6, 1992. 57 Fed. Reg. 416-17 (1992).

initial determination. The remaining respondents are Taiwan Zest and Trend-lines.[2]

I. Taiwan Zest

On January 23, 1992, Cantlin filed Motion No. 333-3 for a "default judgment" against Taiwan Zest. On April 1, 1992 Cantlin and Taiwan Zest filed Motion No. 333-13 for termination of the investigation with respect to Taiwan Zest on the basis of a proposed consent order. An initial determination (Order No. 28), which issued on April 7, 1992, found that Taiwan Zest had responded

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2 Cantlin in its complaint requested a permanent general exclusion order which requires that any violation be "established by substantial, reliable and protective evidence" 19 U.S.C. § 1337(g) (2)(B). As noted in Order No. 32 which issued May 26, 1992, Cantlin, in a "Statement of Complainant In Response To Staff's Motion For Suspension of Procedural Schedule" dated May 22, withdrew its "original request ... for permanent general relief" and stated that it "will in due course file a formal pleading to affect this withdrawal." No such formal pleading has been filed.

Commission interim rule 210.25(c) provides, in pertinent part, as follows:

> (c) Relief against a respondent in default. The complainant shall declare at the time the last remaining respondent is found to be in default whether the complainant is seeking a general or limited exclusion order, or a cease and desist order, or both. In cases in which the complainant is seeking relief solely affecting the respondent found to be in default, the Commission shall presume the facts alleged in the complaint to be true and shall, upon request, issue an exclusion order or cease and desist order, or both, which affects only that respondent unless, after considering the effect of such order(s) upon the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers, the Commission finds that the order should not be issued.

See also Certain Automotive Fuel Caps and Radiator Caps and Related Packaging and Promotional Materials, Inv. No. 337-TA-319, Notice to the Commission Supplementing the Initial Determination of March 5, 1991 (March 8, 1991), where complainant filed a statement as to the relief sought against two respondents on the date their responses to a show cause order were due, and another after the respondents were found to be in default, confirming the type of relief sought. As set forth herein, An Yun is the only respondent in this investigation that has been found in default and is the only respondent that could have been found in default.

neither to the show cause Order No. 23, nor to Order No. 18, which ordered it to respond to the staff's discovery requests. Accordingly, pursuant to interim rule 210.25, Taiwan Zest was found to be in default and thus to have waived its right to appear, to be served with documents and to contest the allegations at issue in this investigation. In Order No. 28, the administrative law judge noted that he had also issued Order No. 29 which denied Motion No. 333-13 to terminate the investigation as to Taiwan Zest on the basis of the proposed consent order as moot in view of his initial determination (Order No. 28) finding Taiwan Zest in default.

On May, 7, 1992, the Commission issued a notice stating that it had determined to review the initial determination finding Taiwan Zest in default. The Commission on July 1, 1992, "[h]aving considered the responses of the parties to the Commission's notice of review," ordered that the administrative law judge's initial determination of April 7, 1992, finding respondent Taiwan Zest in default, be reversed and that the matter be remanded to the administrative law judge for reconsideration of joint Motion No. 333-13 to terminate the investigation as to Taiwan Zest on the basis of the proposed consent order and consent order agreement entered into between the parties.

Order No. 33 set a deadline of August 6, 1992, for the filing any responses to Motion No. 333-13. In its response to Motion No. 333-13, the staff supported termination as to Taiwan Zest on the basis of the proposed consent order. The staff argued that in accordance with Commission interim rule 211.20, Cantlin and Taiwan Zest have submitted an executed consent order agreement which explicitly incorporates the proposed consent order and which recites the movants' agreement to entry of the consent order. The staff also argued that the consent order agreement satisfies the requirements of Commission interim rule 211.22(a) in that

it contains: (1) an admission of all jurisdictional facts; (2) an express waiver of all rights to seek judicial review or otherwise challenge or contest the validity of the consent order; and (3) a proper statement regarding enforcement, modification and revocation of the consent order.

The staff further argued that the proposed consent order recites certain jurisdictional findings and agreements between Cantlin and Taiwan Zest; that paragraph (A) of the proposed consent order prohibits Taiwan Zest from exporting to the United States or importing into the United States, or knowingly aiding, abetting, encouraging, participating in, or inducing the exportation to the United States or importation into the United States of woodworking accessories that infringe any of the claims of the '505 patent; and that paragraph (A) further provides that when the '505 patent expires, the consent order shall become null and void, and if any claims of the '505 patent shall be determined to be invalid or unenforceable by a court or agency of competent jurisdiction in a final decision, no longer subject to appeal, the consent order shall become null and void as to any such invalid or unenforceable claims. Id.

The staff also argued that, pursuant to Commission interim rule 210.58(b), in ruling on a motion to terminate based upon a consent order or a settlement agreement, or both, the administrative law judge should consider the effect of the proposed settlement on the public health and welfare, competitive conditions in the economy, the production of similar or competitive articles in the United States, and the effect on the consumer, citing Commission interim rule 210.58(b). It argued that the public interest favors settlements to avoid needless litigation and to conserve public resources, referring to the Administrative Procedures Act, 5 U.S.C. §501 et seq.; and that the restrictions contained in the proposed consent order should not have a significant impact on

competitive conditions in the United States market for woodworking positioners, such as the Cantlin tool, since there appear to be many other woodworking positioners on the market.

Motion No. 333-13 includes a copy of a consent order agreement and a statement that there are no other agreements, written, oral, express, or implied between the movants concerning the subject matter of the investigation. Cantlin and Taiwan Zest in the consent order agreement agree to the entry of the consent order submitted as part of Motion No. 333-13 and thus satisfy the requirement of Commission interim rule 211.20(b). Moreover, the consent order agreement is in compliance with the requirements of Commission interim rule 211.22(a) in that Cantlin and Taiwan Zest (1) agree that the Commission has jurisdiction over the subject matter of the complaint, and that the Commission has personal jurisdiction over Taiwan Zest; (2) waive all rights to seek judicial review of otherwise challenge or contest the validity of the consent order; and (3) agree that any enforcement, modification or revocation of the consent order shall be carried out pursuant to Subpart C of Part 211 of Title 19 of the Code of Federal Regulations, and the Commission's interim rules and procedure. In the proposed consent order agreement, it is represented that Taiwan Zest shall not export to the United States or import into the United States, or knowingly aid, abet, encourage, participate in, or induce the exportation into the United States or importation into the United States of woodworking accessories that infringe any of the claims of the '505 patent provided, however, that when the '505 patent expires, the consent order agreement shall become null and void, and if any claims of the '505 patent shall be determined to be invalid or unenforceable by a court or agency of competent jurisdiction in a final decision, no longer subject to appeal, the consent order agreement shall become null and void as to

any such invalid or unenforceable claim.

Commission interim rule 210.58(b) states, with regard to settlement by a consent order under interim rule 210.51 (c), that the parties may file statements regarding the impact of the proposed settlement on the public interest, and that the administrative law judge may in his discretion hear argument, although no discovery may be compelled with respect to issues relating solely to the public interest, and that thereafter the administrative law judge shall consider and make appropriate findings in the initial determination regarding the effect of the proposed settlement on the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers. Based on the record in this investigation and taking into consideration that there has been no discovery with respect to issues relating solely to the public interest, the administrative law judge finds nothing in the proposed settlement that would affect the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers.

With respect to paragraph (A) of the proposed consent order, Taiwan Zest is restrained from certain activity that relates to "woodworking accessories that infringe any of the claims" in issue. Neither the consent order agreement nor proposed consent order provide a clear guide as to how any woodworking accessories infringe any of the claims. See Certain Microcomputer Memory Controllers, Components Thereof And Products Containing Same (Memory Controllers), Inv. No. 337-TA-331, Initial Determination, issued March 16, 1992 at 2, 3. The Commission however has approved language of such breadth in a consent order. See Memory Controllers, "Notice of Review and Modification," issued April 16, 1992.

Based on the foregoing, Motion No. 333-13, which moves to terminate the investigation with respect to Taiwan Zest, based on an accompanying consent order agreement and proposed consent order, is granted.

II. Trendlines

A. Background

On April 1, 1992 Cantlin and Trendlines moved for termination of this investigation with respect to Trendlines based on an accompanying consent order agreement executed on March 30, 1992 (March 30 agreement) jointly approved by Cantlin and Trendlines, and further based on entry of an accompanying proposed consent order which Cantlin and Trendlines jointly approved in the March 30 agreement (Motion No. 333-14).

In Motion No. 333-14 it was represented that other than an accompanying settlement agreement, attached thereto as Exhibit 1 (Exhibit 1 settlement agreement), which was "executed contemporaneously" with the consent order agreement, there are no other agreements, written, oral, express or implied between the parties concerning the subject matter of this investigation.

The staff, in a response filed April 13, 1992, supported the termination of this investigation as to Trendlines in view of the March 30 agreement and accompanying proposed consent order. It was argued that the March 30 agreement and the proposed consent order were in compliance with the Commission interim rules and did not appear to be contrary to the public interest.

The Exhibit 1 settlement agreement attached to Motion No. 333-14 recites that Cantlin and Trendlines had "previously entered into a consent order agreement on December 18, 1991 (the 'Previous Agreement') [December 18

agreement[3]] in connection with importation by Trendlines and sale in the United States of certain woodworking accessories" that allegedly infringe the '505 patent; and that the parties, "at the time" they executed the December 18 agreement, contemplated that they would formally request the Commission to enter a consent order if the investigation was instituted, and continue to desire entry of a consent order "in conjunction with private agreement on certain matters"[4] as a means of resolving their differences. The Exhibit 1 settlement agreement states that in consideration of the mutual covenants and promises "contained herein and other good and valuable consideration" the parties agreed as follows:

> (A) Trendlines and Cantlin "revoke and cancel" the December 18 agreement;
>
> (B) Trendlines shall not import into the United States or sell in the United States, or knowingly aid, abet, encourage, participate in, or induce the importation into the United States or sale in the United States of products that infringe any of the claims of the '505 patent;
>
> (C) The parties agree that Trendlines has paid Cantlin a royalty of $6.50 each for the 1080 pieces Trendlines has imported into the United States; and
>
> (D) Cantlin releases Trendlines from any and all claims relating

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3 The December 18 agreement was filed by Cantlin as a portion of Motion No. 333-7 for termination as to Trendlines.

4 The "private agreement on certain matters" is not specifically identified. In view of the representation of the parties that the only relevant agreements are the March 30 agreement and the Exhibit 1 settlement agreement, it is concluded that the private agreement is the Exhibit 1 settlement agreement.

to past infringement of the '505 patent.

The record conclusively establishes that the December 18 agreement was executed and put into effect before the investigation was instituted by the Commission on December 30, 1991; that by the December 18 agreement Cantlin and Trendlines agreed, inter alia, that during the period beginning December 18, 1991 and while the '505 patent is enforceable Trendlines will not import into the United States products that infringe the claims of the '505 patent, and that Trendlines will pay Cantlin a royalty of $6.50 each for the 1080 pieces Trendlines has imported into the United States; that Trendlines has waived all rights to seek judicial review or otherwise challenge or contest the validity of the December 18 agreement; and that the December 18 agreement should constitute a binding agreement between the Cantlin and Trendlines whether or not the Commission institutes an investigation and whether or not it enters a Consent Order.

B. It Is Unclear Whether the Commission Has Determined That Trendlines, In View of the December 18 Agreement, Was A Proper Party In This Investigation When It Instituted the Investigation on December 30

Order No. 14, which issued February 7, 1992, denied Motion No. 333-7 for termination as to Trendlines due to technical defects raised by the staff in the December 18 agreement and proposed consent order and also stated that Trendlines should never have been made a party to this investigation as instituted because of the December 18 agreement. See Order No. 14 at 7.

Order No. 15 which issued February 7, 1992, stated that it appeared from the response of Cantlin's counsel to Order No. 10[5] that Cantlin's counsel did not inform the Commission, nor even the staff, of the contents of the December 18

5 Order No. 10 directed comments from Cantlin's counsel as to what was before the Commission when it instituted the investigation on December 30, 1991.

agreement before the Commission instituted the investigation on December 30, 1991; that it appeared that the December 18 agreement materially affected allegations of the pending complaint and pending Motion No. 333-1 for temporary relief involving respondent Trendlines and Cantlin's allegation of immediate and substantial harm; that it appeared that in light of the December 18 agreement certain material allegations in the papers that were before the Commission on December 30, 1991 were not "objectively reasonable" under the circumstances; that Cantlin's counsel has admitted that Cantlin's entry into the December 18 agreement with Trendlines "lessens the substantiality of harm that might imminently be suffered by the domestic industry"; and that it appeared that the conduct of Cantlin and Cantlin's counsel was "egregious" under each of the standards set forth by the majority opinion in Certain Concealed Cabinet Hinges and Mounting Plates (Hinges), Inv. No. 337-TA-289, Commission Opinion (Jan. 8, 1990), viz., (1) a failure to disclose material information and (2) an intent to mislead the Commission.

Cantlin, in response to Order No. 15, argued that neither Cantlin, nor its counsel, had violated their pre-institution duty of candor and/or Commission interim rule 210.5 in this investigation; that the December 18 agreement was "executory" because, while it was correct that the parties had entered into the December 18 agreement on December 18, 1991, the parties did not know whether the December 18 agreement would operate as a consent agreement under Commission interim rule 211.22 or as a private agreement. See Order No. 16 at 20.

The staff, in its response to Order No. 15, argued that the December 18 agreement between Cantlin and Trendlines specifically contemplated that Cantlin would go on to seek a consent order against Trendlines from the Commission if a section 337 investigation were instituted; that although relief under section

337 is prospective, section 337 violations can be based on past as well as current violations of the statute; and that while Order No. 14 suggested that the settlement agreement should be viewed as having mooted Cantlin's section 337 claim against Trendlines, it was not inappropriate "under the circumstances" for Cantlin to seek entry of a consent order to increase the likelihood that there would be no recurrence of the importation or sale of infringing imports by Trendlines. The staff noted that if it were held that a settlement reached with a respondent after the filing of a complaint but before the vote on institution bars a complainant from obtaining a Commission consent order against that respondent, such would encourage complainants to refrain from engaging in settlement negotiations prior to the vote on institution, which in turn would likely increase the legal fees of proposed respondents who would not be able to reach a settlement with complainant during the pre-institution period and who might be forced to retain counsel to represent them in the early stages of the investigation.

In the staff's response to Order No. 15, the staff also argued that it is "understandable" that Cantlin did not seek to withdraw Trendlines as a proposed respondent from the complaint when it reached a settlement with Trendlines on December 18, 1991, before the Commission instituted the investigation on December 30, 1991, given that: (1) section 337 expressly provides that remedies under the statute are "in addition to any other provision of law," citing 19 U.S.C. §1337(a)(1); (2) the Commission has entered consent orders against respondents that have also entered into settlement agreements with the complainant; and (3) entry of a consent order by the Commission before Trendlines had been named a respondent would have been problematic if not impossible. The staff represented that although Commission interim rule

211.20(a) indicates that a proposed respondent may submit a proposed consent order to the Commission prior to institution of an investigation, it is unaware of any instance where that has occurred; that it is unclear whether the interim rules actually contemplate issuance of a consent order by the Commission prior to institution of an investigation, particularly in view of the jurisdictional issues that would be raised by entry of a consent order against an entity that is not a party to an investigation; that amended section 337(c) appears to contemplate that consent orders be issued in the context of pending investigations; and that the proposed 211 rules published for comment by the Commission in October 1988 proposed that rules 211.20(a) be revised so that proposed consent orders could only be submitted prior to institution in the context of proceedings under section 603 of the Trade Act of 1974 (19 U.S.C. §2482), citing 53 Fed. Reg. 40453 (Oct. 17, 1988). See Order No. 16.

The staff, in response to Order No. 15, further argued:

> With respect to the naming of Trendlines as a respondent, the Staff does not believe that the fact of the December 18th agreement was material for purposes of the vote on institution. Complainant intended to seek a consent order against Trendlines from the Commission and inclusion of Trendlines as a respondent could reasonably be viewed as a prerequisite for entry of such an order by the Commission. It is not improper for a complainant who has signed a settlement agreement with a respondent to also seek a consent order from the Commission with respect to that respect to that respondent.[6]

The staff relied on the following investigations, viz., Certain Bathtubs and Other Bathing Vessels and Materials Used Therein (Bathtubs), Inv. No. 337-TA-328; Certain Aramid Fiber Honeycomb, Unexpended Block or Slice Precursors of Such Aramid Fiber Honeycomb, and Carved on Contoured Blocks or Bonded Assemblies

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6 See Order No. 16 at 22 to 23.

of Such Aramid Fiber Honeycomb (Honeycomb), Inv. No. 337-TA-305; and Certain Electronic Dart Games (Dart Games), Inv. No. 337-TA-283.

Order No. 16, which issued on February 20, 1992, found that the precise terms of the December 18 agreement, on their face, were material to the question of whether or not Trendlines should have been made a party to the investigation (Order No. 16 at 30 to 35). It further found that there was an intent, as interpreted by Commission precedent, by Cantlin's counsel to mislead the Commission in naming Trendlines as a respondent in this investigation (Order No. 16 at 36 to 42), pointing out that while there was no abuse of Commission process under Commission interim rule 210.5(b), nor any abuse of Commission process by Cantlin, there had been an abuse of Commission process by Cantlin's counsel under the two-part test in Hinges (Order No. 16 at 8, 9, 42). Accordingly, Order No. 16 denied Cantlin's Motion No. 333-11 filed February 6, 1991 to withdraw Cantlin's Motion No. 333-1 for temporary relief, found an abuse of Commission process by Cantlin's counsel, dismissed, as a sanction, Motion No. 333-1 for temporary relief with prejudice, and further recommended that Cantlin's counsel be reprimanded by the Commission for his abuse of Commission process.

Footnote 1 of Order No. 16 noted that because Order No. 16 recommended that the Commission find that there has been abuse of Commission process by Cantlin's counsel and recommended that the attorney be publicly reprimanded by the Commission, the administrative law judge would prefer that Order No. 16 be in the form of an initial determination, or certified, and sent to the Commission when it issued on February 20, 1992; that the administrative law judge, however, did not find that Commission interim rule 210.53(b) or Commission interim rules 210.70 (involving interlocutory appeals in general) and

210.24(e)(15) (involving interlocutory appeals on motions for temporary relief) allowed the administrative law judge to so proceed; that in Certain Microporous Nylon Membrane And Products Containing Same, Inv. No. 337-TA-322, Notice of Decision Not To Review An Initial Determination Terminating Investigation On The Basis Of a Settlement Agreement, issued March 27, 1991 (Notice), the Commission stated that:

> The record that the ALJ has certified to the Commission in conjunction with the ID includes an Administrative Protective Order (APO) (Order No. 2)

and thereafter reviewed Order No. 2 referred to in the Notice; and that when an initial determination is issued in this investigation terminating the investigation, the administrative law judge will include his Order No. 16 in the record that he certifies to the Commission and will request that the Commission, on the basis of that order, find that there has been an abuse of Commission process by Cantlin's counsel in naming Trendlines as a respondent, in view of the December 18 agreement, and publicly reprimand complainant's counsel for that abuse.[7]

Cantlin's counsel, in a "Response Of Complainant's Counsel to Order No. 16" submitted on February 28, 1992, stated that Cantlin would seek neither interlocutory review nor reconsideration of Order No. 16; that "we" sincerely regret the inconvenience that "our" actions had caused the Commission; that the staff acknowledged receiving a copy of the December 18 agreement on January 2, 1992; that it simply did not occur to "us" that, in addition to notifying the

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7 On March 18, 1992, the attorney advisor took a telephone call from the Office of General Counsel. The attorney advisor was told that the call was to inquire as to status of Cantlin's Motion No. 333-1 for temporary relief. He referred the caller to Order No. 16. The Office of General Counsel then stated that Order No. 16 never went to the Commission, but indicated that it was aware of the substance of footnote 1 of Order No. 16.

staff, "we" should immediately provide the Commission with a copy of the December 18 agreement; and that had we realized "the problems that it would cause the Commission, we most certainly would have filed a copy [of the December 18 agreement] at that time." The response concluded:

> Second, the order [Order No. 16] reflects adversely both on counsel's personal integrity and on the integrity of the Commission's investigative process. The administrative law judge has made findings of fact that call into question counsel's honesty and good faith in pursuing this investigation. We hope to convince the administrative law judge before the conclusion of the proceedings that counsel has attempted to do its best in prosecuting this action and in following the guidance of the staff. However, if at the time of making his initial determination for presentation to the Commission the administrative law judge still feels that sanctions are appropriate, we request that he grant Complainant and its counsel the opportunity to be heard on the issue of sanctions and to present evidence of the circumstances and bona fides of counsel's efforts to prosecute this action.

On April 6, 1992, an "Order" of the Commission (Commission Order) issued. The Commission Order referred to Order No. 16 and stated that the administrative law judge did not issue an initial determination dismissing Motion No. 333-1 as required by interim rule 210.24(e)(13); that on February 28, 1992 Cantlin and its counsel submitted a paper in response to Order No. 16 indicating that they would seek neither interlocutory review nor reconsideration of Order No. 16; that the Commission expected its rules to be followed; and that "[i]n this instance," the Commission has determined:

> in view of complainant's desire to withdraw its motion for temporary relief, its disavowal of an intention to seek reconsideration or interlocutory review of the ALJ's order dismissing the motion for temporary relief, and the exigency presented by the statutory deadline for deciding temporary relief motions, it is appropriate and in the public interest in this investigation to waive the requirement of interim rule 210.24(e)(13) that the ALJ issue an ID in ruling on complainant's motion for temporary relief.

> Accordingly, it is hereby ORDERED THAT, pursuant to rule 201.4(b), the requirement of interim rule 210.24(e)(13) that the ALJ issue an ID in ruling on complainant's motion for temporary relief is waived.

The Commission Order did not address administrative law judge's request in Order No. 16 that it find that there has been an abuse of Commission process by Cantlin's counsel and publicly reprimand Cantlin's counsel for that abuse, nor did it specifically address the propriety of the administrative law judge's dismissal of Motion No. 337-1. However, it appears from the Commission's reference to "complainant's desire to withdraw its motion for temporary relief" that the Commission determined to reverse the administrative law judge's dismissal of Motion No. 333-1 in Order No. 16, as well as his denial of Cantlin's Motion No. 333-11 to withdraw Motion No. 333-1 and to grant Motion No. 333-11. If that is what the Commission did, then it would appear that the Commission not only reversed the administrative law judge's finding in Order No. 16 that there has been an abuse of Commission process by Cantlin's counsel, but also determined that Trendlines had been properly named as a respondent in the investigation when the Commission instituted the investigation on December 30, 1991.[8]

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8 Although the Commission Order, in considering Cantlin's response submitted to the administrative law judge on February 28, 1992, and in referring to Cantlin's "disavowal of an intention to seek reconsideration or interlocutory review," effectively considered the substance of Cantlin's response of February 28, 1992, the Commission did not address Cantlin's request to the administrative law judge in the February 28 submission that the administrative law judge should grant Cantlin and its counsel the "opportunity to be heard on the issue of sanctions and to present evidence of the circumstances and bona fides of counsel's efforts to prosecute this action" if at the time of making his initial determination for presentation to the Commission the administrative law judge feels that sanctions are appropriate. It would appear, although the Commission Order does not so state, that the Commission determined that such request was mooted in light of the Commission's apparent finding that Trendlines was properly named as a respondent in the investigation when it was instituted on December 30, 1991,

Because it is not clear whether the Commission has determined that Trendlines was properly named as a respondent in this investigation when the Commission instituted the investigation on December 30, 1991, the administrative law judge will again examine that issue and the arguments raised by Cantlin and the staff in the following section C. Alternatively, if the Commission determined, or determines, that Trendlines was properly named as a respondent when the Commission instituted the investigation the administrative law judge, in the following subsection D, has acted on Motion No. 333-14.

C. Motion No. 333-14 Is Denied And The Investigation Terminated As To Trendlines Because Trendlines Was Not A Proper Party To The Investigation Since There Was No Violation By Trendlines, and Hence No Need For Any Remedy, When The Commission Instituted The Investigation

The Exhibit 1 settlement agreement which forms a portion of Motion No. 333-14 acknowledges the existence of the December 18, 1991 agreement. However, while it states that Cantlin and Trendlines on December 18 contemplated that they would formally request the Commission to enter a consent order if the investigation was instituted, it fails to state that pursuant to the December 18 agreement, Cantlin and Trendlines had agreed, "whether or not the Commission instituted an investigation," that as of December 18, 1991 Trendlines would not import into the United States products that allegedly infringe the patent in issue so long as said patent is not found to be invalid; that Trendlines agreed on December 18, 1991 to pay Cantlin a royalty of $6.50 each for the 1080 pieces of allegedly infringing products Trendlines had imported into the United States; and that Cantlin agreed to release Trendlines from any and all claims relating to past infringement of the '505 patent.

The December 18 agreement was in distinct contrast to any of the

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and that there had been no abuse of Commission process.

agreements in Honeycomb, Bathtubs and Dart Games, cited by the staff in its response to Order No. 15. Thus in Honeycomb, in contrast to the December 18 agreement, the proposed consent order agreement executed on June 8, 1990 by complainant and June 11, 1990 by respondents, more than five months after the October 27, 1989 institution of the investigation, recited that its execution was for settlement purposes only and that complainant and respondents accepted entry of an attached Consent Order by the Commission "and the terms and conditions of the Consent Order and the attached global settlement agreement resolving their differences with respect to the subject matter of the present investigation." Significantly the global settlement agreement executed in June 1990 in Honeycomb contained, inter alia, the following terms:

> A. Euro-Composites shall not import core into the United States of America ("U.S.") or sell, offer for sale or distribute in the U.S., either directly or indirectly imported core for a period of five (5) years, commencing on the date of the United States International Trade Commission Consent Order (hereinafter "ITC Consent Order").
>
> B. Euro-Composites shall not import special process core into the U.S. or sell, offer for sale or distribute in the U.S. imported special process core for a period of three (3) years commencing on the date of the ITC Consent Order, if the core from which the special process core is developed has been manufactured by respondents or any other business organization directly or indirectly owned or controlled by respondents or any of respondents' principals. [Emphasis added].

In Honeycomb there was no private binding agreement not to infringe before the Commission instituted the investigation, and the terms of the global settlement agreement in Honeycomb, whereby the alleged unfair act was ceased, were dependent on the entry of the Consent Order by the Commission. See Honeycomb, Order No. 41 (July 20, 1990).

In Bathtubs neither the settlement agreements nor the consent order

agreements, which were executed after the Commission instituted the investigation, provided for the respondents to stop using the intellectual property right in issue and pay royalty for past infringement prior to institution of the investigation nor did they state that they were binding agreements "whether or not the Commission institutes an investigation and whether or not it enter a Consent Order."

In Dart Games, neither the settlement agreements nor the consent order agreements were entered into before the Commission instituted the investigation. In addition, none were to become effective "whether or not the Commission institute an investigation and whether or not it enters a Consent Order."

In this investigation, with respect to Trendlines and in view of the December 18 agreement, there was no unfair act when the Commission instituted the investigation on December 30, 1991. By the December 18 agreement Cantlin had been compensated for any past infringement and Trendlines had agreed that there would be no infringement in the future "whether or not the Commission institutes an investigation."[9] Hence when the Commission instituted this investigation, as against Trendlines, the need for any remedy against Trendlines had ceased and there was no need for entry of a consent order. The administrative law judge rejects the staff's argument in its response to Order No. 15 at 5, n. 4 that "if it were held that a settlement reached with a respondent after filing of a complaint but before the vote on institution, bars a complainant from obtaining a Commission consent order against that respondent,

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9 There is nothing in the record to suggest that there has been any unfair act since the December 18 agreement. While the parties in the Exhibit 1 settlement agreement revoked and cancelled the December 18 agreement, by the Exhibit 1 settlement agreement the parties continued the terms of the December 18 agreement. See Motion No. 333-14, Exhibit 1.

this would encourage complainants to refrain from engaging in settlement negotiations prior to the vote on institution." A respondent may, for example, enter into a consent order agreement at any time wherein it agrees that it shall not engage in infringing activity commencing on the date of the Commission's consent order, as was done in Honeycomb. This, however, was not done in the December 18 agreement.

The administrative law judge also rejects the staff's argument that the December 18 agreement is proper because section 337(c) and Commission interim rule 211.20(a) appear to contemplate issuance of consent orders in the context of pending investigations. See staff response to Order No. 15 at 6, n.6. The issue presented by the December 18 agreement is not whether the Commission may issue consent orders pursuant to consent order agreements submitted to it prior to institution, but rather whether in light of the particular terms of the December 18 agreement, which agreement was not submitted to the Commission prior to institution and wherein Trendlines agreed as of December 18, 1991, before the investigation was instituted, to stop importation of the accused products and to pay royalties for past infringement and Cantlin agreed to release Trendlines from all claims of infringement, Trendlines should have been a party to this investigation.[10]

The administrative law judge agrees with the staff to the extent that section 337 violations can be based, and frequently are based, on past

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10 While Cantlin and Trendlines in the Exhibit 1 settlement agreement stated that the parties "contemplated, at the time they executed the ... [December 18 agreement], that the parties would formally request the ... [Commission] to enter a consent order if the Commission instituted an investigation," the December 18 agreement does not so state. The December 18 agreement does state that it "shall constitute a binding agreement between the parties hereto whether or not the Commission institutes an investigation and whether or not it enters a Consent Order."

violations which continue at least to the date of institution. The administrative law judge however can find nothing in the applicable statute nor in Commission precedent which would permit a complainant, before institution of a section 337 investigation, to eliminate any possible section 337 violation as to an entity through a settlement agreement that is independent of any institution of an investigation by the Commission, and thereafter cause the investigation to be instituted, as against that entity, for the sole purpose of obtaining a consent order from the Commission for a violation of section 337 that did not exist when the Commission instituted the investigation.[11]

Based on the foregoing, Motion No. 333-14 is denied and the investigation terminated, as to Trendlines, because Trendlines was not a proper party to this investigation since there was no violation by Trendlines and no need for any remedy when the Commission instituted the investigation on December 30, 1991.[12]

D. Assuming Trendlines Is a Proper Party In this Investigation, Motion No. 333-14 Is Granted and The Investigation Is Terminated As To Trendlines Based on the March 30 Agreement and the Exhibit 1 Settlement Agreement

Motion No. 333-14 includes a proposed consent order and the March 30 agreement as well as a statement that there is no other agreement between the

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11 There is no contention by either Cantlin or the staff that the December 18 agreement was void ab initio. To the contrary it was a binding agreement until March 30, 1992 when Cantlin and Trendlines revoked and cancelled the December 18 agreement but continued the terms of the December 18 agreement through execution of the Exhibit 1 settlement agreement which acknowledged that Trendlines had paid Cantlin for any past infringement under the terms of the December 18 agreement. See Exhibit 1 settlement agreement which forms a portion of Motion No. 333-14.

12 In Certain Acid-Washed Denim Garments and Accessories Inv. No. 337-TA-324, Commission Opinion Aug. 14, 1992, the Commission considered the interests of encouraging parties to settle section 337 investigations as well as the interests of providing a complainant effective relief when there is a violation of section 337 (Id. at 24). In this investigation, however, there was no violation of section 337 by Trendlines nor need for any remedy when the Commission instituted the investigation was instituted on December 30, 1991.

movants concerning the subject matter of the investigation. In accordance with Commission interim rule 210.20(b) the March 30 agreement explicitly incorporates the proposed consent order and recites the parties' agreement to entry of the proposed consent order in this investigation. The March 30 agreement also satisfies Commission interim rule 211.22(a), in that it contains: (1) an admission of all jurisdictional facts; (2) an express waiver of all rights to seek judicial review or otherwise challenge or contest the validity of the consent order; and (3) a statement regarding enforcement, modification and revocation of the consent order.

The proposed consent order recites certain jurisdictional findings and agreements between Cantlin and Trendlines, including Trendline's acknowledgement that it has imported the products at issue. Paragraph (A) of the proposed consent order prohibits Trendlines from importing into the United States, or selling after importation, or knowingly aiding, abetting, encouraging, participating in, or inducing the importation into the United States or sale after importation of woodworking accessories that infringe any of the claims of the '505 patent. Paragraph (A) further provides that when the '505 patent expires, the consent order shall become null and void, and also if any claims of the '505 patent shall be determined to be invalid or unenforceable by a court or agency of competent jurisdiction in a final decision, no longer subject to appeal, the consent order shall become null and void as to any such invalid or unenforceable claims.

In addition, referring to Commission interim rule 210.58(b), based on the record in this investigation and taking into consideration that there has been no discovery with respect to issues relating solely to the public interest, the administrative law judge finds nothing in the proposed settlement that would

affect the public health and welfare, competitive conditions in the U.S. economy, the production of like or directly competitive articles in the United States, and U.S. consumers.

In view of the foregoing, and assuming Trendlines was a proper respondent when the Commission instituted the investigation on December 30, 1991, Motion No. 333-14 is granted.

This initial determination terminating the investigation is hereby CERTIFIED to the Commission.

This initial determination shall become the determination of the Commission, unless the Commission shall have ordered its review, or review of certain issues therein, pursuant to Commission interim rule 210.54(b) or 210.55.

Paul J. Luckern
Administrative Law Judge

Issued: September 30, 1992