In the Matter of

CERTAIN LUGGAGE PRODUCTS

Investigation No. 337-TA-39

USITC PUBLICATION 932

NOVEMBER 1978

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Joseph O. Parker, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Catherine Bedell
Paula Stern

Kenneth R. Mason, Secretary to the Commission

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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN LUGGAGE PRODUCTS	Investigation No. 337-TA-39

COMMISSION DETERMINATION AND ACTION

The United States International Trade Commission conducted investigation No. 337-TA-39 pursuant to section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on certain luggage products covered by the claim of U.S. Letters Patent Des. 242,181, owned by the complainant, Airway Industries, Inc., of Ellwood City, Pa. The Commission determined that there is a violation of the statute by the respondents, with the exception of Henry Rosenfeld Luggage, and hereby directs exclusion of unlicensed articles meeting the claim of the patent. Chairman Parker determined that there is no violation of section 337 of the Tariff Act of 1930, as amended. Commissioner Stern did not participate.

Commission Determination

Having reviewed the evidentiary record in this matter including (1) the submissions filed by the parties, (2) the transcripts of the hearings on temporary and permanent relief and the exhibits which were accepted into evidence in the course of the hearings or by the subsequent order of the presiding officer, (3) the recommended determination of the presiding officer,

Patent Des. 242,181 be excluded from entry into the United States for the term of said patent, except under license of the patent owner; 1/

4. That after considering the effect of such exclusion 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, such articles should be excluded from entry; 1/ and

5. That the bond provided for in subsection (g)(3) of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337(g)(3)) be in the amount of 210 percent of the value of the articles concerned, 1/ f.o.b. foreign port.

Commission Order

Accordingly, it is hereby ordered that --

1. Shen-Tai Industry Co., Ltd.; Win Quality Industry Co., Ltd.; Nan Zong Leather Products Co., Ltd.; Lih Hwa Industries, Ltd.; and Tuerkes-Beckers are dismissed as respondents in the investigation;

2. Certain luggage products made in accordance with the claim of complainant's U.S. Letters Patent Des. 242,181 are excluded from entry into the United States for the term of said patent except (1) as provided in paragraph 3 of this order, infra, or (2) as such importation is licensed by the owner of U.S. Letters Patent Des. 242,181;

3. That the articles ordered to be excluded from entry are entitled to entry into the United States under bond in the amount of 210 percent of the value of the articles, f.o.b. foreign port, from the day after the day this order is received by the President pursuant to section 337(g) of the Tariff

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1/ Chairman Parker, having determined there is no violation, did not vote on the questions of remedy, public policy, and bonding.

Opinion of Vice Chairman Alberger
and Commissioners Moore and Bedell

Procedural History

A complaint was filed with the Commission on October 28, 1977, and an amendment thereto was filed on November 11, 1977, under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on behalf of Airway Industries, Inc., Ellwood City, Pa., alleging that unfair methods of competition and unfair acts exist in the importation of certain luggage products into the United States or in their sale by reason of the alleged coverage of such articles by the claim of U.S. Letters Patent Des. 242,181, which is owned by complainant. The amended complaint alleges 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. Complainant requested both a permanent exclusion order and a temporary exclusion order, except under bond, pending the investigation of this matter. Notice of the Commission's institution of the investigation was published in the Federal Register of November 30, 1977 (42 F.R. 60962).

During this investigation, the Commission amended the complaint by the addition of certain respondents and the dismissal of other respondents. On May 23, 1978, the Commission ordered that the complaint be amended by adding Collins Company, Ltd., 6th Floor, 201 Tung Hwa North Road, Taipei 105 Taiwan;

violation of section 337 in the unauthorized importation or sale of certain luggage products covered by the claim of U.S. Letters Patent Des. 242,181, the effect or tendency of which was to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Notwithstanding this determination, the Commission decided to deny complainant's request for temporary relief. 1/

On August 14, 1978, the presiding officer filed his recommended determination under section 210.53 of the Commission's Rules of Practice and Procedure that

> there is a violation of Section 337 of the Tariff Act of 1930 in the unauthorized importation into the United States, and the sale, of certain luggage products by reason of the fact that these luggage products infringe United States Letters Patent Des. 242,181, with the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

Exceptions to the presiding officer's recommended determination were filed pursuant to section 210.54 of the Rules. The Commission investigative attorney and complainant expressed substantial agreement with the presiding officer's findings of fact and conclusions of law and took no exception to the recommended determination. Counsel for the respondent Taiwanese manufacturers filed extensive exceptions on August 25, 1978.

The Commission held a hearing on September 20, 1978, at which parties, other interested persons, government agencies and departments, and the public

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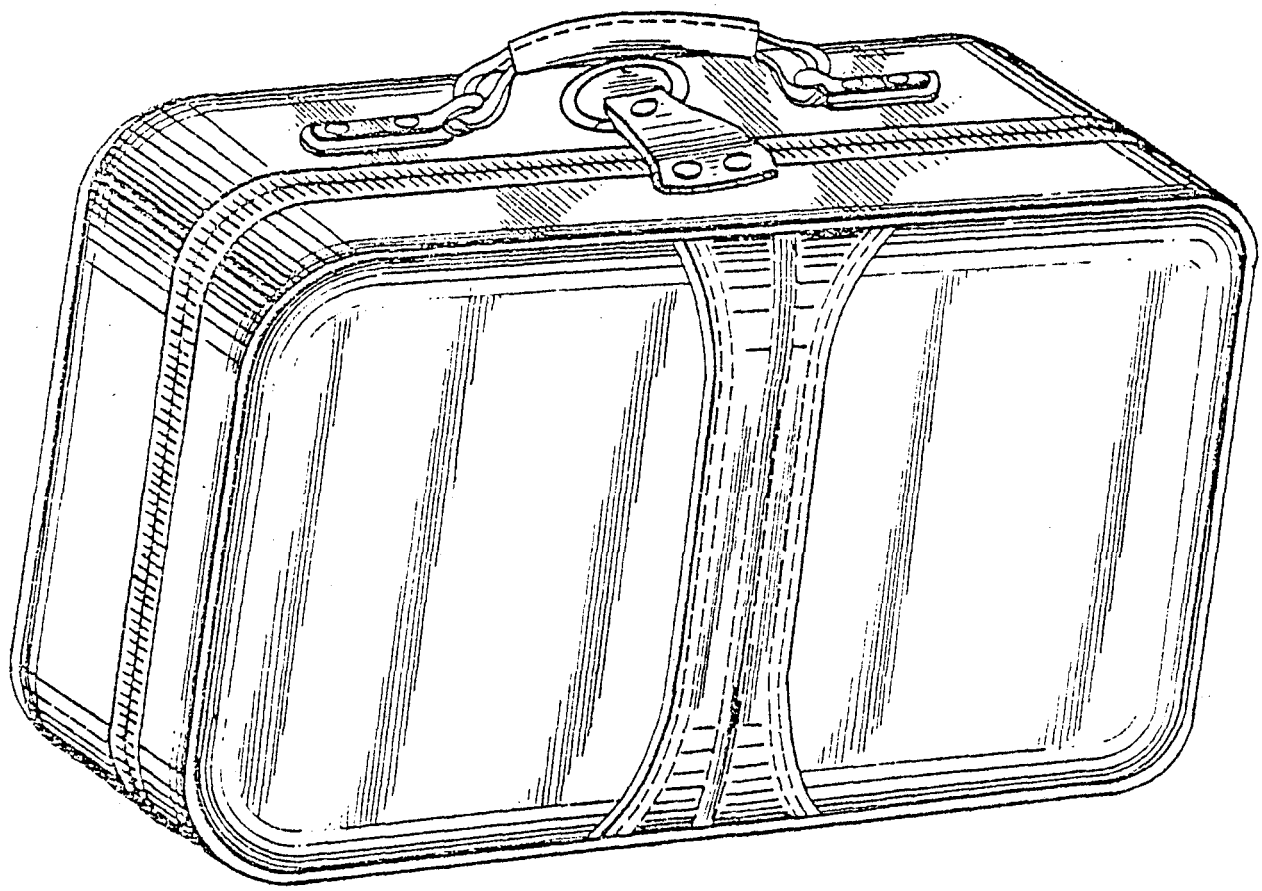
1/ See Commission Order and Opinions, Investigation 337-TA-39, 43 Fed. Reg. 35399 (Aug. 9, 1978).



Design patents are covered by 35 U.S.C. 171, which provides as follows:

> Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title. The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

Patent Validity

Respondents argue that the patent in issue is invalid because of (1) lack of novelty, (2) obviousness, and (3) double patenting. The claim of lack of novelty is without merit because there is no reference in the prior art which

In order to make this comparison between the complainant's patent and the prior art cited by respondents, we must first ascertain how an obviousness appraisal should be made in design patent cases. There appears to be a difference of opinion on this question. The Court of Customs and Patent Appeals and the Ninth Circuit hold that the obviousness appraisal is by an ordinary intelligent person, while the Second, Third and District of Columbia circuits use the standard of the designer having ordinary skill in the art. The presiding officer considers the better view to be the average observer test: "under this view,. . .the test of obviousness is essentially the same as the ordinary or average observer test for novelty, which deems novelty to be present when the average observer takes the new design for a different and not just a modified already existing design." 1/ We agree, and thereby adopt the presiding officer's holding on this matter.

The result of our applying this "average observer" test is to uphold the findings below. Having considered the three exhibits of prior art cited by respondents to be relevant, and having compared them to the suit patent, we cannot agree that the average observer would find complainant's design to be obvious. The presiding officer discusses at length the important differences between Hoosier design (RX 12) and the suit patent. 2/ Each design utilizes a slightly different piller configuration, a different number of raised ribs, and a different type of stitching. These differences are sufficient to give the suit patent a distinctly different design that is nonobvious in light of

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1/ Recommended determination. p. 56.
2/ See Recommended determination. pp. 58-59.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN LUGGAGE PRODUCTS	Investigation No. 337-TA-39

COMMISSION DETERMINATION AND ACTION

The United States International Trade Commission conducted investigation No. 337-TA-39 pursuant to section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on certain luggage products covered by the claim of U.S. Letters Patent Des. 242,181, owned by the complainant, Airway Industries, Inc., of Ellwood City, Pa. The Commission determined that there is a violation of the statute by the respondents, with the exception of Henry Rosenfeld Luggage, and hereby directs exclusion of unlicensed articles meeting the claim of the patent. Chairman Parker determined that there is no violation of section 337 of the Tariff Act of 1930, as amended. Commissioner Stern did not participate.

Commission Determination

Having reviewed the evidentiary record in this matter including (1) the submissions filed by the parties, (2) the transcripts of the hearings on temporary and permanent relief and the exhibits which were accepted into evidence in the course of the hearings or by the subsequent order of the presiding officer, (3) the recommended determination of the presiding officer,

Patent Des. 242,181 be excluded from entry into the United States for the term of said patent, except under license of the patent owner; 1/

4. That after considering the effect of such exclusion 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, such articles should be excluded from entry; 1/ and

5. That the bond provided for in subsection (g)(3) of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337(g)(3)) be in the amount of 210 percent of the value of the articles concerned, 1/ f.o.b. foreign port.

Commission Order

Accordingly, it is hereby ordered that --

1. Shen-Tai Industry Co., Ltd.; Win Quality Industry Co., Ltd.; Nan Zong Leather Products Co., Ltd.; Lih Hwa Industries, Ltd.; and Tuerkes-Beckers are dismissed as respondents in the investigation;

2. Certain luggage products made in accordance with the claim of complainant's U.S. Letters Patent Des. 242,181 are excluded from entry into the United States for the term of said patent except (1) as provided in paragraph 3 of this order, infra, or (2) as such importation is licensed by the owner of U.S. Letters Patent Des. 242,181;

3. That the articles ordered to be excluded from entry are entitled to entry into the United States under bond in the amount of 210 percent of the value of the articles, f.o.b. foreign port, from the day after the day this order is received by the President pursuant to section 337(g) of the Tariff

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1/ Chairman Parker, having determined there is no violation, did not vote on the questions of remedy, public policy, and bonding.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D. C. 20436

In the matter of	)	
	)	Investigation No. 337-TA-39
CERTAIN LUGGAGE PRODUCTS	)	

COMMISSION ORDER AND MEMORANDUM OPINION

Procedural History

Motions were filed pursuant to section 210.51 of the Commission's Rules of Practice and Procedure (19 C.F.R. 210.51) by Alexander's Inc. on February 6, 1978; by Dayco Corporation (Seward Luggage Division) on February 16, 1978; by Amba Marketing Systems, Inc. d/b/a Ambassador Leather Goods on February 16, 1978; and by Suh Won America, Inc. on March 13, 1978; 1/ parties respondent to the certain luggage products investigation No. 337-TA-39, seeking termination from the investigation. The presiding officer, acting in conformity with section 210.51(a) and (c) and 210.53 of the Rules (19 C.F.R. 210.51(a) and (c) and 210.53), concluded that no violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337) exists with respect to respondents Alexander's Inc.; Amba Marketing Systems, Inc., d/b/a Ambassador Leather Goods; Dayco Corporation (Seward Luggage Division); and Suh Won America, Inc.; and he recommended by order of March 24, 1978, that they be terminated as respondents.

Complainant Airway Industries, Inc. filed a motion (motion docket No. 39-9) on March 6, 1978, seeking to amend the complaint by adding four

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1/ Motion docket No. 39-4, No. 39-6, No. 39-7, and No. 39-10. respectively.

respondent Taiwan manufacturers' response filed March 14, 1978, (4) the transcript of the hearing on the request for temporary relief held on February 21-22, 1978, and (5) the presiding officer's recommendation of April 25, 1978, THE COMMISSION DETERMINES that the complaint is amended by adding Collins Co., Ltd., Dae Dong Chemical Co., Dae Wha Products, Inc., and Tuerkes Beckers as parties respondent.

Accordingly, THE COMMISSION GRANTS motion No. 39-9 AND ORDERS that the complaint is amended by adding Collins Company, Ltd., 6th Floor, 201 Tung Hwa North Road, Taipei 105 Taiwan; Dae Dong Chemical Co., C.P.O. Box 1753, Seoul, Korea; Dae Wha Products, Inc., C.P.O. Box 7045 Seoul, Korea; and Tuerkes Beckers, Baltimore Washington Industrial Park, 8290 Sherwick Court, Savage, Maryland 20863 as parties respondent to the instant investigation.

Opinion

Domestic respondents Alexanders, Inc.; Dayco Corporation (Seward Luggage Division); Amba Marketing Systems, Inc. d/b/a Ambassador Leather Goods; and Suh Won America, Inc.; have made assurances that they are not presently, and will not in the future for the life of the patent, import or sell luggage with a design similar to that set forth in U.S. Letters Patent Des. 242,181. In view of these assurances and the fact that the complainant and the Commission investigative attorney supported the motions for termination, the Commission has determined that Alexander's, Inc.; Amba Marketing Systems, Inc.; Dayco Corporation; and Suh Won America, Inc. are not presently in violation of section 337 and has granted the motions to terminate.

Complainant's motion to add Collins Co., Ltd.; Dae Dong Chemical Co.; and Dae Wha Products, Inc.; as additional respondents was based upon

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of	Investigation No. 337-TA-39
CERTAIN LUGGAGE PRODUCTS	

ORDER GRANTING COMPLAINANT'S MOTION TO AMEND IN PART AND DENYING TAIWANESE RESPONDENTS' MOTION TO STRIKE THE COMPLAINT

On March 6, 1978, Complainant Airway Industries, Inc. (hereinafter Airway) moved to amend the complaint herein.[1/] This party seeks to add allegations regarding a Canadian industrial design registration based on the United States design patent at issue in this investigation. Additionally, Airway seeks to join three foreign respondents and one domestic respondent to this investigation. The Taiwanese respondents filed their opposition to this motion on March 17, 1978 and included a counter motion to strike the complaint.[2/] The Taiwanese argued that Airway should not be permitted to add this Canadian patent to the pleadings as to do so would relieve Complainant of its original burden under Commission's Rule 210.20(a)(8)(D) to list foreign patents in the complaint as originally filed and would further prejudice the Taiwanese in preparing for hearing. These moving respondents claim additional prejudice in preparing for the temporary exclusion order (TEO) hearing that commenced on February 21, 1978. The Commission's Investigative Attorney responded to these motions supporting complainant's amendment request and opposing the motion to strike.

Both the Taiwanese respondents and the investigative attorney received copies of the Canadian patent, Industrial Design Registration No. 41056, prior to the commencement of the hearing. The existence of this patent was established on the record through cross-examination by the counsel for the Taiwanese respondents. The presence of the evidence concerning the Canadian patent in the record appears to be of no great moment to either case as presented at the TEO hearing. The Taiwanese respondents have not met their burden to establish prejudice resulting

1/ Motion Docket No. 39-9.

2/ Motion Docket No. 39-11.

2. The motion by the Taiwanese respondents to strike the complaint (Motion Docket No. 39-11) is denied; and further,

3. Respondents' alternative motions for an extension of temporary relief discovery and a postponement of the issuance of the recommended determination were effectively denied by the issuance of such recommended determination on March 24, 1978. Respondents failed to demonstrate in their moving papers any prejudice to their case by the failure of the complainant to disclose its Canadian patent prior to approximately the date of the prehearing conference on February 16, 1978.

4. The Secretary shall serve a copy of this Order upon all parties of record and shall publish it in the Federal Register.

Judge Donald K. Duvall
Presiding Officer

Issued April 12, 1978.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN LUGGAGE PRODUCTS	Investigation No. 337-TA-39

NOTICE OF INVESTIGATION

Notice is hereby given that a complaint was filed with the United States International Trade Commission on October 28, 1977, and an admendment thereto filed on November 11, 1977, under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on behalf of Airway Industries, Inc., Ellwood City, Pennsylvania 16117, alleging that unfair methods of competition and unfair acts exist in the importation of certain luggage products into the United States or in their sale by reason of the alleged coverage of such articles by the claim of U.S. Letters Patent Des. 242,181. The amended complaint alleges 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. Complainant requests a permanent exclusion from entry into the United States of the imports in question. Complainant also requests exclusion from entry into the United States, except under bond, of the imports in question pending the investigation of this matter.

Having considered the amended complaint, the United States International Trade Commission, on November 23, 1977, ORDERED--

(1) That, pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), an investigation be

Winn Quality Industry Co., Ltd.
2 Fl. No. 503 Min Chuan East Rd.
Taipei, Taiwan

Yoo Poong Luggage Mfg. Co., Ltd.
C.P.O. Box 5194
Seoul, Korea

Yuan-Fong
I.P.O. Box 59177
Taipei, Taiwan

Worldmart Industries, Ltd.
K.P.O. Box 411
Seoul, Korea

Youngnam Enterprises Company, Ltd.
I.P.O. Box 3779
Seoul, Korea

San Ho Plastics Fabrication Co., Ltd.
40 Min Chuan West Rd.
Taipei, Taiwan

Importers

Alexanders
500 Seventh Avenue
New York, New York 10001

Henry Rosenfeld Luggage
Suite 8201-4
350 Fifth Avenue
New York, New York 10001

Suh Won America, Inc.
3824 Hawthrone Ct.
Waukegan, Illinois 60085

Worldmart Industries, Inc.
1133 Broadway, Suite 1520
New York, New York 10010

Ambassador Leather Goods
711 West Broadway
Tempe, Arizona 85282

Winn Importing Corporation
6001 N. Clark Street
Chicago, Illinois 60660

Seward Luggage Manufacturing Company
434 High Street
Petersburg, Virginia 23803

(3) That, for the purpose of the investigation so instituted, Judge Myron R. Renick, United States International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436, is hereby appointed as presiding officer; and

(4) That, for the purpose of the investigation so instituted, David J. Dir, United State International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436, is hereby named Commission investigative attorney.

Responses must be submitted by the named respondents in accordance with section 201.21 of the Commission's Rules of Practice and Procedure, as amended (41 F.R. 17710, April 27, 1976). Pursuant to sections 210.16(d) and

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D. C.

In the Matter of	
CERTAIN LUGGAGE PRODUCTS	Investigation No. 337-TA-39

NOTICE OF PRELIMINARY CONFERENCE

Notice is hereby given that a Preliminary Conference will be held in connection with Investigation No. 337-TA-39, Certain Luggage Products, at 10:00 a.m. on Wednesday, January 25, 1978, in the ALJ Hearing Room, Room 610 Bicentennial Building, 600 E Street, N. W., Washington, D.C. Notice of this investigation was published in the Federal Register on November 30, 1977 (42 FR 60962). The purposes of this preliminary conference are to establish a discovery schedule, to discuss the procedures to be followed in pursuing such discovery, to set the dates for the Prehearing Conference and Temporary Relief Hearing, and to resolve any other matters necessary to the conduct of this investigation.

If any questions should arise not covered by these instructions, the parties or their counsel shall call the chambers of the undersigned Presiding Officer.

Myron R. Renick
Judge Myron R. Renick
Presiding Officer

Issued January 11, 1978

The Secretary shall serve a copy of this Notice upon parties of record and shall publish this Notice in the Federal Register.

Myron R. Renick
Judge Myron R. Renick
Presiding Officer

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D. C.

In the Matter of:	Investigation No. 337-TA-39
CERTAIN LUGGAGE PRODUCTS	

ORDER

Pursuant to my authority as Chief Administrative Law Judge of this Commission, I hereby designate Administrative Law Judge Donald K. Duvall as Presiding Officer in this investigation.

The Secretary shall serve a copy of this order upon all parties of record and shall publish it in the Federal Register.

Myron R. Renick
Chief Administrative Law Judge

Issued:
January 25, 1978

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of	)	
	)	Investigation No. 337-TA-39
Certain Luggage Products	)	

NOTICE OF PRELIMINARY CONFERENCE,
PREHEARING CONFERENCE AND HEARING

Notice is hereby given that a Second Preliminary Conference will be held in connection with Investigation No. 337-TA-39, certain Luggage Products, at 10:00 a.m. on April 11, 1978, in Room 610 Bicentennial Building, 600 E Street, N.W., Washington, D.C. The purposes of this conference are to assess the status of this matter after the Temporary Exclusion Order Hearing, and to resolve any discovery problems which have arisen relating to the preparation for the final hearing.

No discovery shall be obtained after May 9, 1978. Service of prehearing conference, statements by complainant will be completed on or before May 18, 1978, and by Respondents and staff on or before May 25, 1978. A Prehearing Conference will be held at 10:00 a.m. on May 31, 1978, in the Hearing Room of the Administrative Law Judge, Room 610 Bicentennial Building, 600 E Street, N.W., Washington, D.C.

Notice is also given that the hearing on Complainant's permanent relief request in this proceeding will commence at 10:00 a.m. on June 7, 1978, in the Hearing Room of the Administrative Law Judge, Room 610 Bicentennial Building, 600 E Street, N.W., Washington, D. C., and will continue daily until completed.

If any questions should arise not covered by these instructions, the parties or their counsel shall call the chambers of the undersigned Presiding Office.

The Secretary shall serve a copy of this Notice upon all parties of record and shall publish this Notice in the Federal Register.

Judge Donald K. Duvall
Presiding Officer

Issued March 30, 1978.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D. C. 20436

In the Matter of	)	
	)	Investigation No. 337-TA-39
CERTAIN LUGGAGE PRODUCTS	)	

COMMISSION ORDER AND OPINIONS

Procedural History

A complaint was filed with the United States International Trade Commission on October 28, 1977, and an amendment thereto was filed on November 11, 1977, under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), on behalf of Airway Industries, Inc., Ellwood City, Pennsylvania 16117, alleging that unfair methods of competition and unfair acts exist in the importation of certain luggage products into the United States or in their sale by reason of the alleged coverage of such articles by the claim of U.S. Letters Patent Des. 242,181, which is owned by the complainant. The amended complaint alleges 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. Complainant requested both a permanent exclusion order and a temporary exclusion order, except under bond, of the imports in question pending the investigation of this matter.

believe there is violation of section 337, and oral presentations concerning whether any action (exclusion of articles from entry except under bond or a cease and desist order) should be issued, the form in which such action should be ordered, the amount and type of bond required, and the public interest factors.

Determination and Action

After considering the record in this matter, including the record developed before the presiding officer, the presiding officer's recommended determination, and the exceptions and alternative findings of fact and conclusions of law thereto, the record developed before the Commission at its hearing May 5, 1978, and the written submissions filed by the complainant, the respondent Taiwan manufacturers, and the Commission investigative attorney on May 22, 1978, and the Federal Trade Commission on May 26, 1978, the Commission on June 15, 1978, unanimously determined that there is reason to believe that there is a violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), in the unauthorized importation or sale of certain luggage products covered by the claim of U.S. Letters Patent Des. 242,181, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Nothwithstanding this determination, the Commission has decided to deny complainant's request for temporary relief. 1/ The reasons for this action are set forth in the attached opinions of Commissioners.

1/ Commissioners Ablondi and Minchew determined that a temporary cease and desist order should be issued.

Views of Commissioners Alberger and Bedell

I. Introduction

This investigation under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), was commenced by the Commission on November 30, 1977. 1/ The complaint was filed by Airways Luggage Products (hereinafter referred to as "complainant") and named as respondents various manufacturers and importers of soft sided luggage. The notice of investigation provided that an investigation be instituted pursuant to subsection (b) of section 337 on the question of whether there is a violation or reason to believe there is a violation of section 337(a) in the unauthorized importation of certain luggage products allegedly being covered by the claim of U.S. Letters Patent Des. 242,181, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated in the United States. Complainant requested temporary relief in the form of an exclusion order (TEO), in addition to its request for permanent relief.

On March 24, 1978, the presiding officer issued a recommended determination on the request for temporary relief. Subsequent to that, on May 5, 1978, the Commission held a hearing and received oral argumant and oral presentations on this matter. Written submissions were received from parties of record and the Federal Trade Commission. On the basis of this record, having considered the testimony below and all submissions before the full Commission, we determine that complainant's request for a TEO should be denied.

1/ See 42 F.R. 60962 (Nov. 30, 1977).

crucial iuncture. In most cases this procedure interferes with discovery, and to avoid such interference the presiding officer may be compelled to cut short the discovery schedule. In addition to interfering with discovery, TEO hearings burden both the investigative attorney and the presiding officer. In fact, they tax the resources of the entire agency by requiring additional staff time, further hearings, and greater expense. The administrative burden is compounded when it comes to enforcing the order, collecting a bond, and resolving the question of forfeiture in the event final relief is awarded. Finally, the existing time limits covering the completion of our investigations 1/ obviate the need for temporary relief in all but the most egregious cases. A Commission ruling on whether to grant a TEO is usually not made until the sixth or seventh month of an investigation, 2/ and yet a final determination is usually made within a year. Hence the time span covered by a TEO would not be such as to justify the expense and delay unless the situation complainant faced was extremely grave.

Considering the above arguments, it is clear that complainants should not request temporary relief as a customary practice. Instead, there should be well defined circumstances under which such relief may be had. We shall therefore consider the language and purpose of section 337(e) in an attempt to define those circumstances.

Section 337(e) places three conditions precedent on the issuance of a TEO. First, the Commission must find a "reason to believe there is

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1/ 19 U.S.C. §1337(b).

2/ In the present case the Commission did not ultimately vote on the question of temporary relief until about half the statutory period had expired.

to reverse established precedent. The factual record of the present case indicates that while the reason to believe standard is met, complainant has not made a strong showing for extraordinary and immediate relief.

III. Reason to Believe there is Violation

We concur with the presiding officer's ruling that there is a reason to believe the patent in question, U.S. Letters Patent Des. 242,181 ("181 patent" or "Davis design") is valid and infringed. We also agree that there is reason to believe such acts have a tendency to substantially injure the domestic industry involved with the manufacture of the patented article.

It is still the view of this Commission that the "reason to believe" standard requires the complainants to demonstrate a probability of a violation, or, alternatively stated, to show violation by a preponderance of the evidence. 1/ But the legislative history of the 1974 Trade Act clearly indicates that the evidentiary standard for establishing a reason to believe is necessarily less than for a finding of violation:

> Section 337(e) of the Act, as amended, by the Committee, provides that when the Commission has reason to believe during the course of an investigation under section 337, that an article is offered or sought to be offered for entry into the United States in violation of section 337, but the Commission does not have sufficient information to establish to its satisfaction that the section is being violated, then the Commission can direct that the article be excluded from entry until the Commission has completed such investigation as it deems necessary to resolve the matter. The exclusion of the articles involved would become effective upon notification

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1/ See Chicory Root, Crude and Prepared, 337-TA-27, Commission Memorandum Opinion, Oct. 1, 1976, at p. 8.

the clear statutory language of section 337(e) and the legislative history which underlies it. 1/ Instead, we feel that the presumption of validity still applies, and that evidence presented by complainant's witnesses upholds that presumption.

Respondent also raised prior art not cited by the patent examiner, and maintained that such prior art vitiated the presumption of validity. 3/ We do not agree that this prior art, the so-called "Hoosier design", was any more relevant than the designs before the patent examiner. 4/ Consequently, the existence of the "Hoosier design" does not weaken the statutory presumption of validity. The different pillar design of the Davis design, coupled with its raised center design and distinctive stitching, makes it both novel and original. 5/ While these elements existed separately in the prior art (including the "Hoosier design"), their accumulation into one design was patentably unique. 6/

B) The Patent is Infringed

The test for infringement asks whether the ordinary observer, giving such attention as a purchaser normally gives, would believe that

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1/ See supra fn. 1, p. 6 and accompanying text.

2/ See Recommended Determination at pp. 36-37.

3/ Official Report of Proceedings Before the U.S.I.T.C. in Investigation 337-TA-39 (May 5, 1978) at p. 32.

4/ See Recommended Determination, Findings of Fact 26-34, wherein the presiding officer reviews the prior art.

5/ Id, at 37-40; Findings of Fact 1, 26, 39; See also, Brief of Commission Investigative Attorney at pp. 8-12.

6/ Recommended Determination, Finding of Fact 44.

a number of findings, supported by evidence, which showed that sales of the patented domestic article were lost to infringing imports. 1/

We conclude from the above findings that there is reason to believe the alleged unfair acts have a tendency to substantially injure the domestic industry. Our ruling does not rely on the proposition, alluded to by the presiding officer, that in patent cases the injury requirement of section 337 is satisfied by a showing of any lost sales to the infringing article. 2/ Such a rule would lead to absurd results, and would obviate the need for our traditional analysis into such questions as profitability, ratio of imports to domestic consumption, and volume of lost sales. We consider these factors equally relevant in the patent area. Even in making a showing of tendency, complainants must prove that the tendency is toward substantial injury. 3/ In the present case, the economic data reviewed above supports such a result.

Having considered the facts of this case, the submissions and oral arguments of both parties, and the findings and conclusions of the presiding officer, we hereby adopt such findings and conclusions to the extent they are not inconsistent with this opinion, and we therefore reject all exceptions.

1/ Id, Findings of Fact 54, 83, 94-95, 98 and 100.

2/ Id at p. 46, Finding of Fact 90. See also, Complainant's Brief at p. 24.

3/ 19 U.S.C. §337(a) states in part: ". . . Unfair acts . . . the effect or tendency of which is to . . . destroy or substantially injure an industry. . ."

possibility of alternatives, and the public interest. In Virginia Petroleum Jobbers Association v. F.P.C. 1/, for example, the court was influenced by four factors: 1) the likelihood of success on the merits, 2) the certainty of irreparable injury, 3) the likelihood of harm to other parties of interest if relief is granted, and 4) the public interest. 2/

While this elaborate judicial reasoning may appear somewhat cumbersome, it is important to balance equities in any decision that involves discretionary relief. The Commission has historically shown concern that many of the above factors be considered before a TEO is issued. The first factor would lead to redundancy if we considered it here, for we have found a reason to believe there is a violation.

1/ 259 F. 2d 921 (1958).

2/ Id. at 925. Respondents and the Federal Trade Commission (FTC) have both raised the argument that in patent cases injunctions are seldom granted. In these cases plaintiffs must show that the patent is beyond question valid and infringed. See Respondent Taiwan Manufacturers brief at p. 5; letter from Federal Trade Commission, filed May 26, 1978 at p. 5.

We cannot accept their contention, see p. 5 , supra. The best articulation of the reason for such a standard is in Carter - Wallace, Inc. v. Davis - Edwards Pharmaceutical Corp. 443 F. 2d 867, 871, (2d Cir. 1971), where the Court explained such a rule as: "/i/n apparent recognition of the potential unfairness of allowing one armed with letters patent obtained in an ex parte proceeding to prevent the conduct of business by others before he has submitted all fairly disputed issues of fact to a full adversary hearing and has won a favorable decision by some court . . ."

But in this case discovery was had and the question of "reason to believe" was submitted to a full adversary hearing. Moreover, to adopt such a standard would overlook the clear language of section 337(e) which only requires a reason to believe rather than an unquestionable violation.

not award temporary relief simply because complainants might ultimately prevail on the question of permanent relief.

The failure of complainant to demonstrate a risk of immediate and substantial injury is the preeminent fact in this case. We see no need to weigh the question of possible harm to other persons from extraordinary relief, as that would only be an important consideration if complainant had shown a risk of immediate and substantial harm.

Finally, we note that the Commission has not made a finding with respect to the public interest factors mentioned in section 337(e). 1/ We need only consider these issues if, on the grounds stated above, we determine that temporary relief is appropriate. Our decision here does not involve such a determination.

1/ See supra, pp. 1, 4.

I agree with the views expressed by Vice Chairman Alberger and Commissioner Bedell with respect to reason to believe there is a violation of the statute, and this opinion will be directed to the question of why a cease and desist order would provide appropriate temporary relief in this situation.

Subsection (f) of section 337 provides as follows:

> CEASE AND DESIST ORDERS.--In lieu of taking action under subsection (d) or (e), the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e), as the case may be.

Because the record is devoid of any evidence showing that complainant will be injured by imports of infringing luggage before this investigation is completed, 1/ I believe it would be inappropriate to issue a temporary exclusion order. However, a cease and desist order would avoid unduly burdening import trade until this case is completed, while still preventing complainant from being injured in the event that any named respondent decides to import infringing luggage. In addition, some of the named respondents have failed to respond to the complaint

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1/ The presiding officer's finding of fact #111 in his recommended determination filed March 24, 1978, states in part: "no direct evidence exists that any infringing luggage has been caused to be imported into the United States subsequent to or somewhat prior to October 28, 1977."

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C. 20436

In the Matter of CERTAIN LUGGAGE PRODUCTS	Investigation No. 337-TA-39

NOTICE AND ORDER

CONCERNING PROCEDURE FOR COMMISSION

DETERMINATION AND ACTION

Notice is hereby given that --

1. The Commission will hold a hearing beginning at 10:00 a.m., e.d.t., Wednesday, September 20, 1978, in the Commission's Hearing Room, 701 E Street, N.W., Washington, D.C., for the purposes of (1) hearing oral argument on the recommended determination of the presiding officer concerning whether there is a violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337); and (2) receiving oral presentations with respect to the subject matter of section 210.14(a) of the Commission's Rules of Practice and Procedure (19 C.F.R. §210.14(a)) concerning relief, bonding and the public interest factors set forth in subsections 337(d) and (f) of the Tariff Act of 1930, as amended (19 U.S.C. 1337), which factors the Commission is to consider in the event it determines that relief should be granted. The latter proceeding is legislative in character, and therefore the hearing on remedy, bonding, and public interest will not be subject to the requirements of 5 U.S.C. 556, 557. Instead, this phase of the hearing

to the recommended determination and the subject matter of subsections (a)(1), (a)(2), and (a)(3) of section 210.14 of the Commission's Rules of Practice and Procedure (19 C.F.R. §210.14(a)(1), (2), and (3)) concerning remedy, bonding, and the public interest will be considered if received by the Commission by Friday, September 29, 1978.

Notice of the Commission's institution of the investigation was published in the Federal Register on November 30, 1977 (42 F.R. 60962).

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: September 1, 1978

Infringement

The standard for determining whether a design patent is infringed is the ordinary observer. The Supreme Court set forth this test in Gorham Co. v. White, 81 U.S. 511,528 (1871):

> If, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.

The test for design patent infringement is substantial identity of appearance. The true test of identity of design is the sameness of appearance, and the mere difference of lines in the drawing, a greater or smaller number of lines, or slight variances in configuration will not destroy substantial identity.

Applying this substantial identity test, the presiding officer concluded that the imported luggage in question did infringe the suit patent. 1/ His conclusions were based upon his own observation of relevant exhibits and upon evidence that confusion has arisen among purchasers of the imported bags. 2/ This evidence shows that complainant received a number of defective imports returned by consumers to stores, which in turn sent the luggage to complainant. 3/ Confusion is relevant to the issue of infringement, because it indicates that ordinary observers may have found the designs to be substantially the same.

During the course of hearings before the Commission, we examined the physical exhibits at length. Comparisons between complainant's bags and the

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1/ Recommended determination, p. 66; recommended finding of fact 75.
2/ Recommended findings of fact 75, 83.
3/ Recommended finding of fact 83.

patented article. 1/ We also affirm the presiding officer's findings that the industry is efficiently and economically operated. 2/

In adopting the presiding officer's recommended findings as to injury, 3/ we considered several factors. Complainant has demonstrated low profits. 4/ The ratio of infringing imports to domestic production is quite high, even after subtracting the Rosenfeld imports, which constituted about half of all imports in 1977. 5/ Although no imports have been recorded in 1978, 6/ we believe the harm has already been inflicted. The large volume of past imports has already had the tendency of injuring complainant's otherwise exclusive production. Moreover, substantial foreign capacity exists, as has been demonstrated by past import figures. While this foreign capacity may not have been sufficient for the Commission to find a need for temporary relief earlier in this investigation, we believe it is relevant to a finding of "tendency" here. 7/

Finally, we note that, despite the lack of documented lost sales, the confusion in the marketplace cited earlier indicates that substitution undoubtedly occurred. This is an additional indication of the causal link between infringing imports and complainant's injury.

1/ See recommended findings of fact 2.
2/ Recommended findings of fact 86-104.
3/ Recommended finding of fact 118, 121, 125, 138.
4/ Recommended finding of fact 120.
5/ See recommended finding of fact 115; CX 3A-R.
6/ Recommended findings of fact 115-116.
7/ See Commission Order and Opinions, Investigation No. 337-TA-39, 43 Fed. Reg. 35399 (Aug. 9, 1978).

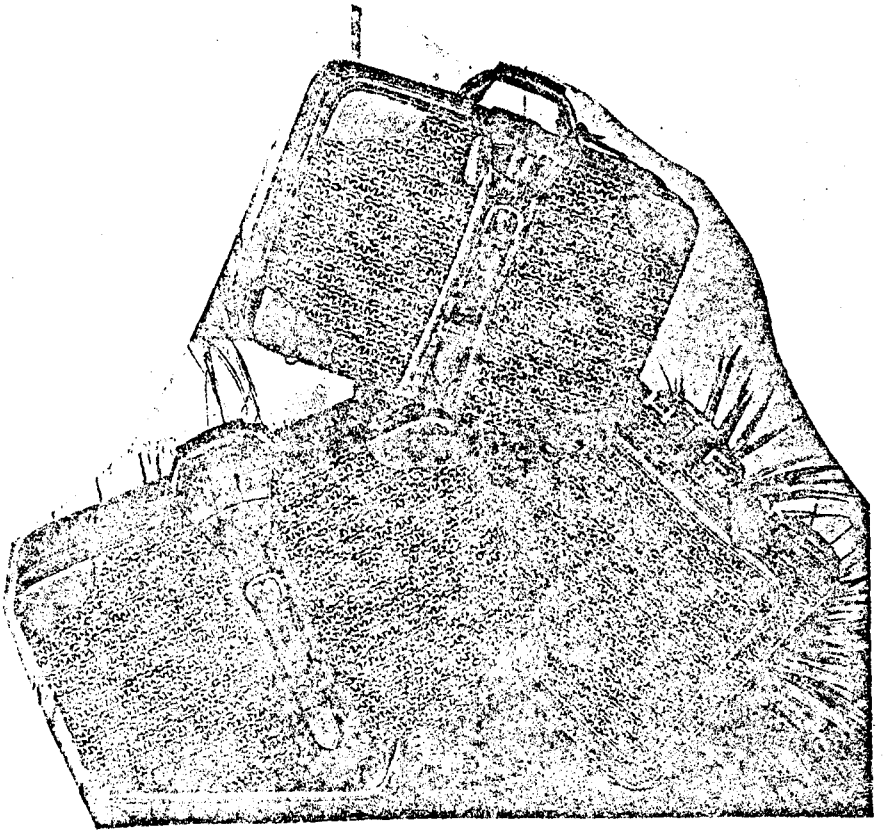
> direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless after considering the effect of the exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry."

In lieu of taking action under subsection (d), the Commission may order a cease and desist order pursuant to subsection (f).

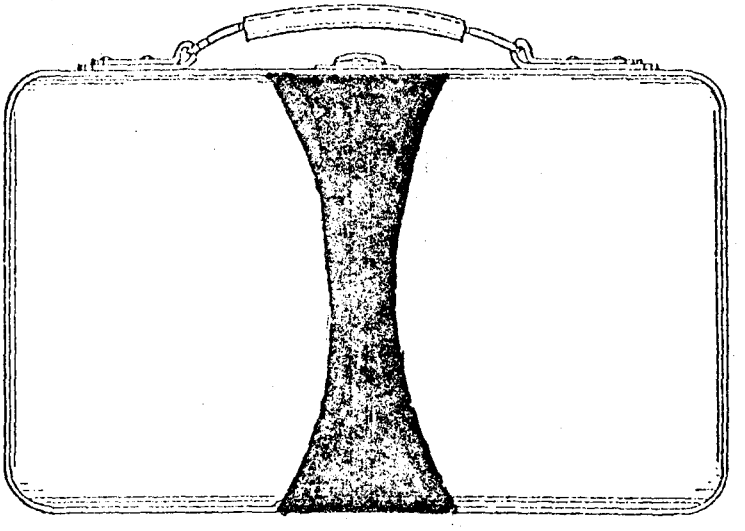
The appropriate remedy for the violation of the statute we have found to exist is an exclusion order, and there is no public policy reason for denying such relief. A cease and desist order would not be effective against new foreign manufacturers or importers which in the future decide to import or sell infringing luggage.

During the 60-day period in which the President may for policy reasons disapprove the Commission's determination pursuant to subsection (g), the luggage will be entitled to entry under bond. We believe that the appropriate bond is in the amount of 210 percent of the value of the imported article. A bond of this size is necessary to make the imported luggage equivalent in price to the domestic luggage.

APPENDIX OF ILLUSTRATIONS



MARK CROSS
(RX 104-106, RX 204)



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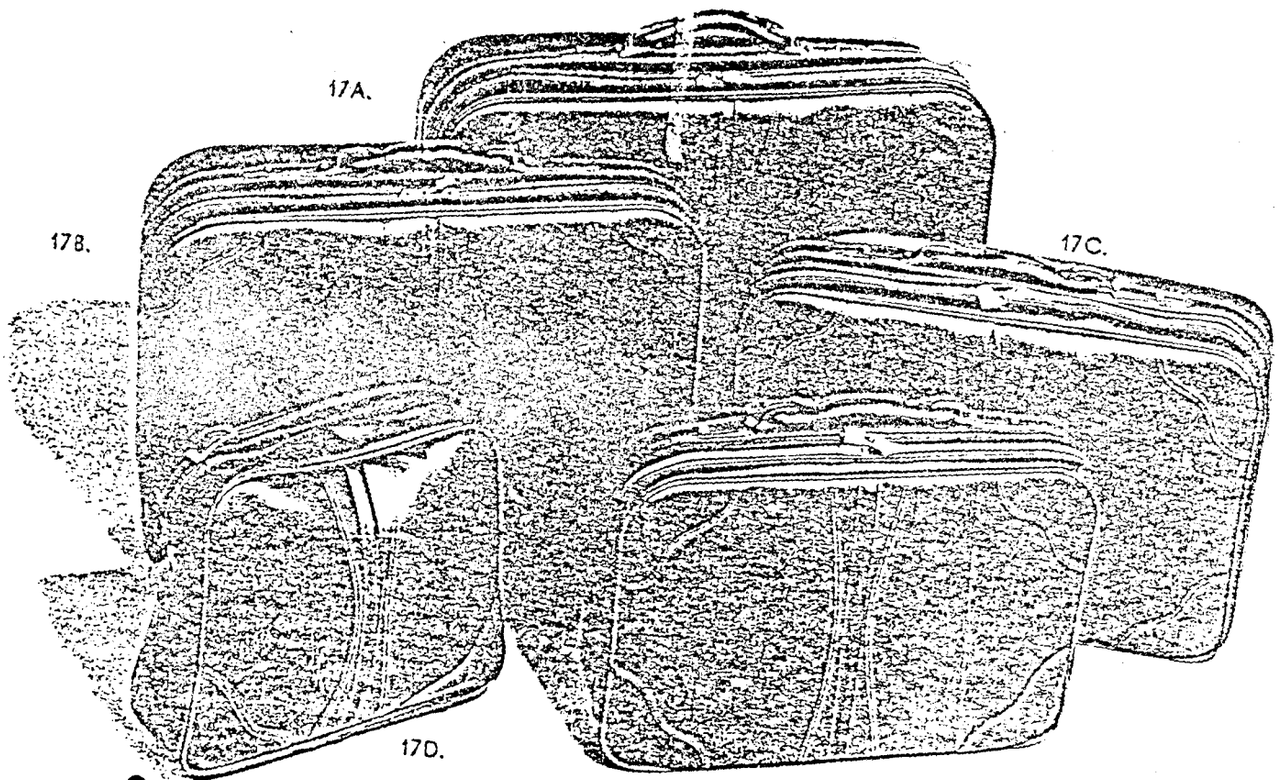


Save on Henry Rosenfield zipper luggage

HENRY ROSENFELD
(CX 13)

Dissenting Opinion of Chairman Parker

My determination that there is no violation of section 337 of the Tariff Act of 1930, as amended, in the Certain Luggage Products investigation No. 337-TA-39, is based upon my conclusion that U.S. Letters Patent Des. 242,181, owned by the complainant, Airway Industries, Inc., is invalid because of obviousness.

The patent in issue is a design patent for luggage. The patentability of designs is provided for in 35 U.S.C. sec. 171, which provides as follows:

> Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.
> The provisions of this title relating to patents for inventions shall apply to patents for designs, execpt as otherwise provided.

Thus, to be patentable, a design patent must also meet the requirement of nonobviousness contained in 35 U.S.C. 103 which provides in relevant part:

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

The Court of Customs and Patent Appeals stated in In re Laverne, 356 F.2d 1003, 1005 (1966) that:

> Following the mandate of section 103, it would seem that what we have to do is to determine obviousness to the ordinary intelligent man. The test is inherently a visual test, for the design

may sustain a design as novel, they lose significance in establishing nonobviousness, since the primary focus of inquiry in determing design patentability is upon the appearance of the design as a whole." 1/

At the time of the patent application, the prior art contained all the following elements: the pattern of stitching as shown on the suit patent; the use of a length of rope beneath a vinyl overlay to create a three dimentional effect as shown on the patented design pillar; the use of a vertical motif for decorating the center of the luggage panel; the use of a buckle and strap extending vertically across the panel; the use of rope technique on side columns that were "continuations or part of straps" that extended vertically over the panel of the luggage case; the use of a pillar design (or parabolic form of design) on the front of a luggage panel; and an hourglass pillar with a vertical motif in the center thereof and extending from top to bottom.

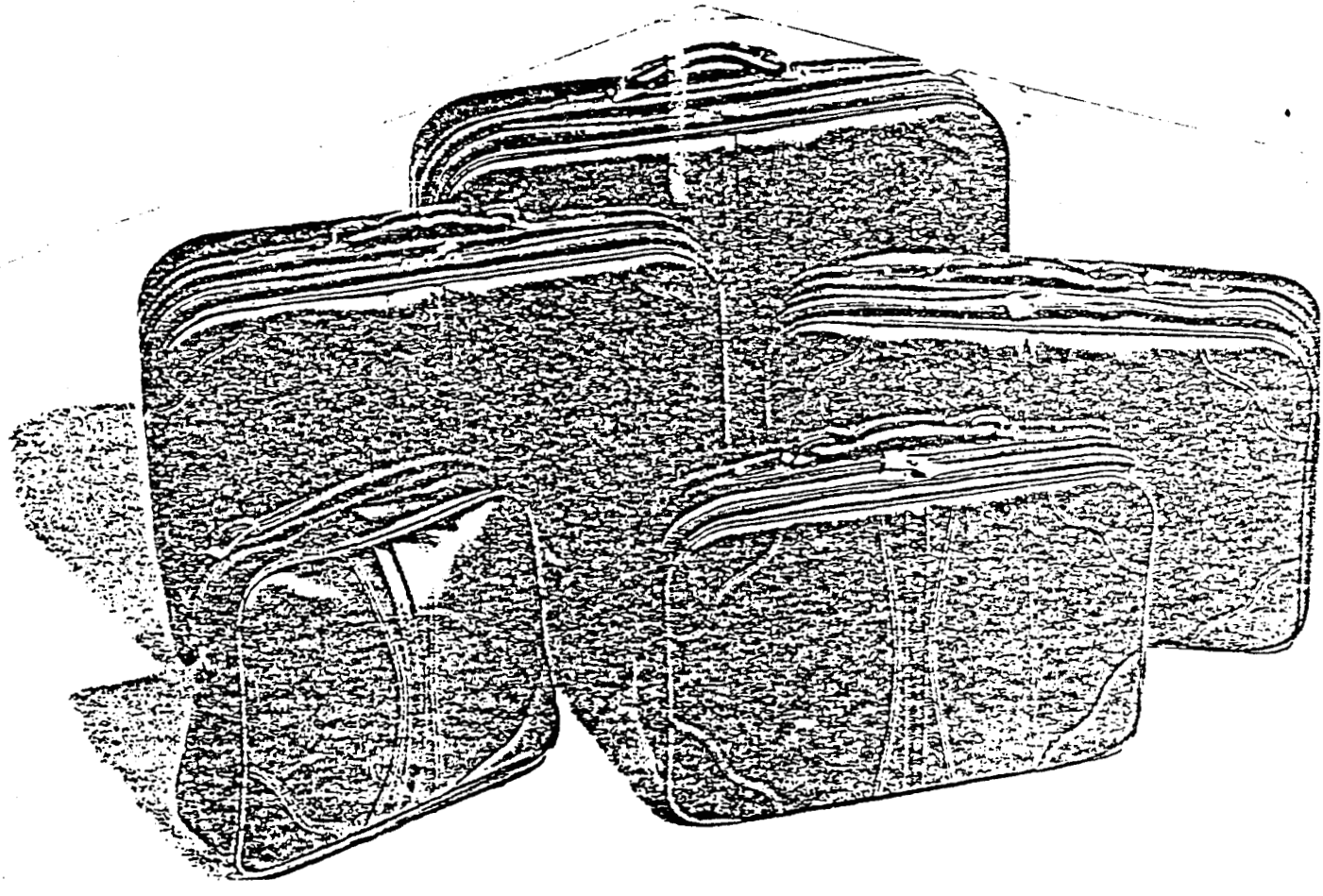
In my opinion, there is nothing in complainant's design patent that is not disclosed or made obvious by the prior art and the suit patent is obvious within the meaning of 35 U.S.C. 103 because it does not represent an exercise of inventive skill and creative talent necessary to constitute invention. As the court stated in Blisscraft of Hollywood v. United Plastics Co., 294 F.2d 694, 696 (1961):

> The utilization of old elements in combination must represent an exercise of creative talent beyond that of the ordinary designer chargeable with knowledge of the prior art * * *. What plaintiff did amounted to nothing more than an unstartling regrouping of old elements which demonstrated no originality born of invention faculty. This is not enough.

1/ See also Certain Steel Toy Vehicles, Inv. No. 337-TA-31, April 1978 at page 23.

None of this prior art, which the presiding officer found to be the most relevant prior art, was cited by the patent examiner. Clearly, this prior art negates the conclusion that the suit patent "represents an exercise of creative talent beyond that of the ordinary designer chargeable with knowledge of the prior art."

That the patented design is obvious is also apparent from the determination by the majority of the Commission in this investigation by their determination that the the Rosenfeld bag (CX 13), shown below,



HENRY ROSENFELD
(CX 13)

A P P E N D I X

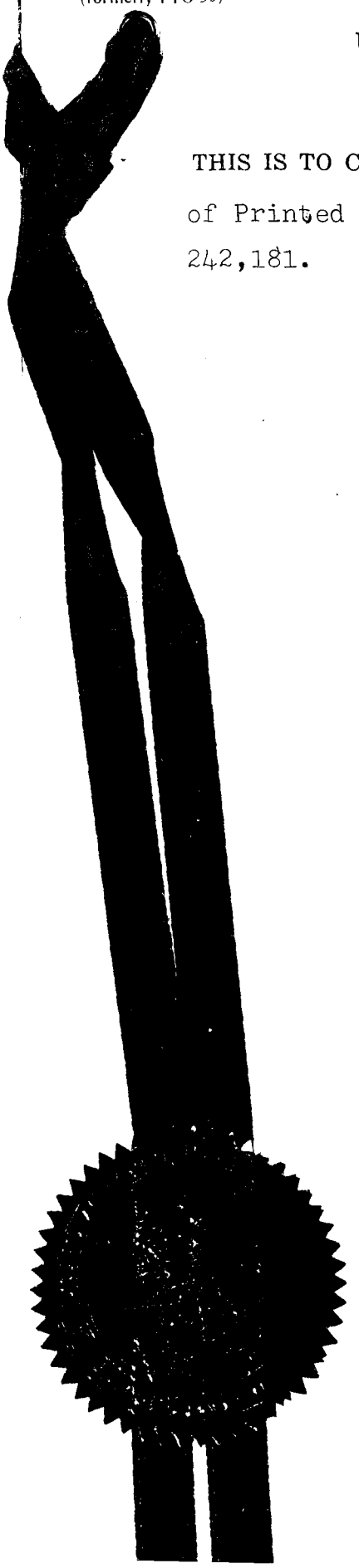
U.S. Letters Patent Des. 242,181.

PTO82-l (Rev. 5-77)
(formerly PTO-55)

U. S DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

October 27, 1977
(Date)

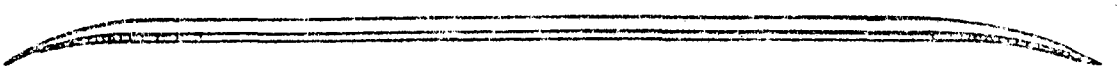
THIS IS TO CERTIFY that the annexed is a true copy from the records of this office of Printed Specification and Drawings of U. S. Design Patent 242,181.



By authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

Ella L. Courtney
Certifying Officer.

Fig. 4



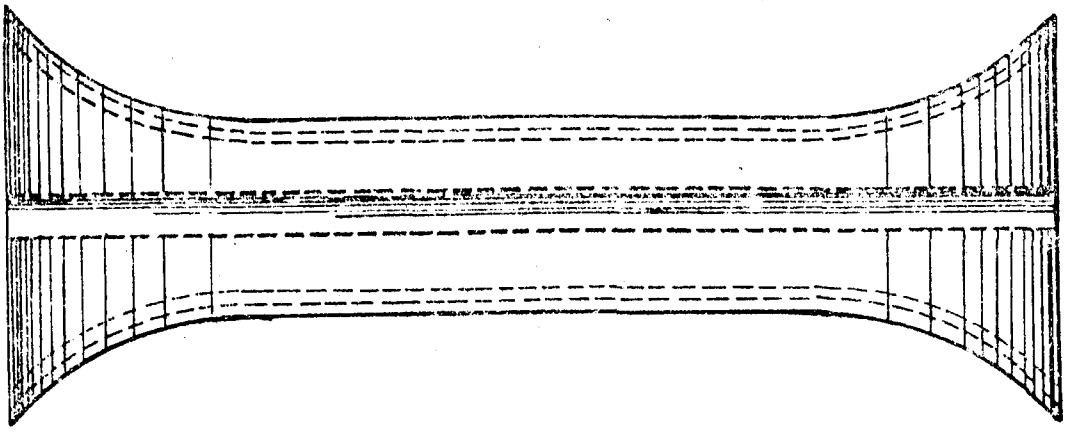


Fig. 3

FIG. 1 is a perspective view of a luggage case showing my new design, the essential feature of which resides in the configuration and appearance of the central panel on the cover portion thereof, the dash lines representing stitching, it being understood that the opposite side of the luggage case is plain;

FIG. 2 is a top plan view on an enlarged scale with the luggage case omitted for ease of illustration;

FIG. 3 is a side elevational view on an enlarged scale with the luggage case omitted for ease of illustration; and

FIG. 4 is an end elevational view on an enlarged scale with the luggage case omitted for ease of illustration.

I claim:

The ornamental design for a luggage case, as shown and described.

References Cited

UNITED STATES PATENTS

D. 233,955	12/1974	Bialo	D87- 5 F
2,969,822	1/1961	Stein	150-- 1.6
3,319,743	5/1967	Pelavin et al	70--68
3,628,640	12/1971	Molnar	190--41 Z

OTHER REFERENCES

Handbags & Accessories, February 1967, p. 5, item on right side of page.

Lugage & Leather Goods, July 1963, p. 62, left center.

Luggage & Leather Goods, April 1965, p. 19, top right.

JOEL STEARMAN, Primary Examiner

G. P. WORD, Assistant Examiner

Library Cataloging Data

U.S. International Trade Commission.
In the matter of: certain luggage products. Investigation no. 337-TA-39. Washington, 1978.

23, A-4 p. 26 cm. (USITC Publication 932)

1. Leather industry and trade. I. Title.
II. Title: Certain luggage products.

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

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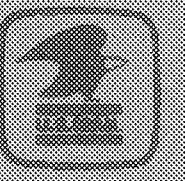

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