In the Matter of

CERTAIN WINDOW SHADES AND COMPONENTS THEREOF

Investigation No.337-TA-83

USITC PUBLICATION 1152

MAY 1981

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Bill Alberger, Chairman

Michael J. Calhoun, Vice Chairman

Catherine Bedell

Paula Stern

Kenneth R. Mason, Secretary to the Commission

Address all communications to

Office of the Secretary

United States International Trade Commission

Washington, D.C. 20436

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

In the Matter of	)	
CERTAIN WINDOW SHADES AND COMPONENTS THEREOF	)	Investigation No. 337-TA-83

COMMISSION ACTION AND ORDER

Introduction

Newell Window Furnishings Co., Freeport, Illinois, filed a complaint with the U.S. International Trade Commission alleging that unfair methods of competition and unfair acts have occurred, including the infringement of U.S. Letters Patent 4,006,770 (hereinafter "the patent"), which have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission instituted the above-captioned investigation into those allegations and published notice thereof in the Federal Register of May 29, 1980 (45 F.R. 36229).

Three domestic and two foreign respondents were named in the original notice of investigation. On March 10, 1981, based on settlement agreements and consent orders, the Commission terminated this investigation as to two (2) domestic respondents and published notice thereof in the Federal Register of March 18, 1981 (45 F.R. 17313).

On December 8, 1980, the administrative law judge (hereinafter "ALJ") filed a recommended determination. In that recommended determination, the ALJ found that the Commission had subject matter jurisdiction of this investigation and personal jurisdiction over the remaining domestic

respondents and over one foreign respondent. She recommended that the Commission find it did not have jurisdiction over the other foreign respondent. She recommended that the Commission find that there is an industry in the United States, efficiently and economically operated. She also recommended that the Commission find that the remaining respondents (none of which had appeared and defended), had committed unfair acts or engaged in unfair methods of competition by infringement of the complainant's patent. She recommended that the Commission find that such acts had injured a domestic industry. Exceptions to certain of the ALJ's findings were filed by the complainant and by the Commission investigative attorney.

No hearing was requested and none was held in this investigation.

The Commission issued a notice regarding filing of written submissions on the recommended determination and on relief, bonding and the public interest, which was published in the Federal Register of April 16, 1981 (46 F.R. 22295).

On May 19, 1981, at a public meeting, the Commission unanimously determined that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation and sale of window shades which infringe claims 1, 2, 7, 8, or 9 of U.S. Letters Patent 4,006,770. The Commission unanimously determined that the statutory public interest considerations do not preclude the granting relief in this investigation. The Commission also unanimously determined that an exclusion order is the appropriate remedy.

Action

Having reviewed the record compiled in investigation No. 337-TA-83 and the recommended determination of the ALJ, the Commission, on May 19, 1981, determined that--

1. There is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation and sale of certain window shades, and components thereof, which infringe claims 1, 2, 7, 8, or 9 of U.S. Letters Patent 4,006,770, the effect or tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States;
2. The issuance of an exclusion order, pursuant to subsection (d) of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(d)), preventing the importation of window shades and components thereof made in accordance with claims 1, 2, 7, 8, or 9 of U.S. Letters Patent 4,006,770, for the remaining term of said patent, except where such importation is licensed by the owner of said patent, is the appropriate remedy for violation of section 337;
3. The public interest factors enumerated in subsection (d) of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(d)) do not preclude the issuance of an exclusion order in this investigation; and

OPINION OF THE COMMISSION

I. INTRODUCTION 1/

Newell Window Furnishings Company (hereinafter "complainant"), Freeport, Illinois, filed a complaint with the U.S. International Trade Commission on April 7, 1980. The complaint alleged that unfair methods of competition and unfair acts have occurred, including the infringement of claims 1, 2, 7, 8, and 9 of U.S. Letters Patent 4,006,770 (hereinafter "the patent"), which have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission instituted an investigation into those allegations and published notice thereof in the Federal Register of May 29, 1980 (45 FR 36229). The notice of investigation designated as parties respondent two foreign firms: Tony Plastic Co. (the Taiwanese manufacturer of the alleged infringing window shades) and Dirkson, Inc. (the Taiwanese exporter of the allegedly infringing window shades). The notice also designated as parties respondent three domestic firms, which are importers and/or distributors of the allegedly infringing window shades: Joanna Western Mills Company; Breneman, Inc.; and Stanley Drapery Hardware. Copies of the complaint and the notice of investigation were served on all respondents.

II. PROCEDURAL HISTORY

On September 30, 1980, the complainant and respondents Joanna Western Mills Company and Breneman, Inc., filed a joint motion (Motion 83-13) to

---

1/ In this opinion, the following abbreviations will be used: ALJ means the Administrative Law Judge. RD means Recommended Determination of the ALJ. SDX-# means exhibit # filed with the motion for Summary Determination (Motion 83-14). CX-# means exhibit # filed with the complaint.

terminate this investigation as to respondents Joanna and Breneman, based on proposed settlement agreements and consent orders. On March 10, 1981, the Commission granted Motion 83-13 and published notice thereof in the Federal Register of March 18, 1981 (46 FR 17313).

On November 7, 1980 (after filing motion 83-13 but before Commission disposition of that motion), the complainant and the Commission investigative attorney filed a joint motion for summary determination (Motion 83-14). The motion was unopposed.

On December 8, 1980, Judge Saxon (ALJ) filed a recommended determination and on December 17, 1980, filed a nonconfidential version thereof. The Commission investigative attorney filed exceptions to the recommended determination on December 19, 1980, and the complainant filed exceptions on December 31, 1980. On April 13, 1981, the Commission issued a notice regarding filing of written submissions on the recommended determination and on relief, bonding, and the public interest. The notice was served by mail on the three respondents who have not been terminated and was published in the Federal Register of April 16, 1981 (46 FR 22295).

The three respondents remaining in this investigation are Tonv Plastic Company, Dirkson, Inc., and Stanley Drapery Hardware. They have not participated at any stage of this investigation and we find them to be in default.

At the Commission meeting of May 19, 1981, the Commission considered the matters raised in this investigation. By unanimous vote, the Commission determined that the acts complained of constitute a violation of section 337 of the Tariff Act of 1930 and that the appropriate remedy is an exclusion order. The Commission also determined that the public interest considerations

enumerated in section 337(d) do not preclude the issuance of a remedy and that, pursuant to section 337(g), bond should be set at one hundred percent (100 %) of the net landed value of the imports. This opinion sets forth our reasons for these determinations.

III. JURISDICTION

In its current posture, only three respondents remain subject to this investigation: Stanley Drapery Hardware, Tony Plastic Company, and Dirkson, Inc. The ALJ found that the Commission has personal jurisdiction over Stanley since Stanley is located in the United States and was served in the United States. 2/ She found jurisdiction over Tony but not over Dirkson, based on the "minimum contacts" standard. She also found subject matter jurisdiction.

The relief requested by the complainant is an order excluding from entry any and all window shades which infringe its patent. As will be discussed below, we believe that this is the appropriate remedy, and therefore it is not necessary to determine whether there is personal jurisdiction over Dirkson.

The Court of Customs and Patent Appeals has recently sustained the Commission's long-standing view that an exclusion order operates in rem and that personal jurisdiction over respondents is not required for the operation of an exclusion order. Sealed Air Corp. v. U.S. International Trade Commission, et al. and Unipak (H.K.) Ltd. v. U.S. International Trade Commission, Appeals Nos. 79-35, 80-4 (C.C.P.A. March 12, 1981). Sealed Air/Unipak held specifically that the Commission's jurisdiction permits the

---

2/ R.D., p. 3.

issuance of exclusion orders, even in circumstances where there is no personal jurisdiction.

IV. DESCRIPTION OF THE PATENT

The patent (SDX-19) was issued on February 8, 1977, based on an application filed on June 16, 1975. The patent is owned by Newell Companies, Inc., pursuant to an assignment of all rights, title and interest in the patent from the inventor, Mr. Thomas Ferguson.

The claims of the patent cover a "peel-to-width" window shade. This is a retractable window shade which employs a telescopically-adjustable roller assembly, a bottom slat, and a sheet of material which has tear lines parallel to one edge and extending the full length of the shade. These shades are marketed under several sizes and styles, and the same principles are employed regardless of size or style. Each size and style has regularly spaced, parallel, invisible, precut slits which run the length of the shade material. The shade material is attached to a telescoping roller. The user of the window shade compresses the roller to match the width of the window and then peels away the excess shade material along one of the invisible precut lines to match that width. In this way, an exact fit can be obtained by the consumer at the point of installation, utilizing no more than ordinary manual skill and dexterity.

V. VALIDITY OF THE PATENT

By law, a patent duly issued by the U.S. Patent and Trademark Office is presumed to be valid. 35 U.S.C. 282. The ALJ found the patent to be valid, since no party had contested its validity. Since no evidence has been brought

forth to rebut the presumption of validity, we concur with the ALJ's recommendation, and find the patent to be valid.

VI. INFRINGEMENT OF THE PATENT

A. STANDARD OF REVIEW

Under section 210.21(d) of the Commission's Rules of Practice and Procedure (19 CFR 210.21(d)), the Commission may find the facts to be as alleged in the complaint and enter a finding of violation against a party found to be in default. However, the Commission does not necessarily rely solely upon the allegations of the complaint. 3/ Rather, the Commission's practice has been further to require a reasonable effort on the part of complainant and/or the investigative attorney to produce substantial, reliable, and probative evidence sufficient to establish a prima facie case of violation by respondents. 4/ In this case, we have looked to the record, including the motion for summary determination, the exhibits filed therewith, and the physical exhibits in evidence.

Therefore, in order to evaluate whether the imported window shades infringe the patent, we must determine whether there is in the record substantial, reliable, and probative evidence which would be sufficient to support a finding of infringement; that is, we must look to see whether the complainant has established a prima facie case.

3/ Certain Electric Slow-Cookers, Inv. No. 337-TA-42, USITC Pub. 994 (1979); Certain Attache Cases, Inv. No. 337-TA-49, USITC Pub. 955 (1979); Certain Novelty Glasses, Inv. No. 337-TA-55, USITC Pub. 991 (1979).

4/ See Commission opinion in support of orders terminating certain respondents, declaring the matter more complicated, and remanding the matter for further proceedings in Certain Electric Slow-Cookers, Inv. No. 337-TA-42, at 6.

B. THE IMPORTED SHADES

From an examination of the documents and exhibits in the record, it appears that all imported window shades in this investigation were produced by Tony, working with Dirkson. 5/ 6/ There is evidence that the window shades imported and sold by Joanna Western Mills and Breneman, Inc., were manufactured by Tony Plastic. 7/ In addition, it appears that the imported window shade was developed by Breneman, Joanna, Tony Plastic and Dirkson working together. 8/ There is also evidence, in the forms of affidavits and copies of purchase orders, that Joanna did order allegedly infringing window shades from Tony Plastic. 9/ There is evidence that Breneman imported its shades, 10/ and there is evidence that Stanley purchased its window shades from Breneman. 11/ Therefore, it is reasonable to conclude that the allegedly infringing window shades were produced in Taiwan by Tony and imported into the United States.

Even though it appears clear on the record that all the allegedly infringing window shades originated at Tony Plastic, the ALJ found that each of the alleged infringers' products infringed different claims of the

---

5/ SDX-18 and SDX-20.

6/ The recommended determination, at 6, states that the ALJ did not consider SDX-18, although the reasoning is not entirely clear. It appears that she treated this document as an affidavit and determined that there is no showing that the affiant is competent to testify to the matters stated therein. We disagree because the document in question was not submitted as an affidavit. Its probative value is based on the fact that it constitutes an admission against interest by a party.

7/ SDX-20.

8/ Id.

9/ SDX-10 and SDX-12.

10/ SDX-20.

11/ Id.

patent. 12/ This conclusion seems untenable in light of the physical properties of the window shades, as observed by the Commission.

A physical inspection of the Stanley and Joanna shades indicates that they are functionally identical. 13/ No differences can be observed among them, except in the coloring of the sheet of instructions. In fact, aside from the trade name and color of the instruction sheets, all the functional information they contain, including diagrams, is identical. We conclude that the window shades at issue were all produced by Tony and exported by Dirkson.

C. COMPARISON OF THE IMPORTED SHADES WITH THE PATENT.

Comparisons of the physical exhibits of the imported window shades with the claims of the patent, while there are irrelevant differences, establish that the imported shades practice the invention disclosed in the patent. The two essential elements of the patented invention are a telescoping roller assembly and peel-to-width shade material. A comparison of the Newell window shades with the patent indicates that the Newell shades practice claims 1, 7, and 8 of the patent. In this, we concur with the ALJ. In addition, a comparison of the imported window shades with the patent indicates that the imported shades also practice claims 2 and 9 of the patent. 14/

The ALJ found that the Stanley shade did not infringe claim 2 and that no imported shade infringed claim 9. We disagree.

Claim 2.

Claim 2 refers to the lines of weakness and specifies that they must be continuous cut lines which extend the length of the shade. It is not required

---

12/ R.D. pp. 4-6.
13/ The Commission did not have a physical exhibit of the Breneman shades.
14/ See also, SDX-1, 2, 3, 4, 5, 6, 9, 10, and 11.

that the lines be visible. In this sense, the mere existence of lines of weakness organized in a linear fashion, conceded by the ALJ, constitutes the requisite cut lines. Therefore, we disagree with the recommendation of the ALJ and find that the Stanley shade infringes claim 2 of the patent.

Claim 9.

The ALJ found that claim 9 is not infringed by any imported shade since "claim 9 has a misprint, referring to claim 13, and therefore infringement of this claim has not been shown by the comparison."

The principal purpose of claims is to notify persons in the art of the extent of the patent, so that they will be able to determine what constitutes infringement.

> Tne statutory requirement of particularity and distinctness in the claims is met only when they clearly distinguish what is claimed from what went before in the art and clearly circumscribe what is foreclosed from future enterprise.

United Carbon Co. v. Binney Co., 317 U.S. 228 (1942). That is, the claims must apprise those skilled in the art of the scope of invention. 15/

The patent contains only 12 claims; three of these are independent claims and the remaining nine are dependent claims. Claim 9 is clearly a dependent claim, but it mistakenly reads as dependent on a non-existent claim 13. Claim 9 reads:

> The extensible and retractable roll window shade assembly of claim 13 further characterized in that the second section of said slat means is secured to the first section of said slat means by a friction fit. (Emphasis added.)

In reviewing the previous claims 1-8, only claim 8 makes any reference to a "slat means."

15/ Georgia-Pacific Co. v. United States Plywood Corp., 258 F.2d 124, 118 U.S.P.Q. 122 (2nd Cir. 1958). See D. Chisum, Patents, Sec. 8.03(3).

Moreover, an examination of the patent file wrapper shows that the present claim 9 was listed as claim 14 in the amended patent application filed June 16, 1975. 16/ The present claim 8 was at that time claim 13. Claims 13 and 14 were renumbered as claims 8 and 9, respectively, when the patent was issued.

Therefore, it is clear from both the context and the file wrapper that the reference to "claim 13" is or should be a reference to claim 8, and we find that the imported shades infringe claim 9.

VII. INJURY TO A DOMESTIC INDUSTRY.

A. THE DOMESTIC INDUSTRY.

The ALJ found that the industry in question is that part of the complainant's and its licensees' business which is devoted to the manufacture or production of the articles at issue. 17/ There is ample evidence of record, including physical exhibits, that Newell produces window shades under the patent. Therefore, we concur with the recommendation that such an industry exists.

B. EFFICIENT AND ECONOMIC OPERATION.

The ALJ found that Newell is efficiently and economically operated. 18/ There is sufficient evidence on the record to establish, prima facie, that Newell is efficiently and economically operated. 19/ In the absence of any evidence to the contrary, the material of record is sufficient to demonstrate efficient and economic operation.

16/ CX-O.
17/ R.D. p. 6.
18/ R.D. p. 7.
19/ Ferguson affidavit No. 1.

C. INJURY.

The ALJ found that Newell has established a prima facie case that the effect or tendency of the importation of the shades is to substantially injure Newell. We concur. In addition, no evidence was presented that would suggest that the industry is not being injured.

There is evidence on the record that Newell lost sales of its window shades to several hardware chain stores due to the lower price of the imported shades. 20/ In one instance, the infringing shades were offered for sale in display racks placed in front of the complainant's. 21/ In another instance, a Newell wholesale customer was lost to the imported shades because of the lower price of the imported shades. 22/ These sales might have gone to Newell in the absence of the infringing window shades.

In addition, Newell has submitted to the Commission confidential data showing the increase in sales of the patented window shade from the time of its introduction on the market through 1979. The clear pattern of sales shows rapidly expanded sales through 1978, prior to the introduction of the infringing shade in 1979. 23/ Thereafter, sales declined. 24/ While some of the decline in sales might be attributed to a decline in the economy in general, it appears that a substantial portion of the decline is attributable to the presence of the imported shade in quantity. 25/

There is also evidence on the record that at the same time that complainant lost sales to the imported window shades, it suffered declining

---

20/ SDX-Ferguson Affidavit, p. 11; SDX-6.
21/ Id.
22/ SDX-Ferguson Affidavit, p. 11.
23/ CX-L.
24/ Id.
25/ SDX-12, 13, 21.

profits from its window shades operations. 26/ In fact, the record indicates that complainant, in order to meet the competition from infringing imports, was forced to price its lowest priced shades in such a way that net losses were incurred. 27/

VIII. REMEDY.

Complainant has requested that an exclusion order be issued to prohibit the importation of window shades which infringe claims 1, 2, 7, 8, and 9 of the patent. This position was supported by the Commission investigative attorney. 28/ They argue that this is the most appropriate remedy given the nature of the industry in question. We agree.

An exclusion order operates in rem, Sealed Air/Unipak, supra, and would require less monitoring by the Commission or by the patentee. However, an exclusion order is a broader remedy than a cease and desist order and should be used with care.

Cease and desist orders in this case may not afford complete relief from the violation of section 337 we have found. Unlike circumstances in some recent investigations, 29/ we are dealing here with a rather simple article. Due to the relatively low value per unit, the producer does not need to await a specific order before manufacture. In fact, the record of the investigation

---

26/ SDX-Ferguson Affidavit, p. 12.

27/ Id.

28/ Remedy, public interest, and bonding statement of the Commission investigative attorney and complainant, filed April 27, 1981.

29/ See, for example, investigation No. 337-TA-82, Certain Headboxes . . . , USITC Pub. 1138 (1981). Commissioner Calhoun sees no need to distinguish this investigation from Certain Headboxes . . . .

indicates that there is a substantial inventory of infringing shades currently warehoused in Taiwan. 30/ There may be importations or attempted importations before the complainant or the Commission could become aware of them.

We note also that the window-shade industry in Taiwan appears to be rather fluid. 31/ It appears that other manufacturers may very soon be able to produce infringing window shades. 32/ Such window shades, if they do in fact infringe the patent, could be imported without warning and without violating a cease and desist order to the further detriment of the complainant. If a cease and desist order were issued to Tony and Dirkson, the Commission would find it difficult to prevent the other manufacturers from selling those shades to a third party, who could then export them to the United States without violating a cease and desist order.

Moreover, this is a relatively simple patent. The art of the patent can be relatively easily verified by the U.S. Customs Service at the port of entry.

Under these circumstances, cease and desist orders or an exclusion order directed only at the shades manufactured or sold by the respondents would not be an adequate remedy. Therefore, we have determined to issue an exclusion order prohibiting importation of all infringing window shades.

IX. PUBLIC INTEREST

In order to determine whether there would be any public interest factors to militate against the issuance of relief in this investigation, the

---

30/ SDX-14.
31/ SDX-18, 19, 20, 21, and 22.
32/ SDX-20.

Commission published a notice in the Federal Register of April 16, 1981 (46 FR 22295) requesting comments. No comments were received which opposed the issuance of a remedy.

The Commission investigative attorney and the complainant argue in their submissions that there are no public interest factors to warrant the denial of the proposed relief. In fact, they argue that the public interest in protecting patents and patent rights requires the issuance of a remedy. They state that there is nothing in the proposed exclusion order which would adversely effect the public health or welfare, competitive conditions in the United States economy, the production of like or directly competitive articles, and United States consumers. They further state that the complainant has the capacity to supply fully the domestic market.

We find that there are no public interest considerations which preclude the issuance of a remedy in this investigation.

X. BONDING

The legislative history of section 337 makes clear that the amount of bond should offset, to the extent possible, the competitive advantage arising from the unfair method of competition or unfair act. 33/ The evidence of record indicates that the price of respondents' shades is one-half that of complainant's based on a comparison of wholesale prices. 34/ Therefore, a bond in the amount of one hundred percent (100 %) of the net landed value of the goods is appropriate.

33/ S. Rep. No. 93-1298, 93rd Cong., 2 Sess. 198 (1974).
34/ SDX-14, SDX-15, SDX-22.