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

In the Matter of

**CERTAIN AUTOMATED
MECHANICAL TRANSMISSION
SYSTEMS FOR MEDIUM-DUTY AND
HEAVY-DUTY TRUCKS AND
COMPONENTS THEREOF**

Inv. No. 337-TA-503

COMMISSION OPINION

BACKGROUND

This patent-based section 337 investigation was instituted by the Commission on January 7, 2004, based on a complaint filed by Eaton Corporation (“Eaton”) of Cleveland, Ohio. *69 Fed. Reg.* 937 (January 7, 2004). The complaint, as supplemented, alleged violations of section 337 of the Tariff Act of 1930 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain automated mechanical transmission (“AMT”) systems for medium-duty and heavy-duty trucks, and components thereof, by reason of infringement of claim 15 of U.S. Patent No. 4,899,279 (“the ‘279 patent”); claims 1-20 of U.S. Patent No. 5,335,566 (“the ‘566 patent”); claims 2-4 and 6-16 of U.S. Patent No. 5,272,939 (“the ‘939 patent”); claims 1-13 of U.S. Patent No. 5,624,350 (“the ‘350 patent”); claims 1, 3, 4, 6-9, 11, 13, 14, 16 and 17 of U.S. Patent No. 6,149,545 (“the ‘545 patent”); and claims 1-16 of U.S. Patent No. 6,066,071 (“the ‘071 patent”). The complaint and notice of investigation named three respondents ZF Meritor, LLC (“ZF Meritor”) of Maxton, North Carolina, ZF Friedrichshafen

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AG (“ZFAG”) of Freidrichshafen, Germany, and ArvinMeritor, Inc. (“ArvinMeritor”) of Troy, Michigan. Claim 15 of the ‘279 patent, claim 4 of the ‘566 patent, and claims 1, 3, 6, 7, 11, 13, 16, and 17 of the ‘545 patent remained at issue at the time that the administrative law judge (“ALJ”) issued his final initial determination (“ID”).

On January 7, 2005, the ALJ issued his final ID on violation and his recommended determination (“RD”) on remedy and bonding. The ALJ found a violation of section 337 by reason of infringement of claim 15 of the ‘279 patent by respondents. He did not find a violation based on infringement of the asserted claims of the remaining patents. Petitions for review were filed by Eaton, the respondents, and the Commission investigative attorney (“IA”) on January 21, 2005. All parties filed responses to the petitions on January 28, 2005.

On February 24, 2005, the Commission issued a notice that it had determined not to review the ALJ’s final ID on violation, thereby finding a violation of section 337. *70 Fed. Reg.* 10112 (March 2, 2005). The Commission also requested briefing on the issues of remedy, the public interest, and bonding. *Id.* Submissions on the issues of remedy, the public interest, and bonding were filed on March 7, 2005 by all parties. On March 9, 2005, Eaton filed a motion to strike a part of the respondents’ written submission and requested expedited replies to its motion. All parties filed response submissions on March 14, 2005. On March 18, 2005, the respondents filed a motion for leave to file surreply to Eaton’s response submission, which Eaton opposed on March 21, 2005.

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DISCUSSION

I. Remedy

Having found a violation of section 337, we must consider the issues of remedy, the public interest, and bonding. 19 U.S.C. §§ 1337(d) and (f). The Commission has broad discretion in selecting the form, scope, and extent of the remedy in a section 337 proceeding, and judicial review of its choice of remedy is governed by the abuse of discretion standard. *Fuji Photo Film Co. v. United States Int'l Trade Comm'n*, 386 F.3d 1095, 1106-1107 (Fed. Cir. 2004).

In this investigation, all the parties agree that the appropriate remedy is a limited exclusion order excluding AMT systems, manufactured by or for the respondents, that infringe claim 15 of the '279 patent and a cease and desist order directed to the domestic respondent, ArvinMeritor. Moreover, the parties agree that the orders should include a certification provision and that the cease and desist order should contain a record-keeping requirement. Finally, the parties agree that the issuance of remedial orders directed against the respondents' AMT systems would not be contrary to public interest. The parties disagree, however, as to whether the orders should be limited to AMT systems for medium-duty and heavy-duty trucks, and whether a cease and desist order should be directed to additional respondents. Finally, the parties disagree about the scope of any certification provision or record-keeping requirement.

Eaton argues that the remedial orders should cover all of respondents' AMT systems that infringe claim 15 of the '279 patent and should not be limited to specific models or types of transmissions. The respondents argue that the orders should only cover AMT systems for

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medium-duty and heavy-duty trucks that infringe the '279 patent by blocking all gear change command output signals during anti-lock brake system activity in the fully automatic mode of operation. The respondents further argue that any remedial orders should not cover its new FreedomLine transmission system, which they argue does not infringe claim 15 of the '279 patent.

We determine to issue both a limited exclusion order excluding AMT systems for medium-duty and heavy-duty trucks, and components thereof that infringe claim 15 of the '279 patent, and a cease and desist order directed to ArvinMeritor. We agree with the respondents and the IA that the scope of the remedy is dependent upon the scope of the investigation, which is determined by the notice of investigation. *See Certain Insect Traps*, Inv. No. 337-TA-498, Order No. 7 (April 2004). In this case, the notice of investigation identified the infringing products as AMT systems for medium-duty and heavy-duty trucks, and components thereof. 69 *Fed. Reg.* 937 (January 7, 2004). *Certain Hardware Logic Emulations Systems and Components Thereof*, Inv. 337-TA-383, cited by Eaton, does not support Eaton's argument that the scope of the remedial orders should cover AMT systems for other vehicles which are outside the scope of the investigation.

Our limited exclusion order and cease and desist order both include an exception for replacement parts that are necessary to service infringing AMT systems which were installed on trucks prior to the issuance of our remedial orders. We adopt the ALJ's view that the record supports an exception for replacement parts. Moreover, as the IA argues, such an exception would "ensure the safe operation of those transmissions." IA's Brief at 7. Eaton opposes the

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inclusion of an exception, arguing that complete relief should encompass all infringing products and that narrowing the scope of the exclusion order would increase the risk of circumvention. We deem Eaton's arguments to be unpersuasive in view of public interest which warrants the continuous safe operation of transmissions that were sold before entry of our remedial orders.

Our limited exclusion order also includes a certification provision that allows importation of AMT systems or components thereof if the importer certifies that these imports do not fall within the scope of the order. We determine to direct the limited exclusion order against the goods of all the respondents, including ZF Meritor. We note that the IA recommends that the limited exclusion order should not extend to ZF Meritor because ZF Meritor ceased operating as of January 1, 2004, and will subsequently be dissolved. *See* IA's Brief at 5 fn.3. We determine, however, that ZF Meritor should be included in the order since, according to the record, ZF Meritor is still in existence.

In addition to a limited exclusion order, we also determine to issue a cease and desist order to domestic respondent ArvinMeritor. The ALJ found that ArvinMeritor maintains a commercially significant inventory in the U.S. and accordingly recommends the issuance of a cease and desist order to ArvinMeritor. The record indicates that ArvinMeritor has a commercially significant inventory of infringing transmissions in the U.S. and, therefore under Commission precedent, a cease and desist order against ArvinMeritor is appropriate. *See Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, Comm'n Opinion at 6 (January 19, 1990). Our cease and desist order against ArvinMeritor includes an exception for replacement parts to ensure the safe operation of infringing AMT systems installed on trucks

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prior to the issuance of the order.

We also determine that there is no basis for issuing a cease and desist order to ZF Meritor because the record indicates that ZF Meritor transferred all of its inventory of components for the FreedomLine transmission to the foreign respondent, ZFAG. *See* ID at 216. Eaton argues that in order to afford complete relief a cease and desist order should be issued to all the respondents including the foreign respondent. In support of its argument, Eaton cites *Certain Abrasive Products*, (Comm’n Opinion on Remedy, the Public Interest, and Bonding) (July 26, 2002) for the proposition that “Commission precedent recognizes that where, as here, infringing foreign respondents maintain control over commercially significant inventories in the United States of infringing products, such respondents are each appropriately subject to cease and desist orders to provide ‘complete relief’ to Complainant.” Eaton’s Brief at 18. However, we determine that Eaton’s argument is not supported by *Abrasive Products* because the Commission did not issue a cease and desist order to a foreign respondent in that investigation. *See Abrasive Products* at 8. The Commission’s practice of declining to issue ceases and desist orders to entities that do not maintain an inventory in the United States was upheld in *Fuji Photo Film Co.*, 386 F.3d at 1106.

Eaton requests that the Commission strike portions of the respondents’ brief relating to the respondents’ new FreedomLine transmission, as well as the supporting exhibits, because the new FreedomLine transmission was not a part of the investigation.¹ We deny Eaton’s motion to

¹ Respondents do not seek a determination from the Commission regarding whether or not their new transmission system infringes claim 15 of the ‘279 patent, and we have not made

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strike because we agree with the IA that the portion of the respondents' submission subject to the motion to strike "falls within the purview of the Commission's request for briefing on the issues of remedy, the public interest, and bonding." IA's Response at 8. We also deny respondents' motion to file a surreply to Eaton's response submission regarding the issues of remedy, the public interest, and bonding because respondents' have not demonstrated good cause for this additional submission.

II. The Public Interest

Section 337(d) and (f) directs the Commission to consider public interest factors before issuing remedial orders, including the effect of any such remedial order on 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." 19 U.S.C. §§ 1337(d) and (f). In this investigation, we determine that there is no evidence that the entry of permanent relief would adversely affect the public interest factors enumerated in the statute. Moreover, the remedial orders contain an exception that would permit the respondents' service and repair of previously installed FreedomLine transmissions and a certification provision that will facilitate the importation of noninfringing AMT systems and components thereof. Accordingly, we determine that consideration of the statutory public interest factors does not preclude issuance of a limited exclusion order and a cease and desist order covering AMT systems for medium-duty

such a determination. We note that respondents may seek an advisory opinion under Commission rule 210.79, 19 C.F.R. § 210.79, as to whether their new FreedomLine transmission system falls within the scope of the limited exclusion order.

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and heavy-duty trucks.

III. Respondents' Bond

Section 337(j) provides for the entry of infringing articles during the sixty (60) day Presidential review period upon posting of a bond, and states that the bond should be set at a level sufficient to “protect complainant from any injury” during the Presidential review period. 19 U.S.C. § 1337(j); *see* also Commission Rule 210.50(a)(3), 19 C.F.R. § 210.50(a)(3).

The ALJ recommended a bond of 100 percent of the entered value of the imported product due to the lack of adequate pricing information. Eaton argues that the ALJ's recommended bond is appropriate because (1) “[i]n light of the significant number of transmissions that may be imported by [ZFAG] while a bonding requirement is in place, it is imperative that the Commission set a bond that is indeed high enough to protect Eaton from any injury,” (2) a price differential analysis is inappropriate and cannot be used, and (3) the importation of respondents' infringing transmission systems is injurious to Eaton but difficult to calculate in terms of actual dollars. *Id.* at 29-34.

The IA also agrees with the ALJ's recommendation concerning the bond. The IA contends that the “record does not permit the use of price comparisons to set the bond amount given Respondents' generally higher prices, the disparate features among the respective transmissions, and the circumstances of sale unique to each transaction. IA's Brief at 13. Moreover, the IA argues that “[f]or reasons stated by the Judge, there does not appear to be sufficient evidence to assess Respondents' average profits on its sales of medium-duty and heavy-duty transmissions.” *Id.* Respondents did not address the amount of bond that should be

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set during the Presidential review period.

Where it is difficult or impossible to calculate a bond based upon price differentials, as it is here, the Commission has traditionally set the bond at 100 percent of entered value of the infringing imported product. *See Certain Oscillating Sprinklers, Sprinkler Components, and Nozzles*, Inv. No. 337-TA-448, Limited Exclusion Order at 4 (March 2002). Accordingly, we determine that the bond during the period of Presidential review in this investigation be set at 100 percent of entered value.

By Order of the Commission.

Marilyn R. Abbott
Secretary to the Commission

Issued: May 9, 2005