In the matter of:

CERTAIN ANAEROBIC IMPREGNATING COMPOSITIONS AND COMPONENTS THEREFOR

Investigation No. 337-TA-71

USITC PUBLICATION 1075

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

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COMMISSION OPINION

Procedural History

The present investigation was instituted by the Commission on August 16, 1979, on the basis of a complaint filed by Loctite Corporation of Newington, Connecticut. Notice of the Commission's investigation was published in the Federal Register of August 31, 1979 (44 F.R. 51347). Loctite's complaint alleged unfair methods of competition and unfair acts in the importation into the United States, or in their subsequent sale, of certain components for anaerobic impregnating compositions because (1) such compositions were allegedly covered by claims 1, 4, and 12 of U.S. Letters Patent 4,069,378 ("the '378 patent"), and (2) such components allegedly contributed to and induced infringement of claims 1, 4, and 12 of the '378 patent. The effect or tendency of such importation and sale was alleged to be to substantially injure an industry, efficiently and economically operated, in the United States.

The scope of the Commission's investigation was defined by the following language contained in its notice of investigation:

> Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), an investigation (is) instituted to determine whether there is a violation of subsection (a) of this section in the unlawful importation of certain anaerobic impregnating compositions, or of the monomer components thereof singly or in combination with either the surfactant or the initiator components, into the United States, or in their sale, because (1) such impregnating compositions are allegedly covered by claims 1, 4 and 12 of U.S. Letters Patent 4,069,378; and (2) such monomer component allegedly contributes to and induces infringement of claims 1, 4 and 12 of U.S. Letters Patent 4,069,378, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

Named as respondents in the notice of investigation were the following seven firms:

(1) Ultraseal, Ltd.
768 Buckingham Avenue
Slough, Berks, S.L. 1-4-N-L
England

(2) Ultraseal America, Inc.
2401 South Lenox Street
Milwaukee, Wisconsin 53207

(3) Imprex, Inc.
3260 South 108th Street
Milwaukee, Wisconsin 53227

(4) Aluminum Casting and Engineering Co.
2039 South Lenox Street
Milwaukee, Wisconsin 53207

(5) NL Permanent Mold Castings Division
NL Industries, Inc.
1230 Avenue of the Americas
New York, New York 10020

(6) Southfield Machine Products Co. Division
Cast Metal Industries, Inc.
19400 West 8 Mile Road
Southfield, Michigan 48075

(7) Sundstrand Corporation 1/
4751 Harrison Avenue
Rockford, Illinois 61101

The notice of investigation was amended by Commission order dated March 3, 1980, to add Ultraseal International Ltd., as an additional respondent. 2/

After institution, the investigation was assigned to Administrative Law Judge Janet D. Saxon (ALJ). 3/ The highlights of the procedural history of this case before the ALJ may be summarized as follows:

1/ By Commission order dated March 5, 1980, Sundstrand was terminated as a respondent in the investigation.

2/ The term "the Ultraseal respondents" will be used in this opinion to refer collectively to Ultraseal, Ltd., Ultraseal America, Inc., Ultraseal International Ltd., Imprex, Inc., and Aluminum Casting and Engineering Co.

3/ The investigation was initially assigned to Chief Adminstrative Law Judge Donald K. Duvall; Judge Saxon took over the case on October 1, 1979.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN ANAEROBIC IMPREGNATING COMPOSITIONS AND COMPONENTS THEREFOR	Investigation No. 337-TA-71

COMMISSION DETERMINATION AND ORDER

The United States International Trade Commission conducted an investigation under the authority of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) ("section 337") of unfair methods of competition and unfair acts in the unauthorized importation into the United States of certain components for anaerobic impregnating compositions allegedly covered by claims 1, 4, and 12 of U.S. Letters Patents 4,069,378, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. On May 15, 1980, the Commission determined that there is no violation of section 337 with respect to investigation No. 337-TA-71. This determination and order provides for the final disposition of the subject investigation by the Commission.

Determination

Having reviewed the record in this matter including (1) the submissions filed by the parties, (2) the transcripts of hearings held by the administrative law judge, (3) the recommended determination of the administrative law judge, and (4) complainant's exceptions to the recommended

determination and appeals from interlocutory orders of the administrative law judge, the Commission, on May 15, 1980, determined that, with respect to investigation No. 337-TA-71, there is no violation of section 337 of the Tariff Act of 1930, as amended.

Order

Accordingly, it is hereby ordered--

1. That complainant's motion to amend the complaint to add allegations of infringement of U.S. Letters Patent 4,165,400 (Motion Docket No. 71-30) is denied as moot;

2. That complainant's motion to suspend investigation No. 337-TA-71 pending a final determination by the U.S. Patent and Trademark Office on a reissue application filed by complainant relating to U.S. Letters Patent 4,079,378 (Motion docket No. 71-33) is denied as moot;

3. That investigation No. 337-TA-71 is terminated as to all issues and all parties based on the Commission's determination that there is no violation of section 337 of the Tariff Act of 1930, as amended, because claims 1, 4, and 12 of U.S. Letters Patent 4,069,378 are invalid; and

4. That this determination and order be published in the Federal Register and that the determination and order, along with the Commission opinion in support thereof, be served upon each party of record in this investigation and upon the U.S. Department of Health, Education, and Welfare, the U.S. Department of Justice, and the Federal Trade Commission.

By order of the Commission:

Kenneth R. Mason
Secretary

Issued: May 27, 1980

(1) On December 27, 1979, respondent Ultraseal America filed a supplemented motion (Motion No. 71-21) for summary determination of noninfringement. The basis for the motion was Ultraseal America's assertion that the imported product was not an "anaerobic curing composition" as required by claims of complainant Loctite's '378 patent. The motion, which was opposed by both Loctite and the Commission investigative attorney, was denied (after oral argument) by the ALJ on January 21, 1980 (Order No. 17).

(2) On January 24, 1980, respondent Ultraseal America filed a motion (Motion No. 71-28) for summary determination of patent invalidity based on the assertion that complainant Loctite's '378 patent was invalid as anticipated by two prior art patents. The motion, which was opposed by Loctite but supported by the Commission investigative attorney, was denied (after oral argument) by the ALJ on February 25, 1980 (Order No. 22).

(3) On January 29, 1980, Loctite moved (Motion No. 71-30) to amend its complaint to add allegations of infringement of a second patent (U.S. Letters Patent 4,165,400). The motion, which was opposed by both the Ultraseal respondents and the Commission investigative attorney, was denied by the ALJ on February 8, 1980 (Order No. 18). 1/

(4) On February 12, 1980, Loctite filed a motion (Motion No. 71-33) to suspend the anaerobic compositions investigation pending a final determination by the U.S. Patent and Trademark Office on a reissue application filed by Loctite on February 8, 1980, relating to its '378 patent. This motion was opposed by the Ultraseal respondents but qualifiedly supported by the Commission investigative attorney. After holding oral argument, the ALJ denied Loctite's motion to suspend on March 5, 1980 (Order No. 23).

(5) On March 3 and 4, 1980, Loctite filed motions (Motions Nos. 71-37 and -38) to be allowed to withdraw its complaint without prejudice. The motions, which were opposed by the Ultraseal respondents and the Commission investigative attorney, were denied by the ALJ on March 6, 1980 (Order No. 24).

1/ The ALJ did not certify her ruling on this motion to the Commission. By order dated March 11, 1980, the Commission directed the ALJ to certify the motion along with her recommendation regarding its disposition. The motion was so certified as part of the ALJ's recommended determination of March 12, 1980.

(6) On March 7, 1980, Loctite filed a motion (Motion No. 71-41) to terminate the investigation pursuant to section 201.51(a) of the Commission's Rules of Practice and Procedure. 1/ This motion was rendered moot by the ALJ's granting of Loctite's later oral motion to withdraw its complaint with prejudice.

(7) On March 7, 1980, Loctite filed a motion (Motion No. 71-42) to reopen discovery and have the investigation declared "more complicated." Loctite asserted that additional discovery was required because the Ultraseal respondents allegedly had changed their definition of "anaerobic cure" a week before the scheduled commencement of trial. The motion to reopen discovery was denied by the ALJ at the hearing on March 10, 1980 (Transcript, p. 575); the motion to declare the investigation more complicated became moot when the ALJ granted Loctite's motion to withdraw its complaint with prejudice.

What was to have been the evidentiary hearing in the present investigation commenced on March 10, 1980. After discussion of some preliminary matters, principally Loctite's motion to reopen discovery and to terminate the investigation under section 210.51(a), the ALJ asked Loctite if it intended to present a case. Loctite replied that it did not. Transcript, p. 611. After some further discussion concerning the extent to which issues raised in the prehearing statements could be decided in a manner adverse to Loctite should that firm fail to avail itself of the opportunity to put on a case, Loctite made an oral motion to withdraw its complaint with prejudice--

> on the basis that claims 1, 4 and 12 of the ('378 patent) are invalid and further, that those claims are not infringed by (the imported product) solely because an invalid patent cannot be infringed. (Transcript, p. 626.)

Loctite's motion was supported by the Commission investigative attorney, not objected to by respondents, and granted by the ALJ at the hearing.

1/ Section 210.51(a) provides in pertinent part as follows:
Any party may move at any time for an order to terminate an investigation before the Commission, to terminate the investigation as to all issues in an investigation in regard to one or more, but not all, of the respondents, or to terminate the investigation as to any part of the issues in regard to any or all of the respondents.

On March 12, 1980, the ALJ issued her recommendation that--

> the Commission grant complainant's motion to withdraw the complaint with prejudice, based on complainant's own statement that the '378 patent is invalid and not infringed, and that the Commission terminate the investigation and dismiss the complaint with prejudice to the complainant.

Complainant Loctite, having sought and received an additional 2 weeks in which to file exceptions to the recommended determination, filed its exceptions on April 8, 1980, along with appeals of two rulings made by the ALJ prior to issuance of her recommended determination. 1/ Specifically, Loctite requests that the Commission reject the recommended determination and allow withdrawal of its concessions of patent invalidity and noninfringement. Loctite also seeks to appeal (1) the ALJ's denial of Loctite's motion (Motion No. 71-33) to suspend the investigation pending final action by the Patent and Trademark Office concerning its reissue application, and (2) the ALJ's denial of Loctite's motion (Motion No. 71-30) to amend the complaint to include allegations of infringement of U.S. Letters Patent 4,156,400.

The Issue of Violation

Having considered the record compiled in this proceeding, the Commission determines that there is no violation of section 337 in the importation into or sale in the United States of certain anaerobic impregnating compositions and components therefor. This determination is based on our conclusion that the claims in issue of complainant Loctite's '378 patent are invalid and therefore cannot be infringed. In view of our determination that there is no violation of section 337, we deny as moot complainant's motions (1) to amend

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1/ By order dated April 23, 1980, the Commission denied the Ultraseal respondents' request to be permitted to file a response to Loctite's exceptions and appeals.

the complaint to add allegations of infringement of U.S. Letters Patent 4,165,400 ("the '400 patent"), and (2) to suspend the investigation pending a final determination by the U.S. Patent and Trademark Office on the reissue application filed by complainant relating to its '378 patent.

Loctite's request to withdraw its concessions of patent invalidity and noninfringement is based upon its assertion that it was "unfairly surprised" "by the late citation of allegedly anticipating art" and therefore "unable to present a case at the hearing," leaving it no alternative but to concede patent invalidity and noninfringement. Loctite's Exceptions to the Recommended Determination and Appeals From Interlocutory Orders of Presiding Officer, pp. 2, 10. Because we believe that the evidence in this proceeding does not support a finding that Loctite was unfairly surprised, we decline to allow withdrawal of that firm's concessions of patent invalidity and noninfringement. Since the only unfair act or method of competition alleged by Loctite was infringement of claims 1, 4, and 12 of its '378 patent, and inasmuch as there can be no infringement of invalid patent claims, we are terminating the present investigation on the basis of a finding of no violation of section 337.

The prior art relied upon by Loctite in alleging surprise is U.S. Letters Patent 2,701,242 ("the Lynn patent") and U.S. Letters Patent 3,255,127 ("the von Bonin patent"). These patents were cited in the Ultraseal respondents' motion for summary determination of patent invalidity filed on January 24, 1980. The certificate of service attached to that motion indicates that it was delivered to Loctite's attorneys on January 21, 1980. The evidentiary hearing in this investigation began on March 10, 1980, i.e., 49 days

later. 1/ We find it difficult to understand how the citation of two patents a full 7 weeks prior to trial could have so disrupted Loctite's preparations for trial as to render it unable to put on a case. 2/

Loctite's response to the Ultraseal respondents' motion for summary determination of patent invalidity was filed on February 1, 1980. In that response, Loctite did not assert that its trial preparations would be disrupted. Rather, the tenor of Loctite's response was one of disbelief that the Ultraseal respondents would even suggest that the '378 patent is invalid as anticipated by the Lynn and von Bonin patents. Loctite's response stated that only when the Ultraseal respondents were able to unearth prior art containing all the features claimed in the '378 patent would it "be time to examine that prior art with real concern for the validity of the ('378) patent. (They have) most certainly not found such prior art in either the Lynn or von Bonin patents." (Emphasis added.) Loctite's Opposition to Motion for Summary Determination of Patent Invalidity, p. 3. We find it remarkable that the same prior art that Loctite dismissed as of no consequence when first brought to that firm's attention is now alleged to be of such overriding importance.

Finally, we note that Loctite did not allege unfair surprise with respect to the Lynn and von Bonin patents at the time respondents' motion for summary determination of patent invalidity was filed, or even during the March 10

1/ The evidentiary hearing was originally scheduled to begin on March 3, 1980; on February 28, 1980, the ALJ announced that the commencement of the hearing was postponed until March 10, 1980.

2/ We are aware of no evidence of record indicating that the Ultraseal respondents deliberately delayed apprising Loctite of the Lynn and von Bonin patents in order to gain a tactical advantage. In any event, both patents are matters of public record, as readily available to Loctite as to the Ultraseal respondents.

hearing, at which the concession of patent invalidity was made. Rather, it was not until Loctite submitted its exceptions to the recommended determination on April 8 that the allegation of unfair surprise was first brought up. 1/

The ALJ has recommended that this investigation be terminated by granting Loctite's motion to withdraw its complaint with prejudice. In light of Loctite's concessions that the claims in issue of its '378 patent are invalid and therefore not infringed, we consider it more appropriate to terminate this investigation on the basis of a determination of no violation of section 337. The practical effect of either mode of termination would appear to be the same: in either case Loctite will be precluded from initiating a new section 337 investigation involving the same respondents and the same claim or cause of action. 2/

1/ We note in passing that between the date the ALJ issued her recommended determination (March 12) and the date of submission of Loctite's exceptions (April 8), Loctite changed the legal counsel representing it.

2/ It is unnecessary for us to decide now whether Loctite should be precluded from initiating a new section 337 investigation on the basis of the '400 patent and/or a reissued '378 patent. That question can be resolved when and if a second complaint is filed by Loctite at some time in the future. We note in passing, however, that Loctite's (former) counsel stated at the hearings before the ALJ that if the '378 patent is (1) not reissued or (2) reissued with identical specification and claims, then complainant did not intend to proceed further at the Commission. Transcript, pp. 460, 581-583.