In the matter of:

CERTAIN SKATEBOARDS AND PLATFORMS THEREFOR

Investigation No. 337-TA-37

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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of CERTAIN SKATEBOARDS AND PLATFORMS THEREFOR	Investigation No. 337-TA-37

COMMISSION DETERMINATION AND ORDER

After an investigation conducted under the authority of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), the U.S. International Trade Commission determined on November 13, 1978, that there were no unfair methods of competition or unfair acts in the importation of certain skateboards and platforms therefor into the United States, or in their sale in the United States by the owner, importer, consignee, or agent of either, the effect or tendency of which was to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission's determination was appealed to the U.S. Court of Customs and Patent Appeals pursuant to section 337(c) (19 U.S.C. 1337(c)). On December 20, 1979, that court reversed the Commission's determination that there was no violation of section 337, and remanded the case to the Commission for action consistent with the court's opinion. 1/

The purpose of this Commission determination and order is to provide for final disposition of the Commission's investigation on skateboards.

1/ Stevenson v. U.S. International Trade Commission et al., 612 F.2d 546, 204 USPQ 276 (CCPA 1979).

Determination

Having reviewed the record compiled in this investigation, the Commission on August 13, 1980, DETERMINED--

1. That there is a violation of section 337 of the Tariff Act of 1930 in the importation into and sale in the United States of certain skateboards by the owner, importer, consignee, or agent of either, the effect or tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States;

2. That the appropriate remedy for such violation is to direct that skateboards and platforms therefor manufactured abroad which infringe claims 1, 2, 7, or 8 of U.S. Letters Patent 3,565,454 be excluded from entry into the United States for the term of said patent, except where such importation is licensed by the owner of said patent;

3. 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 skateboards and platforms therefor should be excluded from entry; and

4. That the bond provided for in subsection (g)(3) of section 337 of the Tariff Act of 1930 should be waived.

Order

Accordingly, it is hereby ORDERED--

1. That skateboards and platforms therefor which infringe claims 1, 2, 7, or 8 of U.S. Letters patent 3,565,454 are excluded from entry into the

United States for the term of said patent, except where such importation is licensed by the owner of said patent;

2. That skateboards and platforms therefor ordered to be excluded from entry are entitled to entry into the United States without bond from the day after this order is received by the President pursuant to section 337(g) of the Tariff Act of 1930 until such time as the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after such date of receipt;

3. That this order and determination be published in the Federal Register and served upon each party of record in this investigation and upon the U.S. Department of Health and Human Services, the U.S. Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury; and

4. That the Commission may amend this order at any time.

By order of the Commission

Kenneth R. Mason
Secretary

Issued: October 9, 1980

OPINION OF CHAIRMAN ALBERGER, VICE CHAIRMAN CALHOUN,

AND COMMISSIONERS MOORE AND BEDELL

Procedural History

At the conclusion of an investigation conducted pursuant to section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), the Commission determined on November 13, 1978, that there was no violation of section 337 in the importation into and sale in the United States of certain skateboards and platforms therefor. The Commission's determination was based on its conclusion that the relevant claims of the patent in controversy in that investigation ("the Stevenson patent") were, for the purpose of section 337, invalid as obvious within the meaning of 35 U.S.C. 103. 1/

On January 12, 1979, complainant Richard L. Stevenson appealed the Commission's determination to the U.S. Court of Customs and Patent Appeals (CCPA) pursuant to section 337(c). In a decision handed down on December 20, 1979, the CCPA reversed the Commission's determination that there was no violation of section 337, and remanded the case to the Commission "for action consistent with (the CCPA's) opinion." 2/

1/ The Stevenson patent is directed to a skateboard, the aft section of which comprises an inclined foot-depressible lever (commonly referred to as a kicktail) sloped upwardly and rearwardly from the skateboard. By depressing the lever with his rear foot, a rider of the skateboard is able to facilitate turning the board through various spinning maneuvers known in the sport as wheelies or kick turns.

2/ Stevenson v. U.S. International Trade Commission et al., 612 F.2d 546, 204 USPQ 276 (CCPA 1979).

On October 24, 1979, the District Court for the Central District of California held the Stevenson patent invalid as obvious in connection with domestic infringement actions brought by Stevenson against three California firms. 3/ The District Court's ruling, which granted defendants' motion for summary judgment of patent invalidity, was appealed to the U.S. Circuit Court of Appeals for the Ninth Circuit on November 20, 1979. That appeal is currently pending.

On January 10, 1980, New Zeal Enterprises et al., Taiwanese respondents in the Commission's skateboard investigation and coappellees in the CCPA appeal, filed a petition for rehearing with the CCPA regarding its decision in the Stevenson appeal. That petition was denied without opinion on February 28, 1980, and the CCPA's mandate remanding the case to the Commission issued on March 7, 1980.

In response to the CCPA's remand, the Commission published a notice in the Federal Register of March 27, 1980 (45 F.R. 20252), stating in part as follows:

> Inasmuch as the U.S. Court of Customs and Patent Appeals has found the relevant claims of the (Stevenson) patent . . . to be valid, enforceable, and infringed for the purpose of section 337, and since the active parties to the Commission's investigation stipulated to the issues of importation, effect or tendency to destroy or substantially injure the domestic industry, and efficient and economic operation of the domestic industry, the Commission considers that a violation of section 337 has been established. Prior to final disposition of the investigation, the Commission requests parties to the investigation, interested agencies, public-interest groups, and any other interested members of the

3/ Three cases were consolidated before Judge Robert Firth: Stevenson v. Mojo Boards et al. (CV 75-2297-RF), Stevenson v. Grentec, Inc. (CV-75-3233-RF), and Stevenson v. Wayne Brown d.b.a. Wayne Brown Surfboards (CV 75-4155-RF).

> public to submit (by April 28, 1980) written comments and information concerning the remedy, bonding, and public interest aspects of the case.

In response to the Commission's notice, comments were submitted on behalf of all the active parties to the Commission's skateboard investigation--complainant Stevenson, the Taiwanese respondents, and the Commission investigative attorney.

The Issue of Violation

As reflected in the Commission's notice of March 27, 1980, we find that a violation of section 337 has been established. Before this investigation can be concluded, however, we must consider the remedy, bonding, and public-interest aspects of the case.

Remedy

We believe the appropriate remedy in this case is an exclusion order. Exclusion has been the usual remedy applied in patent-based section 337 cases. The advantage of an exclusion order is that it is directed against all infringing imports irrespective of their source, rather than at particular foreign exporters and/or domestic importers as would be the case with a cease and desist order. An exclusion order thus relieves the patent owner of the potential burden of having to maintain successive suits against exporters and/or importers not covered by a Commission cease and desist order. An exclusion order is especially appropriate in this case. Because of the simple design and relatively low production cost of the product involved, the number of potential foreign manufacturers and domestic importers of infringing skateboards is large.

Bonding

Two of us (Chairman Alberger and Vice Chairman Calhoun) believe that infringing skateboards and platforms therefor should be allowed entry into the United States without bond during the Presidential review period. 1/ We find the record in this proceeding to be lacking in the type of evidence (prices, costs, and so forth) we would need to determine a bond in an "amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article." 2/ Under the circumstances, we believe that imposition of a bond would be unwarranted. 3/

The public interest

In cases where it has determined that there is a violation of the statute, the Commission is directed by section 337(d) to exclude the articles in question "unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be

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1/ A majority of the Commission is of this view. See Dissenting Opinion of Commissioner Paula Stern, footnote 1.

2/ U.S. Senate, Trade Reform Act of 1974: Report of the Committee on Finance . . ., S. Rept. No. 93-1298 (93d Cong., 2d Sess.), 1974, p. 198.

3/ Commissioners Moore and Bedell would impose a bond in the amount of 50 percent of the value of the imported skateboards or platforms therefor. They are aware that the record in this investigation is incomplete insofar as it concerns the question of bonding. However, in their view sec. 337 contemplates that a bond of some amount be determined by the Commission in patent-based cases where an exclusion order may issue. To do otherwise subjects the domestic industry to the unreasonable risk that large numbers of infringing articles will be imported during the Presidential review period.

excluded from entry." We have considered the effect of exclusion on the public-interest factors enumerated in section 337(d), and conclude that exclusion is not precluded in this case.

It has been argued that exclusion is inappropriate in this case in light of the district court's decision in California ("the California decision"). The contention is that the California decision creates a situation of trade discrimination, i.e., a situation wherein the Stevenson patent is enforceable against foreign but not domestic manufacturers of kicktail skateboards. Such a situation could, it is argued, have a potentially disruptive effect on competitive conditions in the U.S. economy, one of the factors to be considered when the Commission determines whether exclusion would be in the public interest.

Chairman Alberger and Vice Chairman Calhoun believe that a Commission exclusion order does not currently create a discriminatory nontariff barrier, and that any future possible adverse effect exclusion would have on competitive conditions in the U.S. economy will be considered if and when the enforceability of the Stevenson patent against domestic infringers is finally resolved. Inasmuch as the California decision holding the Stevenson patent invalid has been appealed to the Ninth Circuit and may subsequently be reversed, would-be domestic infringers cannot rely on that decision to insulate themselves from liability for compensatory damages should they later be sued for infringement. 1/ Until a final judgment of invalidity is made by

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1/ The only effect of the U.S. Supreme Court's holding in Blonder-Tongue Laboratories v. University of Illinois Foundation, 402 U.S. 213 (1971), is to prevent Stevenson from maintaining another infringement action against a third party unless and until the California decision is reversed on appeal, thereby restoring the statutory presumption of validity to the Stevenson patent.

either the U.S. Supreme Court or, in the event certiorari is sought and denied, the Ninth Circuit, unlicensed domestic manufacturers of kicktail skateboards proceed at their peril. Thus, the situation presented by the instant case differs little from that presented in previous cases of exclusion where no conflicting Federal court decisions were present.

The reasons of Chairman Alberger and Vice Chairman Calhoun for not refusing to exclude on public-interest grounds are limited to the preceding discussion.

Commissioners Moore and Bedell note that, in their view, the Commission, as distinct from the President, ought not to concern itself with potential trade discrimination against foreign infringers. Section 337(g)(2) provides that the President may disapprove a Commission remedial order "for policy reasons." In commenting on that section, the Senate Finance Committee recognized that "the granting of relief against imports could have a very direct and substantial impact on United States foreign relations, economic and political." 1/ Trade discrimination, clearly relates to "United States foreign relations, economic and political," and is, therefore, a factor to be considered by the President under section 337(g)(2) rather than by the Commission under section 337(d).

1/ Trade Reform Act: Report of the Committee on Finance . . ., p. 199.

DISSENTING OPINION OF COMMISSIONER PAULA STERN

I dissent from the views of my fellow Commissioners on the question of public interest and, therefore, from the decision reached at this time by the majority in this investigation. 1/

The Commission has the authority to suspend this investigation. 2/ Unfortunately, neither the statute nor the legislative history identifies specific public interest factors to be considered in determining whether to suspend a particular 337 proceeding. In contrast, in considering the issuance of exclusion or cease and desist orders, sections 337(d), (e) and (f) require the Commission to take into account the impact such measures might have 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. In my view, these considerations are also appropriate in determining whether suspension of a particular 337 proceeding is in the public interest. 3/

1/ I concur with all four of my fellow Commissioners as to the procedural history, the issue of violation, and the remedy in this investigation. I concur with Chairman Alberger and Vice Chairman Calhoun that no bond is required during the Presidential review period.

2/ 19 U.S.C. 1337(b)(1).

3/ In Certain Poultry Disk Picking Machines and Components Thereof, Inv. No. 337-TA-78, the Commission voted to suspend and approved an opinion stating that public interest factors are to be considered when a 337 investigation is suspended. However, the parties entered a settlement agreement and filed a motion to terminate the investigation and, thus, the Commission revoked its suspension action and did not issue an opinion.

The Commission has suspended investigations in four other section 337 cases. 4/ Like this case, these earlier cases all involved concurrent court proceedings. In the four previous cases, the suspensions all occurred before the Commission had ruled on validity and infringement. However, I feel that public interest is just as compelling a reason for suspension in this case as were the questions of law and fact relevant to the issues of validity and infringement in the prior cases.

In my view, public interest considerations should lead the Commission to suspend this investigation until the concurrent court proceedings now before the federal courts have produced a final judgment regarding the validity of the Stevenson patent. The Commission's consideration of the public interest that Congress intended to be paramount in section 337 decisions must not be abdicated. 5/ It is important to keep in mind that section 337 is a trade statute. It is not a patent statute in which a remedy issues automatically upon a finding that a valid and enforceable patent has been infringed. Trade discrimination, here the exclusion of foreign competitors, undoubtedly affects the conditions of competition in the United States economy and until such time as the courts resolve the issue of the validity of the Stevenson patent, the public interest is not served by fostering the trade discrimination that will inevitably result from the issuance of an exclusion order.

4/ Inv. 337-TA-3, Doxycycline; Inv. 337-TA-23, Certain Color Television Receiving Sets; Inv. 337-TA-36, Certain Plastic Fastener Assemblies; and Inv. 337-TA-64, Certain High-Voltage Circuit Interrupters and Components Thereof.

5/ U.S. Senate, Trade Reform Act of 1974; Report of the Committee on Finance . . . , S. Rept. No. 93-1298 (93d Cong., 2d Sess.), 1974, p. 197. See also McDermid, The Trade Act of 1974; Section 337 of the Tariff Act and the Public Interest, 11 Vand. J. Transnat'l L. 421 (1978); Rosenthal & Sheldon, Section 337: A View from Two within the Department of Justice, 8 Ga. J. Int'l & Comp. L. 47 (1978).

The District Court action in this case has weakened, if not removed, the presumption of validity of the Stevenson patent. This means, at a minimum, that unlicensed domestic manufacturers will feel less inhibited in the production of the subject skateboards. A patentee whose patent is adjudged invalid after a full and fair opportunity to litigate the issue of validity is collaterally estopped from ever again suing anyone for infringement of his patent. 6/ It may be true that such manufacturers could be liable for compensatory damages at some point in the future, should the District Court decision be reversed on appeal. However, they would certainly be more willing to take this risk than in a situation where there is no District Court decision of invalidity present.

Meanwhile, the course of action taken by the majority of the Commission will eliminate import competition. Unlicensed domestic manufacturers will be encouraged to enter the U.S. kicktail skateboard market on the basis of the District Court decision of invalidity, while imports will be excluded on the basis of the finding of validity in this investigation. This is clearly different from a situation where there is no District Court decision and unlicensed domestic manufacturers are confronted by a patent with its presumption of validity intact.

6/ See Blonder-Tongue Laboratories v. University of Illinois Foundation, 402 U.S. 313 (1971). A judgment of invalidity in a suit against one infringer accrues to the benefit of any other accused infringer unless the patent owner shows that he did not have a fair opportunity procedurally, substantively and evidentially to pursue his claim the first time. Chisum, Patents (New York: Mathew Bender, 1979), vol. 4, p. 19-21; Rosenberg, Patent Law Fundamentals (New York: Clark Boardman Co., Ltd., 1975), p. 305.

It is clear from the majority opinion that Chairman Alberger and Vice Chairman Calhoun recognize and accept that the issue of trade discrimination is a public interest factor to be considered when assessing the effect of the remedy on competitive conditions in the U.S. economy. They state "that a Commission exclusion order does not currently create a discriminatory nontariff barrier, and that any future possible adverse effect exclusion would have on competitive conditions in the U.S. economy will be considered if and when the enforceability of the Stevenson patent against domestic infringers is finally resolved." I differ from Chairman Alberger and Vice Chairman Calhoun in that I believe that the time to act to avert trade discrimination is now. The public interest dictates of the statute require the Commission to prevent, not encourage, trade discrimination.

If the concurrent federal court proceedings involving the Stevenson patent result in a final judgment of invalidity, the majority's action in this investigation will have created a situation of permanent trade discrimination between domestic and foreign manufacturers. The only way to remedy this situation would be to reopen this section 337 investigation, and the Commission has never before reopened a previously terminated section 337 case.

A remedy should not be issued in this case until the adverse impact on competitive conditions in the U.S. economy is eliminated. The Commission has the authority to resolve this issue. Commissioners Moore and Bedell correctly point out that this factual situation could also lead to the

President's disapproving the majority's remedial order on the basis of a negative impact on United States foreign relations. 7/ However, this same factual situation of trade discrimination is also having a negative impact on competitive conditions in the U.S. economy and should, therefore, be resolved by the Commission in order to assure protection of that portion of the public's interest which is in our charge.

7/ 19 U.S.C. 1337(g)(2).