

In the Matter of

**CERTAIN APPARATUS FOR  
THE CONTINUOUS PRODUCTION  
OF COPPER ROD**

(Action, Order, and Opinions  
Concerning Temporary Relief)

Investigation No. 337-TA-89

USITC PUBLICATION 1132

APRIL 1981



# **UNITED STATES INTERNATIONAL TRADE COMMISSION**

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UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

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Investigation No. 337-TA-89

COMMISSION DETERMINATION AND ORDER

Introduction

The United States International Trade Commission is conducting an investigation under the authority of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) into alleged unfair methods of competition and unfair acts in the unauthorized importation of certain apparatus for the continuous production of copper rod into the United States, 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 October 23, 1980, the Commission determined that there is reason to believe that there is a violation of section 337 and that the domestic industry would suffer immediate and substantial harm in the absence of temporary relief. Therefore, the Commission ordered that the rolling mill described by claims 7, 9, 11 or 12 of U.S. Letters Patent 4,129,170 and components of such rolling mill be excluded from entry, under section 337(e), except under bond. The Commission's determination and order follow immediately.

Determination

Having reviewed the record compiled in this investigation, including (1) the submissions filed by the parties, (2) the transcript of the evidentiary hearing before the Administrative Law Judge (ALJ) and the exhibits which were accepted into evidence in the course of that hearing, (3) the recommended determination of the ALJ, and (4) the arguments made by the parties at the public hearing before the Commission on October 15, 1980, the Commission on October 23, 1980, determined--

1. That with respect to the Krupp respondents in investigation No. 337-TA-89, there is reason to believe that there is a violation of section 337 of the Tariff Act of 1930, in the unauthorized importation into the United States of certain apparatus for the continuous production of copper rod or in their sale by the owner, importer, consignee, or agent of either, the 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 the rolling mill described by claims 7, 9, 11, or 12 of U.S. Letters Patent 4,129,170 and components of such rolling mills be excluded from entry under section 337(e);
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 articles should be excluded from entry; and
4. That the bond provided for in subsection (e) of section 337 of the Tariff Act of 1930 be in the amount of 100 percent ad valorem of the imported article (ad valorem to be determined in accordance with section 402 of the Tariff Act of 1930 (19 U.S.C. 1401a)).

Order

Accordingly, it is hereby ordered--

1. That any rolling mill described by claims 7, 9, 11, or 12 of U.S. Letters Patents 4,129,170 and components of such rolling mills, not otherwise authorized for importation, be excluded from entry into the United States until a final determination by the Commission under section 337(c) in investigation No. 337-TA-89;

2. That the articles ordered to be excluded from entry are entitled to entry into the United States under bond in the amount of 100 percent ad valorem, as provided by section 337(e) (ad valorem to be determined in accordance with section 402 of the Tariff Act of 1930 (19 U.S.C. 1401a));
3. That notice of this order be published in the Federal Register and that this order and the opinion in support thereof be served upon each party of record to this investigation and upon the 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 29, 1980



## OPINION OF THE COMMISSION

### Procedural Background

In a previous investigation, Certain Apparatus for the Continuous Production of Copper Rod, inv. No. 337-TA-52 (the '52 case), the Commission considered allegations of Southwire Company that 7 of its patents had been infringed and 14 of its trade secrets had been misappropriated. On November 23, 1979, the Commission issued its final determination in the '52 case. It found that one patent, U.S. Letters Patent 3,317,994, (the '994 patent) had been infringed and that two trade secrets (Trade Secrets 5 and 11) had been misappropriated.

One of the patents in issue in the '52 case was U.S. Letters Patent 4,129,170 (the '170 patent). That patent is the apparatus equivalent of the '994 method patent that was found to be infringed. In its final determination in the '52 case the Commission found that the '170 patent was valid but not infringed. The Commission stated that the '170 patent was issued after the importation of the Krupp systems had taken place, and that therefore the '170 patent had not been infringed. The Commission indicated in its Opinion, however, that if a Krupp system like the one found to infringe the '994 patent were imported by Phelps Dodge Corp., 1/ the '170 patent would be infringed.

In the spring of 1979, Krupp entered into a contract with Phelps Dodge for the sale of a Krupp continuous copper rod system for a facility in

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1/ At the time of the final determination in the '52 case the Commission was aware that Phelps Dodge and Krupp had signed a letter of intent to build a Krupp system in the U.S. However, importation of that system was not imminent at the time.

Norwich, Connecticut. On April 2, 1980, Krupp requested an advisory opinion as to whether the Phelps Dodge system would comply with the cease and desist orders. On July 14, 1980, the Commission issued an advisory opinion which told Krupp that a system built in the manner described by Krupp would not violate the orders. Krupp was told that if the first compression had more than a marginal effect on the columnar dendritic structure, Krupp had designed a system that did not infringe the '994 patent.

On July 29, 1980, Southwire Company filed a complaint with the Commission alleging that unfair methods and unfair acts existed under section 337 by reason of the infringement of claims 7, 9, 11, and 12 of the '170 patent. Southwire seeks a temporary exclusion order (TEO) and a temporary cease and desist order based on the importation in the near future of a system or systems which are alleged to violate the '170 patent.

The system designed by Krupp for Phelps Dodge has a rolling mill with a first stand which takes a reduction of                      followed by a second stand reduction of                      The Administrative Law Judge (ALJ) found that the first roll stand can be adjusted to reduce the bar in any amount up to about                      , but it is designed to operate at about a                      reduction. The function of the rolling mill is to hot work the cast copper and reduce it to the size of copper rod. The '170 patent calls for a initial single compression of at least 36% to "substantially completely" destroy the columnar dendritic structure of cast copper. The initial severe reduction is advantageous since it results in resistance to cracking and splitting during the hot forming of copper rod. In the prior art such cracking and splitting had been a serious problem.

On August 12, 1980, the Commission issued a notice of investigation based upon Southwire's complaint. The two respondents named were Fried. Krupp G.m.b.H. and Krupp International Inc. The ALJ issued her recommended determination regarding temporary relief on September 26, 1980. She recommended that the Commission find that there is reason to believe there is direct infringement of the '170 patent because the Krupp system sold to Phelps Dodge is capable of adjustment to infringe the patent. She recommended that the Commission not impose a TEO, however, because Southwire had not shown immediate and substantial harm.

On October 23, 1980, we determined that there is reason to believe there is a violation of section 337 and voted to issue a temporary exclusion order, excluding from entry into the U.S. rolling mills described by claims 7, 9, 11, or 12 of the '170 patent. The Chairman of the Commission notified the Secretary of the Treasury of the Commission's action, as required by section 337(e), on October 23.

#### Jurisdiction

The Administrative Law Judge found that there is Commission jurisdiction over the matter in controversy here under 19 U.S.C 1337. The Commission agrees with that conclusion. Krupp and Phelps Dodge have entered into a contract for sale of a continuous copper rod system to be used by Phelps Dodge at Norwich, Connecticut. The proposed importation of the system is occurring, with a significant portion already imported. (Hirschfelder dep. p. 57, 131; Schwarz, tr. 472.)

The Legal Standard for a TEO

Section 337(e) states that the Commission may issue a temporary exclusion order if it finds that there is reason to believe that there is a violation of section 337. The evidentiary standard for establishing a reason to believe was discussed by the Senate Finance Committee in its report on the Trade Act of 1974. 1/

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 by the Commission of the Secretary of the Treasury of its action directing exclusion. (Emphasis added)

The above quotation makes clear that in order to obtain temporary relief a complainant need not produce sufficient information to establish violation under section 337; only in a final determination need a complainant show violation by a preponderance of the evidence. In previous Commission determinations regarding temporary relief, the Commission enunciated a balancing test but required that violation be established by a preponderance of the evidence. To the extent that the TEO determinations in Chicory Root--Crude and Prepared, Inv. No. 337-TA-27 (1976) and Certain Luggage Products, Inv. No. 337-TA-39 (1978) rely upon a preponderance of the evidence test, they will no longer be followed.

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1/ S. Rept. 93-1298 (93d Cong., 2d sess.), 1974, pp. 197-198.

Before ordering the TEO remedy, the Commission must also ensure that the public interest factors listed in the statute will not be adversely affected. The Commission has, in its discretion, further required complainant to establish that it is equitably entitled to relief, by showing that the domestic industry would suffer immediate and substantial harm in the absence of temporary relief and that the adverse impact on other parties is not disproportionate.

The standard that the Commission uses in balancing these factors in determining whether a TEO should issue is similar to that set forth by the U.S. Court of Appeals for the District of Columbia in Washington Metropolitan Area Transit Comm. v. Holiday Tours, 559 F.2d 841 (D.C. Cir. 1977). In that case the D.C. Circuit made clear that the factors that it had enunciated in Virginia Petroleum Jobbers v. FPC, 259 F.2d 921 (D.C. Cir. 1958) were to be balanced against each other in deciding whether temporary injunctive relief should issue.

Judge Leventhal, writing for the court, stated:

. . . we hold that under Virginia Petroleum Jobbers a court when confronted with a case in which the other three factors strongly favor interim relief may exercise its discretion to grant a stay if the movant has made a substantial case on the merits. The court is not required to find that ultimate success by the movant is a mathematical probability, and indeed, as in this case, may grant a stay even though its own approach may be contrary to movant's view of the merits. The necessary "level" or "degree" of possibility of success will vary according to the court's assessment of the other factors. 559 F.2d at 843.

The analysis followed by the D.C. Circuit regarding the balancing of factors has also been applied by the Second Circuit. See Hamilton Watch Co.

v. Benrus Watch Co., 206 F.2d 738, (2d Cir. 1953). In sum, in determining whether to issue temporary relief under section 337(e), the Commission will balance the evidence of a violation and the evidence that complainant will suffer immediate and substantial harm absent the granting of such relief against the evidence of any adverse impact on other parties. The Commission will, of course, also consider the impact on the public interest pursuant to section 337(e).

#### The Alleged Violation

The patent in issue in this investigation is a combination patent.

Combination patents were defined by the Supreme Court in Prouty v. Ruggles, 16 Pet. 336, 341 (1842), as patents in which--

None of the parts referred to are new, and none are claimed as new; nor is any portion of the combination less than the whole claimed as new, or stated to produce any given result. The end in view is proposed to be accomplished by the union of all arranged and combined together in the manner described.

In domestic patent law, a combination patent "protects only against the operable assembly of the whole . . . ." Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 528 (1972). The present investigation, however, has not been brought under the domestic patent laws, but under section 337. Section 337 prohibits unfair methods of competition and unfair acts, not patent infringement per se. The Commission has long recognized patent-based actions as involving unfair methods of competition and unfair acts within the meaning of section 337, and these actions have been upheld on appeal. See Frischer Co. v. Bakelite Corp., 39 F.2d 247 (CCPA 1930), cert. den. 282 U.S. 852 (1930). While the Commission often looks to domestic patent law for guidance in determining what constitutes an unfair method of competition or unfair act,

it is clear that our jurisdiction is not limited to the strict application of analogous laws.

The Commission, under the authority granted to it in section 337, may prevent unfair acts in their incipiency. As the Senate Finance Committee stated in its report on the predecessor statute to section 337: "The provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice. . . ." 1/ In this respect, section 337 is analogous to section 5 of the Federal Trade Commission Act (15 U.S.C. 45). The Supreme Court, in interpreting the scope of section 5, has stated:

it was the object of the Federal Trade Commission Act to reach not merely in their fruition but also in their incipiency combinations which could lead to these and other trade restraints and practices deemed undesirable. 2/ (Emphasis added.)

In the present case, Southwire has raised issues and presented evidence of a magnitude substantial enough for the Commission to have reason to believe that section 337 is being violated. Southwire has shown that Krupp has sold a system in the United States that combines a rolling mill, manufactured in West Germany, with a caster manufactured in the United States. Krupp provides the technical advice to combine the caster and the rolling mill. The ALJ found that a caster and rolling mill, combined to Krupp's specifications, would be capable of infringing the '170 patent. The Commission is not now making a

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1/ S. Rept. No. 595, 67th Cong., 2d Sess. (1922) 3.

2/ Fashion Originators Guild v. Federal Trade Commission, 312 U.S. 457, 466 (1941). See also Federal Trade Commission v. Motion Picture Advertising Service Co., 344 U.S. 392, 394-5, 400-01 (1953) and Federal Trade Commission v. Brown Shoe Co., 384 U.S. 316, 322 (1966).

final determination regarding violation of section 337; it may be that Krupp will ultimately prevail in persuading the Commission that its acts are not cognizable under section 337. Clearly, however, the "reason to believe" standard has been met.

### Validity

The ALJ ruled in this investigation that the Commission's finding of validity in the '52 case was binding on the present case because the issue of validity was litigated fully by the same parties and the Commission expressly decided the issue. The basic issues with regard to the applicability of res judicata are whether it has been shown that there are:

- (1) an identity of claims and issues;
- (2) an identity of parties; and
- (3) a final decision on the merits. 1/

In the present case, there is no dispute that requirements 1 and 2 are met. The only question here is whether there has been a final determination on the merits. In deciding whether there is such a final determination on the merits, the crucial question is whether the Commission's findings on the validity of the '170 patent in the '52 case were essential to its judgment. If those findings are in the nature of obiter dicta, res judicata will not apply. If the findings were essential to the decision, the doctrine will apply.

In the '52 case the Commission's findings with regard to validity were more than dicta. In Coleco Industries v. USITC, 573 F.2d 1247, 1252 fn. 5

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1/ Cromwell v. County of Sac, 94 U.S. 351 (1876).

(CCPA 1978), the Court of Customs and Patent Appeals stated: "To obviate a remand on validity, in the event of a reversal of a finding of noninfringement, it would be advisable for the Commission to render a decision on all appealable issues presented to it." Thus it is clear that the CCPA considered the Commission's findings on validity more than mere dicta in Coleco, despite the Commission's finding of noninfringement. The status of the earlier Commission determination of validity of the '170 patent is the same as the status of those findings in Coleco. 1/

Even if the validity finding is not res judicata, the Commission believes that Southwire has met the "reason to believe" standard set out in section 337(e). As has been discussed above, "reason to believe" does not require a showing by a preponderance of the evidence that there is a violation of section 337. A substantial amount of evidence was incorporated in the '52 investigation regarding the validity of the '170 patent. Moreover, in the earlier case, all parties to the present case were given an opportunity to present and cross-examine witnesses. The parties have therefore had a fair opportunity to litigate this issue and there is sufficient evidence of record to meet the "reason to believe" standard.

In the present case, Krupp's right to contest the validity of the '170 patent on appeal has been fully preserved. The ALJ has incorporated the record of the '52 case with regard to validity into the present case. Krupp

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1/ The Commission expresses no opinion here regarding the effect that the addition of the Phelps Dodge Corporation as a respondent will have on the res judicata effect of the validity finding in the final determination in this investigation.

will therefore have a full opportunity to contest the Commission's finding with regard to validity on appeal, if it chooses to do so.

#### Direct Infringement

Our discussion of direct infringement here is limited to a system in which a        percent reduction is actually made in the first roll stand of the rolling mill. Southwire has argued that, even if a        percent reduction is made in the first roll stand and a        percent reduction is made in the second roll stand, there would nevertheless be a direct infringement of the '170 patent. This issue is to be distinguished from the argument also made by Southwire that the Krupp system is infringing under the doctrine of capacity to infringe and our analysis of incipient direct and contributory infringement discussed infra, at pages 12-15.

This investigation involved four claims of the '170 patent (claims 7, 9, 11, and 12). These four claims were also considered during the '52 investigation. In that case, the Commission stated that "If a system similar to that sold to Asarco were sold by Krupp to another U.S. purchaser (such as Phelps Dodge), this would infringe claims 2, 7, 9, 11, and 12 of the '170 patent." (Memorandum Opinion, pp. 23-24) The Commission found in the '52 case that Asarco had used a first roll pass reduction of greater than 36 percent in its system. (Memorandum Opinion, p. 15.) The Commission also found that a system imported for Nassau/Gaston would infringe the '170 patent with less than 36 percent reduction through the doctrine of equivalents. (Memorandum Opinion, pp. 15-16.)

In the present case, the ALJ found that there is no reason to believe that Krupp would directly infringe any of the claims in issue. In doing so,

she applied a preponderance of the evidence test. We agree with the ALJ that there is no reason to believe that the claims are infringed. We come to that conclusion applying the evidentiary threshold that we have enunciated in this case. The ALJ found that claims 7 and 9 would not be infringed for two reasons. First, it was not proved that the as-cast grain structure would be completely destroyed in the      percent second stand, even if the      percent reduction was not made. Second, Southwire did not meet its burden of showing that the      percent reduction destroys only an insignificant amount of as-cast grain structure so that the second stand could not substantially completely destroy that structure in a single compression, rather than in two successive compressions.

With regard to claim 11, the ALJ found that there is no reason to believe there is direct infringement for two reasons. We agree with her conclusions. First, since the first stand appears to destroy a significant amount of the grain structure, the second stand would not "substantially completely" destroy the as-cast grain structure in a single compression. Second, claim 11 requires that the means for destroying the as-cast grain structure be between the casting means and the hot-forming means. In the system designed for Phelps Dodge, the second roll stand, which is described as substantially completely destroying the grain structure, is part of the hot-forming means.

The Commission also agrees with the ALJ with regard to claim 12. Claim 12 specifically requires at least a 36 percent reduction in "the first stand of said rolling mill." Since the      percent reduction in the Phelps Dodge

system functions as a hot-working stand, it must be considered to be the first stand of the rolling mill. Therefore, there is no reason to believe there is direct infringement of claim 12.

Doctrine of Equivalents

We agree with the ALJ that there has been no showing of a reason to believe there is a violation of section 337 under the doctrine of equivalents. The application of the doctrine of equivalents to claims 7 and 9 is limited by the file wrapper history of the patent. Southwire may not now claim apparatus that result in the destruction of the dendritic structure in more than one roll pass, having given up any such claim in order to obtain the patent. Southwire's doctrine of equivalents argument must fail with regard to claims 11 and 12 for the same reason. Even accepting arguendo that Southwire has met the test of Graver Tank and Mfg. v. Linde Air Products, 339 U.S. 605 (1950), that the Phelps Dodge system would perform substantially the same function in substantially the same way to obtain substantially the same result as the apparatus described in claims 11 and 12, Southwire's argument would still fail due to the file wrapper history of the '170 patent, regarding the need for a single compression.

Capability to Infringe

The ALJ found that the equipment sold to Phelps Dodge is capable of infringing the '170 patent. Specifically, she found that the first roll pass could be reduced below        percent or opened completely and the mill would continue to work. The ALJ also found that the difficulties that would be encountered by opening the mill or reducing the percentage reduction taken would not be serious.

The facts developed during this investigation were different in important respects from the hypothetical situation that was presented to the Commission during the Advisory Opinion Proceeding regarding the cease and desist orders issued in the '52 case. Of particular note is the screwdown mechanism that Krupp has designed for the Norwich system. In the Advisory Opinion Proceeding Krupp maintained that keeping the first roll stand at a reduction level was important for the operation of the mill. In the TEO proceeding, however, the ALJ found that in reality the mill could be operated without difficulty if the first stand reduction were reduced to a low percentage or even to zero. Furthermore, it was not clear from Krupp's Advisory Opinion submissions that the first roll stand could be adjusted much more easily than had been true in previous mills. In the Advisory Opinion Proceeding, Krupp also gave no indication that the copper bar samples that it presented were anything other than normal tough pitch copper.

We agree with the ALJ that, if the mill can be run with light reductions or with the first roll stand completely open, there is reason to believe that the Norwich system (including the Hazelett caster) is capable of infringing the '170 patent, and we accept her recommendation that capability of infringement has been shown. The leading modern case on the doctrine of capability of infringement is Huck Mfg. Co. v. Textron, 187 USPQ 388, 408 (E.D. Mich. 1975), in which the court indicated that for a manufacturer infringement may be determined by the use to which the device may reasonably be put or of which it is reasonably capable. Other cases also hold that an apparatus may be infringing where it is capable of infringing when used in a proper,

ordinary, normal, and effective way. As the court stated in Hansen v. Siebring, 142 USPQ 465, 472 (N.D. Iowa 1964):

It is clear that the case comes squarely within the rule that one cannot make a machine readily capable of being adjusted so as to infringe and then escape infringement by adding alleged improvements which are in actual practice not effective in achieving the result the machine is expected to achieve.

In the present case the first roll stand is reasonably capable of being adjusted to constitute an infringing component of the '170 patent. We agree with the findings of the ALJ that the problems of \_\_\_\_\_ and overfilling will not be serious problems if the first roll stand is adjusted to infringe. We also agree with the judge that the mill could operate without the first roll stand, since there is no electrical interlock except during startup of the mill.

A patent holder need not always show specific intent on the part of an alleged infringer in order to show infringement under the capacity-to-infringe doctrine. Specifically, a showing of intent of Krupp, the alleged infringer, is not necessary where Southwire, the patent holder, can show that the capability of infringing use is in the normal course of usage. In the present case, the first roll pass is easily adjustable to a setting that brings the rolling mill within the scope of the '170 patent. The Commission finds "reason to believe" that the Krupp apparatus is capable of infringing the '170 patent.

#### Contributory Infringement

Contributory infringement in domestic patent law is prohibited by 35 U.S.C. 271(c), which states:

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

We find today that there is reason to believe that Krupp is selling a system, a substantial portion of which will be imported into the U.S., which, when assembled, will infringe the '170 patent.

The ALJ found that there is no reason to believe that there is contributory infringement by Krupp in the present case because there has been no showing of the existence of direct infringement. The potential direct infringer in the present case would be the Phelps Dodge Corporation. Since the equipment has not yet been imported and set up, Phelps Dodge is not, in the ALJ's view, a direct infringer. We find, however, that there is reason to believe that contributory infringement will occur if the apparatus in question are not temporarily excluded from entry. The ALJ concludes that the advantages to Phelps Dodge of operating the system in an infringing manner would be outweighed by the fact that Phelps Dodge would not decide to risk a patent infringement action. (R.D., p. 15.) Risk of an infringement action is always involved if a patented article is used in an infringing manner. The important question is whether the technical benefits to Phelps Dodge in operating the apparatus in an infringing manner outweigh any technical disadvantages to operating the apparatus in that way. If it is likely that Phelps Dodge will operate the apparatus in an infringing manner to obtain an advantage, Phelps Dodge may be an incipient direct infringer of section 337. At this time, Southwire has shown that there is reason to believe that Phelps

Dodge will directly infringe the '170 patent and that Krupp will be a contributory infringer by selling components of a patented machine.

Definition of the domestic industry

The ALJ found that the domestic industry relates only to the manufacture of the rolling mill. In the '52 investigation, the Commission had decided that the domestic industry consisted of the divisions of Southwire devoted to the development, sale, servicing, and licensing of the Southwire copper rod production system as well as the Southwire Machinery Division, Morgan Construction Co., and Machinery Assembly Corp. (MACORP), 1/ subcontractors which manufacture portions of the Southwire system. In making that determination in the '52 case, the Commission said:

In determining the scope of the industry in this case we have examined the realities of the marketplace. Complainant's SCR system competes directly with the Krupp Contirod system for sales of continuous copper rod production systems. The apparatus and method patents and the 14 trade secrets at issue are intimately related to the sale of the complete system. That is to say, both the Krupp and the Southwire systems are sold as a "package" comprising apparatus components, licensing of patent and trade secret know-how, engineering and start-up operations and other technical assistance, etc. In addition, elements supplied by Southwire's subcontractors, Morgan and MACORP, comprise an integral portion of this package. Accordingly, for us to segment the industry in this investigation, as Krupp would have us do, would ignore realities of the market for continuous copper rod production systems.

We see no reason to define the domestic industry in the present investigation to be any narrower in scope than in the '52 investigation. The realities of the marketplace remain the same regarding the sale of the copper rod production apparatus as a "package." Although the present investigation

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1/ There is evidence in the record of the present investigation that MACORP went out of business in 1979.

involves one patent, rather than the one patent and two trade secrets found to have been violated in the '52 case, the marketplace is the same; Southwire's system competes with Krupp's system for sales of continuous copper rod production apparatus.

Injury to the Domestic Industry

The ALJ found that Southwire has not shown that "immediate and substantial harm" would occur if a temporary exclusion order is not issued. We reverse the ALJ on the injury question.

The ALJ bases her finding that there is no immediate and substantial injury on the fact that the record does not show that Phelps Dodge would purchase a system from Southwire if a TEO is issued. However, the purpose of a temporary exclusion order is to maintain the status quo pending a determination on permanent relief by the Commission. Southwire must therefore show that immediate and substantial harm would occur if the TEO is not issued. It need not show, however, that it will derive some positive benefit if the TEO is issued. As Commissioners Alberger and Bedell stated in Luggage Products, the relevant inquiry is "will substantial injury occur before the Commission is able to act on the request for permanent relief?"

Southwire has shown that it will suffer immediate and substantial harm if the TEO is not issued. The ALJ has stated: "If a TEO is not issued, Phelps Dodge will receive delivery of the Krupp system from Norwich, and the sale will be lost irretrievably to Southwire and Morgan." (R.D., p. 22). There is ample evidence in the record that the sale of a system for the continuous production of copper rod in the United States occurs infrequently. Thus, the

loss of even one sale of a copper rod system would result in substantial losses to the domestic industry. There is also evidence on the record that the importation of the system for Phelps Dodge is now occurring. Therefore, the immediate and substantial harm standard set by the Commission is met here.

#### The Effect on Krupp

Among the factors that the Commission considers in deciding whether to grant temporary relief is the effect that the relief would have on other parties. Here the effect on Krupp would not outweigh the immediate and substantial harm that would befall Southwire if a TEO is not issued. If Krupp is confident that it will prevail in the final determination, it can post the requisite bond and the articles can be delivered. If it does not post the bond, the delay in completing its deliveries is far outweighed by the harm to Southwire if the apparatus is imported into the United States.

#### Efficient and Economic Operation

In the '52 case, the Commission found that the domestic industry was efficiently and economically operated. In the present case, the ALJ recommends that the Commission find that the domestic industry remains efficiently and economically operated. We agree with the ALJ. No new evidence has been introduced that leads to the conclusion that the domestic industry is not efficiently and economically operated.

#### Relief, Bonding, and the Public Interest

##### Relief and Bonding

Section 337 allows the Commission to impose temporary relief with a temporary exclusion order under section 337(e) or with a temporary cease and

desist order under section 337(f). At the present time, it appears that a substantial part of the rolling mill has yet to be imported into the United States. Thus, it is our judgment that a temporary exclusion order will be an effective remedy, and thus a cease and desist order against Krupp will not now be issued. 1/

Section 337(e) allows entry into the United States under bond of goods that are subject to a temporary exclusion order. In the present case, the Commission is setting a bond of 100% of the value of the rolling mill.

In the present case, the only violation involves the rolling mill, and the only bond set is with regard to that mill. A higher bond is needed in this case than in the '52 case to offset the competitive advantage that Krupp enjoys due to the fact that a significant part of the rolling mill already has come into the U.S.

#### The Public Interest

Section 337(e) states that relief may be imposed under that subsection unless the Commission finds, after considering the effect of 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, such articles should not be excluded.

None of the public interest factors listed in section 337(e) precludes the imposition of a TEO. Although Phelps Dodge argues that the public

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1/ A cease and desist order against Phelps Dodge is not possible at this time since they were not made a party to this investigation until October 23, 1980. We do not rule out the possibility of such an order in the future, since the Commission ordered Phelps Dodge named as a party to this investigation on October 23, 1980. The formal notice of that action will be issued shortly.

interest would not be served by the loss of approximately 400 jobs at its Norwich plant, it is far from clear that those jobs will in fact be lost as a result of a TEO. In fact, it appears likely that the Phelps Dodge plant will be built in any event; the only question is who supplies the rolling mill and at what cost. In considering the public interest, the Commission must also weigh the jobs that will be preserved in the domestic industry by the imposition of relief. In this case that factor weighs in favor of imposition of relief. Finally, as the Commission and the courts have often held, it is in the public interest to preserve the integrity of laws protecting domestic industry's rights to intellectual property, including the patent system of the United States.

temporary relief. The balancing of competing factors may be made after the complainant has established that there is reason to believe that there is a violation of section 337.

(2) My colleagues cite a passage from the legislative history to the effect that the Commission may grant temporary relief on the basis of less evidence than would be required to grant permanent relief. See S. Rept. 93-1298 (93d Cong., 2d sess.), 1974, pp. 197-198. However, this language is merely a recognition of the fact that the parties will not be able to submit as much evidence in the initial three months of an investigation as they might during the full twelve month period. Nothing in the legislative history suggests that the weight of the evidence supporting the complaint relative to that supporting the position of the respondent must change as the Commission turns its attention from temporary relief to permanent relief.

(3) Investigations under section 337 are, by reason of their one-year limitation, expeditious proceedings. Temporary relief within that one-year period is certainly extraordinary relief and should be granted only where the complainant has made a strong showing that there is reason to believe that there is a violation of section 337. Moreover, my colleagues' recitation of a relaxed standard of proof on the question of violation in this case is inconsistent with the determination of the Commission majority in Certain Slide Fastener Stringers And Machines and Components Thereof for Producing Such Slide Fastener Stringers, Inv. No. 337-TA-85 (ITC 1980). There, the majority appeared to impose a higher standard of proof on the complainant with respect to violation and, thereby, found no infringement of the '103 patent.

CONCURRING OPINION OF COMMISSION MOORE

Generally, I concur with the opinion of my colleagues and I agree that a temporary exclusion order should be issued. However, I disagree with the following conclusions in their opinion: (1) that the "reason to believe" passage in subsection 337(e) of the Tariff Act of 1930, as amended, permits a flexible standard for the Commission's consideration of a request for temporary relief; (2) that the legislative history supports such a flexible standard; and (3) that a complainant may obtain temporary relief even though it has shown less than a "preponderance of the evidence" that there is a violation of section 337.

(1) It is true that the Federal courts balance various factors in determining whether to grant temporary relief. Thus a Federal court may grant temporary relief even though it does not agree with the movant on the merits where the movant makes an unusually strong showing of injury. Federal courts, therefore, have a flexible standard in evaluating the merits of a case for the purpose of considering temporary relief. 1/ However, the Commission is not a Federal court and does not have a flexible standard when considering temporary relief by reason of the statutory standard established in sec. 337. Subsection 337(e) requires the Commission to answer the question: Is there reason to believe that a violation of section 337 exists? Only where the Commission concludes that there is such reason may it consider the granting of

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1/ See Washington Metropolitan Area Transit Comm. v. Holiday Tours, 559 F.2d 841, 843 (D.C. Cir. 1973).

I believe that the majority required more evidence of violation from the complainant in Stringers, supra, than in this investigation. Nevertheless, despite my colleagues' invocation of a lesser standard, the complainant here has presented a preponderance of the evidence that there is reason to believe that there is a violation of section 337.

Subsection 337(e) provides that the Commission must have a single standard when evaluating the merits of a section 337 investigation in the context of a request for temporary relief. Moreover, the standard of proof should be "a preponderance of the evidence" in view of the extraordinary nature of the relief requested. Therefore, in my opinion, it is inappropriate and unnecessary to overturn in any respect the Commission's determinations in Chicory Root--Crude and Prepared, Inv. No. 337-TA-27 (1976) and Certain Luggage Products, Inv. No. 337-TA-39 (1978). In this investigation, I determine that the complainant has demonstrated by a preponderance of the evidence that there is a violation of section 337, and that a temporary exclusion order should be issued.





