In the Matter of

CERTAIN FLUIDIZED BED COMBUSTION SYSTEMS

Investigation No. 337-213

Final Commission Opinion

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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CERTAIN FLUIDIZED BED COMBUSTION SYSTEMS	)	Investigation No. 337-TA-213

MEMORANDUM OPINION

Background

On December 14, 1984, the U.S. International Trade Commission (Commission) received a complaint filed on behalf of Wormser Engineering, Inc. (Wormser) of Woburn, Massachusetts. The complaint alleged unfair methods of competition and unfair acts in the importation and sale of certain fluidized bed combustion systems into the United States by reason of alleged: (1) infringement of claims 1, 4, 5, and 8 of U.S. Letters Patent 4,279,205; (2) infringement of claims 1, 2, 4, and 5 of U.S. Letters Patent 4,303,023; (3) misappropriation of trade secrets; and (4) fraudulent inducement to enter into a license agreement. Furthermore, the complaint alleged that the effect or tendency of these unfair methods of competition or unfair acts is to destroy or substantially injure an efficiently and economically operated industry in the United States and/or to prevent the establishment of such an industry in the United States.

The parties to the license agreement at issue are complainant Wormser and respondent ASEA STAL AB. The agreement covers the patents and trade secrets at issue in this investigation. The agreement also contains an arbitration clause which provides that:

> All disputes and controversies arising in connection with this Agreement which the parties are unable to adjust between themselves shall be finally settled by arbitration conducted in English under the Rules of Conciliation and

> Arbitration of the International Chamber of Commerce by one or more arbitrators appointed according to said Rules in force at the time. 1/

Pursuant to the arbitration clause, Wormser had filed with the International Chamber of Commerce (ICC) a request for arbitration of disputes with the respondents. 2/ ICC rules provide that parties to an arbitration may apply to any competent judicial authority for interim or conservatory measures. 3/ Pursuant to that ICC rule, Wormser filed an action in Federal district court in Massachusetts seeking injunctive relief in aid of arbitration by precluding importations until conclusion of the arbitration. 4/

On January 10, 1985, the Commission voted to institute an investigation into the alleged unfair acts and unfair methods of competition. 5/ The notice of investigation named the following parties as respondents in the investigation: (1) ASEA STAL AB of Finspong, Sweden; and (2) ASEA STAL, Inc., of Montvale, New Jersey (collectively referred to as Stal Laval). 6/

On February 11, 1985, Stal Laval filed a motion for dismissal of the investigation on three grounds: First, that the arbitration clause in the licensing agreement between Stal Laval and Wormser precluded Wormser from

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1/ License agreement at para. 6.8.

2/ Wormser filed this request on Oct. 18, 1984, and the arbitration proceeding is in progress.

3/ Article 8, para. 5, of the ICC Rules of Conciliation and Arbitration. We note that Wormser did not request temporary relief from the Commission.

4/ Wormser Engineering, Inc. v. ASEA STAL AB, Ct. No. 84-3264-MA (D. Mass. Nov. 9, 1984). The court denied injunctive relief because Wormser had failed to show that it would suffer irreparable harm. In addition, the court found that the issue was a close one, but decided that Wormser had not sustained its burden of proof on likelihood of success on the breach of contract issue. Id. (transcript of oral argument at 251-54.)

5/ 50 Fed. Reg. 3037.

6/ ASEA STAL AB was formerly known as STAL-LAVAL TURBIN AB. ASEA STAL AB and ASEA STAL, Inc., are collectively referred to as Stal Laval.

filing a complaint under section 337; second, that the Commission lacked subject matter jurisdiction; and third, that the Commission should dismiss the investigation for policy reasons favoring arbitration and conservation of both the government's and the parties' resources. 7/

On February 25, 1985, Stal Laval filed suit against Wormser in Federal district court seeking treble damages for alleged antitrust violations and a declaration that Wormser's patents are invalid. ASEA STAL, Inc. v. Wormser Engineering Inc., C.A. No. 85-0801-MA (D. Mass.). On July 9, 1985, the district court dismissed the action based upon the Supreme Court's decision in Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., Nos. 83-1569 and 83-1733, 53 U.S.L.W. 5069 (U.S. July 8, 1985). 8/

On March 21, 1985, the ALJ denied Stal Laval's motion to dismiss the investigation. 9/ With regard to the arbitration clause, the ALJ found that the clause in the license agreement did not divest the Commission of jurisdiction. The ALJ found that the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) 10/ requires subject matter capable of settlement of arbitration. The ALJ found that section 337 involves subject matter which is not capable of settlement by arbitration. In addition, the ALJ noted that although Wormser may have waived

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7/ Stal Laval's motion to dismiss at 30.

8/ See Letter from Stal Laval to the Commission, dated July 12, 1985.

9/ Order No. 4. The ALJ treated Stal Laval's motion to dismiss as a request for summary determination and provided all of the parties with an opportunity to submit affidavits. Id. at 3 (citing section 210.50 of the Commission's rules and Rule 12(b)(6) of the Federal Rules of Civil Procedure).

10/ Article II, Section I, Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 21 U.S.T. 2517, T.I.A.S. No. 6977 (1970).

its right to file a complaint under section 337, the Commission has an independent right to bring a section 337 action. 11/

The ALJ granted permission for the parties to file requests for interlocutory review of Order No. 4. 12/ Wormser, Stal Laval, and the Commission investigative attorney (IA) filed petitions for interlocutory review of Order No. 4. 13/

On July 19, 1985, the Commission granted Stal Laval's petition for interlocutory review of Order No. 4 and denied Wormser's and the IA's petitions for interlocutory review. At the same time, the Commission decided to terminate the investigation. 14/

After examining the various public policy considerations, including the question of whether Wormser may vindicate its 337 claim through arbitration, we determine that this investigation should be terminated 15/ 16/ in

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11/ Order No. 4 at 7.

12/ Order No. 7, issued Apr. 15, 1985.

13/ On May 15, 1985, the Commission decided not to review an initial determination (ID) issued by the administrative law judge (ALJ) granting complainant Wormser's motion to amend the notice of investigation to include the additional counts of alleged infringement of U.S. Letters Patent Nos. 4,499,857, and 4,135,885, and allegations of unfair acts or methods of competition in the importation or sale of products connected with certain fluidized bed combustion systems. 50 Fed. Reg. 21147.

14/ 50 Fed. Reg. 30424.

15/ Section 337(b)(1) authorizes the Commission to suspend investigations because of proceedings in a court or agency of the United States. We note that the present arbitration proceedings are before the ICC which is not an agency of the U.S. government. Thus, suspension of the investigation until completion of the arbitration is not possible.

16/ Chairwoman Stern agrees with the conclusions of the ALJ and the majority of the Commission to the extent of recognizing the interest in giving effect to arbitration clauses, and regarding the scope of the Commission's jurisdiction under section 337 when the parties to such an investigation have also agreed to arbitration. However, she also believes that the Commission has the authority to suspend its investigations in deference to arbitration proceedings because the statutory language is permissive rather than preclusive. She therefore found that suspension, rather than termination of the investigation more properly maintained the Commission's jurisdiction and its interest in ensuring that public interest factors are met.

recognition of the strong public interest favoring arbitration particularly in the context of international commercial transactions. 17/

Effect of the arbitration clause

The interlocutory review of Order No. 4 is limited to the question of whether the Commission should give effect to the arbitration clause in the licensing agreement between Wormser and Stal Laval. In Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., the Supreme Court recites two requirements for giving effect to an arbitration agreement. First, the arbitration agreement must cover the cause of action at issue. 18/ In interpreting the scope of an arbitration clause, the Supreme Court stated explicitly that doubts should be resolved in favor of arbitration. 19/ Thus, section 337 does not have to be specified in the agreement to arbitrate for the Commission to find that a section 337 claim is within the scope of the agreement. 20/ Furthermore, we note that both the underlying claims of alleged patent infringement, misappropriation of trade secrets, and fraudulent inducement and the affirmative defenses to those claims are inextricably connected to the license agreement.

The agreement at issue provides for only one type of proceeding, i.e., arbitration, and for only one forum, i.e., the ICC. Wormser has chosen a

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17/ Commissioner Rohr dissenting.

18/ Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., Nos. 83-1569 and 83-1733, 53 U.S.L.W. 5069 (U.S. July 8, 1985); see also Scherk v. Alberto Culver Co., 417 U.S. 506 (1974); Prima Paint v. Flood & Conklin, 401 U.S. 395, 401 (1967).

19/ Mitsubishi, 53 U.S.L.W. at 5073, citing Moses H. Cone Memorial Hospital v. Mercury Construction Corp., 460 U.S. 1, 24-25 (1983).

20/ Mitsubishi at 5072.

single forum for resolution of its claims arising in connection with the licensing agreement. The provisions of section 337(a) which state that the statute is "in addition to" other provisions of law, and which recognize the potential for collateral proceedings in Federal courts or before other U.S. agencies, 21/ are made of no effect by this agreement, whatever effect those provisions may have with regard to some other agreement.

The second requirement for giving effect to an arbitration agreement is the absence of considerations external to the arbitration agreement that could forestall arbitration. For example, in Mitsubishi, the Supreme Court considered whether antitrust claims are arbitrable matters. The Court found that antitrust claims which arise in an international context are arbitrable:

> [W]e conclude that concerns of international comity, respect for the capacities of foreign and transnational tribunals, and sensitivity to the need of the international commercial system for predictability in the resolution of disputes require that we enforce the parties' agreement, even assuming that a contrary result would be forthcoming in a domestic context. 22/

The Supreme Court's analysis balanced the strong public policy interest favoring recognition of arbitration agreements, against the concerns that preclude arbitration of antitrust claims in the domestic context. 23/ The Court found that "so long as the prospective litigant effectively may vindicate its statutory cause of action in the arbitral forum, the statute will continue to serve both its remedial and deterrent function." 24/

21/ See 19 U.S.C. § 1337(a)-(b)(1).
22/ Mitsubishi at 5073-74.
23/ Id. at 5074-76.
24/ Id. at 5076.

Moreover, the Supreme Court noted that Federal courts will have the opportunity at the award enforcement stage to ensure that the legitimate interest in the enforcement of the antitrust laws has been addressed. 25/ Finally, while recognizing that some statutory claims may not be arbitrable, the Court stated that "Congress' intent to except a statutory claim from arbitration must be deducible from the text of the statute or legislative history." 26/

In this investigation, a primary issue is the validity and effect of a private international business transaction, i.e., the agreement to license Wormser technology and know how. Thus, we recognize the concerns for international comity, respect for the capacities of foreign and transnational tribunals, and sensitivity to the need of the international commercial system for predictability in the resolution of disputes. 27/ Furthermore, there is nothing in the statute or legislative history stating that Congress intended to exempt section 337 claims from arbitration.

We have also considered the importance of the public interest in section 337 investigations. The legislative history pertaining to the Commission's findings on relief under section 337 states that "the public interest must be paramount in the administration of this statute." 28/ That public interest concern, however, is focused on whether the Commission should accord relief once it finds a violation of section 337. 29/ This procedure, however, is analogous to the role reserved to Federal courts in enforcing arbitral

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25/ Id.
26/ Id. at 5073.
27/ Id. at 5073-74.
28/ S. Rep. No. 1298, 93d Cong., 2d Sess. 193 (1974).
29/ Id. at 197.

awards. Thus, this is not a reason for refusing to give effect to an arbitration clause.

We find that Wormser can vindicate its section 337 claim in the arbitral forum. The arbitration panel can issue a cease and desist order precluding importation. 30/ Under the circumstances of this investigation, this is the functional equivalent of a limited exclusion order obtained from the Commission. 31/ 32/ Moreover, public policy considerations with regard to any award of relief from the arbitration panel can be raised in any enforcement proceedings before a Federal district court. In the case before the Commission, public policy considerations clearly favor enforcement of the arbitration clause.

Initiation of a section 337 investigation

In Order No. 4, the ALJ noted that although Wormser may have waived its right to file a complaint under section 337, the Commission has an independent right to bring a section 337 action. 33/ Wormser argues that section 337(b)(1) 34/ requires the Commission either to continue the current investigation or initiate a second investigation on its own motion. 35/ The

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30/ Wormser could also possibly obtain money damages from the arbitration panel.

31/ Stal Laval is the only respondent, and the controversy concerns a contract for the sale of three systems. Currently, there is no evidence suggesting that there have been additional sales from other sources. See Certain Airless Paint Spray Pumps and Components Thereof, Inv. No. 337-TA-90, USITC Pub. No. 1199 at 17-20 (1981).

32/ Vice Chairman Liebeler and Commissioner Lodwick note that an arbitration forum's inability to provide an equivalent remedy may not preclude the Commission from giving effect to an arbitration agreement.

33/ Order No. 4 at 7. See § 337(b), 19 U.S.C. § 1337(b).

34/ Wormser's response to Stal Laval's supplemental memorandum in support of the petition for interlocutory review, dated July 8, 1985.

35/ Section 337(b)(1) provides that: "the Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative."

statute, the Commission's Rules of Practice and Procedure, and the courts, however, place limits on this investigatory mandate and the Commission may properly refuse to initiate an investigation or choose to terminate an on-going investigation.

For example, section 337(b)(3) provides that where the matter before the Commission is based solely on alleged acts and effects which are within the purview of the antidumping or countervailing duty laws, the Commission "shall terminate or not institute, any investigation into the matter." 36/ In instances where the alleged acts and effects could constitute a basis for relief under section 337 independently from, or in conjunction with, acts allegedly in violation of the antidumping or countervailing duty laws, the Commission "may institute or continue an investigation into the matter." Thus, the Commission has discretion in these instances. 37/

Further limitation exists in section 210.20 of the Commission's Rules of Practice and Procedure which establishes requirements for the filing of a complaint. These requirements help ensure that the Commission does not expend resources on unwarranted investigations. 38/ Thus, if the complaint fails to provide necessary information to support the alleged violation, or fails to establish that the complainant has standing to bring an action or otherwise

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36/ See In re CF Industries v. U.S. International Trade Commission, Appeal No. 83-845 (C.A.F.C. Apr. 25, 1983) (affirming Commission's decision not to institute an investigation concerning imports of anhydrous ammonia from Mexico).

37/ See Certain Expansion Tanks, Inv. No. 337-TA-217 (investigation instituted Mar. 15, 1985) (predatory pricing, "dumping," one of several unfair acts and effects pled in complaint).

38/ See 19 C.F.R. § 210.20.

fails to substantially comply with other provisions of the Commission's rules, the Commission will not institute an investigation. 39/

The Court of Customs and Patent Appeals (now the Court of Appeals for the Federal Circuit) upheld the Commission's authority to refuse to institute an investigation in Syntex Agribusiness v. U.S. International Trade Commission, 659 F.2d 1038 (C.C.P.A. 1981). The Court noted that Congress had authorized the Commission "to adopt such reasonable procedures and rules and regulations as it deems necessary to carry out its functions and duties." 40/ The Court affirmed the Commission's dismissal of a complaint because the allegations set forth in the complaint failed to support a claim of monopolization or conspiracy and explicitly disposed of the matter on the basis of the failure to comply with 19 C.F.R. § 210.20. 41/

We have previously discussed our determination to enforce the arbitration agreement between Wormser and Stal Laval and to terminate the present investigation. Although the Commission has the authority to institute an investigation on its own initiative, we decline to take that action in this investigation because of policy considerations. 42/ Wormser entered into an

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39/ See, e.g., Certain Vacuum Bottles and Components Thereof, Docket No. 1010 (institution denied Jan. 24, 1984) (prior negative determination from Commission and no additional information establishing element essential for finding violation); Certain Fruit Preserves in Containers with Gingham Cloth Design, Docket No. 1056 (institution denied June 20, 1984) (failure to include sufficient allegations and data regarding effect or tendency to injure); Certain Architectural Panels (institution denied Dec. 21, 1984) (no allegations regarding specific instances of unlawful importations or sales or data and theory supporting allegations of injury).

40/ Syntex Agribusiness v. U.S. International Trade Commission, 659 F.2d 1038, 1042 n.2, citing 19 U.S.C. § 1335 (C.C.P.A. 1981).

41/ Id. at 1042.

42/ The Commission is not foreclosed from initiating an investigation should the circumstances at a later date show that, on balance, the public interest would best be served thereby.

arbitration agreement and chose a forum. Reasonably expeditious relief is available from that forum. The Supreme Court has emphasized the importance of the public policy served by recognizing and enforcing such agreements. For the Commission to initiate an investigation would be to defeat that policy.

DISSENTING VIEWS OF COMMISSIONER DAVID B. ROHR

The issue before the Commission in this interlocutory review is whether to terminate its section 337 investigation involving certain fluidized bed combustion systems in light of an ongoing arbitration proceeding between two of the named parties (Wormser Engineering, Inc. (Wormser) and ASEA STAL A.B.) to the Commission's investigation. While a majority of my colleagues appear to believe that this result is compelled, or at least strongly suggested, by the Supreme Court's recent decision in Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc. [1/] and by public policy, I must disagree both as a matter of law and of policy.

I determine that this investigation should not be terminated. I believe that the long-standing interpretation by the Commission of the jurisdictional requirements of section 337 requires this investigation to continue despite the ongoing arbitration proceedings. Further, I believe the Mitsubishi Motors decision is entirely irrelevant to proceedings under section 337. Finally, I believe that the Commission does not have the authority to terminate or suspend an investigation in the present circumstances and that there has been no showing of any overriding public policy reason for the Commission to do so.

1/ Nos. 83-1569 and 83-1733, 53 USLW 5069 (July 8, 1985).

The first basis for my determination that this investigation should proceed and that it is inappropriate for the Commission to terminate these proceedings is the explicit language of section 337(a) of the Tariff Act of 1930 and the longstanding Commission interpretation of that language. Section 337(a) provides, in relevant part, that its violation

> "shall be dealt with, in addition to any other provision of law, as provided in this section." 2/

This "in addition to" language has been a fundamental part of the Commission's interpretation of section 337. For purposes of the motion currently before the Commission, I need only state that it is the basis for the Commission's long-standing position, as upheld by the courts, that section 337 investigations may proceed concurrently with ongoing District Court actions.3/

On numerous occasions the Commission has instituted section 337 investigations both before and after the initiation of District Court cases involving virtually identical subject matter. The majority of the Commission by its decision is giving greater deference to an arbitral tribunal than it would to a United States District court. I find no basis in law for the Commission to do so.

2/ Section 337(a) Tariff Act of 1930; 19 USC 1337(a).
3/ Diversified Products Corp. et al. v. Weslo Design Int'l, Inc. (IV Act 81-119 (D. Del 1985)).

Rather, I believe it is the explicit intent of Congress, manifest in the "in addition to" provision of section 337(a), that complainants such as Wormser be entitled to avail themselves of the unique remedies and procedures of section 337 and the Commission.

The second basis for my disagreement with my colleagues is their overly expansive interpretation and application of the Mitsubishi Motors case to section 337 proceedings. The ALJ, in the Initial Determination, cited the lower court decision in Mitsubishi Motors for the proposition that the antitrust laws were not arbitrable and that by analogy neither were claims under section 337. The Supreme Court, in its decision in Mitsubishi Motors overturned the lower court and created an "exception to the exception" regarding arbitrability of antitrust claims in international contexts.

However, Mitsubishi Motors does not eliminate the public policy exception to arbitrability contained in 9 USC §201 and the New York Convention. The Court's decision in Mitsubishi Motors rests on the particular circumstances of that case. Those circumstances are not present in the context of a section 337 investigation.

First, to reiterate my earlier point concerning the "in addition to" language of section 337(a), the Court in Mitsubishi Motors was not dealing with a statute that authorized concurrent proceedings. I believe the Supreme

Court in Mitsubishi Motors was looking at the issue of arbitrability in the context of a choice of forum only. I believe that the Court determined, based on the history of the antitrust laws, that, in the absence of a Congressional requirement, international comity requires that the United States not accord to its courts a priority with respect to antitrust laws.

Section 337 claims however involve more than a new forum for the consideration of unfair acts. It has long been the position of the Commission that section 337 is not merely an international extension of the unfair trade laws.[4/] Section 337 claims therefore involve more than simply a choice of a particular forum for particular claims. There are substantive differences between a section 337 claim and a domestic unfair trade case in district court. Most importantly, perhaps, there are major differences in remedy as the Commission's remedies apply in rem as well as in personam.

Second, Mitsubishi Motors involved a private suit between two private parties. The fact that the U.S. antitrust laws authorize private causes of action and that Mitsubishi Motors involved such an action is crucial to

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4/ In the Ear Hearing Aids Inv. No. 337-TA-20, TC Pub. No. 182 at 28 (1966) (Views of Commissioners Sutton and Thunberg) (Section 337 not merely an extension of U.S. patent law).

the proper analysis and application of that case. The historical role of private suits to enforce the antitrust laws was the basis for the Court's decision to accord the weight it did to the public policy of antitrust claims and thus to weigh international comity more heavily.

Section 337 does not involve a private cause of action. In section 337 investigations the Commission is not merely the arbiter of private rights. The proper analogy would perhaps be whether the Federal Trade Commission could be barred from taking an enforcement action of its own because of an arbitration clause in a private contract.

In the context of section 337 proceedings, investigations are initiated by the Commission as an exercise of its discretion and not simply filed by private parties. The Commission, through the Office of Unfair Import Investigations, is an independent party to each investigation and can, if circumstances warrant, litigate any issues presented. Finally, regardless of the "legal" rights of the private parties involved in the litigation, the Commission may deny, alter, or fashion whatever relief is dictated by the "paramount considerations of the public interest."

Another factor which is crucial to an understanding of Mitsubishi Motors is the recognition that the remedies available to the arbitral tribunal in that circumstance

were coextensive with the remedies that would have been available to the district court. Thus, by granting arbitration, the Court did not affect the substantive rights of the parties. While arbitral tribunals have some equity powers, the exercise of the authority is limited by the scope of the arbitration clause and the contract of which it is a part. It is highly doubtful therefore whether an arbitral tribunal would order the exclusion of articles from the United States or prevent a person from exporting to the United States which are the heart of section 337. Unlike the situation in Mitsubishi Motors, therefore, by defering to the arbitration, the majority is affecting the substantive rights of the complainant.

I believe that these factors clearly distinguish Mitsubishi Motors from the present case. I believe, therefore, there is no basis in law requiring the termination of this investigation. I also note that neither the Commission's rules nor the statute contains authority for the Commission to terminate an ongoing investigation in circumstances such as these. The Commission's rules provide for termination only upon an

agreement to settle by the parties.[5/] This is clearly inapplicable. Similarly, the statute provides only for suspension in light of proceedings before a court or U.S. Government agency, a provision that is clearly inapplicable to the Commission's current action, which is a termination, not a suspension, and an arbitration before a private international arbitral tribunal, not a court or agency of the U.S. government.

Even assuming that, by analogy, suspension of the proceeding were possible, this is not a situation in which the Commission should have exercised its authority to do so. Historically the Commission has suspended its proceedings only when an imminent decision by such a tribunal will materially advance the Commission's own proceedings or when there is a imminent or actual conflict bebween the hearing in the ITC and the Court. The respondent in this case has offered no reason for

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5/ See Rule 210.51. It may be argued that the language of 210.51(a) which provides that a party may move for termination at any time is a general grant of authority for the action taken by the majority. This is a novel argument. Rule 210.51(a) was never intended to be a grant of independent authority to terminate investigations. If it were it would be ultra vires because there is no statutory authority for it. Rule 210.51(a) merely related to the timing of motions for termination based on the ground specified in the remaining paragraphs of that rule.

termination beyond the mere fact of the ongoing arbitration. This is clearly insufficient. In addition, there is no decision imminent in the arbitration. Further, the timing of the Commission's proceeding will allow its conclusion well in advance of the arbitration. Neither suspension nor termination should be ordered.