*In the Matter of*

# CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES

Investigation No. 337-TA-324

**USITC PUBLICATION 2576**

**NOVEMBER 1992**

**United States International Trade Commission**
**Washington, DC 20436**

UNITED STATES INTERNATIONAL TRADE COMMISSION

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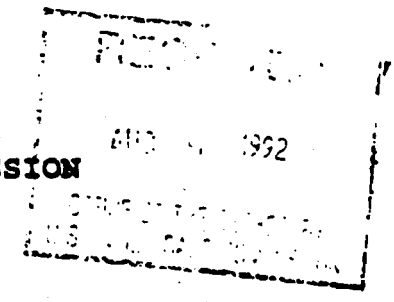

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

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| In the Matter of: | Investigation No. 337-TA-324 |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | |

**NOTICE OF DETERMINATION THAT A VIOLATION OF SECTION 337 EXISTS, ISSUANCE OF GENERAL EXCLUSION ORDER, AND ISSUANCE OF CONSENT ORDERS COVERING SEVEN RESPONDENTS**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is given that the Commission has: (1) determined that a violation of section 337 of the Tariff Act of 1930 exists in the above-captioned investigation, (2) issued a general exclusion order, and (3) issued consent orders covering seven respondents. With certain exceptions, the exclusion order prohibits the unlicensed importation from any country of denim garments and accessories made by the acid-washed process of claim 6 of U.S. Letters Patent 4,740,213 (the '213 patent). In determining that a violation of section 337 exists, the Commission reviewed and reversed the finding of the presiding administrative law judge (ALJ) that claim 6 of the '213 patent was invalid on the basis of anticipation and obviousness.

**FOR FURTHER INFORMATION CONTACT:** William T. Kane, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202)-205-3116. Copies of the Commission's order, the nonconfidential

version of the opinion issued in support thereof, and all other nonconfidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 am to 5:15 pm) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C., 20436, telephone (202)-205-2000. Hearing-impaired individuals are advised that information on this matter may be obtained by contacting the Commission's TDD terminal on (202)-205-2648.

**SUPPLEMENTARY INFORMATION:** On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade S.r.L. filed a complaint alleging a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation, sale for importation, or sale after importation of acid-washed denim products by reason of infringement of claims 6 and 14 of U.S. Letters Patent 4,740,213. The Commission voted to institute an investigation of the complaint on January 28, 1991, and published notice of institution of the investigation in the Federal Register. 56 Fed. Reg. 4851 (Feb. 6, 1991).

On April 6, 1992, the presiding ALJ issued an ID in which he found no violation of section 337. The ALJ found no violation based on his finding that claim 6 of the '213 patent was invalid as anticipated and obvious. Claim 14 of the '213 patent had previously been withdrawn from the investigation. The ALJ also found that: claim 6 of the '213 patent was adequately described in the specification of the U.S. patent application; the

remaining respondents have practiced the process at issue abroad, or have imported into the United States products processed abroad according to the process at issue; and there exists a domestic industry in the United States practicing the '213 patent.

The Commission determined to review the portions of the ID in which the ALJ found claim 6 of the '213 patent to be invalid. 57 Fed. Reg. 22484 (May 28, 1992). The Commission's notice of review requested, and parties subsequently filed, submissions and rebuttals on the issues under review and on remedy, the public interest, and bonding. No submissions of government agencies or other members of the public were received.

The Commission held oral argument on July 8, 1992. The Commission investigative attorney (IA) and counsel for complainants and several sets of respondents appeared and presented argument. The Commission requested post-argument submissions regarding whether to exempt respondents subject to consent orders from the coverage of any exclusion order the Commission might issue. Submissions on that question were filed by complainants, the IA, and several respondents.

The authority for this action is conferred by section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and by Commission interim rules 210.56 and 210.58 (19 C.F.R. §§ 210.56 and 210.58).

By order of the Commission.

Paul R. Bardos
Acting Secretary

Issued: August 6, 1992

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

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| In the Matter of: | |
| CERTAIN ACID-WASHED GARMENTS AND ACCESSORIES | Investigation No. 337-TA-324 |

**ORDER**

The Commission, having reviewed a portion of the initial determination issued on April 6, 1992, in the above-captioned investigation, and having considered the issues of remedy, the public interest, and bonding, has DETERMINED as follows:

1. The record developed in this investigation does not support the conclusion that claim 6 of U.S. Letters Patent 4,740,213 is invalid as anticipated or obvious. Accordingly, the finding of patent invalidity in the final initial determination is reversed.

2. In view of the other findings in the initial determination that the Commission determined not to review, a violation of section 337 of the Tariff Act of 1930 exists in this investigation.

3. The public interest factors enumerated in section 337(d) of the Tariff Act of 1930, as amended, do not preclude the issuance of the remedy ordered in this investigation.

4. Issuance of consent orders covering the following respondents is appropriate: Jordache Enterprises, Inc.; The Gitano Group, Inc.; Fast Forward Ltd.; Four Ninety Eight Ltd.; Jordache International (Hong Kong); Sociedad Exportadora Ltda.; and Sao Paolo Alpargatas, S.A. The Commission previously issued consent orders covering respondents Bon Jour International, Inc. and Bugle Boy Industries, Inc.

It is hereby ORDERED:

1. Random-faded (commonly known as "acid-washed") denim garments and accessories that are manufactured abroad according to a process covered by claim 6 of U.S. Letters Patent 4,740,213 are excluded from entry into the United States for the remaining term of the patent, except as elsewhere provided in this Order.

2. This Order does not apply to articles that:

(a) are imported under license of the patent owner;

(b) are imported by or for the United States; or

(c) are imported by, or manufactured abroad by, any of the following parties to Consent Orders issued by the Commission in the investigation:

Bon Jour International, Inc.;
Bugle Boy Industries, Inc.;
Jordache Enterprises, Inc.;
The Gitano Group, Inc.;
Fast Forward Ltd.;
Four Ninety Eight Ltd.;
Jordache International (Hong Kong);
Sociedad Exportadora Ltda.; and
Sao Paolo Alpargatas, S.A.

3. Pursuant to procedures to be specified by the U.S. Customs Service, as the U.S. Customs Service deems necessary, persons seeking to import random-faded denim garments and/or accessories shall, prior to the entry of such products into the United States, provide a certification to accompany the commercial invoice stating:

"The denim garments and/or accessories that accompany this invoice were not made by a process in which --

(1) the denim garments and/or accessories were disposed in a chamber in dry contact together with granules of a coarse, permeable material (including without limitation pumice stones) which have been impregnated with a bleaching agent (including without limitation hypochlorite bleach and/or potassium permanganate);

(2) the denim garments and/or accessories were bleached in a dry state by dry-tumbling the denim garments and/or accessories and the granules together for a period of time sufficient to randomly fade the denim garments and/or accessories; and

(3) the faded denim garments and/or accessories are separated from the granules."

4. At its discretion, the U.S. Customs Service may require persons who have executed the certification described in the immediately preceding paragraph of this Order to furnish such records as are necessary to substantiate the certification.

5. The articles ordered to be excluded from entry into the United States according to this Order shall be entitled to entry under bond in the amount of 3.75 percent of the entered value of the imported articles, for the period starting on the day after this Order is received by the President pursuant to subsection (j) of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337(j)), 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 receipt of this Order by the President.

6. The Commission may amend this order in accordance with the procedure described in section 211.57 of the Commission's Interim Rules of Practice and Procedure (19 C.F.R. § 211.57).

7. The Secretary shall serve copies of this Order upon each party of record in this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the U.S. Customs Service.

8. Notice of this Order shall be published in the Federal Register.

By order of the Commission.

Paul R. Bardos
Acting Secretary

Issued: August 6, 1992

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

Before The Honorable Sidney Harris
Administrative Law Judge

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| Ih the Matter of | ) | |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | ) | Investigation No. 337-TA-324 |

**CONSENT ORDER**

On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade, S.r.L. (collectively, "the Complainants") filed a Complaint ("the Complaint"), naming Sao Paolo Alpargatas, S.A. as a Respondent, with the United States International Trade Commission ("the Commission") under Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). Motions to amend the Complaint to add additional parties were subsequently made and allowed.

The Commission, having determined that it has jurisdiction over the subject matter of the Complaint and that the Complaint provided a basis for the institution of an investigation under Section 337, instituted Investigation No. 337-TA-324 on January 29, 1991 ("the Investigation"), and published a Notice of Investigation to that effect.

The subject matter of the Investigation is the alleged importation and sale in the United States of certain acid-washed denim garments and accessories, including jeans, jackets, bags, and skirts, alleged to infringe United States Patent No. 4,270,213 ("the '213 patent") and to have been made by processes which infringe the '213 patent.

## DEFINITIONS

For purposes of this Consent Order, "Alpargatas" shall mean Respondent Sao Paolo Alpargatas, S.A. and its agents, officers, directors, affiliates, and subsidiaries.

For purposes of this Consent Order, "accused products" shall mean any denim garment or accessory (a) covered by Claim 14 of United States Patent No. 4,740,213 ("the '213 patent", copy attached as Exhibit A to the Consent Order Agreement), or (b) which were made by a process covered by Claim 6 of the '213 patent.

## ORDER

The Commission, having initiated the Investigation under Section 337 based upon the Verified Complaint of the Complainants regarding certain alleged acts of unfair competition and unfair acts by certain named Respondents, including Respondent Alpargatas; the Complainants and Alpargatas having executed a Consent Order Agreement agreeing to the terms and entry of this

Consent Order and to all waivers and other provisions as required by the Commission's Rules of Practice and Procedure; and

The Commission, having jurisdiction over the parties and the subject matter herein, and having published notice of the Consent Order Agreement and this proposed Consent Order for public comment on _____, 1991, and the ten (10) day period for public comment having ended and the Commission having duly considered the comments filed, if any:

**IT IS HEREBY ORDERED THAT:**

1. Commencing on August 8, 1992 ("the effective date") and thereafter until the expiration of Claims 6 and 14 of the '213 patent, Alpargatas shall not directly or indirectly sell accused products for importation into the United States of America ("U.S."), other otherwise sell, offer for sale, or distribute in the U.S. either directly or indirectly accused products, provided that nothing in this Consent Order shall prohibit or preclude Alpargatas from selling, offering for sale or distributing in the United States accused products into the United States prior to the effective date; nor shall anything in this Consent Order preclude or prohibit the Complainants from seeking damages in a court of competent jurisdiction for Alpargatas' making, using, or selling of accused products in the United States prior to the effective date.

2. This Investigation is hereby terminated as to Respondent Alpargatas and Alpargatas is hereby dismissed as a named Respondent in this Investigation; provided, however, pursuant to 19 C.F.R. § 211.22(c), that enforcement, modification and revocation of this Order will be carried out pursuant to Subpart C of part 211 of the Commission's Rules of Practice and Procedure.

3. In the event that Claims 6 and/or 14 of the '213 patent are held by the Commission or a court or other administrative body of competent jurisdiction after exhaustion of all appeals to be invalid or unenforceable, this Consent Order shall be void and without effect with respect to the claim or claims so held invalid or unenforceable.

4. In the event Complainants withdraw Claim 14 or the investigation is terminated on grounds other than the merits, thi Consent Order Agreement and the Consent Order entered pursuant hereto shall be void and without effect with respect to Claim 14.

Paul R. Bardos
Acting Secretary

Dated: August 6, 1992

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

Before The Honorable Sidney Harris
Administrative Law Judge

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| In the Matter of | |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | Investigation No. 337-TA-324 |

## CONSENT ORDER

On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade, S.r.L. (collectively, "the Complainants") filed a Complaint ("the Complaint"), naming, inter alia, Jordache Enterprises, Inc. as a Respondent, with the United States International Trade Commission ("the Commission") under Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). Motions to amend the Complaint to add additional parties, including Fast Forward, Ltd., Four Ninety Eight, Ltd. and Jordache International (Hong Kong), Ltd., were subsequently made and allowed.

The Commission, having determined that it has jurisdiction over the subject matter of the Complaint and that the Complaint provided a basis for the institution of an investigation under Section 337, instituted Investigation No. 337-TA-324 on January 29, 1991 ("the Investigation"), and published a Notice of Investigation to that effect.

The subject matter of the Investigation is the alleged importation and sale in the United States of certain acid-washed denim garments and accessories, including jeans, jackets, bags, and skirts, alleged to infringe United States Patent No. 4,270,21 ("the '213 patent") and to have been made by processes which infringe the '213 patent.

## DEFINITIONS

For purposes of this Consent Order, "the Jordache Entities" shall mean the Respondents Jordache Enterprises, Inc., Fast Forward, Ltd., Four Ninety Eight, Ltd. and Jordache International (Hong Kong), Ltd. and their respective agents, officers, directors, affiliates, and subsidiaries.

For purposes of this Consent Order, "accused products" shall mean any denim garment or accessory (a) covered by Claim 14 of United States Patent No. 4,740,213 ("the '213 patent", copy attached as Exhibit A to the Consent Order Agreement), or (b) which were made by a process covered by Claim 6 of the '213 patent.

## ORDER

The Commission, having initiated the Investigation under Section 337 based upon the Verified Complaint of the Complainant regarding certain alleged acts of unfair competition and unfair acts by certain named Respondents, including the Jordache

Entities; the Complainants and the Jordache Entities having executed a Consent Order Agreement agreeing to the terms and entry of this Consent Order and to all waivers and other provisions as required by the Commission's Rules of Practice and Procedure; and

The Commission, having jurisdiction over the parties and the subject matter herein, and having published notice of the Consent Order Agreement and this proposed Consent Order for public comment on _____, 1991, and the ten (10) day period for public comment having ended and the Commission having duly considered the comments filed, if any:

**IT IS HEREBY ORDERED THAT:**

1. Commencing on August 8, 1992 ("the effective date") and thereafter until the expiration of Claims 6 and 14 of the '213 patent, the Jordache Entities shall not directly or indirectly import accused products into the United States of America ("U.S.") or sell, offer for sale, or distribute in the U.S., either directly or indirectly imported accused products, provided that nothing in this Consent Order shall prohibit or preclude the Jordache Entities from selling, offering for sale or distributing in the United States accused products imported into the United States prior to the effective date; nor shall anything in this Consent Order preclude or prohibit the Complainants from seeking damages in a court of competent jurisdiction for the Jordache

Entities' making, using, or selling of accused products imported into the United States prior to the effective date.

2. This Investigation is hereby terminated as to the Jordache Entities and they are hereby dismissed as named Respondents in this Investigation; provided, however, pursuant to 19 C.F.R. § 211.22(c), that enforcement, modification, and revocation of this Order will be carried out pursuant to Subpart of part 211 of the Commission's Rules of Practice and Procedure.

3. In the event that Claims 6 and/or 14 of the '213 patent are held by the Commission or a court or other administrative body of competent jurisdiction after exhaustion of all appeals to be invalid or unenforceable, this Consent Order shall be void and without effect with respect to the claim or claims so held invalid or unenforceable.

4. In the event Complainants withdraw Claim 14 or the investigation is terminated on grounds other than a final determination of the merits of Claim 14, this Consent Order shall be void and without effect with respect to Claim 14.

Paul R. Bardos
Acting Secretary

Dated: August 6, 1992

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

Before The Honorable Sidney Harris
Administrative Law Judge

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| In the Matter of | |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | Investigation No. 337-TA-324 |

## CONSENT ORDER

On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade, S.r.L. (collectively, "the Complainants") filed a Complaint ("the Complaint"), naming The Gitano Group, Inc. as a Respondent, with the United States International Trade Commission ("the Commission") under Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). Motions to amend the Complaint to add additional parties were subsequently made and allowed.

The Commission, having determined that it has jurisdiction over the subject matter of the Complaint and that the Complaint provided a basis for the institution of an investigation under Section 337, instituted Investigation No. 337-TA-324 on January 29, 1991 ("the Investigation"), and published a Notice of Investigation to that effect.

The subject matter of the Investigation is the alleged importation and sale in the United States of certain acid-washed

denim garments and accessories, including jeans, jackets, bags, and skirts, alleged to infringe United States Patent No. 4,270,2 ("the '213 patent") and to have been made by processes which infringe the '213 patent.

## DEFINITIONS

For purposes of this Consent Order, "Gitano" shall mean Respondent The Gitano Group, Inc. and its agents, officers, directors, affiliates, and subsidiaries.

For purposes of this Consent Order, "accused products" shal mean any denim garment or accessory (a) covered by Claim 14 of United States Patent No. 4,740,213 ("the '213 patent", copy attached as Exhibit A to the Consent Order Agreement), or (b) which were made by a process covered by Claim 6 of the '213 patent.

## ORDER

The Commission, having initiated the Investigation under Section 337 based upon the Verified Complaint of the Complainant regarding certain alleged acts of unfair competition and unfair acts by certain named Respondents, including Respondent Gitano; the Complainants and Gitano having executed a Consent Order Agreement agreeing to the terms and entry of this Consent Order and to all waivers and other provisions as required by the Commission's Rules of Practice and Procedure; and

The Commission, having jurisdiction over the parties and the subject matter herein, and having published notice of the Consent Order Agreement and this proposed Consent Order for public comment on _____, 1991, and the ten (10) day period for public comment having ended and the Commission having duly considered the comments filed, if any:

IT IS HEREBY ORDERED THAT:

1. Commencing on August 8, 1992 ("the effective date") and thereafter until the expiration of Claims 6 and 14 of the '213 patent, Gitano shall not directly or indirectly import accused products into the United States of America ("U.S."), sell, offer for sale, or distribute in the U.S. either directly or indirectly imported accused products, provided that nothing in this Consent Order shall prohibit or preclude Gitano from selling, offering for sale or distributing in the United States accused products imported into the United States prior to the effective date; nor shall anything in this Consent Order preclude or prohibit the Complainants from seeking damages in a court of competent jurisdiction for Gitano's making, using, or selling of accused products imported into the United States prior to the effective date.

2. This Investigation is hereby terminated as to Respondent Gitano and Gitano is hereby dismissed as a named Respondent in this Investigation; provided, however, pursuant to

19 C.F.R. § 211.22(c), that enforcement, modification, and revocation of this Order will be carried out pursuant to Subpart of part 211 of the Commission's Rules of Practice and Procedure.

3. In the event that Claims 6 and/or 14 of the '213 patent are held by the Commission or a court or other administrative body of competent jurisdiction after exhaustion o all appeals to be invalid or unenforceable, this Consent Order shall be void and without effect with respect to the claim or claims so held invalid or unenforceable.

4. In the event Complainants withdraw Claim 14 or th investigation is terminated on grounds other than a final determination of the merits of Claim 14, this Consent Order Agreement and the Consent Order entered pursuant hereto shall be void and without effect with respect to Claim 14.

Paul R. Bardos
Acting Secretary

Dated: August 6, 1992

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

Before The Honorable Sidney Harris
Administrative Law Judge

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| In the Matter of | |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | Investigation No. 337-TA-324 |

**CONSENT ORDER**

On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade, S.r.L. (collectively, "the Complainants") filed a Complaint ("the Complaint"), naming Sociedad Exportadora Ltda. as a Respondent, with the United States International Trade Commission ("the Commission") under Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337). Motions to amend the Complaint to add additional parties were subsequently made and allowed.

The Commission, having determined that it has jurisdiction over the subject matter of the Complaint and that the Complaint provided a basis for the institution of an investigation under Section 337, instituted Investigation No. 337-TA-324 on January 29, 1991 ("the Investigation"), and published a Notice of Investigation to that effect.

The subject matter of the Investigation is the alleged importation and sale in the United States of certain acid-washed denim garments and accessories, including jeans, jackets, bags, and skirts, alleged to infringe United States Patent No. 4,270,21. ("the '213 patent") and to have been made by processes which infringe the '213 patent.

## DEFINITIONS

For purposes of this Consent Order, "Soexpo" shall mean Respondent Sociedad Exportadora Ltda. and its agents, officers, directors, affiliates, and subsidiaries.

For purposes of this Consent Order, "accused products" shall mean any denim garment or accessory (a) covered by Claim 14 of United States Patent No. 4,740,213 ("the '213 patent", copy attached as Exhibit A to the Consent Order Agreement), or (b) which were made by a process covered by Claim 6 of the '213 patent.

## ORDER

The Commission, having initiated the Investigation under Section 337 based upon the Verified Complaint of the Complainants regarding certain alleged acts of unfair competition and unfair acts by certain named Respondents, including Respondent Soexpo; the Complainants and Soexpo having executed a Consent Order Agreement agreeing to the terms and entry of this Consent Order

and to all waivers and other provisions as required by the Commission's Rules of Practice and Procedure; and

The Commission, having jurisdiction over the parties and the subject matter herein, and having published notice of the Consent Order Agreement and this proposed Consent Order for public comment on _____, 1991, and the ten (10) day period for public comment having ended and the Commission having duly considered the comments filed, if any:

**IT IS HEREBY ORDERED THAT:**

1. Commencing on August 8, 1992 ("the effective date") and thereafter until the expiration of Claims 6 and 14 of the '213 patent, Soexpo shall not directly or indirectly sell accused products for importation into the United States of America ("U.S."), other otherwise sell, offer for sale, or distribute in the U.S. either directly or indirectly accused products, provided that nothing in this Consent Order shall prohibit or preclude Soexpo from selling, offering for sale or distributing in the United States accused products into the United States prior to the effective date; nor shall anything in this Consent Order preclude or prohibit the Complainants from seeking damages in a court of competent jurisdiction for Soexpo's making, using, or selling of accused products in the United States prior to the effective date.

2. This Investigation is hereby terminated as to Respondent Soexpo and Soexpo is hereby dismissed as a named

Respondent in this Investigation; provided, however, pursuant to 19 C.F.R. § 211.22(c), that enforcement, modification, and revocation of this Order will be carried out pursuant to Subpart C of part 211 of the Commission's Rules of Practice and Procedure.

3. In the event that Claims 6 and/or 14 of the '213 patent are held by the Commission or a court or other administrative body of competent jurisdiction after exhaustion of all appeals to be invalid or unenforceable, this Consent Order shall be void and without effect with respect to the claim or claims so held invalid or unenforceable.

4. In the event Complainants withdraw Claim 14 or the investigation is terminated on grounds other than the merits, this Consent Order Agreement and the Consent Order entered pursuant hereto shall be void and without effect with respect to Claim 14.

Paul R. Bardos
Acting Secretary

Dated: August 6, 1992

CONFIDENTIAL INFORMATION DELETED

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

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| In the Matter of: | |
| CERTAIN ACID-WASHED DENIM GARMENTS AND ACCESSORIES | Inv. 337-TA-324 |

## OPINION OF THE COMMISSION

This investigation involves one of the simplest, yet most lucrative, inventions of the last decade: a process that randomly fades denim cloth. The inventor of the process, an Italian named Francesco Ricci, applied for an Italian patent in March 1986, and a U.S. patent seven months later. For the reasons stated below, we unanimously conclude that he is entitled to a foreign priority filing date under 35 U.S.C. § 119. This means that his U.S. patent is not invalid as anticipated or obvious. Respondents therefore violated section 337 of the Tariff Act of 1930 by importing infringing denim garments and accessories into this country. We therefore issue the consent orders pending in this investigation, as well as a general exclusion order that applies to all but those respondents who agreed to consent orders.

### Procedural background

On January 2, 1991, Greater Texas Finishing Corporation and Golden Trade S.r.L. filed a complaint alleging a violation of section 337 in the importation, sale for importation, or sale after importation of acid-washed denim garments and accessories that infringe claims 6 and 14 of U.S. Letters Patent 4,740,213 (the '213 patent) issued to Mr. Ricci, assigned to Golden Trade and exclusively licensed in the United States to Greater Texas Finishing Corporation. The Commission voted to institute an investigation of the

complaint on January 28, 1991, and published a notice of investigation in the Federal Register.[1]

The Commission later granted complainants' motions to add 19 firms as additional respondents.[2] The investigation gradually narrowed as some respondents agreed to consent orders, others declined to participate, and the complainants withdrew claim 14 of the '213 patent from the investigation.[3] The investigation proceeded as to claim 6, and the seven remaining active respondents. An evidentiary hearing was held before the administrative law judge (ALJ) from January 2 to January 8, 1992.

On April 6, 1992, the ALJ issued four initial determinations (IDs). In one, he found seven respondents in default pursuant to interim rule 210.25(a).[4] In two others, the ALJ granted motions to terminate the investigation as to seven respondents on the basis of consent orders.[5] In the fourth ID, the ALJ found that the invention of claim 6 was not adequately described in Mr. Ricci's Italian patent application (the Italian Application). The ALJ found that Mr. Ricci was therefore not entitled to a "foreign priority" filing date (pursuant to 35 U.S.C. § 119) based on the Italian Application.[6] Using the filing date of Mr. Ricci's patent application in the

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[1] 56 Fed. Reg. 4851 (Feb. 6, 1991). The notice named five respondents: Rio Sportswear; Bugle Boy Industries, Inc.; The Gitano Group, Inc.; Bon Jour Industries, Inc.; and Jordache Enterprises, Inc.

[2] See ALJ Order Nos. 6, 10, 16; 56 Fed. Reg. 25693 (June 5, 1991); 56 Fed. Reg. 32587 (July 17, 1991); 56 Fed. Reg. 43937 (Sept. 5, 1991).

[3] See ALJ Order Nos. 8, 19; 56 Fed. Reg. 23596 (May 22, 1991); 56 Fed. Reg. 50925 (Oct. 9, 1991).

[4] ALJ Order No. 24. The seven respondents are: (1) Chi Sheng Wash & Dye Factory; (2) Hsieh Hsing Washing & Dyeing Company, Ltd.; (3) Jeng Huei Garment Company, Ltd; (4) Yeh Hua Garments Manufacturing Company, Ltd.; (5) Blooming Dyeing Laundry Co.; (6) Bloowah Dyeing & Laundry Co.; and (7) Wing Luen Universal Laundry Ltd.

[5] ALJ Order Nos. 25 and 26.

[6] ID at 14-15, 20-21.

United States (the U.S. Application), he then concluded that prior art rendered claim 6 invalid as anticipated and obvious.[7] Since all other elements of a violation of section 337 had been satisfied, this conclusion was of decisive importance. It is the one we now review.

## Discussion

A. Standard for Commission decisions on review.

A threshold issue in this investigation is whether the Commission should review the factual portions of the ALJ's patent invalidity finding according to a "clearly erroneous" standard or a de novo standard.[8] Respondents urge the former standard; complainants and the Commission's investigative attorney (IA) argue that the latter standard is appropriate.[9]

The Commission's authority to review initial determinations is governed by section 557(b) of the Administrative Procedure Act, which provides:

> When the presiding employee makes an initial decision, that decision then becomes the decision of the agency without further proceedings unless there is an appeal to, or review on motion of, the agency within time provided by rule. On appeal from or review of the initial decision, the agency has all the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule.

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[7] ID at 32, 41.

[8] Unlike the ALJ's factual findings, no party has argued that the Commission should accord any deference to the ALJ's legal conclusions.

[9] Memorandum of Law of Rio Sportswear, Inc. et al. in Response to Notice of Decision to Review Portions of an Initial Determination and Request for a Hearing (Rio Review Brief) at 9-10; Reply Memorandum of Rio Sportswear, Inc. et al. in Response to Complainants' Supplemental Memorandum and Brief of the Office of Unfair Import Investigations (Rio Reply Brief) at 24 & n.14; Reply Brief of the Office of Unfair Import Investigations (IA Reply Brief) at 1-2; Transcript of Commission Hearing, July 8, 1992 ("Tr.") at 15-16, 75-76. Both sides base their arguments on differing views of the Commission's rules, prior Commission decisions, and policy considerations.

The standards for seeking review of an initial determination are set forth in interim rule 210.54(a)(1)(ii). That rule provides that a petition for review shall "[s]pecify the issues upon which review of the initial determination is sought." The rule sets forth three alternative issues which may form the basis for a petition for review: "(A) A finding or conclusion of material fact is clearly erroneous; (B) A legal conclusion is erroneous, without governing precedent, rule or law, or constitutes an abuse of discretion; or (C) The determination is one affecting Commission policy."[10] By requiring parties to identify such issues of fact, law or policy, interim rule 210.54 limits review to cases involving more than mere imperfections in the ALJ's initial determination that are inconsequential to the result of the investigation. In short, parties may not petition for review simply because they disagree with the outcome of the investigation.

In contrast to interim rule 210.54, interim rule 210.56 covers Commission decisions on review:

> On review, the Commission may affirm, reverse, modify, set aside or remand for further proceedings, in whole or in part, the initial determination of the administrative law judge and make any findings or conclusions that in its judgment are proper based on the record in the proceedings.

In our view, the standard for review provided in interim rule 210.56 is clear -- the Commission may "make any findings or conclusions that in its judgment are proper based on the record in the proceedings." Thus, once a sufficient basis for review has been shown and review has been ordered, the

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[10] 19 C.F.R. § 210.54(a)(1)(ii). Interim rule 210.55 provides that the same standards shall apply in determining to review an ID on the Commission's own motion.

Commission examines for itself the record on the issues under review. It makes findings on those issues it believes are appropriate, unconstrained by the "clearly erroneous" standard of interim rule 210.54. Contrary to respondents' claim, there is in our view no basis for grafting the "clearly erroneous" standard from interim rule 210.54 -- which governs whether there is a basis for review -- onto interim rule 210.56 -- which controls the Commission's decision upon review.

The plain meaning of interim rule 210.56 also is entirely consistent with the terms of the Administrative Procedure Act, which governs section 337 investigations. As noted above, section 557(b) of the Act provides that once an initial agency decision is taken up for review, "the agency has all the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule." This provision, and interim rule 210.56, reflect the fact that the Commission is not an appellate court; rather, it is the federal agency that is responsible for making the final agency decision, and it is the agency that will be required to defend the decision if the decision is challenged on appeal.

In sum, while we have taken the ALJ's findings and conclusion into account in our analysis, we have examined the record, in light of the arguments of the parties, to determine whether it contains the requisite evidence in support of a finding of invalidity. For the reasons set forth below, we conclude that it does not.

B. Whether claim 6 of the '213 patent was anticipated and obvious.

A patent, and each of its claims, is presumed valid.[11] A party trying to rebut this presumption must marshal clear and convincing evidence in favor of its position.[12] The burden on the attacking party --

> is constant and never changes and is to convince the court of invalidity by clear evidence. Deference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered but no such deference is due with respect to evidence it did not consider. All evidence bearing on the validity issue, whether considered by the PTO or not, is to be taken into account by the tribunal in which validity is attacked.[13]

One of the bases on which a patent may be held invalid is that the invention was "anticipated"; e.g., "known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent."[14] At

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[11] 35 U.S.C. § 282.

[12] Hybritech, Inc. v. Monoclonal Antibodies, 802 F.2d 1367, 1375 (Fed. Cir. 1986).

[13] American Hoist & Derrick Company v. Sowa & Sons, Inc., 725 F.2d 1350, 1360 (Fed. Cir. 1984). See also Hewlett-Packard Co. v. Bausch and Lomb, Inc., 909 F.2d 1464, 1467 (Fed. Cir. 1990) (burden of overcoming presumption of validity "especially difficult" when the most relevant prior art had been before the patent examiner); Chisum, Patents (1991) § 5.06[2]. It has been held that a patent examiner's finding of adequacy of description is entitled to "an especially weighted presumption of correctness." State Industries, Inc. v. A.O. Smith Corp., 221 U.S.P.Q. 958, 974 (M.D. Tenn. 1983) (citing other precedent), aff'd in pertinent part, rev'd in part on other grounds, 751 F.2d 1226 (Fed. Cir. 1985). Although in a recent case, the Federal Circuit stated that judicial decisions on validity are to be made "without deference to the rulings of the patent examiner", the statement appears to be in the nature of dicta rather than an explicit attempt to overrule established doctrine. Quad Environmental Tech. v. Union Sanitary Dist., 946 F.2d 870, 876 (Fed. Cir. 1991). Moreover, as described in the American Hoist & Derrick case quoted above, deference to the patent examiner regarding information considered by the examiner is separate from, and in addition to, the presumption of validity and the burden on respondents to come forward with clear and convincing evidence.

[14] 35 U.S.C. § 102(a).

issue in this investigation is the date on which Ricci invented his acid-washed process of claim 6. Complainants argued that the date of invention was the date on which Ricci filed a patent application in Italy for an acid-washed process. Respondents argued, and the ALJ found, that Ricci was only entitled to claim the invention as of the date he filed his patent application in the United States. By that time, however, a printed sheet had appeared in Italy -- the so-called "Legler flier" -- that described the acid-washed process Ricci claimed to have invented. The ALJ set forth the relevant sequence of events:

> March 28, 1986.....Ricci filed Italian Application
>
> September 1986.....Date of Legler flier
>
> October 22, 1986.....Ricci filed U.S. Application[15]

As this sequence reveals, the Legler flier is dated after Ricci's Italian Application was filed, but before Ricci's U.S. Application was filed. Thus, if the date of Ricci's invention is deemed to be the date of his U.S. Application, the Legler flier would be a "prior art" reference that could "anticipate" Ricci's invention, as well as render Ricci's invention "obvious" pursuant to 35 U.S.C. § 103.[16] If, however, the invention occurred as of the date of Ricci's Italian filing, the Legler flier could not be prior art because it would be "subsequent" to, not "prior" to, the invention.

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[15] ID at 15-16.

[16] 35 U.S.C. § 103 provides that a patent shall not be granted --

> if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

An item of prior art that anticipates a patent claim under section 102 will always also render that claim obvious under section 103.

An applicant may claim a "foreign priority" filing date for his U.S. Application based on the filing date of a patent application filed in another country, pursuant to 35 U.S.C. § 119, which provides:

> An application for patent for an invention filed in this country by any person who has . . . previously regularly filed an application for a patent for the same invention in a foreign country . . . shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country . . . .

This provision means that if an applicant previously submitted an application "for the same invention" abroad, his U.S. filing date is deemed to be the filing date of that foreign application.[17] To satisfy section 119, the foreign application must, inter alia, adequately "describe" the invention later claimed in the United States.[18]

This "description" requirement is found at 35 U.S.C. § 112 ¶ 1, which provides that:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.[19]

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[17] Unlike activities occurring in the United States, an application for a U.S. patent may not establish a date of invention by reference to activities occurring abroad, except under section 119. 35 U.S.C. § 104.

[18] See In re Gosteli, 872 F.2d 1008, 1010 (Fed. Cir. 1989), and cases cited therein.

[19] (Emphasis added). This provision has been viewed as containing three separate requirements -- the "description", "enablement", and "best mode" requirements -- but only the description requirement is germane to the present case. No party has alleged failure to satisfy either the enablement or best mode requirements, and thus the presumption of validity controls as to those requirements.

As noted above, the ALJ's finding of invalidity was based on his determination that inventor Ricci's patent application filed in Italy in March of 1986 did not meet the "written description" requirement of 35 U.S.C. § 112 ¶ 1 with regard to claim 6. All parties agree that the validity of claim 6 depends on whether the Italian Application satisfied the written description requirement.

The standard for satisfaction of the written description requirement is whether the applicant has "convey[ed] with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention. The invention is, for purposes of the 'written description' inquiry, whatever is now claimed."[20] The foreign application need not describe the invention in the exact same words found in the claim at issue; rather, it is sufficient if disclosure of the invention would be "inherent" to one skilled in the art.[21] Compliance with the written description requirement is a question of fact.[22] "Precisely how close the original description must come [to the claim] to comply with the description requirement of 35 U.S.C. § 112 must be determined on a case-by-case basis."[23]

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[20] Vas-Cath, Inc. v. Mahurkar, 935 F.2d 1555, 1563-64 (Fed. Cir. 1991) (emphasis in original). See also In re Gosteli, 872 F.2d 1008, 1012 (Fed. Cir. 1989) ("Although [the applicant] does not have to describe exactly the subject matter claimed, . . . the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed").

[21] Application of Lukach, 442 F.2d 967, 969 (CCPA 1971).

[22] Vas-Cath, 935 F.2d at 1563.

[23] Ralston Purina Company v. Far-Mar-Co, Inc., 772 F.2d 1570, 1575 (Fed. Cir. 1985).

1. The dry-tumbling step in claim 6 and the Italian Application.

The invention at issue, claim 6 of the '213 patent, reads as follows:

> A method of producing a random faded effect on cloth fabric or a made-up garment which is in a wet or dry condition comprising:
>
> (a) disposing the fabric or garment which is in said wet or dry condition in a chamber in dry contact with granules of a coarse, permeable material, said granules having been impregnated with a bleaching agent;
>
> (b) bleaching said cloth or garment in a dry state by dry-tumbling said fabric or garment and granules together for a period of time sufficient to randomly fade the fabric or garment; and
>
> (c) separating the faded fabric or garment from the granules.

Thus claim 6 describes an invention for "dry-tumbling" fabric or garments together with bleach-impregnated granules to produce random fading. It is the invention of claim 6 that must be adequately described in Mr. Ricci's Italian patent application.

Mr. Ricci's Italian Application is entitled "Procedure to Fade in a Random Way Cloth or Manufactured Clothing in a Machine Having a Rotating Drum and the Way to Effectuate Such a Procedure."[24] In four different places the Italian Application describes a process in terms of five steps:

> The present invention concerns a procedure for fading in a random way textiles or manufactured clothing in a machine having a rotating drum, of the type that foresees a first phase of pressing, a second phase of softening in a bath of water at about 50/60 degrees

[24] Complainants Exhibit (CX) 1 at 122 (English translation of Italian Application).

> C., a third phase of drying, a fourth phase of fading the textiles or manufactured clothing in a machine having a rotating drum, where one foresees the utilization of a substance with a strong bleaching potential, and a fifth and last phase of successive neutralization, by way of for example oxygenated water, residues of the bleaching substance still present in the textiles, with a final normal wash, softening and drying of the cloth or clothing thus treated.[25]

The Application indicates that the pre-treatment phases of desizing, softening, and drying, as well as the post-treatment phase of neutralizing, washing, softening, and drying, are all done with conventional machines and well known in the art.[26] It is the fourth phase -- the process of fading the fabric -- that the Application states is "the part that is the subject of the present invention."[27] According to the Application, this phase (labeled D in an accompanying diagram) "foresees further phases, indicated respectively with D1, D2, D3."

The Application then describes these further phases:

> [P]hase D1 foresees the impregnation of granules, of a rough material, permeable and with a strong ability to absorb and with any kind of substance with a strong bleaching potential, as long as it was fluid. The second phase D2 foresees putting in or equipping of such granules thus impregnated inside the rotating drum of the machine, on the clothing or fabric to treat, in movement inside the rotating drum of the machine: this last will be made to function dry for a predetermined time which, according to the experience of the applicant, will be about five minutes. At the end of the cited functioning of the machine, one foresees phase D3 in which the recovery or the evacuation of the granules is effectuated.[28]

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[25] CX 1 at 123. See also id. at 122-123, 127-128, 132.

[26] See, e.g., id. at 126 ("Naturally the preceding phases and those after it of this treatment belong completely to the technique noted.").

[27] Id. at 127 (emphasis added).

[28] CX 1 at 127-128.

Claim 6 is a dry-tumbling process, and the Italian Application describes a dry-tumbling step in terms very similar to claim 6. Each of the three elements in claim 6 are remarkably similar to phases D1, D2, and D3 in the Italian Application. However, we are careful not to base our conclusion on our own interpretation of the Italian Application, as we are no more skilled in the art than the ALJ. Instead, we review the record to decide whether respondents met their burden of showing invalidity by clear and convincing evidence.

2. The phrase "in a wet or dry condition".

The question, then, is whether the Italian Application conveyed "with reasonable clarity to those skilled in the art" that Mr. Ricci was in possession of the invention described in claim 6 of his U.S. patent. The ALJ found that it did not, because the Italian Application described a process that would work on "dry" fabric or garments, while the U.S. patent described a process that would work on fabric "which is in a wet or dry condition:"

> Respondents have proven that the mandatory drying step in the description of the invention set forth in the Italian application requires that the cloth or garment be dry before being subjected to the bleaching process. Thus, respondents have carried their burden of proving the Italian application would not convey to one of skill in the art that Ricci had in his possession a process that worked on a garment that is not dry.[29]

There is little, if any, evidence on the record, however, tending to prove that one of ordinary skill in the art would understand the drying phase described in the Italian Application as excluding wet fabrics or even as being

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[29] ID at 20.

part of the invention at all. The most relevant evidence was testimony of the complainants' expert witness, Mr. Canter:

> Q: . . . I think you've told us that you've read an English translation of the Italian application?
>
> A: Yes, I have.
>
> Q: Do you have an opinion as to whether one of ordinary skill in the art would understand the Italian application's process to be limited to dry garments before tumbling?
>
> A: Yes, I have an opinion. Certainly that term "dried" is used in the application, but the, the way it's used and the understanding of the way it's used in the trade would indicate that dryness would mean varying degrees of moisture. The term is sometime used spun-dried, or dried, or damp-dried, or fully-dried, or sometime even bone-dried. So it --
>
> Q: When you read the Italian application, did you understand it to be -- to "exclude" or "include" garments that were in a wet or damp condition before tumbling?
>
> A: It clearly would include garments in damp condition.
>
> Q: And what do you base you [sic] view on?
>
> A: The way that -- the conventional way that goods are dried in commercial laundries and the way the term dried is generally used in textiles. When you say dry, you don't mean you, you're heavily drying it for, for various reasons. In the first place, some degree of dampness is desirable, especially in the commercial laundry industry. It's desirable because it permits them to lay out, remove wrinkles, and press the garments. Furthermore, from the standpoint of drying there's a -- terms of economics it costs a tremendous amount of money to drive moisture out of textiles. And for economics they don't fully dry, they just dry to the level that provides the degree of control and go to the next process.
>
> Q: When you read the Italian application, did you what -- did you form an opinion as to whether the process, as described there, could be used with wet or damp garments?
>
> A: Yes, I did. The -- as I said the term dry is included in that application, but it's obvious from, from reading the application that the process would apply to wet garments, as well as dry garments. The term "dry" as used in that application, and I read it several times, to me, infers that

> they're drying to achieve a level of control. Because, although the process will work obviously, on wet or dry, you get different results from the process depending on the amount of wetness or dryness of the garments at the time you apply the impregnated pumice stone. So I looked at the term "dry" as simply a means of achieving control, to get some level of consistency from process to processing.[30]

Complainants only offered Mr. Canter as an expert witness.[31] However, his unrebutted testimony also indicated that he had worked for years directly in the garment finishing art.[32] Indeed, the ALJ cited Mr. Canter's testimony in defining the qualifications of a person of ordinary skill in the art.[33] At a minimum, Mr. Canter knew how a person of ordinary skill in the art would view the Italian Application. The first set of questions directed to him was explicitly phrased in terms of how a person of ordinary skill in the art would view the Italian Application:

> Q: Do you have an opinion as to whether one of ordinary skill in the art would understand the Italian application's process to be limited to dry garments before tumbling?
>
> A: Yes, I have an opinion. Certainly that term "dried" is used in the application, but the, the way it's used and the understanding of the way it's used in the trade would indicate that dryness would mean varying degrees of moisture.[34]

Respondents argue that Mr. Canter's testimony should be rejected on grounds that an expert cannot be used to contradict the otherwise plain terms

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[30] Transcript of Hearing before ALJ ("ALJ Tr.") at 353-355. Although the ID cited Mr. Canter's testimony in support of numerous findings of fact, the ID did not cite the above-quoted testimony in its discussion of adequacy of description.

[31] ALJ Tr. at 343-344.

[32] See, e.g., ALJ Tr. at 309-311, 313-315.

[33] ID at 83, Finding of Fact (FF) 146.

[34] ALJ Tr. at 353 (emphasis added).

of a patent application.[35] The argument is misplaced. We are not construing a claim in the Italian patent application; rather, we are trying to decide what that application would reasonably convey to one of ordinary skill in the art. Mr. Canter's testimony is the most relevant evidence on the question of how such a person would understand the drying step in the Italian Application. In any event, the Italian Application does not define the drying step in a way that would conflict with Mr. Canter's testimony.[36]

Respondents rely on several pieces of evidence to challenge Mr. Canter's testimony and the presumption of validity it buttresses. First, respondents cite Mr. Ricci's testimony during the hearing.[37] In response to a question framed in the context of "the laundry art", Mr. Ricci testified that the process of "drying" a garment includes both "spinning" the garment and subsequent placement in a "dryer" for tumbling; he later testified that "by definition" drying means "the removal of moisture".[38] Nowhere, however, does Mr. Ricci indicate how much water is removed, or what condition the garments are in after undergoing drying. In any event, the value of such testimony is questionable, since respondents themselves argue that "an inventor's later testimony has little legal relevance; it is what the application itself would have conveyed to one skilled in the art that determines whether the claim is

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[35] Rio Reply Brief at 7-8.

[36] Evidence concerning the acid-washed process of respondent Wing Luen also supports complainants' position. The ALJ found that [

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[37] Rio Review Brief at 15-16.

[38] ALJ Tr. at 163, 174.

adequately supported in the priority application."[39] Even if we assume Mr. Ricci was one of only ordinary skill in the art, his testimony on the meaning of "drying" outside the context of what it meant in the Italian Application is of little relevance to our task.

A second piece of evidence upon which respondents rely is the testimony of their expert, Dr. Etters:

> Q: If someone in the industry were told to dry a garment and it came back damp, would they have accomplished the task that they were told to do?
>
> A: No.
>
> * * *
>
> Q: And what is dry?
>
> A: Dry means the absence of capillary moisture in a fabric.[40]

Dr. Etters testified that the absence of "capillary moisture" occurs for cotton at about 25 percent "moisture regain", and that this 25-percent level separated garments that felt dry from those that felt damp.[41] Putting these pieces of testimony together, Dr. Etters' testimony can be read to support the view that, in "the industry", to dry a garment means to render it "dry to the touch."

Dr. Etters' testimony, however, is also of little value because it was not given in the context of what the Italian Application would reveal to one skilled in the art. Moreover, Dr. Etters admitted that he had never read the part of the prosecution history file of the '213 patent that contains Mr.

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[39] Rio Review Brief at 21 (emphasis in original).
[40] ALJ Tr. at 738-739, cited in Rio Reply Brief at 17-19.
[41] ALJ Tr. at 706-707, 813.

Ricci's Italian Application[42] and had no experience working in a facility doing finishing of denim garments.[43]

Respondents next claim that the use of a second drying step in the Italian Application supports their position.[44] The Italian Application provides that, following the dry-tumbling step, the garments are subsequently processed through "normal wash, softening and drying of the cloth or clothing thus treated."[45] Respondents claim that the only reasonable interpretation of this second drying step is that the garments become dry to the touch, since the garments must be dry to that extent when they are stored or shipped to customers.[46] According to respondents, since this latter use of "drying" means to dry completely, that meaning must also be ascribed to the term as a pre-treatment step.

Such argument is not evidence of how one of ordinary skill in the art would view the drying step in the Italian Application. In that context, the Italian Application refers to the post-treatment steps as "normal" wash, softening, and drying,[47] thus suggesting that pre-treatment drying and post-treatment drying are not necessarily identical in meaning. Moreover, Mr.

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[42] ALJ Tr. at 760-761. Respondents ask the Commission to discount the testimony of complainants' expert Dr. Beaulieu on this same basis -- failure to read the Italian Application. Rio Reply Brief at 14 n.8.

[43] ALJ Tr. at 753. See also Oral Argument Tr. at 126-8 (counsel acknowledged Dr. Etters' lack of hands-on experience in laundry art). Dr. Etters further stated that he had no experience in "wet processing" of denim garments and no knowledge of the terms that persons in that art used, and conceded that complainants' expert Mr. Canter did have such experience. Id. at 753-755. Wet processing is the treatment of garments through saturation or immersion in water, and includes garment rinsing, bleaching and stone washing. ALJ Tr. at 318. Facilities that finish denim garments frequently employ wet processing techniques. See, e.g., ID at 59-60, FF 22-26.

[44] Rio Review Brief at 25-27.

[45] CX 1 at 128.

[46] Rio Review Brief at 26.

[47] CX 1 at 123, 128, 132.

Canter's testimony suggests that the meaning of drying can vary depending on the context, and that as a pre-treatment step drying is not necessarily done to make the garments dry to the touch.

Respondents also cite the statement in the prosecution file of the U.S. Application in which Mr. Ricci's attorneys indicated that the process described in the Legler flier -- which was limited to "dryed" garments -- was "essentially" Mr. Ricci's process.[48] Since this statement was not included in the Italian Application, its value in determining how one of ordinary skill in the art would understand the Italian Application is limited. Even if the statement were an "admission", it was simply an admission of invalidity if the Legler flier were prior art, an issue complainants do not contest.

Finally, respondents point to a second document from the prosecution file of the '213 patent -- a declaration by Mr. Ricci describing how he processed a number of pairs of blue jeans according to his acid-wash process.[49] Mr. Ricci described two groups of jeans as having been "dried" before undergoing fading. According to respondents, since Mr. Ricci listed the same weight for those "dried" jeans as he did for the jeans at the very start, the "dried" jeans must have been "dry to the touch". Whether or not this is a fair inference, this declaration is not part of the Italian Application and, furthermore, says nothing about how one of ordinary skill in the art would interpret the Italian Application.[50]

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[48] Rio Review Brief at 28-30.

[49] Rio Review Brief at 27-28, citing CX 1 at 18-21.

[50] To the extent respondents argue that this subsequent reference to "dried" shows what Ricci intended by the "drying" step in the Italian Application, as noted earlier, respondents themselves have argued that what Ricci may have intended is not relevant to what the Italian Application disclosed. See supra at 14.

All the documentary evidence respondents cite was also before the patent examiner, who nevertheless granted Mr. Ricci the benefit of the foreign priority filing date of the Italian Application. As we noted above, we owe deference to the patent examiner's interpretation of evidence that he considered. The testimony respondents presented at the hearing fails to overcome either that deference or the testimony complainants provided. Indeed, our review of the record shows a complete absence of evidence, much less clear and convincing evidence, establishing that one of ordinary skill in the art would interpret the drying step in the Italian Application as necessarily resulting in garments that were dry to the touch.

We note as well that there is no mention in the Italian Application of the condition of the garments that undergo the fading process. The terms "dry", "dried", "dry to the touch" or the like are never used to describe the condition of the garments to be processed. The Italian Application describes the items that undergo the fading process merely as "cloth or manufactured clothing", "textiles or made-up clothing", "textiles or manufactured clothing" or "cloth or manufactured clothes".[51] The absence of any limitation on the condition of the fabric or garments provides further reason to doubt that one of ordinary skill in the art would view the Italian Application as excluding garments and fabric that were not "dry to the touch."

3. The significance of the drying step in Mr. Ricci's Italian Application.

Respondents also make the related argument that the terms of the Italian Application itself describe a "definitive drying step".[52] The Italian Application does include the drying step each time the process is described,

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[51] CX 1 at 122, 123, 132.
[52] ID at 18.

including in claim 1, the only process claim of the Application. Respondents contend that the inclusion of the drying step, with no indication that it was an optional step, would indicate to someone of ordinary skill in the art that it was part of the disclosed process.

They argue that the drying step would be seen by one of ordinary skill in the art as an important aspect of the process described in the Italian Application. They cite the testimony of inventor Mr. Ricci and complainants' expert Mr. Canter that the results of the process vary depending on the moisture content of the fabric or garments, and respondents' expert Dr. Etters who testified that the process would not work on garments that were not dry.[53] But these statements simply do not address the question of whether one of ordinary skill in the art would view the drying step, in the context of the Italian Application, as a necessary part of the disclosed invention.

Respondents also argue that because the Ricci process was apparently a ground-breaking process, persons skilled in the art would have no idea whether the process would work on garments that had not been dried; those persons, the argument goes, would therefore naturally view the drying step as important.[54] This could be true, but respondents cite no clear and convincing evidence for this proposition.

We also note that the Italian Application indicates that only the tumbling and fading phase is "the subject of the present invention". This might well suggest to someone of ordinary skill in the art that the drying step was not a necessary part of the process Mr. Ricci was claiming to have

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[53] Rio Review Brief at 35-36; Rio Reply Brief at 4, 29, citing ALJ Tr. at 124, 355, 719-720. Mr. Ricci and Mr. Canter testified that the process would work on garments that were not dry. ALJ Tr. at 125, 476.

[54] Rio Reply Brief at 27-28.

invented. Either result is plausible. Nevertheless, speculation, however plausible, is not enough. Respondents had to present evidence that a person of ordinary skill in the art would view the drying step as part of the invention disclosed in the Italian Application. Their failure to do so also prevents them from overcoming the presumption of patent validity.

C. Remedy.

Complainants and the IA urge the Commission to issue a general exclusion order barring the importation of products produced according to the process of claim 6.[55] Neither complainants nor the IA request cease and desist orders directed at any respondents. The Rio respondents argue that, should the Commission issue an exclusion order, the order should be a general exclusion order rather than an order limited to the Rio respondents.[56]

1. General vs. limited exclusion order.

In deciding whether to issue a general, as opposed to a limited, exclusion order, the Commission has considered a complainant's (and the Commission's) interest in avoiding the necessity to file repeated section 337 complaints each time a new infringing party is discovered. Against this interest, the Commission has balanced the public interest in avoiding the disruption of legitimate trade that a general exclusion order can cause.[57]

In balancing these concerns, the Commission has issued a general exclusion order if the intellectual property right at issue "is of a sort

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[55] Complainants' Review Brief at 44-52; Brief of the Office of Unfair Import Investigations on Remedy, the Public Interest, and Bonding (IA Remedy Brief) at 2-7.

[56] Reply Memorandum of Rio Respondents on Remedy at 1-3.

[57] See, e.g., Certain Dynamic Random Access Memories, Components Thereof and Products Containing Same (DRAMs), Inv. No. 337-TA-242, USITC Pub. 2034 (November 1987) Commission Opinion on Violation, Remedy, Bonding, and Public Interest at 84.

which might readily be infringed by foreign manufacturers who are not parties to the Commission's investigation."[58] The Commission has required a showing of "[1] a widespread pattern of unauthorized use of [the] patented invention and [2] certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles."[59]

In Spray Pumps, the Commission indicated that evidence of the first ("pattern of unauthorized use") element above might include:

> (1) a Commission determination of unauthorized importation into the United States of infringing articles by numerous foreign manufacturers; or
>
> (2) the pendency of foreign infringement suits based upon foreign patents which correspond to the domestic patent in issue; or
>
> (3) other evidence which demonstrates a history of unauthorized foreign use of the patented invention.

Evidence of the second ("business conditions") element might include:

> (1) an established demand for the patented product in the U.S. market and conditions of the world market;
>
> (2) the availability of marketing and distribution networks in the United States for potential foreign manufacturers;
>
> (3) the cost to foreign entrepreneurs of building a facility capable of producing the patented article;
>
> (4) the number of foreign manufacturers whose facilities could be retooled to produce the patented article; or

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[58] Certain Airless Paint Spray Pumps and Components Thereof (Spray Pumps), Inv. No. 337-TA-90, USITC Pub. 1199 (Nov. 1981) at 17.
[59] Id. at 18.

(5) the cost to foreign manufacturers of retooling their facility to produce the patented articles.[60]

The two-part Spray Pumps test for issuance of a general exclusion order is clearly met in this case. Complainants named (or added) as respondents 24 firms, all of whom either settled, defaulted, or were found to infringe. Complainants also showed that an infringement action in Belgium based on a Belgian counterpart to the '213 patent is pending, and that previous infringement actions in Italy were ultimately settled on the basis of licensing agreements.[61]

The billions of dollars of sales of acid-washed products in the United States proves there is an established U.S. market.[62] As evidence of a large number of potential infringers, the IA has observed that discovery during the investigation revealed that respondents imported accused products from a multitude of different suppliers, with one company alone listing numerous supplying factories.[63] Complainants submitted an affidavit of Mr. Canter stating that the facilities and equipment necessary to practice the process of claim 6 are minimal, consisting of equipment available in most commercial laundries.[64] It appears that acid-washing is a "low tech" process that could easily be duplicated by literally thousands of firms world-wide.

Thus, we determine that the appropriate remedy in this investigation is a general exclusion order.[65]

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[60] Id. at 18-19.
[61] Complainants Review Brief at 47-48.
[62] See, e.g. ID at 88, FF 172 (huge volume of sales for one firm alone).
[63] IA Remedy Brief at 5.
[64] Complainants Review Brief, Attachment D.
[65] We note that the Commission determined not to review an ID finding seven foreign respondents in default. 57 Fed. Reg. 20709 (May 14, 1992). Because the Commission has issued a general exclusion order, which covers the (continued...)

The exclusion order we have issued excludes from entry into the United States denim garments and accessories made according to the process of claim 6 of the '213 patent, for the life of the patent. Products imported under license of the patent owner, and imports made by or on behalf of the United States,[66] are exempt from the coverage of the order.

The order contains a "certification" provision whereby importers may import goods by providing to the Customs Service a written certification that the goods were not processed according to the process of claim 6. Such a provision will likely facilitate Customs' administration of the order by eliminating the often difficult task of determining how a product was made simply by examining its appearance. The IA notes that he has advised the Customs Service of the terms of his proposed order, and Customs has raised no objections.[67] Similar certification provisions have been included in previous exclusion orders issued by the Commission.[68]

2. Whether to exempt respondents subject to consent orders.

On the same day on which he issued the final ID in this investigation, the ALJ issued two IDs granting two motions for issuance of consent orders covering seven respondents.[69] The Commission determined to review the two IDs

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[65](...continued)
defaulted respondents, we need not address the provisions of section 337(g)(1), which concerns the issuance of limited relief against defaulted respondents.

[66] See 19 U.S.C. § 1337(1).

[67] IA Remedy Brief at 7 n.8.

[68] See, e.g., Chemiluminescent Compositions, Exclusion Order, ¶ 3; Certain Minoxidil Powders, Salts, and Compositions for Use in Hair Treatment, Inv. No. 337-TA-267 (1988), General Exclusion Order, ¶ 2.

[69] These seven respondents are: (1) Jordache Enterprises, Inc.; (2) The Gitano Group, Inc.; (3) Fast Forward Ltd.; (4) Four Ninety Eight Ltd.; (5) Jordache International (Hong Kong); (6) Sociedad Exportadora Ltda. (Soexpo); and (7) Sao Paolo Alpargatas, S.A.

in order to defer a decision on whether to issue the consent orders until the Commission had rendered a decision on patent validity.[70] Since we have found claim 6 of the '213 patent to be valid, we have issued the consent orders.

At the Commission's request, the parties have briefed the issue of whether the exclusion order should exempt from its coverage those respondents who have been terminated from the investigation on the basis of consent orders. Consent order respondents Jordache, Gitano, and Bugle Boy urge the Commission to exempt such respondents from the coverage of any exclusion order.[71] Complainants do not object to an exemption for the consent order respondents.[72] The IA argues that, because complainants do not object, the Commission should exempt the consent order respondents in this investigation, but should not create a blanket exemption for all future investigations.[73] The IA notes that he has consulted with the Customs Service, which has indicated to him that exemptions for consent order respondents would not be problematic in this case.[74]

We have determined to exempt the consent order respondents from the exclusion order issued in this investigation. In so doing, we have considered the interests of encouraging parties to settle section 337 investigations as well as the interests of providing a complainant effective relief when there is a violation of section 337. We believe our decision strikes an appropriate balance between these two interests. We agree with respondents that inclusion

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[70] 57 Fed. Reg. 20709 (May 14, 1992).

[71] Comments of Gitano and Jordache in Response to Questions at the Commission Hearing; Bugle Boy Industries, Inc.'s Response to the Commission's Request for Briefing on Remedy.

[72] Complainants' Further Supplemental Memorandum Concerning the Issue of Remedy.

[73] Brief of the Office of Unfair Import Investigations on Certain Remedy Issues Following Oral Argument Before the Commission.

[74] Id. at 8.

of settled respondents in an exclusion order has the potential to discourage settlements in some cases.[75] In this investigation, settling respondents argue that their inclusion in the exclusion order would place an undue burden on their importations of denim products in view of the certification requirements contained in the exclusion order. We also note that the main provision of the consent orders issued in this investigation -- an agreement by respondents not to import goods covered by claim 6 of the '213 patent -- provides coverage similar to the terms of the exclusion order with regard to those respondents. Moreover, complainants themselves, for whose benefit the exclusion order will be issued, have no objection to exempting the consent order respondents. We therefore believe that exempting consent order respondents from the exclusion order is warranted in this case.

D. Public interest.

Section 337(d) provides that the Commission may exclude infringing articles --

> 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 the articles should not be excluded from entry.

The legislative history of this provision states that --

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[75] We note that the consent order agreements in this case are silent on whether respondents should be excluded from any further remedial action taken by the Commission. In crafting consent order agreements and settlement agreements in future cases, parties may wish to consider indicating in some way their intention regarding inclusion or exclusion of the settling respondents in subsequent Commission remedial orders.

> the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute.[76]

We agree with complainants and the IA that there are no discernible public interest issues that would preclude issuance of a general exclusion order in this investigation.

E. Bonding.

Section 337(j)(3) provides that during the 60-day Presidential review period, infringing articles shall be entitled to entry under bond in an amount determined by the Commission. The legislative history of the 1974 amendments to section 337 states that --

> In determining the amount of the bond, the Commission shall determine, to the extent possible, the 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.[77]

If price data are available, the Commission has generally sought to impose a bond that would equalize the price of the infringing imported product with the price of complainant's product.[78] In this case, price data are problematic given the numerous importers of acid-washed products and the wide

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[76] S. Rep. 1298, 93d Cong., 2d Sess. 197 (1974). In only three prior investigations has the Commission found that the public interest precluded relief. See Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, USITC Pub. 1022 (Dec. 1979); Certain Inclined-Field Acceleration Tubes and Components Thereof, Inv. No. 337-TA-67, USITC Pub. 1119 (Dec. 1980); Certain Fluidized Supporting Apparatus and Components Thereof, Inv. No. 337-TA-182/188, USITC Pub. 1667 (Oct. 1984).

[77] S. Rep. 1298, 93d Cong., 2d Sess. 198 (1974).

[78] See, e.g., Certain Reclosable Plastic Bags and Tubing, Inv. No. 337-TA-266, USITC Pub. 2171 (1989), Commission Opinion at 5; Certain High-Intensity Retroreflective Sheeting, Inv. No. 337-TA-268, USITC Pub. 2121 (Sept. 1988), Commission Opinion at 12.

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