

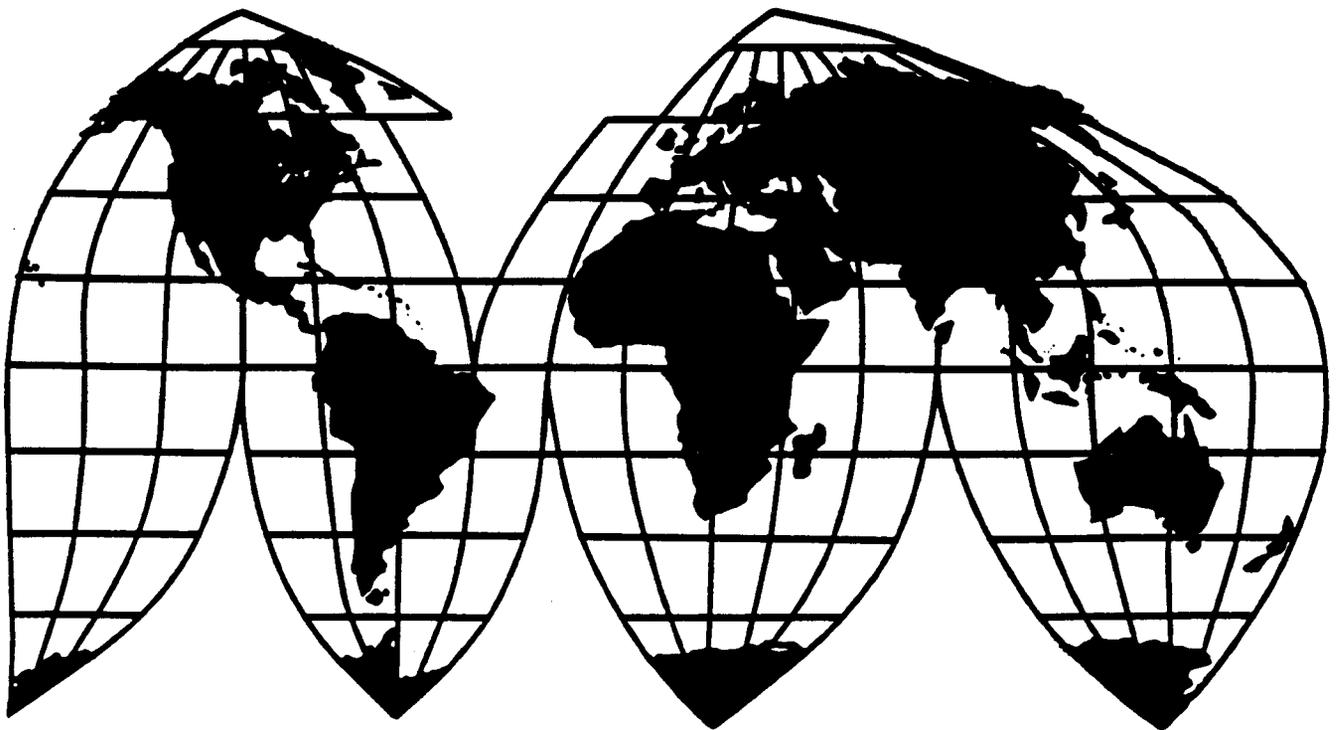
In the Matter of
**Certain Multibrand Infrared
Remote Control Transmitters**

Investigation No. 337-TA-363

Publication 2788

June 1994

U.S. International Trade Commission



U.S. International Trade Commission

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Washington, DC 20436

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UNITED STATES INTERNATIONAL TRADE COMMISSION
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OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

In the Matter of

CERTAIN MULTIBRAND INFRARED
REMOTE CONTROL TRANSMITTERS

Investigation No. 337-TA-363

PUBLIC INSPECTION

NOTICE OF COMMISSION DETERMINATION REVIEWING AND MODIFYING
AN INITIAL DETERMINATION TERMINATING THE INVESTIGATION

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review and modify in part, and affirm in part, an initial determination (ID) in the above-captioned investigation terminating the investigation.

FOR FURTHER INFORMATION CONTACT: Judith M. Czako, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-3093.

SUPPLEMENTARY INFORMATION: On December 21, 1993, Zenith Electronics Corporation (Zenith) filed a complaint with the Commission alleging violations of section 337 in the importation and sale of certain multibrand infrared remote control transmitters. Zenith alleged that the unauthorized use of such transmitters to operate a Zenith television infringed the claims of U.S. Letters Patent 4,425,647 (the '647 patent), and that the importation and sale of such transmitters induced infringement of the '647 patent, and contributed to infringement of the '647 patent. An amended complaint was filed on January 10, 1994. The Commission's notice of investigation based on the amended complaint was published in the Federal Register on January 28, 1994, naming 16 respondents. 59 Fed. Reg. 4100 (1994).

On March 17, 1994, the presiding administrative law judge (ALJ) issued an ID granting Zenith's motion to terminate the investigation on the basis of withdrawal of the complaint. Several respondents opposed the motion. A petition for review was filed on behalf of respondent U.S. Electronics Components Corporation. No government agency comments were received.

Having considered the ID, the petition for review [and responses thereto], and the record in this investigation, the Commission has determined to review and modify the ID in part, and affirm it in part.

Copies of the Commission's Order, the nonconfidential version of the ID, and all other nonconfidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) 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 persons are advised that information on the matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

This action is taken under the authority of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and sections 210.54 and 210.56 of the Commission's Interim Rules of Practice and Procedure (19 C.F.R. §§ 210.54 and 210.56).

By order of the Commission.



Donna R. Koehnke
Secretary

Issued: April 18, 1994

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

In the Matter of

CERTAIN MULTIBRAND INFRARED
REMOTE CONTROL TRANSMITTERS

Investigation No. 337-TA-363

ORDER

On December 21, 1993, Zenith Electronics Corporation (Zenith) filed a complaint with the Commission alleging violations of section 337 in the importation and sale of certain multibrand infrared remote control transmitters by reason of alleged induced and contributory infringement of the two claims of U.S. Letters Patent 4,425,647 (the '647 patent). The Commission's notice of investigation based on the amended complaint was published in the Federal Register on January 28, 1994, naming 16 respondents. 59 Fed. Reg. 4100 (1994).

On March 1, 1994, complainant Zenith filed a motion to withdraw the complaint and terminate the investigation without prejudice. The motion was based on a decision of the U.S. District Court for the Northern District of Illinois in parallel litigation between Zenith and respondent Universal Electronics, Inc. In that case, the district court judge granted summary judgment to Universal, finding that Universal's manufacture and sale of the remote control transmitters at issue in this investigation does not directly infringe, induce infringement, or contributorily infringe the claims of Zenith's '647 patent. Universal Electronics, Inc. v. Zenith Electronics Corporation, No. 92-C-799, (N.D.Ill., February 22, 1994) (Memorandum Opinion and Order). Several of the 16 respondents in the investigation filed responses to Zenith's motion, supporting termination of the investigation, subject to certain conditions specifying the circumstances in which complainant could bring another action here, and opposing termination without prejudice. Respondent U.S. Electronics Components Corporation ("U.S. Electronics") also moved for summary determination against complainant, or in the alternative, termination of the investigation with prejudice, and sought an award of attorneys' fees and costs against complainant.

On March 17, 1994, the presiding administrative law judge (ALJ) issued an ID granting Zenith's motion to withdraw and terminate. Specifically, the ALJ ordered the investigation

terminated with prejudice to refiling of the complaint unless the judgment of the U.S. District Court for the Northern District of Illinois is reversed, and without prejudice to refiling of the complaint if that judgment is reversed. ID at 4. The ALJ also denied the request for attorneys' fees and costs, and denied U.S. Electronics' motion for summary determination or termination with prejudice. The ALJ found that termination of the investigation was "necessary" in light of the district court decision, which involves the same patent, products, allegations of infringement, and defenses as the Commission investigation. She stated that the principle of "stare decisis" requires the Commission to follow the district court's decision, while Zenith's complaint against Universal, the other party to the district court litigation, is barred by collateral estoppel unless and until the district court's decision is reversed. The ALJ further concluded that there is no reason for the Commission to preclude refiling of the complaint should the district court's grant of summary judgment be reversed, noting that while the Commission may suspend an investigation while parallel district court litigation is proceeding, section 337 relief is available "in addition to any other provision of law." 19 U.S.C. § 1337(a)(1).

On March 28, 1994, respondent U.S. Electronics filed a petition seeking review of the ID. Specifically, U.S. Electronics alleges that the ALJ erred or abused her discretion in failing to terminate the investigation with prejudice, and in failing to award attorneys' fees.

Pursuant to interim rule 210.54, the Commission may review an ID if it appears that a material factual finding is clearly erroneous; a legal conclusion is erroneous, without precedent, or an abuse of discretion; or the determination affects Commission policy. Because the question of termination of investigations "with" or "without" prejudice upon withdrawal of a complaint arises repeatedly, we have determined that it is appropriate, as a matter of Commission policy, to review the subject ID in order to clarify that the distinction between termination "with" and "without" prejudice has little practical significance in Commission practice.

In general, the Commission's practice has been to order termination with prejudice in cases where proceedings are well advanced and the Commission and the parties have expended considerable effort in pursuing the investigation. However, the distinction between dismissal with or without prejudice does not have the practical significance in section 337 proceedings before the Commission that it would in federal district court. Because all orders of termination are final

determinations of the Commission,¹ such orders, whether with or without prejudice, may only be modified through recourse to interim rule 211.57.² Thus, dismissal without prejudice would not obligate the Commission to institute a new investigation should the same complaint subsequently be refiled. Nor would dismissal with prejudice prevent it from doing so upon a showing of changed circumstances. Moreover, dismissal with prejudice is not treated as a decision on the merits and has no collateral estoppel effect. Thus, whether termination of an investigation is styled with or without prejudice will have no effect on whether another investigation will be instituted based upon a subsequently filed complaint. Rather, the Commission will, at such time as another complaint is filed, have to determine whether institution of an investigation is appropriate.

In the circumstances of this investigation, we affirm the ALJ's determination that there is no reason to impose conditions on complainant's refile of its complaint should the district court decision be reversed. We note that the principle of stare decisis requires a court to decide issues in a case in the same way as those issues were decided in a previous case by the same court. It has little or no bearing on Commission decisions. Thus, stare decisis does not require the Commission to follow the final decision of the district court in this case. However, the principle of collateral estoppel would bar complainant from relitigating at the Commission the same issues decided against it by the district court. Thus, in this case, unless and until the district court's grant of summary judgment against Zenith is reversed on appeal, Zenith is precluded from relitigating the issues

¹ Interim rule 210.51(d) provides that, except in the case of terminations based on settlement agreements or consent agreements, "an order of termination issued by the Commission shall constitute a determination of the Commission under § 210.56(c). 19 C.F.R. § 210.51(d).

² 19 C.F.R. § 211.57(a) provides:

Whenever any person believes that conditions of fact or law, or the public interest, require that a final Commission action be modified or set aside, in whole or in part, such person may file with the Commission a petition requesting such relief. The Commission may also on its own initiate consider such action. The petition shall state the changes desired and the changed circumstances warranting such action and shall include materials and argument in support thereof.

decided by the district court before the Commission.³ Whether the termination of the investigation is termed "with" or "without" prejudice has no effect on that preclusion.

Finally, we affirm the ALJ's denial of U.S. Electronic's motion for attorneys' fees and costs.⁴ Not only do we agree with the ALJ that such an award is not warranted in this case, but the Commission has specifically eschewed the authority to award attorneys' fees under the section 337 interim rules currently in effect.

It is correct, as U.S. Electronics asserts, that Commission interim rule 210.5, which is analogous to Federal Rule of Civil Procedure 11, authorizes the Commission to impose "an appropriate sanction" in the event a filing contravenes the provisions of that rule. However, in adopting the current interim rules, the Commission expressly omitted imposition of attorneys' fees and costs for abuse of process from the sanctions available under the Commission's interim rules:

The Commission will determine at a later date whether to publish proposed rules governing the issuance of orders directing the payment of costs and attorneys' fees as a sanction for abuse of process.

53 Fed. Reg. 33040, 33045 (August 29, 1988). As the Commission noted in the preamble to the proposed final Part 210 and 211 rules, "[t]he Commission thought it inappropriate to exercise that authority to impose the payment of costs and attorneys' fees in interim rules that were being adopted on an emergency basis without prior public comment." 57 Fed. Reg. 52830, 52832 (November 5, 1992). Proposed final rule 210.4 does provide for imposition of attorneys' fees and costs, but that rule is not yet in effect.

In addition, we agree with the ALJ that, as a substantive matter, attorneys' fees and costs are not appropriate in this case, even assuming the Commission has the authority to impose them. U.S.

³ Young Engineers v. U.S. International Trade Commission, 721 F.2d 1305, 1316 (Fed. Cir. 1983)(Federal court decisions given *res judicata* and collateral estoppel effect in section 337 proceedings); SSIH Equipment S.A. v. U.S. International Trade Commission, 718 F.2d 365, 370 (Fed. Cir. 1983)(pendency of appeal has no effect on finality or binding effect of trial court's holding).

The principle of *res judicata* would bar Zenith from raising the issues decided against it in the district court action against the parties in the district court action, while collateral estoppel would bar Zenith from raising those issues against third parties.

⁴ Strictly speaking, the ALJ's denial of the motion for attorneys' fees and costs is not properly part of the ID, as it is not a matter which the rules specify must be disposed of by ID. The motion would ordinarily have been disposed of by a ruling of the ALJ, which would be appealable to the Commission at the end of the ALJ's portion of the investigation. Since we are at that point in the proceedings, the Commission may dispose of U.S. Electronics "petition for review" of the denial of the motion, which properly should be called an appeal.

Electronics' argument is essentially premised on the notion that Zenith acted improperly in filing the complaint in this investigation while there was a fully briefed summary judgment motion pending in parallel district court litigation involving the same issues. However, as noted above, section 337 relief is in addition to any other relief available. Thus, Zenith was entitled to file its complaint, particularly since it had previously prevailed on a summary judgment motion in a similar case, and could not know for certain when a decision would be forthcoming from the district court or what that decision would be.

By order of the Commission



Donna R. Koehnke
Secretary

Issued: April 18, 1994

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)

CERTAIN MULTIBRAND INFRARED)
REMOTE CONTROL TRANSMITTERS)

Investigation No. 337-TA-363

DOCKET

INITIAL DETERMINATION

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On March 1, 1994, complainant Zenith Electronics Corporation filed a motion to withdraw the complaint and terminate the investigation without prejudice (Motion 363-2). The Commission investigative staff supports the motion.

Respondent Bondwell does not oppose the motion. Respondents Fox Electronics & Technology, Inc., Recoton Corporation, Team Concepts International, Inc., U.S. Electronics Components Corporation, Tandy Corporation, Memtek Products, Universal Electronics Inc., Nippon America Co., and Casio, Inc., support termination of the investigation on certain conditions specifying when the complainant could bring another action here, and oppose complainant's request that termination be without prejudice. Respondent U.S. Electronics Components Corporation also moved for summary determination against complainant or in the alternative, termination with prejudice, and asked for attorney fees.

Termination of this investigation is necessary because a federal district court in parallel litigation (the U.S. District Court for the Northern District of Illinois) granted a motion for partial summary judgment of non-infringement in favor of respondents. The same combination patent, the '647 patent, that is in issue here was in issue in the district court declaratory

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judgment case. The '647 patent covers a combination of a remote control transmitter and a receiver, for example, a Zenith television set. The remote control transmits coded information to the Zenith receiver. One of the legal issues on which the district court's decision was based (implied license of the patent) is also present in the case before the Commission. The summary judgment held that a purchaser of a Zenith television set had an implied license under the combination patent to purchase a remote control transmitter to operate the Zenith television set even though the remote control was not made or licensed by Zenith. It was assumed that when these remote control transmitters were used to operate a Zenith television set that contained a receiver for the remote control transmitter, the two units together practiced the combination patent. The court held that when a purchaser bought a Zenith television set, a license of the combination patent covering use of a remote control transmitter to operate the set was implied.

After deciding that the purchaser of a Zenith television set had an implied license to purchase a remote control transmitter from any source to operate his Zenith set, the district court entered a final judgment in favor of respondents. The complainant intends to file an appeal in the U.S. Court of Appeals for the Federal Circuit.

Precisely the same legal issue of implied license is present in the case at the Commission. If the same legal conclusion were reached here, the investigation would have to be terminated. The principle of stare decisis requires the Commission to follow the final decision of the district court as long as that decision is in effect. As for Universal Electronics, Inc., the company that brought the declaratory judgment action in district court, complainant is barred by collateral estoppel from pursuing its complaint at

the Commission against Universal, unless the decision of the district court is reversed.

Complainant argues that if the Federal Circuit reverses the district court, the complainant should be able to refile its complaint at the Commission as well as to pursue the district court litigation. Respondents contend that complainant should not be able to refile its complaint here until after complainant has proved patent infringement in the federal courts, and all appeals have been exhausted.

If the Federal Circuit reverses the district court judgment and remands the case for further proceedings in the district court, complainant should be able to refile its complaint at the Commission, but the Commission may or may not want to institute a new investigation. Section 337 specifically provides that unfair acts found by the Commission "shall be dealt with, in addition to any other provision of law." 19 U.S.C. § 1337(a)(1). It is not unusual for cases to proceed concurrently in district court and at the Commission. While the Commission may suspend an investigation pending resolution of a parallel case in district court if it wants to, there is no reason for the Commission to preclude the filing of a complaint because a parallel case is being tried in a district court. If the Federal Circuit reverses the district court summary judgment and allows the district court litigation to continue, the complainant may file its complaint again here. Filing the complaint does not obligate the Commission to institute an investigation a second time; it is up to the Commission whether the case would be litigated here.

There is no reason to impose any sanctions on complainant for filing a complaint here while a parallel case was pending in district court. The issue of whether there is an implied license to purchasers of Zenith television sets

to buy remote controls from other sources is a complex one. The district court took months to consider the arguments made by both sides before it reached its conclusions. The outcome was not so clear that it could be concluded that complainant filed its complaint here in bad faith. The request of U.S. Electronics Components Corporation for attorney fees is denied.

Motion No. 363-2 is granted.¹ The investigation is terminated, with prejudice to the refiling of the complaint unless the judgment of the U.S. District Court for the Northern District of Illinois is reversed, and without prejudice to the refiling of the complaint if the judgment is reversed.

U.S. Electronics' motion for summary determination or termination with prejudice is denied.

Universal Electronics' earlier motion to stay the investigation or for an extension of time to answer the complaint (Motion No. 363-1) and U.S. Electronics' motion for extension of time to respond to the amended complaint, notice of investigation and discovery (Motion 363-3) are denied as moot.

Janet D. Saxon

Janet D. Saxon
Administrative Law Judge

Issued: March 17, 1994

¹ Pursuant to § 210.53(h) of the Commission's Rules, this initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to § 210.54, or the Commission pursuant to § 210.55 orders on its own motion a review of the initial determination or certain issues therein. For computation of time in which to file a petition for review, refer to §§ 210.54, 201.14, and 201.16(d).