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In the Matter of

CERTAIN SYNTHETIC GEMSTONES

Investigation No. 337-TA-50

USITC PUBLICATION 957

MARCH 1979

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Washington, D.C.

In the Matter of CERTAIN SYNTHETIC GEMSTONES	Investigation No. 337-TA-50

COMMISSION ORDER AND COMMISSIONERS' OPINION

Introduction

The United States International Trade Commission ("Commission") conducted an investigation of certain synthetic gemstones allegedly covered by the claims of the United States Letters Patent No. 3,742,731, owned by the complainant, Queensbury Opal Co., Ltd., of Beechwood, Ohio, ("Complainant" or "Queensbury"), pursuant to the authority of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) ("section 337"). The Commission investigated alleged unfair methods of competition and unfair acts in the importation of these synthetic gemstones into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which was to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

This Commission order and Commissioners' opinion provides for the final disposition of investigation No. 337-TA-50 by the full Commission. The Commission terminated investigation No. 337-TA-50 by granting a joint motion to terminate, filed by all parties, and supported by a Settlement Agreement entered into by complainant and all respondents.

The Commission's action and order appear immediately below and are themselves followed by the Commissioners' opinion.

Action

Having reviewed the record in this investigation including the recommended determination of the presiding officer, the joint motion to terminate, the supporting Settlement Agreement (Motion Docket No. 50-11), and the pleadings of the parties, and having considered the public interest, the Commission, on March 19, 1979, voted to terminate investigation No. 337-TA-50, based on the joint motion to terminate, as supported by the Settlement Agreement. 1/

1/ In voting to terminate this investigation, Commissioner Moore adopts the findings of fact and conclusions of law of the administrative law judge, and, therefore, he determines that there is no present violation of section 337 of the Tariff Act of 1930, as amended. Commissioner Moore points out that the majority avoids the question as to whether a determination of violation or no violation is necessary, as required by section 337(c) of the Tariff Act of 1930, as amended, and by section 210.55(a) of the Commission's Rules of Practice and Procedure. He believes that the majority's avoidance of this question is unexplainable in view of the majority's adoption of the findings of fact and conclusions of law of the administrative law judge.

Commissioner Moore agrees with the recommendation of the administrative law judge that: (1) based on the record in this investigation as a whole, there is no violation of section 337 in the importation of certain synthetic gemstones into the United States, or in their sale by the owner, importer, consignee, or agent of either, and (2) the investigation should be terminated.

Commissioner Moore suggests if the majority wishes to distort the clear intent of the Congress in this case by following the general rule of terminating section 337 investigations without a determination of whether or not there is a violation of section 337, as enunciated by the majority in Alternating Pressure Pads and in this case, then it should do so specifically by amending section 210.55(a) of the Commission's Rules of Practice and Procedure.

For further amplification of Commissioner Moore's views on this issue, see footnote 1, p. 4, of the Commission's Notice of Termination in Alternating Pressure Pads (Investigation No. 337-TA-48, reprinted in the Federal Register of Mar. 6, 1979 (44 F.R. 12286)).

Order

Accordingly, the full Commission hereby orders that --

1. The joint motion of all parties to terminate this investigation (Motion Docket No. 50-11) is granted.

2. Investigation No. 337-TA-50 is terminated effective upon the issuance of this Commission order;

3. The Secretary serve a copy of the notice of termination of investigation and this Commission order and Commissioners' opinion upon each party of record to this investigation and upon the U.S. Department of Health, Education, and Welfare, the U.S. Department of Justice, and the Federal Trade Commission;

4. Respondents' motion for leave to file additional evidence (Motion Docket No. 50-9, of October 9, 1978), and the Commission Investigative Attorney's motion for reconsideration (Motion Docket No. 50-10, November 24, 1978) are dismissed as being moot; and

5. Physical exhibits and materials submitted by respondents on August 4, 1978, to be conditionally available to the parties for inspection, be returned to respondents.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: March 20, 1979

OPINION OF CHAIRMAN JOSEPH O. PARKER, VICE CHAIRMAN BILL ALBERGER, AND COMMISSIONERS CATHERINE BEDELL AND PAULA STERN

Procedural History

On March 14, 1978, the Commission instituted this investigation under section 337 based on a complaint filed by Queensbury Opal Co., Ltd., of Beechwood, Ohio ("complainant") (43 F.R. 11272-73, March 17, 1978). The complaint alleges that unfair methods of competition and unfair acts exist in the unlicensed importation of certain synthetic gemstones into the United States, or in their sale, by reason of the coverage of such articles by the claims of U.S. Letters Patent No. 3,742,731 ("the '731 patent"), which is owned by complainant. Named as respondents in the investigation were Paul S. Rogell and Rogell Associates, Inc. of Stamford, Conn.; Incom Corp. of Southbridge, Mass.; and Fritz Mohr and Rudolph & Helmut Mei of Idar-Oberstein, West Germany. The investigation was referred to an administrative law judge for further proceedings.

On June 22, 1978, upon motions of the parties and recommendation of the administrative law judge, the Commission ordered the complaint amended by adding Cathay Corp. of Stamford, Conn., as a party respondent, and terminating Fritz Mohr and Rudolph & Helmut Mei as foreign parties respondent.

On September 6, 1978, upon motion of respondents, the administrative law judge issued a recommended summary determination that there is no violation of section 337 based on a finding that the '731 patent is invalid and unenforceable. The parties filed exceptions. On October 12, 1978, the administrative law judge also recommended that this investigation be designated "more complicated" if the Commission denied the motion for summary determination. By Commission Determination, Order, and Memorandum Opinion of

November 14, 1978, the Commission declined to grant summary determination, refused to designate the investigation as "more complicated," and remanded the investigation to the administrative law judge for further fact-finding. The Commission investigative attorney moved for reconsideration of the Commission's determination on November 24, 1978 (Docket No. 50-10).

On January 12, 1978, the administrative law judge issued a recommended determination that there is no violation of section 337 because there is no evidence of such a violation, and based his recommendation on a motion to terminate (50-11) joined in by all parties and supported by a settlement agreement signed by complainant and all respondents. No exceptions were filed to the recommended determination.

In light of its responsibility to consider the public interest, the Commission invited interested members of the public, interested government agencies, and public interest groups to submit comments by February 27, 1979 (44 F.R. 7843, Feb. 7, 1979). No comments were received from any person with respect to the settlement agreement or with respect to any other matter concerning this investigation.

Discussion

The parties, including complainant, have jointly moved to terminate this investigation under rule 210.51 (19 C.F.R. 210.51), and complainant and all respondents have executed a settlement agreement in support of the motion whereby the complainant has released the respondents from liability for infringement of the '731 patent.

The Administrative Procedure Act provides that agencies consider "offers of settlement" where "the public interest permit(s)." 5 U.S.C. 554(c)(1).

We have concluded that the public interest would be served by terminating this investigation, thereby eliminating any further expenditure of government resources associated therewith. First, we find that the settlement agreement, when considered within the framework of our patent system, does not appear to be anticompetitive. Under the settlement agreement, the respondents are released from liability for prior infringement, and are authorized by license to import foreign goods which compete with articles produced by complainant domestically under the '731 patent. 1/ Second, no adverse comments with respect to the settlement agreement or the public interest were received from interested federal agencies or members of the public. 2/ Third, under the limited jurisdiction of this agency, patent validity determinations are solely "for purposes of section 337" and are not dispositive of patent validity. The additional expense involved in adjudicating the validity issues here, therefore, would not be justified. 3/

In voting to terminate this investigation, we adopt the findings of fact and conclusions of law of the administrative law judge. Inasmuch as the parties have entered into a settlement agreement, it has not been necessary to

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1/ The licenses to respondents are not granted under the '731 patent, but under the foreign equivalents of the '731 patent.

2/ Opportunity for such comments was provided by the Notice of Commission Request for Public Comments Concerning Settlement Agreement (44 F.R. 7843, February 7, 1979).

3/ Although public policy in the field of patent law requires Federal Courts to reach the validity issue when properly raised, Lear, Inc. v. Atkins, 395 U.S. 653 (1969), this Commission is not empowered to set aside a patent as being invalid or unenforceable, and any such determinations made "for the purposes of section 337" would not be regarded as binding interpretations of the U.S. patent laws, nor would they have a res judicata or collateral estoppel effect before a Federal Court. H.R. Rept. No. 93-571, (93d Cong., 1st sess.), 1973, p. 78; S. Rept. No. 93-1298, (93d Cong., 2d sess.), 1974, p. 196.

expend time and funds to develop a record before the administrative law judge containing sufficient reliable, probative, and substantial evidence 4/ upon which to make a determination of whether there is a violation of section 337. Therefore, it is neither necessary nor proper to make such a determination. 5/

4/ 5 U.S.C. 556(d) states in relevant part:

> ". . .A sanction may not be imposed or rule or order issued except on consideration of the whole record or those parts thereof cited by a party and supported by and in accordance with the reliable, probative, and substantial evidence."

5/ For a discussion of the "determination" requirement of section 337, see Notice of Termination, Certain Alternating Pressure Pads, Investigation No. 337-TA-48 (44 F.R. 12286, March 6, 1979).

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