

PUBLIC VERSION

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

In the Matter of

**CERTAIN MACHINE VISION SOFTWARE,
MACHINE VISION SYSTEMS, AND
PRODUCTS CONTAINING SAME**

Inv. No. 337-TA-680

**RECOMMENDED DETERMINATION
ON REMEDY AND BONDING
Administrative Law Judge Carl C. Charneski**

Pursuant to a notice of investigation, 74 Fed. Reg. 34589 (2009), this is the Recommended Determination on remedy in Investigation No. 337-TA-680. For the reasons stated herein, it is recommended that a limited exclusion order issue with respect to any respondent found to be in violation of section 337. It is further recommended that a cease and desist order issue as to respondent MVTec LLC, if it is found to be in violation. Additionally, it is recommended that if the Commission issues an exclusion order as a result of this investigation, no bond should be required for importations during the Presidential review period.

I. Procedural Background

The Commission's Rules provide that subsequent to an initial determination on the question of violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, the administrative law judge shall issue a recommended determination containing findings of fact and recommendations concerning: (1) the appropriate remedy in the event that the Commission finds a violation of section 337, and (2) the amount of bond to be posted by respondents during Presidential review of Commission action under section 337(j). 19 C.F.R. § 210.42(a)(1)(ii).

On July 16, 2010, the initial determination ("ID") issued in this investigation. It was held that no violation of section 337 occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain machine vision software, machine vision systems, or products containing same with respect to any asserted claim of U.S. Patent No. 7,016,539, or U.S. Patent No. 7,065,262.

The notice of investigation named Cognex Corporation of Natick, Massachusetts, and Cognex Technology & Investment Corporation of Mountain View, California (collectively, "Cognex") as the complainants. 74 Fed. Reg. 34589 (2009). The Commission Investigative Staff ("Staff") of the Office of Unfair Import Investigations is also a party in this investigation.

Id. Numerous companies were named as respondents in the notice of investigation. *Id.*

However, only the following companies remain as respondents: MVTec Software GmbH of Munich, Germany; MVTec LLC of Cambridge, Massachusetts; Omron Corporation of Tokyo, Japan; Resolution Technology, Inc. of Dublin, Ohio; Visics Corp. of Wellesley, Massachusetts; Daiichi Jitsugyo Viswill Co., Ltd. of Osaka, Japan; and Daiichi Jitsugyo (America), Inc. of Wood Dale, Illinois (collectively, "respondents"). ID at 2, 4.

II. Remedy

A. Summary Of The Parties' Arguments

Cognex argues that if respondents are found in violation of section 337, the Commission should enter a limited exclusion order covering the accused machine vision software, machine vision systems, and products containing same that infringe one or more claims of the asserted patents. Compl. Br. at 139-40. Cognex further requests that the Commission issue cease and desist orders to prohibit respondents from importing, selling, offering for sale or distributing the aforementioned infringing products, and to specify that the prohibition extends to activities carried out via the Internet or electronic mail. *Id.* at 141-42; Compl. Reply at 79-80. Finally, Cognex argues that, at a minimum, a 100% bond “is necessary to discourage further importation of the accused products.” Compl. Br. at 143-44.

Although respondents agree that if a violation of section 337 is found the Commission should enter a limited exclusion order, they argue that it should provide a way to ensure that noninfringing products are not affected, inasmuch as it would be difficult at the time of importation to determine whether accused products, such as software, infringe. Accordingly, respondents suggest that any limited exclusion order contain a certification provision, as found in other Commission limited exclusion orders, so that they could certify that certain products containing the HALCON software contain algorithms outside the scope of the exclusion order. Resp. Br. 148-49; Resp. Reply at 77. Furthermore, respondents argue that Cognex has failed to show that any cease and desist order should issue, except as to domestic inventory held by MVTec LLC. Resp. Br. at 149. Finally, respondents argue that Cognex failed to develop a record concerning bond, and that a 100% bond would be excessive. Resp. Br. at 149-50; Resp.

Reply at 77-78.

The Staff supports the entry of a limited exclusion order if a violation is found. The Staff initially opposed any cease and desist order in its main brief. Staff Br. at 53-54. Yet, inasmuch as respondents did not, in their main brief, dispute the existence of MVTec LLC's commercial inventory, the Staff's reply supports a cease and desist order with respect to MVTec LLC. Staff Reply at 7-8. Finally, the Staff argues that Cognex did not provide evidence at the hearing to support an importation bond, and that Cognex relies on an erroneous legal standard based on discouraging further importation. Staff Br. at 54-55; Staff Reply at 8-9.

B. Limited Exclusion Order

1. Legal Framework Of Exclusion Orders

The Commission has broad discretion in selecting the form, scope, and extent of the remedy in a section 337 proceeding. *Viscofan, S.A. v. United States Int'l Trade Comm'n*, 787 F.2d 544, 548 (Fed. Cir. 1986).¹ A limited exclusion order directed to respondents' infringing products is among the remedies that the Commission may impose. See 19 U.S.C. § 1337(d). The Commission's authority to order the exclusion of articles from the United States is restricted to a limited exclusion order "unless '(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing goods.'" *GFCIs*, Comm'n Op. at 24 (quoting 19 U.S.C. § 1337(d)(2)).

¹ In determining whether to issue an exclusion order or a cease and desist order, the Commission must consider statutory public interest factors. *Certain Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-615 ("GFCIs"), Comm'n Op. at 21 (Mar. 26, 2009).

Cognex has not requested a general exclusion order. It is undisputed that the Commission should issue a limited exclusion order in the event that a violation of section 337 is found. Such a limited exclusion order would be tailored to the respondents and patent claims involved in any violation. Further, in order to facilitate the limited exclusion order's proper enforcement, it should contain a certification provision.²

C. Cease And Desist Orders

Section 337 provides that in addition to, or in lieu of, the issuance of an exclusion order, the Commission may issue a cease and desist order as a remedy for a violation of section 337. *See* 19 U.S.C. § 1337(f)(1). The Commission "generally issues a cease and desist order only when a respondent maintains a commercially significant inventory of infringing products in the United States." *GFCIs*, Comm'n Op. at 24. The fact that a respondent is a foreign entity does not prevent the issuance of a cease and desist order against it. *See Certain Abrasive Products Made Using a Process for Powder Preforms, and Products Containing Same*, Inv. No. 337-TA-449, 67 Fed. Reg. 34728, Comm'n Notice (May 15, 2002) (issuance of limited exclusion order, and cease and desist order against Taiwan respondent) (vacated on other grounds, 69 Fed. Reg. 35675 (2004)).

There is no dispute that MVTec LLC maintains commercially significant inventory in the United States. With respect to certain other respondents, Cognex provides only scant citation to

² An exclusion order may contain a provision that permits entities whose products are potentially excludable under the Commission's order to certify, pursuant to procedures to be specified by U.S. Customs and Border Protection, that they are familiar with the terms of the order, that they have made appropriate inquiry, and thereupon state that, to the best of their knowledge and belief, the products being imported are not excluded from entry under the order. *See Certain Semiconductor Chips with Minimized Chip Package Size or Products Containing Same*, Inv. No. 337-TA-605, Comm'n Op. at Section II.D.2. (July 29, 2009).

the record, and does not state how much inventory it believes is held in the United States or why the inventory is commercially significant. Cognex also appears to advance a theory based on the electronic transmission of software, but it fails to provide an adequate discussion of how such transmissions take place and how they fit into the legal framework within which cease and desist orders may be issued.

Consequently, in the event that a violation of section 337 is found, it is recommended that the Commission issue a cease and desist order only as to MVTec LLC, should that respondent be found to have committed a violation.

D. Bond

The administrative law judge and the Commission must determine the amount of bond to be required of a respondent, pursuant to section 337(j)(3), during the 60-day Presidential review period following the issuance of permanent relief, in the event that the Commission determines to issue a remedy. The purpose of the bond is to protect the complainant from any injury.

19 U.S.C. § 1337(j)(3); 19 C.F.R. § 210.42(a)(1)(ii), § 210.50(a)(3).

When reliable price information is available, the Commission has often set the bond by eliminating the differential between the domestic product and the imported, infringing product. *See Certain Microsphere Adhesives, Processes for Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, Comm'n Op. at 24 (1995). In other cases, the Commission has turned to alternative approaches, especially when the level of a reasonable royalty rate could be ascertained. *See Certain Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus*, Inv. No. 337-TA-337, Comm'n Op. at 41 (1995). A 100 percent bond has been required when no

effective alternative existed. *See Certain Flash Memory Circuits and Products Containing Same*, Inv. No. 337-TA-382, USITC Pub. No. 3046, Comm'n Op. at 26-27 (July 1997) (a 100% bond imposed when price comparison was not practical because the parties sold products at different levels of commerce, and the proposed royalty rate appeared to be *de minimis* and without adequate support in the record).

Cognex argues that the Commission “must impose a bond on imports of the infringing goods” and “has no discretion to do otherwise.” Cognex also argues that the Commission must assess a bond in an amount sufficient to prevent further injury. Cognex offers no evidence of royalty or price data, arguing instead that “[t]he relative price of Complainant’s and Respondents’ software products is entirely irrelevant to the injury Cognex would suffer from further imports of infringing goods. A 100% bond, at a minimum, is necessary to discourage further importation of the accused products.” Compl. Br. at 143-44.

Cognex’s approach to the question of bond is novel. It argues that the Commission must impose a bond, but provides no evidence concerning the appropriate amount of any bond. It submits only that the Commission must impose at least a 100% bond to discourage further importation. Cognex cites no case law in support of its argument, nor could it do so, as its theory is contrary to Commission practice. Cognex’s approach is also inconsistent with the statute because it seeks to use the importation bond solely as a vehicle to discourage or prevent importation.³

³ Yet, even if Cognex were correct, it has provided no evidence to support a finding that a bond 100%, or more, is necessary to discourage or prevent importation. It is not permissible for a complainant to refrain from adducing evidence, and then to expect the Commission by default to impose a 100% bond. *Certain Liquid Crystal Display Devices and Products Containing the*
(continued...)

In view of the lack of any evidence on the issue of bond, it is recommended that no bond be required if the Commission issues a limited exclusion order.

III. Recommended Determination

It is the RECOMMENDED DETERMINATION (“RD”) that in the event the Commission finds that one or more respondents have committed a violation of section 337, that the Commission issue a limited exclusion order. It is further recommended that the Commission issue a cease desist order directed toward respondent MVTec LLC, should that respondent be found in violation. Finally, should the Commission impose a remedy that prohibits importation, it is recommended that the Commission not subject respondents’ importations during the Presidential review period to a bond.

The Secretary shall serve a confidential version of this RD upon counsel who are signatories to the Protective Order issued in this investigation (Order No. 1), and upon the Commission investigative attorney.

³ (...continued)
Same, Inv. No. 337-TA-631 Comm’n Op. at 27-28 (July 14, 2009); *Certain Rubber Antidegradants, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-533, Comm’n Op. at 39-40 (July 21, 2006).

To expedite service of the public version, counsel for each party shall file by no later than July 30, 2010, a copy of this RD with those sections considered by the party to be confidential bracketed in red, or if confidential treatment is not requested for any portion of this RD, a statement to that effect.

SO ORDERED.

Carl C. Charneski

Carl C. Charneski
Administrative Law Judge

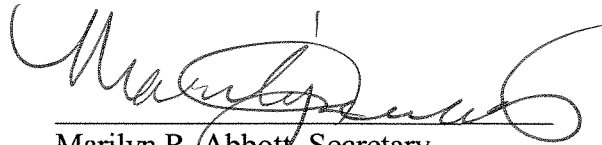
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INV. NO. 337-TA-680

PUBLIC CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **RECOMMENDED DETERMINATION** has been served by hand upon the Commission Investigative Attorney, Kevin Baer, Esq., and the following parties as indicated, on August 13, 2010.



Marilyn R. Abbott, Secretary
U.S. International Trade Commission
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FOR COMPLAINANT COGNEX CORP.:

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() Other: _____

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PRODUCTS CONTAINING SAME**

INV. NO. 337-TA-680

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