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U.S. opens patent probe into Chinese carbon, alloy steel

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WASHINGTON, May 26 (Xinhua) -- The U.S. International Trade Commission (USITC) said Thursday that it has voted to initiate a patent investigation against certain carbon and alloy steel products from China, the latest move that might raise trade tensions between the world's two largest economies.

The investigation is based on a complaint filed by U.S. Steel Corporation on April 26, alleging that major Chinese steel producers and their distributors conspired to fix prices and control output and export volumes, misappropriated U.S. Steel's trade secrets, were involved in false designations of origin or manufacturer, and violated the Section 337 of the Tariff Act of 1930, the bipartisan trade panel said in a statement.

U.S. Steel requested that the USITC issue a general exclusion order, a limited exclusion order, and cease-and-desist orders to bar Chinese carbon and alloy steel products from the U.S. market, the panel said.

The USITC has identified around 40 Chinese steel producers and their distributors as respondents in this Section 337 investigation.

The investigation does not mean that the panel has made any decision on the merits of the case. Within 45 days, the panel will set a target date for completing the investigation. Should the complaint be approved, the panel will issue an import ban on infringing products and bar the sale of products within the United States.

An unnamed official with the Chinese Ministry of Commerce said last month that he hoped the USITC would overrule the charges as the provision cited by U.S. Steel had mostly been used in intellectual property rights (IPR) dispute cases.

"Steel products are relatively mature and there are no IPR disputes regarding them. Charges of IPR infringement are groundless," the official said.

Section 337 investigations usually focus on allegations of patent or registered trademark infringement, and also involve misappropriation of such aspects as trade secrets, false advertising, and violation of the antitrust laws.

The case comes at a time when U.S. steelmakers increasingly resort to trade remedies and tariff protection to ride out a sluggish steel market, as steel excess capacity has become an acute global challenge.

But U.S. manufacturers have complained that steelmakers cannot produce all types of steel, and import restrictions could undermine their global competitiveness.

"The U.S. steel industry cannot supply all of the steel needed by U.S. steel consuming industries no matter the state of the global steel market," Rob Harris, managing director of the U.S. Industrial Fasteners Institute, said in a written testimony for a public hearing on the global steel industry situation last month.

"Broad trade remedies and legislative actions that affect steel of all kinds may produce temporary relief for a small number of steel producers, but they are blunt instruments that may also have unintended negative consequences on steel consumers," Harris said.

He urged the Obama administration to carefully consider the global nature of manufacturing supply chains and the impacts of any further trade enforcement tools on the availability and price of steel.

U.S. trade experts have also warned that protectionism will not cure the U.S. steel industry's grave ills, and import restrictions harm the overall U.S. economy rather than help it.

"With domestic (steel) producers still suffering despite so much protection, it seems implausible to expect that a few more restrictions would alleviate their financial stress," said Daniel Pearson, a senior fellow at the Cato Institute and former chairman at the USITC.

"The relative sizes of the steel-producing and steel-consuming sectors make clear why the United States loses when it imposes import restraints," Pearson argued.

The Chinese Ministry of Commerce has repeatedly said the steel industries in the United States and China should strengthen dialogue and communication to jointly address the issue of overcapacity, which is a result of the anemic global economic recovery and a tepid demand.

China will take all necessary measures to gain fair treatment and safeguard the interests of Chinese steel enterprises, the ministry said.