

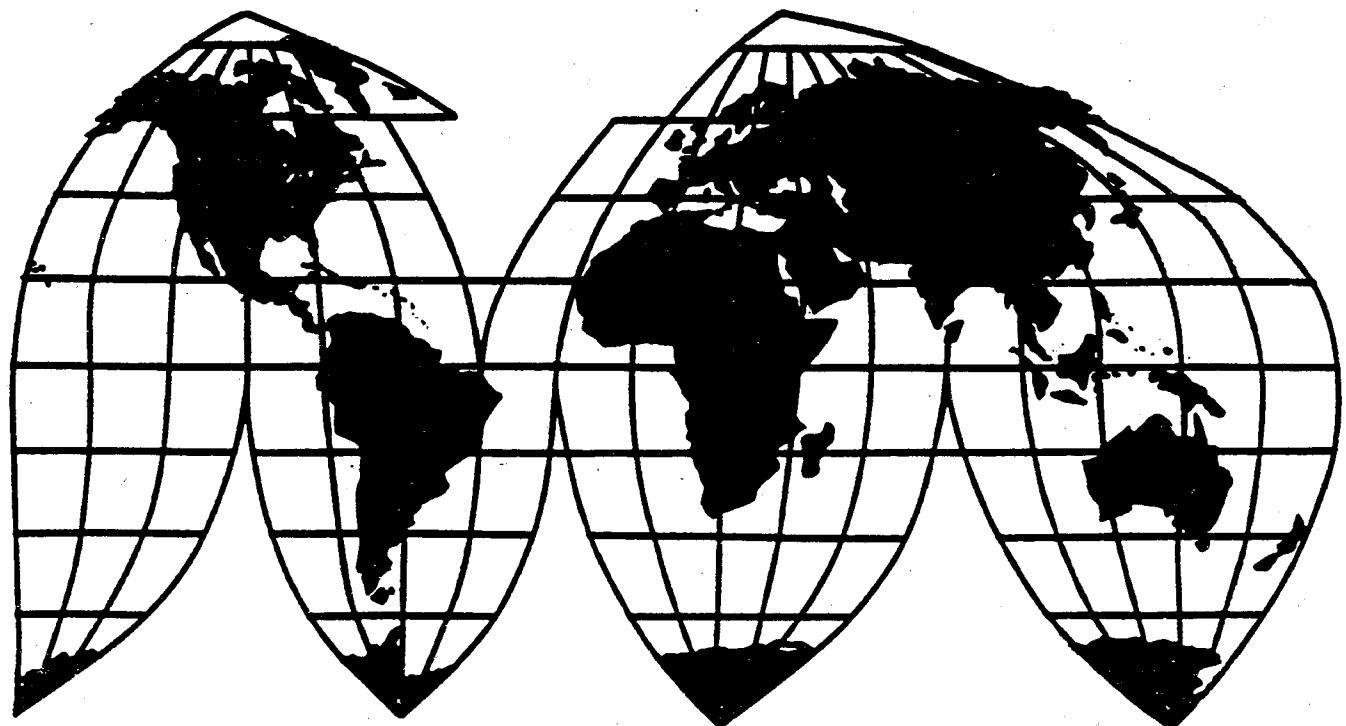
In the Matter of
**Certain Vehicle Security Systems
and Components Thereof**

Investigation No. 337-TA-355

Publication 2815

September 1994

U.S. International Trade Commission



U.S. International Trade Commission

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Washington, DC 20436

In the Matter of

Certain Vehicle Security Systems and Components Thereof



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UNITED STATES INTERNATIONAL TRADE COMMISSION
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In the Matter of)

CERTAIN VEHICLE SECURITY)
SYSTEMS AND COMPONENTS)
THEREOF)

Investigation No. 337-TA-335

~~PUBLIC INSPECTION~~

NOTICE OF DECISION NOT TO REVIEW AN INITIAL DETERMINATION
TERMINATING INVESTIGATION BASED ON A SUMMARY DETERMINATION
OF PATENT INVALIDITY AND TO AFFIRM THE PRESIDING ADMINISTRATIVE
LAW JUDGE'S DECISION NOT TO TERMINATE THE INVESTIGATION BASED
UPON COMPLAINANT'S WITHDRAWAL OF ITS COMPLAINT

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined not to review an initial determination (ID) (Order No. 18) issued on April 19, 1994, by the presiding administrative law judge (ALJ) in the above-captioned investigation terminating the investigation based on summary determination of patent invalidity. The Commission also determined to affirm the ALJ's denial of complainant's motion to terminate the investigation based upon withdrawal of its complaint.

FOR FURTHER INFORMATION CONTACT: Andrea C. Casson, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone 202-205-3105.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation, which concerns allegations of violations of section 337 of the Tariff Act of 1930 in the importation, sale for importation, and sale after importation of certain vehicle security systems and components thereof, on August 25, 1993. Complainant Code-Alarm, Inc. ("Code-Alarm") alleged infringement of claims 1-16 of U.S. Letters Patent 5,049,867 (the '867 patent). The complaint named four respondents: Audiovox Corp. ("Audiovox"); Directed Electronics Inc. ("Directed"); Magnadyne Corporation ("Magnadyne") and Nutek Corporation ("Nutek"). On January 3, 1994, Code-Alarm and Audiovox filed a joint motion to terminate the investigation with respect to Audiovox on the basis of a license agreement, and the ALJ granted that motion in an ID that was not reviewed by the Commission. 59 FR 11308 (March 10, 1994).

On September 3, 1993, respondent Directed Electronics Inc. ("Directed") filed a motion for summary determination of the investigation on the ground that the '867 patent is invalid under 35 U.S.C. § 102(b) by reason of an on-sale bar. Respondents Magnadyne and Nutek subsequently joined in Directed's motion. Code-Alarm and the Commission investigative attorney (IA) opposed the motion for summary determination.

After discovery and the filing of pre-hearing statements, and six days before the trial before the ALJ was to begin, Code-Alarm filed a motion to terminate the investigation based upon withdrawal of its complaint. Respondents filed an opposition to Code-Alarm's motion to terminate, and the IA filed a response supporting a motion to terminate with prejudice.

On February 7, 1994, the ALJ issued an order (Order No. 16) denying the motion to terminate as of that time, pending resolution of issues raised by the motion for summary determination and other outstanding motions. The ALJ postponed the trial and a set schedule for supplemental briefing regarding Directed's motion for summary determination. The parties thereafter filed supplemental documents regarding the motion for summary determination, in which they maintained their original positions. On April 19, 1994, the ALJ denied Code-Alarm's motion to terminate the investigation based on withdrawal of its complaint and issued an ID (Order No. 18) terminating the investigation based on summary determination of invalidity based on an on-sale bar.

Code-Alarm petitioned for review of the ID and appealed the ALJ's denial of its motion for termination of the investigation based on withdrawal of its complaint. The IA petitioned for review of the ID granting summary determination. Respondents filed an opposition to both petitions. Respondents and the IA filed responses in opposition to Code-Alarm's appeal of the denial of the motion to terminate based upon withdrawal of the complaint. Respondents also filed a motion to strike Code-Alarm's petition for review and a conditional opposition to notices of withdrawal filed by Code-Alarm's outside counsel. Respondents' motion to strike was denied by the Commission, and the Commission allowed complainant's outside counsel to withdraw from representing complainant notwithstanding respondents' conditional opposition.

This action is taken under the authority of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, and section 210.53 of the Commission's Interim Rules of Practice and Procedure, 19 C.F.R. § 210.53.

Copies of the nonconfidential version of the ID and all other nonconfidential documents filed in connection with this investigation are or will be 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 this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810.

By order of the Commission.



Donna R. Koehnke
Secretary

Issued: June 3, 1994

PUBLIC INSPECTION

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of)	W
)	
CERTAIN VEHICLE SECURITY SYSTEMS)	Investigation No. 337-TA-355
AND COMPONENTS THEREOF)	
)	

Order No. 18: Denying Complainant's Motion to Terminate Based on Withdrawal of Complaint; Initial Determination Terminating Investigation Based on Summary Determination of On-Sale Bar

On February 1, 1994, complainant Code-Alarm, Inc. filed a Motion to Terminate (Motion Docket No. 355-32) based on its withdrawal of the complaint. Complainant's motion was filed after the completion of discovery in this investigation, and less than one week before the scheduled commencement of the evidentiary hearing. See Order No. 4 (containing procedural schedule).

On February 7, 1994, Order No. 16 issued, deferring ruling on complainant's motion to terminate, postponing the hearing which had been scheduled to commence on February 9, 1994, and setting forth a schedule for supplemental filings in connection with the pending motion of respondent Directed Electronics, Inc. ("Directed") for summary determination (Motion Docket No. 355-1).

On February 14, 1994, Directed filed a supplement to its motion for summary determination. Respondents Magnadyne Corp. ("Magnadyne") and Nutek Co. ("Nutek") joined in Directed's motion for summary determination and in the supplement (cited as "Respondents' Supplement"). Respondents' Supplement at 1

n.l.¹

On February 22, 1994, complainant filed an opposition to respondents' supplement (cited as "Complainant's Opposition"), and in a separate filing, a confidential supplement (cited as "Complainant's Confidential Supplement") to accompany its opposition.

On February 23, 1994, the Commission Investigative Staff ("staff") filed a response to respondents' supplement (cited as "Staff Response"), in which the staff stated its continued opposition to the motion for summary determination.

On March 3, 1994, respondents filed a motion for leave to reply to the oppositions to their supplement, and a reply (cited as "Respondents' Reply"). Motion Docket No. 355-39. On March 15, 1994, the staff filed a response to respondents' motion for leave to reply. While the staff did not oppose the motion for leave to reply, the staff commented on the case law cited by respondents in their reply. Motion No. 355-39 is GRANTED.

On March 10, 1994, respondents served on the Administrative Law Judge and counsel for all parties a letter discussing a relevant case that respondents' counsel recently discovered.

The Commission's rules provide that any party may move with any necessary supporting affidavits for a summary determination of all or any of the issues to be determined in the investigation. The determination sought by the moving party shall be rendered if the pleadings and any depositions, admissions on

¹ Complainant opposed the request that Magnadyne and Nutek be allowed to join in Directed's pleadings concerning summary determination. Complainant's Confidential Supplement at 1 n.l. The finding in this Initial Determination of invalidity of the patent at issue in this investigation results in termination as to all respondents whether or not they joined in any pleadings asserting invalidity. The Administrative Law Judge has determined to permit Magnadyne and Nutek to join in these pleadings.

file, and affidavits show that there is no genuine issue as to any material fact and that the moving party is entitled to a summary determination as a matter of law.² 19 C.F.R. § 210.50. This rule is analogous to Federal Rule of Civil Procedure 56 under which summary judgment is proper if there is a showing that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. See Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986); Cooper v. Ford Motor Co., 748 F.2d 677, 679 (Fed. Cir. 1984).

Evidence must be viewed in a light most favorable to the nonmovant, and all reasonable inferences must be drawn in the nonmovant's favor. United States v. Diebold, Inc., 369 U.S. 654, 655 (1962); Avia Group Int'l, Inc. v. L.A. Gear California, Inc., 853 F.2d 1557, 1560 (Fed. Cir. 1988). However, if the nonmovant's evidence is merely colorable, or is not significantly probative, summary judgment may be granted. Anderson v. Liberty Lobby, Inc., 477 U.S., 242, 249-50 (1986).³ The party opposing a motion for summary judgment must point to an evidentiary conflict created on the record at least by a counter statement of a fact or facts set forth in detail in an affidavit by a knowledgeable affiant. Mere denials or conclusory statements are insufficient. Barmag Barmer Maschinenfabrik AG v. Murata Machinery, Ltd., 731 F.2d 831, 836 (Fed. Cir. 1984).

This investigation was instituted to determine whether there is a

² The Commission's rules provide that the Administrative Law Judge shall grant motions for summary determination by initial determination, and deny such motions by order. 19 C.F.R. § 210.53(c)(1). See also 19 C.F.R. § 210.50(f) (Order of summary determination).

³ The standard for granting summary judgment mirrors the standard for a directed verdict under the Federal Rules of Civil Procedure. Anderson, 477 U.S. at 250.

violation of 19 U.S.C. § 1337(b) in the importation into the United States, the sale for importation, or the sale within the United States after importation of vehicle security systems or components thereof by reason of infringement of any of claims 1-16 of U.S. Letters Patent 5,049,867 ("the '867 patent"). 58 Fed. Reg. 44853 (1993).

When the vehicle security apparatus disclosed in the '867 patent is put into operation or "armed," it prevents operation of the vehicle and activates audible and/or visual alarms if someone attempts to enter the vehicle. '867 Patent at col. 3, lines 48-52. Furthermore, in summarizing the invention of the '867 patent, the specification states that:

The vehicle security apparatus is easily programmed with one of a large number of discrete codes thereby providing a unique code for each vehicle employing the security apparatus of the present invention. The receiver of the present vehicle security apparatus is capable of learning any code or codes associated with one or more transmitters. This simplifies the use of the vehicle security apparatus in the event that a transmitter is lost or malfunctions. A new transmitter with a different code may then be employed, with the receiver learning the new code and erasing the old code.

Id. at col. 3, lines 52-62.

Respondents contend that no violation of section 337 can be found in this investigation on several grounds, including the fact that multiple commercial sales were made of a vehicle security system that embodied the complete invention of the '867 patent more than one year before the patent application was filed, thus invalidating the '867 patent due to an on-sale bar pursuant to 35 U.S.C. § 102(b).

Whether an on-sale bar exists is a question of law. UMC Electronics Co. v. United States, 816 F.2d 647, 657 (Fed. Cir. 1987). The legal standard applied by respondents is that used in Barmag. Respondents' Supplement at 7.

On the facts presented in Barmag, the Federal Circuit affirmed the use of a test for on-sale bar having its origins in Timely Prods. Corp. v. Arron, 523 F.2d 288, 302 (2d Cir. 1975), in which a sale before the critical date (one year before the patent application) must satisfy three requirements: 1) the invention must have been reduced to practice and must be operable; 2) the complete invention must have been embodied in the thing sold or offered for sale; and 3) the sale or offer for sale must be primarily for profit rather than for experimental purposes.⁴ 731 F.2d at 838. Accord J.A. Laporte, Inc. v. Norfolk Dredging Co., 625 F.2d 1577, 1580 (Fed. Cir.), cert. denied, 479 U.S. 884 (1986). No party has contested respondents' reliance on this test. Indeed, complainant relies on a similarly formulated test. See Complainant's Confidential Supplement at 3.

In Barmag, the Federal Circuit reserved ruling on the question of whether physical embodiment should be required in all cases of alleged on-sale bar. 731 F.2d at 836-37. In UMC Electronics, the Federal Circuit held that "[a] holding that there has or has not been a reduction to practice of the claimed invention before the critical date may well determine whether the claimed invention was in fact the subject of a sale or offer to sell or whether a sale was primarily for an experimental purpose." However, the Court further held that:

[T]he on-sale bar does not necessarily turn on whether there was or was not a reduction to practice of the claimed invention. All of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered and weighed against the policies underlying section 102(b).

⁴ However, experimental use may not constitute a defense to sales of a third-party. See discussion, supra, at 12.

* * *

[W]ithout question, the challenger has the burden of proving that there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject matter of the sale or offer to sell fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art.

: 816 F.2d at 656.

In order to establish an on-sale bar in this instance, respondents do not, for example, rely on a commercial offer to sell schematics, test results or prototype components detailing an alleged invention. See Id. at 650, 657. Rather, respondents rely on the sale of finished products, at least some of which were destined for the retail market. Therefore, the Administrative Law Judge finds that application of the Barmag test is appropriate given the facts presented in the instant motion for summary determination.

Complainant asserts that respondents failed to prove that each element of complainant's claims was embodied in any of the devices sold prior to the critical date, that such devices were operable or reduced to practice, or that the alleged sales were commercial. Complainant's Opposition at 7; Complainant's Confidential Supplement at 4.

The application for the '867 patent was filed on November 30, 1988, thus any invalidating sales or offers for sale must have occurred before November 30, 1987. See '867 Patent (Respondents' Supplement Ex. 9). There is unrebutted evidence that prior to November 30, 1987, numerous units of the vehicle security systems called the IntelliGuard 500 were sold and offered for sale in the United States by a company that is not a party in this investigation, i.e. Clifford Electronics, Inc. ("Clifford"). Respondents filed declarations, depositions and exhibits thereto to confirm that before

the critical date, sales of the IntelliGuard 500 were made by Clifford as well as by retailers that had purchased devices from Clifford believing the IntelliGuard 500 to be part of Clifford's product line, and then resold the devices to retail customers. Respondents' Supplement Exs. 1, 2, 3, 4, 5, 6, 8, 24.

Complainant asserts that witnesses for certain retailers that bought the units of the IntelliGuard 500 from Clifford, i.e. Hedy Kaveh of Auto Symphony, Inc. and Wayne S. Schrier of Progressive Mobile Electronics, did not personally receive, test, sell or install the devices before the critical date, and thus cannot personally testify as to the capabilities of the units "allegedly" purchased or whether "experimented instructions" were given by Clifford. Complainant's Opposition at 7-8. However, the bills of lading attached as exhibits to the declarations made by Messrs. Kaveh and Schrier clearly show purchases before the critical date of the IntelliGuard 500 from Clifford. See Supplement Exs. 5 (Kaveh Declaration), 6 (Schrier Declaration). Although discovery has been completed in this investigation, complainant put forth no evidence to indicate that the device relied on by respondents differs in any way from the devices Clifford sold or offered for sale before the critical date as the IntelliGuard 500. Furthermore, Clifford made sales of the IntelliGuard 500, as well as shipments of IntelliGuard 500 manuals and sales brochures, to companies other than Auto Symphony and Progressive Mobile Electronics. See, e.g., Ex. 1 (Declaration of David S. Black and Exhibits thereto, including Ex. D).

The Chairman and Chief Executive Officer of Clifford, Ze'ev Drori, declared that he is and has been concerned with and aware of all aspects of designing, manufacturing, advertising and selling the products of his company,

including products sold at the time that the IntelliGuard 500 was sold. Drori Declaration at ¶ 4. (Respondents' Supplement Ex. 24). In his declaration and deposition, Mr. Drori described the design features of the IntelliGuard 500. He testified that all elements of the claims of the '867 patent were embodied in the IntelliGuard 500 sold before the critical date. See Respondents' Supplement at 12-14; Drori Declaration at ¶¶ 5, 8, 9; Drori Dep. Tr. 80-88 (Respondents' Supplement Ex. 8); Appendix attached to Respondents' Supplement (containing, inter alia, Drori deposition transcript portions concerning dependent claims 2-16 of the '867 patent). See also Andreasen Affidavit (Motion No. 355-1, Ex. 3) at ¶¶ 3, 7 (description of the IntelliGuard 500 by Clifford's former quality assurance manager).

As discussed below, the testimony of Mr. Drori is completely unrebutted by complainant. Thus, the Administrative Law Judge finds that the IntelliGuard 500 incorporated each of the claim elements of the '867 patent.

Complainant asserts that issues of material fact remain with respect to whether the IntelliGuard 500 was "operable" or "reduced to practice" because devices that were sold before the critical date caused an excessive battery drain on the vehicle's battery. Complainant's Opposition at 6. Complainant and its expert take the position that the battery drain was caused by code learning. Complainant's Opposition at 6, Second Declaration of Dr. Richard E. Haskell (attached to Complainant's Opposition). Respondents acknowledge that a vehicle security system covered by claim 1 (the only independent claim) of the '867 patent must be capable of learning the transmitted signal of a new transmitter while a signal is being transmitted by the transmitter.

Respondents' Supplement at 12-13. Such a limitation is contained in claim 1

of the '867 patent, and is discussed elsewhere in the specification.⁵ See '867 Patent at col. 2, lines 40-48, col. 13, lines 10-32. Thus, respondents must show that the IntelliGuard 500 was capable of such code learning.

Complainant's expert, Dr. Richard E. Haskell, stated that the battery drain problem in the IntelliGuard 500 could only have been caused by the electrical power drain required by the learning components of the IntelliGuard 500 system, i.e. the microprocessor and memory (an EEPROM).⁶ Second Haskell Declaration at ¶ 2-3, 5 (attached to Complainant's Opposition).

Complainant's expert declared that without power, all contents of the memory could be lost, and that such drainage of the battery would not only render the vehicle security system inoperative but also cause the vehicle to fail to

⁵ Claim 1 of the '867 patent reads as follows:

1. A vehicle security apparatus comprising:
transmitter means carried by a user for transmitting a first discrete coded signal identifying a specific transmitter means;
sensor means mounted on the vehicle for sensing attempted access to the vehicle;
receiver means, mountable on the vehicle for receiving and recognizing the first discrete coded signal from the transmitter means, the receiver meanings including:
anti-theft means;
means for learning a first discrete coded signal associated with a specific transmitter means while the first discrete coded signal is being transmitted by the transmitter means and received by the receiver means; and
means for arming the anti-theft means upon the first receipt and recognition of a learned discrete coded signal and for disarming the anti-theft means upon the second receipt and recognition of the learned discrete coded signal.

'867 Patent at col. 13, lines 10-32.

⁶ It is noted that similarly the '867 patent teaches that in the preferred embodiment of the invention, the memory is an EEPROM which enables any code to be erasably stored and assigned to a specific transmitter. See '867 Patent at col. 5, lines 62-64.

start. Id. at ¶¶ 7, 8. Therefore, complainant's expert was of the "opinion" that the battery drain problem was a direct consequence of code learning. Id. at 6.

Complainant's expert states his opinion without adequately explaining why he arrived at his opinion, and without citing any facts in support of it. An opinion alone, not based on any cited facts, does not give rise to a question of material fact requiring the denial of summary determination. Barmag, 731 F.2d at 836; 19 C.F.R. § 210.50(c).

Furthermore, respondents presented unrebutted evidence that the opinion of complainant's expert was not based on the way that the memory actually worked in the early IntelliGuard 500 as sold before the critical date. Clifford's former quality assurance manager, Andrew Andreasen, testified that the IntelliGuard 500 had a battery drain problem which was corrected after the critical date. However, Mr. Andreasen believed that an automobile's battery would be depleted only if the automobile were not started for a two-week period, and he did not believe that the information in the memory would be lost. Andreasen Dep. Tr. 39-41 (Respondents' Supplement Ex. 7).⁷

Even if complainant had shown that there is a genuine factual dispute as to whether there were significant problems with battery drain due to the code learning components of the IntelliGuard 500, such a fact would not necessarily preclude an on-sale bar due to early sales of the IntelliGuard 500. As the

⁷ Directed submitted a videotaped demonstration showing that once the early IntelliGuard 500 had learned the code associated with a transmitter, the device would remember it, even after the device was removed from a power supply as in the removal of an automobile's battery. Motion No. 355-1, Ex. 8 (David Black Videotape dated August 5, 1993, filed on September 9, 1993). Although David Black made an affidavit in support of the motion, he apparently neglected to include the videotape in his affidavit. Therefore, the Administrative Law Judge has not relied on the videotape.

Federal Circuit held in Barmag:

There is no dispute that reduction to practice requires that an invention be "sufficiently tested to demonstrate that it will work for its intended purpose." On the other hand, "[t]here is no requirement for a reduction to practice that the invention, when tested, be in a commercially satisfactory stage of development."

731 F.2d at 838 (citations omitted). Similarly, if the IntelliGuard 500 as sold before the critical date worked for its intended use, yet was not "commercially satisfactory in the sense that it was not sufficiently dependable for continuing use in a commercial environment," it could still constitute a reduction to practice because "that degree of perfection is not a requirement for reduction to practice" when determining whether or not there has been an on-sale bar to a patent's validity. FMC Corp. v. Hennessy Indus., Inc., 650 F. Supp. 688, 692 (N.D. Ill. 1986) (citing Barmag), aff'd in part on other grounds and vacated in part on other grounds, 836 F.2d 521 (Fed. Cir. 1987).

IntelliGuard 500 devices purchased from Clifford before the critical date were installed for retail customers. Despite the completion of extensive discovery in this investigation, no evidence was presented to show that the IntelliGuard 500 failed to achieve code learning or to work for its intended purpose at least for some period of time. Furthermore, complainant's expert stated that the battery drain would in a relatively short time cause code learning and all other aspects of the vehicle security system to be inoperable, but left open the possibility that code learning would be operable for a short period of time. Second Haskell Declaration at ¶ 7. The president of Auto Symphony testified that he knew of no complaints about the four IntelliGuard 500 devices his company installed other than one which had to do with the way the device had been installed. Kaveh Dep. Tr. 28-30

(Respondents' Supplement Exhibit 4); Kaveh Dep. Tr. 78-79 (attached to Respondents' Reply).

Respondents admit that modifications affecting battery drain were made to the IntelliGuard 500 to make the device more dependable for customers. See Andreasen Dep. Tr. 38; Respondents' Reply at 9. However, respondents presented evidence to the effect that no changes in the learn routine of the IntelliGuard 500 were in fact made. Drori Dep. Tr. 123-124.

Therefore, complainant has presented no evidentiary conflict with regard to whether or not the IntelliGuard 500 devices sold before the critical date had operative code learning, and there is no credible evidence to show that battery drain problems prevented the IntelliGuard 500 from having operative code learning.

As stated above, complainant takes the position that in any event sales of the IntelliGuard 500 were experimental uses, and thus cannot effect an on-sale bar.⁸ However, in In re Hamilton, 882 F.2d 1576 (Fed. Cir. 1989), the Federal Circuit held that:

The experimental use doctrine operates in the inventor's favor to allow the inventor to refine his invention or to assess its value relative to the time and expense of prosecuting a patent application. If it is not the inventor or someone under his control or "surveillance" who does these things, there appears to us no reason why he should be entitled to rely upon them to avoid the statute.

Id. at 1581 (emphasis in original).

No argument has been made nor has any evidence been presented to the effect that the inventor named in the '867 patent, Peter J. Stouffer (or complainant, the patent's assignee), was in any way connected with the

⁸ The staff no longer considers there to be genuine issues of material fact regarding experimental use. Staff Response at 3 n.4.

Clifford IntelliGuard 500, or that the sales, offers for sale, or any other use of the IntelliGuard 500 before the critical date helped the inventor to refine his alleged invention or assess its value relative to the prosecution of the application for the '867 patent. Therefore, the experimental use doctrine provides no basis upon which to deny respondents' motion for summary determination.

The staff took the position in its prehearing statement that the evidence would establish clearly and convincingly that the IntelliGuard 500 was on sale within the meaning of section 102(b), meets all the elements of independent claim 1 of the '867 patent, and anticipated or rendered obvious all the remaining dependent claims. Staff Prehearing Statement at 21 (Respondents' Supplement Ex. 10); Staff Response at 3. The staff, however, opposes summary determination with respect to the on-sale bar issue. The staff position developed in its response to respondents' supplement is that "the scope of the term 'discrete coded signal' as it is used in the claims of the '867 patent and as it would be understood by the person of ordinary skill in the art is subject to considerable genuine factual dispute among the parties." Staff Response at 11 (footnote omitted).

The staff relies on the fact that the parties have submitted conflicting expert witness testimony in support of differing claim constructions, and the fact that the only inferences that may be drawn in connection with a motion for summary determination must be drawn in the nonmovant's favor.⁹ *Id.* at 13.

As pointed out by the staff, respondents' expert, George E. Frost,

⁹ It is undisputed that the '867 patent requires that a vehicle security system employ a "discrete coded signal" to identify a specific transmitter. See Claim 1 of the '867 Patent, supra, note 5.

declared that the term "discrete coded signal" "does not require a button signature, only the transmitter ID defined at Col. 5, ll. 14-16 of the specification." Frost Declaration at ¶ 13. However, complainant, in reliance on its expert, A. Sidney Katz, has taken a contrary position in its original opposition to respondents' motion for summary determination, such that it would include both a transmitter identification and a button signature, representing the identity of the button or combination of buttons that are depressed. Staff Response at 12. Complainant appears to maintain this position, relying on portions of the '867 patent specification. See Complainant's Opposition at 8-9.

The fact that complainant and respondents have relied on the conflicting declarations of experts, and thereby advanced differing interpretations of claim language, does not in this instance raise a genuine issue of material fact. Both experts are legal experts, rather than technical experts. Under the Ground Rules in this investigation, neither expert would be able to provide testimony at a hearing that would be received into evidence with respect to the meaning of "discrete coded signal" because legal experts may testify only as to procedures of the Patent and Trademark Office. See Ground Rules 5(a)-(b) (Order No. 2); Notice of February 1, 1994 (advising parties of specific limitations on the testimony of Messrs. Frost and Katz at the anticipated hearing). See also Union Carbide Corp. v. American Can Co., 724 F.2d 1567, 1572 (Fed. Cir. 1984) (discounting testimony of one who fails to show skill in relevant art or whose opinion is without factual support). Thus, the Administrative Law Judge does not rely on these declarations reflecting testimony that would have been inadmissible at the evidentiary hearing.

Claim interpretation is accomplished through an examination of particular claim language, the patent specification, the prosecution history, and other claims. SRI Int'l v. Matsushita Elec. Corp. of America, 775 F.2d 1107, 1118 (Fed. Cir. 1985). Reference must be made to the specification of the '867 patent, including the figures contained therein, as part of the general procedure used in claim interpretation, and because the claims of the '867 patent are means-plus-function claims.¹⁰

In Intellicall, Inc. v. Phonometrics, Inc., 952 F.2d 1384 (Fed. Cir. 1992), the Federal Circuit held that:

Claim interpretation is a question of law amenable to summary judgment, and disagreement over the meaning of a term within a claim does not necessarily create a genuine issue of material fact. The terms in a claim are given their ordinary meaning to one of skill in the art unless it appears from the patent and file history that the terms were used differently by the inventors. Thus, where a disputed term would be understood to have its ordinary meaning by one of skill in the art from the patent and its history, extrinsic evidence that the inventor may have subjectively intended a different meaning does not preclude summary judgment. In such instance, there is no genuine dispute respecting a material fact.

Id. at 1387 (citations omitted) (emphasis in original).

Courts may rely on expert testimony to determine how one of ordinary skill in the art would interpret claim language. Advanced Cardiovascular Sys. v. Scimed Life Sys., 887 F.2d 1070, 1073 (Fed. Cir. 1989). Nevertheless, in this instance, there is no evidence that "discrete coded signal" as used in

¹⁰ As provided in the sixth paragraph of 35 U.S.C. § 112, means-plus-function claims "shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." This statutory provision "prevents an overly broad claim construction by requiring reference to the specification, and at the same time precludes an overly narrow construction that would restrict coverage solely to those means expressly disclosed in the specification." Symbol Technologies, Inc. v. Opticon, Inc., 935 F.2d 1569, 1575 (Fed. Cir. 1991).

the claim language of the '867 patent are words which have a special meaning to those skilled in the art, and which would raise specific questions of fact. Consequently, this claim language may be "construed as a matter of law without resort to expert evidence." Howes v. Medical Components, Inc., 814 F.2d 638, 643 (Fed. Cir. 1987); Senmed, Inc. v. Richard-Allen Medical Indus., Inc., 888 F.2d 815, 819 n.8 (Fed. Cir. 1989).

The term "discrete coded signal" is not abstruse. Each of the words contained therein has a dictionary definition applicable to the subject matter at issue in the '867 patent. See Senmed, 888 F.2d at 820 n.9. There is nothing in the common meaning of the words, as reflected in their dictionary definitions, which requires the use of a so-called "button signature." The word "discrete" means "possessed of definite identity or individuality," and its synonyms may include "detached," "separate," or "distinct." Webster's Third New International Dictionary 634 (1976). The word "coded" is formed from the verb (to) "code" which means "to put in or into the form or symbols of a code." Id. at 437. The word "signal" means "the intelligence, message, sound, or image conveyed in telegraphy, telephony, radio, radar, or television . . . a detectable physical quantity or impulse (as a voltage, current, magnetic field strength) by which messages or information can be transmitted." Id. at 2115. No impediment has been shown to the Administrative Law Judge's construction of this claim language as a matter of law without reliance on expert testimony.

There is no indication in the plain language of claim 1 that a button signature limitation exists. However, claim 6 requires, in part:

a plurality of push buttons, each associated with one of
the plurality of stored discrete codes, and
controller means, responsive to the push buttons, for
transmitting the stored discrete code associated with

the depressed push button.

It would be improper to read into an independent claim 1 the button signature limitation set forth in another claim, such as dependent claim 6. See D.M.I., Inc. v. Deere & Co., 755 F.2d 1570, 1574 (Fed. Cir. 1985). This differentiation of claims is clearly supported by the '867 patent specification.¹¹

The specification states in part as follows:

The present invention is a vehicle security apparatus which inhibits the operation of the vehicle, when armed, and/or generates an alarm whenever access to the vehicle is attempted while the security apparatus is armed.

The vehicle security apparatus includes a hand-held, portable transmitter which is activated by the depression of one push button and transmits a discrete coded signal. The coded signal is received by a receiver means mounted within a vehicle.

The receiver means includes means for receiving and recognizing a discrete coded signal. The receiver also includes means for arming an anti-theft means mounted in the vehicle in response to the first receipt of a first discrete coded signal from the transmitter and for disarming the anti-theft means upon the second receipt and recognition of the first discrete coded signal from the transmitter.

Sensor means mounted on the vehicle detects attempted access and/or movement of the vehicle, such as the opening of a door, breaking of a window, etc. The receiver means also includes means for learning a discrete code associated with a specific transmitter means. The learning means includes control means mounted within the receiver and memory means for storing one or more discrete coded signals, learned by the receiver to recognize and arm or disarm the security apparatus. When in a "learn mode", the learning means receives a discrete coded signal identifying a specific transmitter and stores it for subsequent recognition.

'867 Patent col. 2, lines 18-48 (emphasis added). This portion of the

¹¹ Cf. Laitram Corp v. Rexnord, Inc., 939 F.2d 1533, 1538 (Fed. Cir. 1991) (claim differentiation may be applied to interpret means-plus-function claims, yet each means-plus-functions claim is limited to those structures and their equivalents that are disclosed in the specification).

specification clearly indicates that the discrete coded signal is "associated with a specific transmitter." However, there is no indication whatsoever that the discrete coded signal identifies a button or combination of buttons depressed on a transmitter. In fact, the specification portion which continues immediately thereafter contrasts one embodiment of the invention which does not involve learning specific push button information from other embodiments which do involve such learning, as follows:

In one embodiment, a first discrete code is hardwired in a transmitter and provides one code out of up to 65,536 separate codes which is specific to that transmitter. In another embodiment, the transmitter means includes a control means and a memory means for storing the discrete code. In the latter embodiment, the memory means allows either emulation of the first embodiment or a higher transmission of one out of approximately four billion codes. The receiver means is programmed so as to learn either push button on the transmitter and thereby either discrete code.

Id. at col. 2, lines 49-62 (emphasis added).

In the first embodiment described above, the "discrete coded signal" is discrete in that it contains one of up to 65,536 separate codes, none of which is required to include a button signature. The transmitter sends a code in that it sends information that identifies the transmitter, without any identification of any particular button or buttons which have been depressed. The discrete code is transmitted via a signal emitted from the transmitter. See also '867 Patent at col. 3, lines 52-62, quoted supra at 4 (stating that a discrete code is associated with a transmitter, and not mentioning a button).

In the specification, the use of codes representing push buttons in the transmitter is found only in connection with specific embodiments, such as the alternative embodiments described in the specification portion quoted above, as well as in the preferred embodiments described in the specification, see, e.g., '867 Patent col. 5, lines 32-34; col. 6, lines 17-28; Figure 5. Those

embodiments should be read in contrast to the language describing use of the invention without the use of a button signature. The portions of the specification describing preferred or other embodiments which use a button signature cannot be read to overshadow the other parts of the specification, and impose the button signature limitation on all claims of the '867 patent. The applicable Federal Circuit law is that claimed inventions generally should not be limited to preferred embodiments or specific examples in the specification. Fromson v. Advance Offset Plate, Inc., 720 F.2d 1565, 1568 (Fed. Cir. 1983) (citing Smith v. Snow, 294 U.S. 1, 11 (1935)). Indeed, the Federal Circuit has held consistently that "[w]here a specification does not require a limitation, that limitation should not be read from the specification into the claims." Intel Corp. v. U.S. Int'l Trade Comm'n, 946 F.2d 821, 836 (Fed. Cir. 1991) (emphasis in original) (quoting Specialty Composites v. Cabot Corp., 845 F.2d 981, 987 (Fed. Cir. 1988)).

The Administrative Law Judge examined the first declaration of complainant's technical expert to determine whether complainant raised genuine issues of material fact relevant to the interpretation of the term "discrete coded signal" in connection with complainant's original opposition to respondents' motion for summary determination.¹² In his first declaration, complainant's technical expert stated his opinion that the term "discrete coded signal" must include a button signature. (First) Haskell Declaration at ¶ 5 (Complainants' Opposition to Motion No. 355-1, Ex. 7).

Although complainant's technical expert stated that he intended to

¹² Although respondents' technical expert, Dr. Haskell, made a second declaration in connection with complainant's opposition to respondents' supplement, it does not specifically address the issue of whether or not the term "discrete coded signal" must include a button signature.

construe the terms of the '867 patent as one of ordinary skill in the art, his analysis was dependent on factors suited to conducting a legal analysis of the claims. For example, he improperly used the declaration of the inventor prepared for the purpose of this or other litigation to reach his conclusion on claim construction. Id. at ¶ 4. In concluding that term "discrete coded signal" must include a button signature, complainant's expert also relied on the preferred embodiments of the '867 patent which include the button signature. Id. at §§ 5, 6, 7. However, complainant's expert gave no indication that he considered other portions of the specification which, as discussed above, disclose use of a discrete coded signal without a button signature.

With respect to other terms and elements of claim 1 (such as the "receiver means . . ." and the "means for arming . . ."), complainant's technical expert makes conclusory statements in his first declaration, and failed to provide any reasoning for his opinions. Id. at ¶ 19. In addition, the conclusions contained in the declaration appear to be expressed in terms of an expert's opinion, rather than the expert's attempt to provide evidence of how one of ordinary skill would read the claims. See, e.g., Id. at §§ 7-10, 19.

Thus, the first declaration of complainant's technical expert fails to raise a genuine issue of material fact with respect to the interpretation of claim 1 of the '867 patent.

It is also significant that during prosecution of the '867 patent, the inventor amended claim language involving the "discrete coded signal," and described the term in detail to overcome a rejection of his claims in view of the prior art. The inventor stated that "[i]n Applicant's invention as

defined in Claims 1 and 7, the learning means is capable of learning a discrete coded signal assigned to a specific transmitter while the first discrete coded signal is being transmitted by the transmitter means and received by the receiver means." See Amendment and Remarks at 5 (Respondents' Supplement Ex. 11). The inventor did not distinguish his invention on the basis of code learning associated with specific push buttons, and never indicated that such a limitation is present in claim 1.

Consequently, the patent specification does not require that the limitation of a so-called button signature be read into the claim language "discrete coded signal." Therefore, no factual dispute has been presented as to the meaning of the term "discrete coded signal" or any other term of the '867 patent so as to preclude summary determination.

Respondents take the position that the sales of the IntelliGuard 500 by Clifford before the critical date acted as a bar to the patentability of independent claim 1 of the '867 patent as well as each of the remaining dependent claims, i.e. claims 2-16. Respondents' Supplement at 18.

Each claim of a patent, whether independent or dependent, "carries an independent presumption of validity, 35 U.S.C. § 282, and stands or falls independent of the other claims." Continental Can Co. v. Monsanto Co., 948 F.2d 1264, 1266-67 (Fed. Cir. 1991). As stated above at p. 8, respondents presented evidence in their supplement and the appendix thereto that the IntelliGuard 500 sold before the critical date embodied each of the elements of dependent claims 2-16. In its opposition to respondents' supplement, complainant did not specifically rebut that evidence. Complainant relied on its general denials and arguments concerning language contained in claim 1, and its general arguments, discussed above, concerning reduction to practice

and operability of code learning in the IntelliGuard 500. See Complainant's Opposition at 7; Complainant's Confidential Supplement at 4.

In addition, the Administrative Law Judge examined the first declaration of complainant's technical expert to determine whether he raised any genuine issues of material fact relevant to whether the early IntelliGuard 500 contained the elements of claims 2-16. Having stated his opinion with respect to claim 1, complainant's technical expert declared:

Similarly, each of the dependent claims of the '867 patent which include further limitations and references to "discrete coded signal" are not, in my opinion, found in the IntelliGuard 500 system. It was not necessary for me to enumerate each and every additional limitation from the dependent claims which similarly find no correspondence in the IntelliGuard 500. For example, claim 7 requires "means for learning a plurality of discrete coded signals while each discrete coded signal is being transmitted by any transmitter means and received by the receiver means; and means, responsive to the successive receipt and recognition of each discrete coded signal, for arming and disarming the anti-theft means." Again, since the IntelliGuard 500 does not have several of the claimed limitations from claim 1 of the '867 patent, it cannot have the additional claimed requirement of "means for learning the plurality of discrete coded signals while each discrete coded signal is being transmitted by any transmitter means and received by the receiver means."

(First) Haskell Declaration at ¶ 19.

Two important aspects of this declaration are readily apparent with respect to the dependent claims. First, complainant's technical expert did not believe it "necessary" to analyze the dependent claims element-by-element. Second, he took the position that because, in his opinion, the IntelliGuard 500 lacked all the elements of claim 1, the dependent claims could not fall.¹³

¹³ Despite their presumption of validity, when the merits of dependent claims are not argued separately from the independent claim, the dependent claims stand or fall with the independent claim. Amgen, Inc. v. Chugai Pharmaceutical Co. Ltd., 927 F.2d 1200, 1212 (Fed. Cir.), cert. denied, 112 (continued...)

However, as found in this Initial Determination, claim 1 is invalid, and complainant has made no showing to rebut respondents' evidence of invalidity of the dependent claims due to the on-sale bar. Therefore, no genuine issue of material fact exists with respect to whether or not the dependent claims are valid, and summary determination in respondents' favor should be entered.

Conclusions

With discovery completed in this investigation, the parties had the opportunity to set forth more facts than is normally the case in a usual motion for summary determination. The Administrative Law Judge has considered the arguments, declarations, deposition portions and other materials submitted in connection with respondents' motion for summary determination.

It is the Administrative Law Judge's Initial Determination that Respondent Directed's Motion No. 355-1 for summary determination by reason of on-sale bar is GRANTED. Inasmuch as it is found that the patent at issue in this investigation is invalid, this Initial Determination terminates this investigation as to all respondents.¹³

Complainant's Motion No. 355-32 to terminate this investigation based on its withdrawal of the complaint is DENIED.

Respondent Directed's pending motion for evidentiary sanctions adverse to

¹³(...continued)

S.Ct. 169 (1991); Environmental Instruments, Inc. v. Sutron Corp., 877 F.2d 1651, 1568 (Fed. Cir. 1989).

¹⁴ Unless a party pursuant to 19 C.F.R. § 210.54 files a petition for review of this Initial Determination or the Commission pursuant to 19 C.F.R. § 210.55 orders a review of this Initial Determination, or certain issues herein, this Initial Determination shall become the determination of the Commission thirty (30) days after the date of service on the parties. 19 C.F.R. § 210.53(h). The parties shall be notified by the Secretary in the event this Initial Determination becomes the determination of the Commission. 19 C.F.R. § 210.53(i).

complainant is denied as moot inasmuch as there is no need for an evidentiary hearing in this investigation. Therefore, Motion No. 355-34 is DENIED.

Complainant's pending motion for evidentiary sanctions adverse to respondents is denied as moot inasmuch as there is no need for an evidentiary hearing in this investigation. Therefore, Motion No. 355-35 and Motion No. 355-26 are DENIED.

Complainant's motion to strike new defenses pleaded in respondent's supplement to its motion for summary determination is denied as moot inasmuch as summary determination is granted herein on the basis of the original grounds stated in Directed's Motion No. 355-1, i.e. the on-sale bar.¹⁵ Therefore, Motion No. 355-37 is DENIED.

In order to resolve the status of all papers submitted for inclusion in the pleadings record of this investigation, Directed's Motion No. 355-38 for leave to reply to the response of the Staff to the aforementioned motion of complainant to strike is GRANTED.

Any party seeking to have any portion of this order deleted from the public version thereof must submit to this office by April 26, 1994, a copy of this order with red brackets indicating which portion is asserted to contain confidential business information.


Sidney Harris
Administrative Law Judge

Issued: April 19, 1994

¹⁵ Other grounds set forth in respondents' supplement were not considered.