



In the Matter of

**CERTAIN LARGE VIDEO  
MATRIX DISPLAY SYSTEMS  
AND COMPONENTS THEREOF**

Investigation No. 337-TA-75



USITC PUBLICATION 1158

JUNE 1981

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMISSIONERS**

**Bill Alberger, Chairman**

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**Catherine Bedell**

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**Kenneth R. Mason, Secretary to the Commission**

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Washington, D.C. 20436**

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

ERRATUM

The enclosed Action and Order was inadvertently omitted from USITC  
Publication 1158 (Inv. No. 337-TA-75, Certain Large Video Matrix Display  
Systems and Components Thereof) mailed to you on June 30, 1981.



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

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In the Matter of )  
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CERTAIN LARGE VIDEO MATRIX DISPLAY )  
SYSTEMS AND COMPONENTS THEREOF )  
\_\_\_\_\_)

Investigation No. 337-TA-75

COMMISSION ACTION AND ORDER

Introduction

The United States International Trade Commission conducted investigation No. 337-TA-75 to determine whether there is a violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, in connection with alleged unfair methods of competition and unfair acts in the importation into the United States of certain large video matrix display systems and components thereof, or in their sale, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Notice was published in the Federal Register. 44 F.R. 75242 (Dec. 19, 1979). On June 1, 1981, at a public meeting, the Commission unanimously determined that there is a violation of the statute in the importation and sale of certain large video matrix display systems and components thereof that infringe claims of U.S. Letters Patent Nos. 3,594,762; 3,941,926; and 4,009,335.

Having determined unanimously that public interest considerations do not preclude relief in this case, the Commission determined by a vote of three to one (Commissioner Stern dissenting) that an order excluding infringing articles manufactured by SSIH Equipment S.A. of Bienne, Switzerland, is the appropriate remedy.

## Action

Having reviewed the record compiled in investigation No. 337-TA-75 and the recommended determination of the presiding officer, the Commission determined on June 1, 1981, that--

1. There is a violation of section 337 of the Tariff Act of 1930 in the importation and sale of certain large video matrix display systems, and components thereof that infringe claims of U.S. Letters Patent Nos. 3,594,762; 3,941,926; and 4,009,335, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.

2. The issuance of an exclusion order, pursuant to subsection 337(d) of the Tariff Act of 1930, prohibiting the importation of large video matrix display systems, components thereof, and spare parts made by SSIH Equipment S.A., of Bienne, Switzerland, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, in accordance with claims of U.S. Letters Patent Nos. 3,594,762; 3,941,926; or 4,009,335, except where such importation is licensed by the owner of the patents, is the appropriate remedy for the violation.

3. Public interest factors, enumerated in subsection 337(d) of the Tariff Act of 1930, do not preclude the issuance of an exclusion order in this investigation.

4. The appropriate bond provided for in subsection 337(g)(3) of the Tariff Act of 1930 during the period that this matter is

before the President is in the amount of 100 percent ad valorem of the imported infringing large video matrix display systems, components thereof, and spare parts concerned.

Order

Accordingly, it is hereby ORDERED THAT--

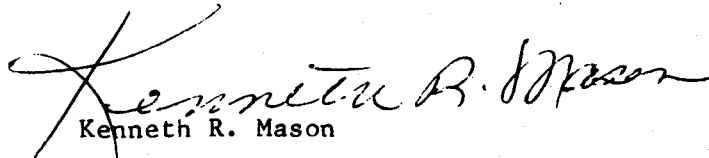
1. Large video matrix display systems, components thereof, and spare parts manufactured by SSIH Equipment S.A., of Bienne, Switzerland, or any of its affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, that infringe one or more claims of U.S. Letters Patent Nos. 3,594,762; 3,941,926; or 4,009,335 are excluded from entry into the United States for the remaining terms of the patents, except where such importation is licensed by the patent owner;
2. The articles ordered to be excluded from entry into the United States shall be entitled to entry under bond in the amount of 100 percent ad valorem (ad valorem to be determined in accordance with section 402 of the Tariff Act of 1930, 19 U.S.C. § 1401a) from the day after this order is received by the President pursuant to subsection 337(g) of the Tariff Act of 1930 until the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after the date of receipt;
3. Notice of this Action and Order be published in the Federal Register;
4. Copies of this Action and Order, and the Opinion of the



Commission be served upon each party of record in this investigation and upon the Department of Health and Human Services, the U.S. Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury; and

5. The Commission may amend this order in accordance with the procedure described in Commission Rule 211.57, 46 Fed. Reg. 17533 (Mar. 18, 1981) (to be codified at 19 C.F.R. § 211.57).

By order of the Commission.



Kenneth R. Mason

Secretary

Issued: June 19, 1981

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

In the Matter of )

CERTAIN LARGE VIDEO MATRIX DISPLAY )  
SYSTEMS AND COMPONENTS THEREOF )

Investigation No. 337-TA-75

COMMISSION OPINION

I. Procedural History

Stewart-Warner Corporation, of Chicago, Illinois, filed a complaint with the Commission on October 25, 1979, under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, alleging that unfair methods of competition and unfair acts exist in the importation of certain large video matrix display systems, or components thereof, into the United States, or in their sale, because the articles (1) allegedly infringe claims of U.S. Letters Patent Nos. 3,495,762; 3,941,926; 4,009,335; and 4,148,073, 1/ and (2) are sold on terms and conditions that represent no reasonable expectation of a profit or of breaking even and that are predatory in nature. The complaint alleged that the effect or tendency of these acts or methods is to destroy or substantially injure an efficiently and economically operated industry in the United States. The complaint requested a temporary exclusion order, a permanent exclusion order

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1/ Complainant alleges infringement of at least claims 10 and 12 of the '762 patent, claims 1 and 2 of the '926 patent, claims 16 and 17 of the '335 patent, and claim 10 of the '073 patent. Complaint at 10. We follow the customary practice of referring to patents by their last three digits.

after a full investigation, and a cease and desist order. On November 20, 1979, the Commission ordered the institution of an investigation based only on the alleged violation of the four patents referred to in the complaint. 44 Fed. Reg. 75,242 (Dec. 19, 1979). Named as respondents were SSIH Equipment S.A., a member of the Omega Electronics Group, of Bienne, Switzerland, and The Milwaukee Brewers Baseball Club, Inc., of Milwaukee, Wisconsin. Both SSIH and the Brewers filed responses to the complaint.

A preliminary conference was held before the administrative law judge (ALJ) on January 9, 1980. In a filing dated January 21, 1980, complainant waived its right to a temporary exclusion order hearing and any temporary relief.

On April 19, 1980, complainant moved for an order of termination with regard to the infringement of the '073 patent. Motion No. 75-7. Respondent SSIH filed an opposition to complainant's motion, arguing that respondent should be allowed to pursue discovery involving the '073 patent because it proposed to establish that complainant was aware of the possible existence of certain relevant prior art before it filed its application for the '073 patent. Complainant conceded that respondent had the right to pursue discovery but maintained that the allegations of inequitable conduct were false. The ALJ recommended the termination of the investigation with respect to the '073 patent on the condition that SSIH be allowed discovery concerning the application. Order No. 11 (May 20, 1980). The Commission so ordered on June 13, 1980. 45 Fed. Reg. 42894 (June 25, 1980).

On motion of respondent SSIH and an affirmative recommendation by the ALJ, the Commission designated the investigation "more complicated" on June

27, 1980. On June 30, 1980, the ALJ denied a motion by the Brewers to be dismissed as a respondent. The Brewers applied to the ALJ for a review of the denial by the Commission, but the application was denied. Order No. 15 (July 23, 1980).

A prehearing conference was held on November 14, 1980. The evidentiary hearing was held December 3-18, 1980. All parties filed posthearing briefs and submitted proposed findings of fact.

The ALJ issued his recommended determination on April 2, 1981, finding a violation of section 337 and disposing of certain pending evidentiary issues. Both respondents filed exceptions to the recommended determination. All parties appeared at the Commission's May 8, 1981, hearing on violation, remedy, bonding, and the public interest. Public-interest submissions were also received from a number of interested persons. The parties filed postargument submissions in response to Commissioners' questions.

## II. Factual Background.

Large video matrix display systems are sophisticated scoreboard displays commonly used for athletic events at outdoor or indoor stadiums, arenas, racetracks, or parks. They consist typically of a rectangular matrix of thousands of light bulbs controlled by a computer and are custom designed for the place of installation. Scoreboards may have the technical capability of one or more of the following kinds of displays: alpha-numeric information, graphic information, animation, information in color, or television-like images, including instant replays and zoom. Before the introduction and application of solid-state technology, the scoreboard market consisted primarily of electro-mechanical displays that were not computer controlled,

but operated through consoles of buttons and switches directly wired to the display installation. Electro-mechanical displays may have some limited alpha-numeric, graphic, animation, and color capabilities, but they have no video capabilities.

Stewart-Warner first entered the scoreboard market in 1966 and today is the leading seller of scoreboards in the United States. Several small firms sell scoreboards in the United States as well. Only American Sign & Indicator (AS&I), Conrac, and SSIH, however, have produced video matrix display systems for use in the United States. Mitsubishi has recently sold a scoreboard with color video capabilities using cathode ray tubes rather than a lamp matrix. Of these companies, SSIH, AS&I, and Mitsubishi have each sold one video board in the United States. Conrac no longer sells video systems at all. Thus, the only current domestic manufacturers of video systems are Stewart-Warner and AS&I.

After competition between Stewart-Warner and SSIH for sale of the system in question, the Milwaukee Brewers, with the approval of the County of Milwaukee, selected SSIH to install a video matrix display system in Milwaukee County Stadium. The SSIH system was imported, installed at Milwaukee, and completed before the beginning of the major league baseball season in April 1980. Stipulation of the parties, RX-586 ¶ 19.

### III. Violation of Section 337

Having considered the record, including the presiding officer's recommended determination, the transcript of the oral argument before the Commission, and written submissions, we determine that there is a violation of

section 337 in the importation to the United States and sale of certain large video matrix display systems, the effect or tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States. We hereby adopt the findings of fact and conclusions of law of the administrative law judge, more fully discussed below, to the extent not inconsistent with this opinion. The reasons for our findings follow.

A. Patent Validity

Complainant alleges that SSIH's system infringes one or more claims of each of the three patents at issue. As a defense, respondents argue that each of the asserted patent claims is invalid, for a variety of reasons. An issued patent is presumed valid; this presumption must be rebutted by clear and convincing evidence. 35 U.S.C. § 282. We agree with the ALJ's finding that all the contested claims are valid, for the reasons set out below.

1. The '762 Patent.

Claims 10 and 12 of the '762 patent, the claims alleged to be infringed by the Milwaukee scoreboard, describe the means for displaying alpha-numeric and black-and-white stick-figure animations on a large lamp matrix by rapidly addressing display information stored in a memory function and inserting it into the matrix's control system. Recommended determination of the ALJ, findings of fact 135-45 [hereinafter cited as R.D.] (citations are to the ALJ's findings of fact or to the page number of the opinion). The claims disclose lists of the elements necessary to display animated characterizations on a lamp matrix, including a memory for storage of information in data frames, the means of access to the memory, and transmission of the information to the

board for display. Id. 139-40. Respondents challenge the validity of the claims at issue on the grounds that claim 10 is anticipated by prior art and that claim 12 is obvious.

(a) Claim 10

Respondents contend that claim 10 of the '762 patent is anticipated by U.S. Letters Patent 3,384,888, known as the Harnden patent, the application for which was filed prior to the earliest asserted conception of the '762 patent and which was not cited by the examiner as among the prior art searched. The Harnden patent discloses a traveling message sign. The letters follow one another across the face of the matrix through the use of serial shift registers. All lamps must receive new controls in serial sequence to change the image displayed. R.D. findings of fact 39-40. The examiner searched inter alia the subclass in which the Harnden patent is classified in the Patent Office. R.D. findings of fact 45-46. We may assume, in the absence of contrary evidence, that the examiner considered the Harnden patent. E.I. du Pont de Nemours & Co. v. Berkley and Co., 620 F.2d 1247, 1267 (8th Cir. 1980). Respondents did not offer convincing evidence that it was not considered.

Moreover, the ALJ finds that the Harnden patent is no more pertinent to the '762 application than any of the prior art cited in the application. Other patents cited by the examiner contain features closer to those of the '762 patent than the comparable features of the Harden invention--for example, a control system with a minimum of electrical conductors interconnecting a display with a remotely controlled system, random access memory, display animation, and serial shift memory. R.D. findings of fact 51-55.

Respondents' challenge to claim 10 fails, therefore, for two independent reasons. They do not overcome the presumption that the examiner considered the Harnden patent when making his search of the prior art and, even if he had not, it is no more pertinent to the application than other prior art specifically cited in the application. We must conclude that claim 10 is not anticipated by prior art.

(b) Claim 12

Respondents argue that claim 12 is invalid as obvious. A patent may not be obtained "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art . . . ." 35 U.S.C. § 103. The Supreme Court has described the method of analysis to be applied when a patent claim is challenged as obvious.

[T]he scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.

Graham v. John Deere Co., 383 U.S. 1, 17 (1966). Respondents contend that U.S. Letters Patent No. 3,021,287 to Rajchman, which was not considered by the examiner, is the most relevant prior art. The Rajchman patent discloses a mural image reproducer for displaying television pictures utilizing a pair of storage circuits alternately operated to supply video pulses to different rows of luminescent cells. There is more than an insubstantial difference between Rajchman and claim 12, however, in that Rajchman does not teach a memory for displaying data in data frames pertaining to a desired pattern. R.D. finding



of fact 61. The presumption of validity of claim 12 is thus weakened by the failure of the examiner to consider the most relevant prior art--the Rajchman patent--but it is not overcome. Id. 59, 63. There are differences between claim 12 and Rajchman. Moreover, respondents adduced little or no evidence that claim 12 would have been obvious to one skilled in the art at the time. Id. 62-63. In the absence of clear and convincing evidence of invalidity, doubt must be resolved in favor of the patentee. We therefore find claim 12 of the '762 patent valid.

## 2. The '335 Patent

The '335 patent is the heart of the system's ability to display moving video images on its matrix of light bulbs. It solves the essential problem of converting a video signal, which is analog in nature, to a digital signal capable of illuminating specific lamps at discrete levels of illumination. R.D. findings of fact 148-54. The invention of the '335 patent sends a video signal from any of a number of sources to a video-to-digital converter that "quantizes" and encodes it. Quantizing is the term used in the claims of the patent to refer to the process of sampling the video signal to determine its instantaneous magnitude. The signal is then stored in a memory until the appropriate time to transmit it to the matrix. Finally, the patent describes the means for controlling the amount of current supplied to each of the lamps in the matrix to cause it to glow sequentially at four different levels at a rate faster than the eye can detect. The result is the appearance of a moving image.

Respondents contend that the entire '335 patent is invalid because the invention was reduced to practice and placed on sale more than one year prior

to the filing of the application for the patent, August 9, 1973. An inventor loses his right to a patent if he has placed his invention "on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b). No sale need be consummated to establish an on-sale bar.

It suffices that the claimed invention, reduced to practice, was placed on sale, i.e., offered to potential customers, prior to the critical date. . . . [A]n invention passes out of the experimental stage and becomes a reality for purpose of the statutory bar even though it may later be refined or improved.

In re Theis, 610 F.2d 786, 792 (C.C.P.A. 1979) (citations omitted). The invention here was clearly on sale. The claimed invention must be "reduced to practice" or "to reality," however, before there can be a section 102(b) on-sale bar. Smith & Griggs Manufacturing Co. v. Sprague, 123 U.S. 249, 264 (1887). Reduction to practice occurs when the inventor constructs a product or performs a process that is within the scope of the patent claims and demonstrates the capacity of the inventive idea to achieve its intended purpose. 3 D. Chisum, Patents § 10.06 (1980).

The best formulation of the reduction to practice rule for the purposes of this investigation is that applied by the Fifth Circuit. An invention is complete when it has been reduced to a working model and such experimentation 2/ has been carried out as is reasonably necessary to test the invention's utility and to determine whether further refinement is needed. In re Yarn Processing Validity Litigation, 498 F.2d 271 (5th Cir. 1974).

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2/ This experimentation should not be confused with the common law experimental use exception to the public use bar of 35 U.S.C. § 102(b), which is not at issue here. See E. Kintner & J. Lahr, An Intellectual Property Primer 22 (1975).

Reduction to practice thus includes sufficient testing or experimentation to demonstrate that the device possesses sufficient utility to be suitable for its intended purpose in the environment in which it is contemplated to be useful.

The section 102(b) bar prevents an inventor from having the advantage of a monopoly for more than the statutory period by engaging in the commercial exploitation of his invention after it is fully developed, but before applying for a patent. Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corporation, 316 F.2d 459, 465 (9th Cir. 1936). For an on-sale defense to prevail over and rebut the presumption of validity that attaches to an issued patent, it must be proved by clear and convincing evidence. E.g., Red Cross Manufacturing Corp. v. Toro Sales Co., 525 F.2d 1135, 1139 (7th Cir. 1975).

Respondents assert that the invention of the '335 patent was reduced to practice prior to the August 9, 1972, critical date in Stewart-Warner's scoreboard installed in the Kansas City Chiefs' stadium in Kansas City, Missouri, thus creating an on-sale bar. They also argue that there was a reduction to practice in tests conducted in the spring of 1972 in the parking lot of Stewart-Warner's Chicago plant. There is a profusion of conflicting testimony and evidence on the record. In addition, there was much argument at the hearing based on inferences to be drawn from contemporary evidence. The ALJ's factual findings and opinion on this issue occupy 53 pages. R.D. at 17-25, 65-109. The factual questions in dispute are what equipment was in place in Kansas City before August 9, 1972, and what the system's computer-controlled video display capability was--that is, whether it could display moving video images on the entire matrix of bulbs in the requisite

number of shades of gray, through essentially the same circuitry as the invention of the patent. R.D. at 85.

The ALJ concludes that there was no reduction to practice in the parking lot tests because they involved only a small portion of the entire matrix and because the software program 3/ had to be loaded manually into the computer by means of toggle switches on the front of the computer--referred to as "togglng" in the record and at oral argument. R.D. at 94-95.

The ALJ's essentially factual determination, to which we give considerable weight, is that the invention was not reduced to practice until August 11, 1972, in Kansas City. R.D. at 109. There was no reduction to practice before the critical date because there is no contemporaneous evidence that the entire board was capable of displaying moving images. We believe that the closest the evidence comes to establishing a reduction to practice is that still images could be pieced together on the entire matrix by the laborious togglng process, and that moving images could be displayed, but only on one small portion or module of the board at a time. R.D. at 104-05. We do not believe that SSIH's arguments in briefs and at oral argument constitute such clear and convincing proof of a reduction to practice that the Commission should disregard the ALJ's findings. As pointed out at the hearing by the Commission investigative attorney, Mr. Dinan, the description by Judge Lehr, of Jackson County, Missouri, of his image "frozen" on the scoreboard is the best contemporary evidence of moving images displayed to the public

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3/ Although no computer software package is required by the claims of the patent, we agree with the ALJ that it is an essential part of the board's operation.

before the August 12, 1972, opening game. R.D. finding of fact 89, opinion at 106. All the other arguments are based on the hazy recollection of nine-year-old events. The ALJ has the duty and the unique opportunity to hear the testimony, sift through the evidence, and assess the demeanor and credibility of witnesses.

We believe, on the balance of evidence in the record, that the ALJ's finding is correct. There was no reduction to practice prior to the critical date. There is, therefore, no on-sale bar under section 102(b), and the '335 patent is valid.

### 3. The '926 Patent

The '926 patent deals with the video display capability of the system, but represents a considerable improvement and elaboration on the '335 patent. The invention of the patent can handle enough additional data to allow the display of at least eight shades of gray on the lamps in the matrix. Claim 1 is a single, independent claim, which discloses a clock means for transmitting data from the computer to the display board for decoding the data at the display board and for transmitting the data to the lamp control circuits. Id. 161. Claims 2-5 are dependent claims.

SSIH contends that the '926 patent is obvious in the light of two items of prior art: (1) the '335 patent, the application for which was filed over seven months before the April 8, 1974, filing date of the '926 application, and (2) the scoreboard at Arrowhead Stadium in Kansas City, which was in public use on August 12, 1972. In addition, SSIH argues that deposition testimony by the coinventor of the '926 patent, Mr. Payne, RX-76b, constitutes

new evidence not considered by the examiner. It contends that his testimony amounts to an admission against interest that claims 1-5 of the '926 patent are obvious and, therefore, invalid. The deposition consists of close questioning by counsel for SSIH on the differences between the '335 and '926 patents.

We find that the '926 patent is not obvious in the light of the prior art and is thus valid. The '335 and '926 applications were before the same examiner at the same time. The '926 patent application refers specifically to the '335 patent as relevant prior art. R.D. findings of fact 97-99. The examiner knew that the '335 patent was embodied in the Kansas City scoreboard and had seen a film of its operation. Id. 100-01. Accordingly, the patent was issued in the face of the most relevant prior art. Respondents produced no new evidence that was not before the examiner. The Payne deposition contains no new facts that were in existence at the time of the application. It is only the opinion of the coinventor, some years after the fact, of the differences and similarities of the two systems. Arguments based on the deposition, then, can only second-guess the examiner's judgment whether the patent was obvious, not whether he considered the most relevant prior art.

We conclude, therefore, that the examiner considered the most relevant prior art. The presumption of validity is not rebutted by clear and convincing evidence that because of the prior art, the subject matter of the '926 patent would have been obvious to a person having ordinary skill in the art. The '926 patent is valid.

#### B. Inequitable Conduct and Patent Enforceability

Respondents contend that each of the patents at issue is unenforceable because of alleged inequitable conduct by complainant and its counsel in the

prosecution of the patents before the Patent and Trademark Office (hereinafter referred to as the Patent Office), specifically, the failure to disclose the most relevant prior art or information concerning a possible on-sale bar. They also assert that there was inequitable conduct in the prosecution of the '073 patent, the infringement of which is not at issue. Moreover, they argue that all four of the patents are so closely related that a finding of inequitable conduct with respect to any of them would render the others unenforceable under the doctrine of Keystone Driller Co. v. General Excavator Co., 290 U.S. 240 (1933). We find that the patents are enforceable because there was no inequitable conduct in their prosecution.

The elements of inequitable conduct <sup>4/</sup> sufficient to render a patent unenforceable are (1) a material misrepresentation or omission of information, and (2) bad faith and intent to deceive the examiner or gross negligence representing such reckless disregard for the truth as to be tantamount to bad faith. Precision Instrument Manufacturing v. Automotive Maintenance Machinery Co., 324 U.S. 806 (1945); Stevenson v. U.S. International Trade Commission, 612 F.2d 546 (C.C.P.A. 1979); Norton v. Curtiss, 433 F.2d 779 (C.C.P.A. 1970). This standard has been codified in Patent Office regulations. All individuals involved in the prosecution or preparation of a patent application have a duty to disclose to the Patent Office information material to the examination of the application. 37 C.F.R. § 1.56. Information is defined as "material where there is a substantial likelihood that a reasonable examiner

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<sup>4/</sup> Inequitable conduct is distinguished by some courts from fraud on the Patent Office. A patent procured by fraud is invalid; a patent procured by inequitable conduct is unenforceable. Rosenberg, Patent Law Fundamentals, § 15.08 (1980). The lesser showing of inequitable conduct is at issue here.

would consider it important in deciding whether to allow the application to issue as a patent." Id. § 1.56(a). There is no duty to transmit information that is not material. An application will be struck from the files if any violation of the duty of disclosure through bad faith or gross negligence is established by clear and convincing evidence. Id. § 1.56(d). The party asserting inequitable conduct carries a heavy burden. Krenzer v. Stoffel, 551 F.2d 1214, 1217 (C.C.P.A. 1977); Feed Service Corp. v. Kent Feeds, Inc., 528 F.2d 756, 762-63 (7th Cir. 1976).

Respondents' inequitable conduct defense presumes the invalidity of the patents. Our determination that the patents are valid lessens the import of the inequitable conduct allegation because we find them valid in light of both the information disclosed to the Patent Office during the application process and that adduced by respondents on the record of this investigation. As noted above, there is no duty to report immaterial information to the examiner. Information that will not result in a finding of invalidity has little likelihood of being considered material by the reasonable examiner. Moreover, the duty of a patent attorney before the Patent Office leaves room for the exercise of good faith judgment, even if that judgment ultimately proves faulty. Tokyo Shibaura Electric Co. v. Zenith, 404 F. Supp. 547 (D. Del. 1975).

1. The '335 Patent

Respondents argue that '335 is invalid because complainant violated its duty to disclose information that would have tended to establish a section 102(b) on-sale bar to the issuance of the patent, specifically: (1) the alleged reduction to practice of the invention in Kansas City, (2) the spring



1972 test in Stewart-Warner's parking lot, and (3) several internal memorandums that refer to that test as a "reduction to practice." We find that there was no reduction to practice, prior to the critical date, and thus no on-sale bar, so that failure to disclose it to the examiner could not be a misrepresentation or material omission. Further, we agree with the holding of the ALJ that there was no bad faith or gross negligence with regard to the truth, in spite of SSIH's reasonable, though unconvincing, argument that there was a prior reduction to practice. R.D. at 113-16. Language in the memorandum of a scientist or engineer is no basis, in itself, for a conclusion that there was a reduction to practice within the meaning of the case law.

Finally, we note that two cases heavily relied upon by respondents are distinguishable from this investigation. In re Theis, 610 F.2d 786 (C.C.P.A. 1979), turned on the application of the experimental use exception to the section 102(b) bar, not at issue here. The applicant also argued that there was no reduction to practice because the invention was inoperative. In re Stockebrand, 197 U.S.P.Q. 857 (Comm'r Pat. 1978), aff'd sub nom. Digital Equipment Corp. v. Parker, 487 F. Supp. 1104 (D. Mass. 1980), turned on a purely factual issue, whether the inventor knew about information clearly establishing a public-use bar.

## 2. The '926 Patent

SSIH contends that the best available embodiment of prior art relevant to the '926 patent application is not the '335 patent, but the actual invention of the Kansas City scoreboard, which contains more detail and more sophisticated circuitry than the '335 patent. Because Stewart-Warner did not

disclose the existence of certain features of the Kansas City scoreboard to the Patent Office, SSIH concludes that complainant was guilty of inequitable conduct, and the patent is thereby unenforceable. We find, however, that even though testing and sale information with regard to the Kansas City scoreboard was not disclosed to the Patent Office, the '335 patent together with "[o]ther relevant reduction to practice and 'on-sale' information was disclosed consistent with the duty of candor." R.D. at 117. The examiner knew of the '335 patent and the Kansas City scoreboard and had seen a film of its operation. Id. findings of fact 115-16. We agree with the ALJ's conclusion that SSIH has offered insufficient evidence to render the '926 patent invalid as anticipated or obvious.

### 3. The '762 Patent

SSIH argues that Stewart-Warner had a duty to cite the Harnden patent to the examiner as the most relevant prior art during the application process. As noted in the validity discussion, above, we find that the Harnden patent was not established by clear and convincing evidence to be any more relevant than other prior art that was brought to the examiner's attention. Consequently we find that there was neither material misrepresentation or omission nor any compelling evidence upon which to base an inference of bad faith or gross negligence with regard to the truth.

### 4. The '073 Patent

Consideration of infringement of the '073 patent was terminated on complainant's motion, with the proviso that discovery concerning its application would continue in order to investigate respondent's allegations of

inequitable conduct. 5/ SSIH argues that the three patents at issue should be held unenforceable if the '073 patent is determined to have been procured by means of inequitable conduct. As the ALJ notes, the Commission is thus placed in the somewhat novel position of investigating and ruling on the enforceability of a patent even though its infringement is no longer being asserted here.

SSIH argues that the '073 patent is unenforceable because Stewart-Warner withheld information during its application about the prior existence of a scoreboard manufactured by AS&I that encompasses a zoom feature at the Silverdome in Pontiac, Michigan. We agree with the ALJ's findings that the information would have been material to the examiner, but that Stewart-Warner and its counsel had no actual or constructive knowledge of the zoom feature at the time of the application. R.D. at 121-22. Stewart-Warner knew of the scoreboard, but made no further inquiries that would have elicited the knowledge that it had a zoom feature. We agree with the ALJ's finding that this failure fell short of gross negligence or lack of good faith. Id. finding of fact 132. Complainant's good faith is demonstrated by its subsequent actions upon learning of the zoom feature. It asked for a termination of this investigation with respect to the '073 patent and began a reissue application before the Patent Office, while advising the Office of its knowledge of AS&I's activities. Id. 133. We therefore conclude that

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5/ Claim 10 of the '073 patent teaches a zoom feature, which is a feature of the scoreboard at the Silverdome in Pontiac, Michigan. Complainant moved to terminate the investigation with respect to the infringement of the '073 patent when it learned that the SSIH scoreboard at issue here has no zoom feature. Moreover, certain information was discovered in the course of other litigation that may affect the patent's validity. It is currently in reissue proceedings before the Patent Office.

respondents have not proven inequitable conduct on the part of complainant in connection with the '073 patent application by clear and convincing evidence.

C. Infringement

We find that claims of all three patents at issue are infringed by the SSIH video matrix display system installed in the Milwaukee County Stadium. discussion of each of the patents follows.

1. The '762 Patent

The ALJ finds literal infringement of claims 10 and 12 of the '762 patent, which describe the means for displaying animated characterizations on a large lamp matrix by rapidly inserting serially stored address and display data inserted into the control system from a memory device. R.D. at 123-24. The capability of random address of the memory is critical to the invention and infringement of the '762 patent. SSIH contends that the SSIH board does not infringe, because it cannot correct a display error merely by addressing that section of the matrix and changing it. The '762 patent discloses a random access memory that is capable of addressing and reading in data to any location on the display through the memory without having to switch through a number of other locations and without disturbing the data at other locations. That the SSIH device must remove the display from the board and replace it with a new display does not protect it from infringement. The SSIH invention nonetheless stores address data. Its memory constitutes a map of the display board, storing data at locations corresponding to the locations at which they are displayed. Thus, there is literal infringement of the '762 patent. We reject SSIH's file wrapper estoppel argument because we find literal infringement; infringement under the doctrine of equivalent is not at issue.

## 2. The '335 Patent

Respondents assert no defense other than invalidity to complainant's allegation that the SSIH system infringes claims 1-5 of the '335 patent. R.D. at 124. Complainant need only establish infringement by a preponderance of the evidence. The general features of the '335 patent are described in the validity discussion above. The SSIH system employs the same concept and virtually the same approach to the video-to-analog conversion problem as disclosed by the '335 patent. Id. findings of fact 155-58. We agree with the ALJ's finding that a prima facie case of infringement is made out on the basis of expert testimony and a comprehensive chart comparing the features of the SSIH system with each of the asserted claims of the '335 patent. Id. 156-57; CX-42.

## 3. The '926 Patent

Complainant alleges that the SSIH system infringes claims 1-5 of the '926 patent, which is an improvement on the invention of the '335 patent. The '926 patent discloses and claims a display system capable of handling at least eight shades of gray to be displayed on the lamp matrix. Claim 1, the single independent claim, requires that the system be capable of at least eight levels of illumination intensity and that the clock operate the system at a frequency sufficient to allow application of intensity level information to the lamps during each interval of the power waveform. R.D. finding of fact 162.

Respondent's noninfringement arguments center on two questions. The first is the issue of when the digitally coded display data from the control

system are decoded and when, once the data are decoded, the turn-on signal is transmitted to the display lamps. Respondents contend that during the periods between turn-on pulses, lamp-intensity data are decoded and the lamps are illuminated following the intervals during which the decoding has occurred in their system. In other words, they argue that the lamps in their system fire at the end of the power waveform rather than during the interval, since the selected intervals correspond to a display turn-on point. Because respondents admit that the lamps are fired at the end of the interval, the ALJ finds the language of claim 1 literally met. The SSIH circuits generate intervals related to the power waveform permitting the decoding of display information and firing of lamps at discrete intensity levels. A turn on pulse defines the end of each coding interval. R.D. findings of fact 169-75. Accordingly, we find the patent's requirement of a means for decoding transmitted signals during selected intervals on the power waveform met by the SSIH system.

The second question is whether the SSIH system functions "synchronously" by use of a clock as disclosed in the '926 patent. Respondents contend their system is functionally different in that there is no master clock synchronized with the timing circuits at the display board. The ALJ finds that the SSIH system is synchronized to the extent that synchronization is a requirement under claim 1 of the '926 patent. R.D. at 125. That the synchronization occurs in that system by means of two clocks, he concludes, is of no moment. We find that the SSIH system is sufficiently synchronized to extract, transmit, decode, and apply data on a real time basis at a rate faster than the power waveform frequency to illuminate the display devices during each interval. The system is thus sufficiently synchronized to infringe

claim 1 of the '926 patent. We find, therefore, literal infringement of the '926 patent.

D. Domestic Industry--Economic and Efficient Operation

The parties have stipulated to a definition of the relevant domestic industry as Stewart-Warner's Information Display Products (IDP) group, the section that is directly involved in the design, manufacture, and sale of products exploiting the patents in controversy. R.D. findings of fact 8-21; opinion at 127. IDP is generally profitable. It has made a majority of the sales of video matrix display boards in the United States. Its extensive production facilities devoted to laboratories, administration, testing, warehousing, and production feature up-to-date automatic manufacturing equipment, including a variety of sequencing, insertion, soldering, and test equipment. R.D. findings of fact 198-99. Stewart-Warner spends substantial sums on salaries for engineers, technicians, draftsman, programmers, and other research and development personnel. Id. 200. Therefore, we find that Stewart-Warner's IDP group is economically and efficiently operated.

F. Injury

1. Substantiality

We agree with the ALJ's finding that Stewart-Warner's scoreboard production facility, the IDP group, has been substantially injured by reason of the loss of the sale of the scoreboard in Milwaukee. R.D. 129-38. Complainant was denied the sale of a display system to the Brewers in head-to-head competition by the unfair acts of the respondents. 6/ Because the purchase of a video matrix display system is a significant capital

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6/ See discussion infra pp. 24-27.

expenditure, often requiring public bond financing, and its sale represents an important source of employment and profit for its manufacturer, the loss of a single sale in this case caused sufficient injury to meet the section 337 standard.

Among indications of possible injury, the ALJ's analysis focuses on four factors <sup>7/</sup> that have often been considered in section 337 investigations: (1) significant reduction in sales; (2) idling of production facilities; (3) decrease in employment; and (4) decline in profitability. E.g., Meproamate, T.C. Pub. No. 389 at 7 (1971). We agree with the ALJ's finding that at least these four indications of injury are present here.

Stewart-Warner, which has a dominant share of the small U.S. market, considers two or three sales to constitute a good year. R.D. findings of fact 182, 186. The loss of one sale is thus the loss of one-third to one-half of a year's sales, clearly a significant portion.

Stewart-Warner's production facilities have been substantially idled in part by reason of the loss of the sale. The ALJ finds that capacity utilization of both the Electronics Division as a whole and the IDP group that manufactures video matrix systems declined significantly during the period that the Milwaukee scoreboard would have been under production. R.D. at 131-32; finding of fact 189. Specific figures are not presented here in order to protect confidential business information. SSIH has challenged exhibit CX-57, prepared by Stewart-Warner's comptroller, upon which the ALJ based part of his conclusion as to the idling of production facilities. SSIH argues that

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<sup>7/</sup> The Commission does not require the precise showing of particular standards in all cases. Many economic considerations are examined in each case and the weight given to each factor depends on the circumstances of the case. Failure to show any one index of injury is not necessarily fatal.



the exhibit, which contains confidential capacity utilization figures, shows that the decline in production time for IDP is attributable to a plant-wide decline in production time for the Electronics Division. Complainant points out, however, that the figures in CX-57 are not allocated between IDP and the Electronics Division, but are the actual utilization hours by IDP for the manufacture of scoreboards under the patents at issue in this investigation during 1979 and the first nine months of 1980. We find, therefore, that IDP suffered a significant reduction in capacity utilization by reason of the loss of the sale at issue.

IDP also suffered a significant decrease in employment in its scoreboard production facilities, in both its manufacturing and, to a lesser extent, its engineering staffs. R.D. findings of fact 190-91. There were fewer cutbacks in the engineering staff because of the need to maintain systems already sold and to design new ones.

Finally, profits for IDP mirror the overall decline resulting from loss of the Milwaukee sale. We agree with the ALJ's finding that Stewart-Warner's financial data demonstrate that "a profitable product became substantially less profitable." Id. (quoting Chain Door Locks, Inv. No. 337-TA-5, USITC Pub. No. 770 at 38-39 (1976)).

We find, therefore, that the domestic injury has been substantially injured.

2. Intervening cause

Respondents argue that any injury suffered by complainant is not the result of any unfair acts but is caused by an independent intervening cause--complainant's own unreasonable conduct in pursuit of the Milwaukee

sale. They argue that Stewart-Warner lost the sale by (1) failing to submit a proposal responsive to the Brewers' and the county's maintenance and advertising financing requirements, that is, failing to provide a guaranteed maximum maintenance cost; (2) failing to provide concrete terms for financing; and (3) being generally unresponsive and unreasonable in imposing restrictions on the advertising use of the scoreboard. In particular, both respondents argue that Stewart-Warner's proposed restrictions on advertising and promotional activities would have threatened the Brewers' financial survival by prohibiting normal baseball promotional methods. This contention, the most vigorously asserted alternative cause of the lost sale, is echoed in the affidavits of the Commissioner of Baseball, Bowie K. Kuhn (April 22, 1981), and E. J. "Buzzie" Bavasi, Executive Vice President of the California Angels (April 22, 1981). The ALJ holds, however, that "the legal or proximate cause of the injury to complainant was the unfair acts of respondent SSIH . . . ." R.D. at 138.

There may be a situation in which an intervening or superseding factor, such as a shift in consumer demand, is indeed the cause of complainant's injury, rather than the unfair act or methods of competition complained of. 8/ There is, however, no shift in consumer demand in a broad market for off-the-shelf items here. The Brewers were seeking to buy a scoreboard of the

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8/ In his concurring opinion in *Certain Centrifugal Trash Pumps*, Inv. No. 337-TA-43, USITC Pub. No. 943 at 20-21 (1979), Vice Chairman Alberger found a shift in consumer demand to lighter, cheaper pumps to be the cause of complainant's injury, rather than infringement of complainant's patent. He acknowledged that "[i]n most cases it [is] difficult to separate infringement from other factors causing injury . . .," but found that complainant would have suffered from the shift in demand even if no infringing pump had been on the market. Id.

type offered by complainant, for which complainant has a legal monopoly by virtue of its patents. Complainant has the legal right through its monopoly to impose any conditions on the sale it wishes, within antitrust limitations, or to sell the Brewers no board at all. That complainant seeks to impose conditions is all the more reasonable in that it was expected to finance the sale.

The Brewers bought the infringing scoreboard, a site-specific, custom product, because it was a better deal. As pointed out by Commission investigative attorney, SSIH offered a larger board for less money with the same technical capabilities, a better maintenance arrangement, more favorable advertising policy, and a contract clause forgiving the outstanding balance due after ten years. Hearing transcript at 201. Counsel for the Brewers stated at the hearing that the principal reasons for Stewart-Warner's loss of the sale were its failure to provide a guaranteed maintenance figure and adequate seller financing for the scoreboard through advertising revenue and its overly restrictive advertising proposals. In this situation, unattractive maintenance and financing proposals are interchangeable with price; they merely constitute failure to meet SSIH's price competition. Counsel for the Brewers repeatedly said that Stewart-Warner had a "fine product"; they "were simply not going to mortgage their ballclub to get a scoreboard . . . ." Hearing transcript at 180.

As for the proposed restrictions on advertising, if they are not illegal, then they can be viewed as an attempt at hard bargaining by the holder of a patent monopoly. If there is a selling price at which the restrictions would

be acceptable to the Brewers, then they are just another element of the commercial deal. The Brewers made no patent misuse argument, nor did they bring an antitrust counterclaim.

Finally, we note the Brewers' response to the behavior of Stewart-Warner that they have attempted to characterize in this investigation as so outrageous and unconscionable that Stewart-Warner deprived itself of the sale. At no time did the Brewers reject Stewart-Warner's bids or proposals as unresponsive or unreasonable. Hearing transcript at 178-80. The Brewers and Stewart-Warner continued to negotiate until SSIH was awarded the sale. Id. at 180-81. The Brewers considered SSIH and Stewart-Warner to be the finalists for the bid. Id. Counsel for the Brewers also acknowledged that they would have rejected SSIH's proposal if there had been "something in that contract that the Brewers couldn't accept or the county couldn't accept . . . ." Id. at 181.

In conclusion, we find that there was no intervening or superseding cause. Complainant lost the sale to SSIH because SSIH made a financially more attractive offer. Complainant's injury was caused by respondents' unfair acts.

#### IV. Remedy 9/

##### 1. SSIH

Both complainant and the Commission investigative attorney recommend forms of relief tailored to the two respondents. SSIH is a Swiss manufacturer of infringing video matrix systems with the capability to export additional

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9/ The conclusions in this opinion with respect to remedy represent the views of Chairman Alberger, Vice Chairman Calhoun, and Commissioner Bedell. See additional views of Commissioner Stern, infra, p. 34.

systems to the United States. Complainant asks for an order excluding imports of infringing systems except under license. The Commission investigative attorney proposes a more comprehensive order to be directed at SSIH. It would include all the essential elements of an exclusion order, but also prevent SSIH from operating, maintaining, or repairing the system already in place. He argues that a cease and desist order against SSIH is necessary to redress effectively the harm caused by the continuing violation. SSIH also acknowledges that the appropriate remedy, if a violation is found, is an exclusion order. SSIH brief at 31 (April 22, 1981). Counsel for the Brewers argues that the appropriate remedy is an exclusion order directed at SSIH, rather than a cease and desist order directed at the Brewers. Hearing transcript at 176-77.

We believe that the appropriate remedy for the violation found in this investigation is an exclusion order. We have ordered the exclusion from the United States of infringing large video matrix display systems built by SSIH and its corporate affiliates. The order specifies exclusion of complete systems, components, and spare parts made by SSIH for the system now in operation. The order specifies infringing components because the system is imported in pieces, and much of it is locally procured, off-the-shelf items, such as light bulbs and structural materials, that do not infringe complainant's patents. An exclusion order, including within its scope components and spare parts, comports with standard Commission practice when a violation is found.

We have not issued an in personam order, like that proposed by the Commission investigative attorney preventing SSIH from operating, maintaining,

or repairing the Milwaukee scoreboard, for essentially the same reasons, which are presented below, that we have proposed no cease and desist order against the Brewers.

## 2. The Brewers

The Commission has remedial jurisdiction over the Brewers' disposition of the infringing scoreboard. We also believe, however, that restrictions in the form of cease and desist orders as advocated by complainant and the Commission investigative attorney should not be placed on the Brewers' day-to-day operation of the scoreboard for three reasons. First, an exclusion order directed at display systems and components thereof manufactured by SSIH will prevent their future importation. Stewart-Warner will no longer have to compete against SSIH in the United States for sales of these articles. Second, a cease and desist order would neither redress the substantial injury already suffered by Stewart-Warner nor prevent any expected future injury related to the importation and sale of the Brewers' display system. Finally, a more appropriate forum is available to Stewart-Warner for seeking damages for what now is essentially a retrospective harm.

Stewart-Warner asks for an order forbidding any further infringement or contributory infringement of the patents, any assistance to SSIH in sales activities, and any acts hindering Stewart-Warner in its sales activities. It contends that the Brewers have a contractual obligation to aid SSIH in future sales activities and that they are principal beneficiaries of the injury to Stewart-Warner from continued use of the infringing system.

The Brewers and others argue that section 337 does not contemplate a remedy directed against a domestic buyer of an imported product. Section 337

is designed, they say, only to regulate unfair acts and methods of competition in the importation of articles. They argue that neither an exclusion order nor a cease and desist order is applicable to them. Any injury to complainant was complete at the time the sale was lost. They contend that the statute is prospective and it cannot be served by any remedy directed at the Brewers.

The issue of remedial jurisdiction over the use of imported infringing articles is not reached here because we find it inappropriate to issue the requested cease and desist order against the Brewers. We believe, however, that a brief comment is in order to notify future parties and the public that we do not renounce jurisdiction to issue cease and desist orders directed at certain kinds of use of imported articles subsequent to the act of importation. Our determination here should be viewed solely as an exercise of administrative restraint rather than a statement of statutory limitation.

There are two prerequisites to the enforcement of any Commission cease and desist order by use of the Commission's civil fine authority in 19 U.S.C. § 1377(f)(2). There must be (1) a finding of jurisdiction over the subject matter, that is, a finding that the unfair acts complained of involve the importation of articles into the United States or sale of imported articles, and (2) a finding of in personam jurisdiction over the persons whose acts are sought to be enjoined. <sup>10/</sup> If these two prerequisites are found, the Commission must then decide whether to exercise its discretionary authority to order the cessation of future unfair acts or unfair methods of competition.

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<sup>10/</sup> This finding of in personam jurisdiction is not necessary for the issuance of an exclusion order or a cease and desist order directed solely at importation or for the enforcement of any cease and desist order by means of exclusion of articles.. *Sealed Air Corp. v. USITC*, 645 F.2d 976 (C.C.P.A. 1981); see also, *Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29*, USITC Pub. No. 863 (1978).

Our exercise of that discretion will depend upon the factual circumstances presented in each case. The Commission is required, of course, to weigh the likely benefit to the domestic industry to be derived from the proposed relief against the likely harm to the consumers and the general public interest. The availability and adequacy of other forms of relief will also be taken into consideration.

#### IV. Public-Interest Factors

The Commission may order a remedy only "after considering [its] effect . . . upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers . . . ." Tariff Act of 1930 § 337(d)-(f), 19 U.S.C. § 1337. Consideration of these public-interest factors is "paramount in the administration of the statute." S. Rep. No. 93-1298, 93d Cong., 2d Sess. 193 (1974). The first consideration is "whether there is a public health and welfare interest in the invention, that is, whether a remedy under section 337 would have an impact on the public health and welfare." Certain Inclined-Field Acceleration Tubes and Components Thereof, Inv. No. 337-TA-67, USITC Pub. No. 1119 at 22 (1980).

Commissioner of Baseball Bowie K. Kuhn, among others, argued to the Commission that baseball provides an essential recreational outlet for millions of people. Affidavit (Apr. 22, 1981). We have no quarrel with the assertion that sports and their enjoyment by fans in the ballparks are important to the public health and welfare, but that is not what is at issue here. The question before the Commission is whether public-interest factors



prevent the exclusion of infringing video matrix systems from the United States.

Both SSIH and the Brewers assert that public-interest considerations preclude the issuance of any remedy. Their argument, essentially a reiteration of their intervening cause analysis, centers around the contention that a remedy would further enhance Stewart-Warner's monopoly power and encourage its already unreasonable business practices, specifically its restrictions on the advertising use of scoreboards that it sells. The Commission, they say, should not eliminate one of complainant's few remaining competitors and subject consumers to its restrictive practices. They admit that it is essentially the commercial interests of the baseball club and its advertisers, concessionaires, and sponsors that are at stake. At the Commission hearing, they asserted that Stewart-Warner is so reprehensible that it should not be left alone in the marketplace. 11/

The only interest threatened by our remedy is the ability of stadium owners and professional sports teams to finance their scoreboards through advertising with fewer restrictions, that is, to make more money with them. Respondents' arguments fail the threshold test. There is no public health and welfare interest in the invention. We determine that public-interest factors do not preclude the issuance of an exclusion order in this investigation.

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11/ The Commission investigative attorney notes that Stewart-Warner has the capability of supplying the entire market, but nonetheless competes head-to-head with AS&I's video projection systems, computer-operated matrices, and color animation boards and Mitsubishi's color video display board, none of which would be affected by the proposed orders. Comments on relief, bonding, and public interest at 8 (Apr. 22, 1980).

#### IV. Bonding.

Complainant proposes a bond of 100 percent ad valorem. The Commission investigative attorney proposes a bond in the amount of 100 percent of the net landed value of the goods. Both argue that Stewart-Warner would suffer a significant loss if SSIH imports another board during the Presidential review period, and that a 100 percent bond is necessary to offset the competitive advantage of SSIH's unfair acts. The Brewers do not address the bonding issue.

The purpose of the bonding requirement is to offset, during the Presidential review period, the competitive advantage gained through the unfair trade practice. That value is difficult to calculate precisely when the article involved is a large, complex, expensive piece of equipment custom designed for the place of installation. In addition, there was a considerable difference in selling price between the domestic and imported products. Accordingly, we believe that the 100 percent ad valorem bond recommended by complainant and the investigative attorney is the appropriate level. The bond applies to components and spare parts as well as complete systems.

## VIEWS OF COMMISSIONER STERN REGARDING REMEDY

I have determined that an order directing SSIH to cease and desist from further infringement of complainant's patents would be the appropriate remedy for the injury found to exist. Specifically, the order should bar SSIH and its corporate affiliates from selling in the United States infringing large video matrix display systems and components, spare parts, and servicing for any systems already in place.

It is the Commission's long-standing policy to provide only that remedy necessary to eliminate the injury to the industry. 1/ Exclusion orders have traditionally been most appropriate in cases involving large volumes of small, easy-to-produce, fungible products, the producers of which can change identity rapidly. 2/ The majority in this case, however, has devised an exclusion order limited to the products of the respondent involved in this case. I do not object to experimentation with adding flexibility to our traditional exclusion order. However, I find that a cease and desist order is a remedy more tailored to the circumstances in this case than is an exclusion order, even if the exclusion order were limited to the products of the respondent.

The record demonstrates that the sale of three scoreboards in a year constitutes a very good year. These sales are normally the result of months

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1/ See Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. No. 337-TA-82 at 47 (1981) (views of Chairman Alberger on remedy and public interest). Although I did not reach the question of remedy in Headboxes, I find the arguments of Chairman Alberger persuasive.

2/ See Certain Rotatable Photograph and Card Display Units and Components Thereof, Inv. No. 337-TA-74, (1980); Certain Thermometer Sheath Packages, Inv. No. 337-TA-56, (1979); and Certain Novelty Glasses, Inv. No. 337-TA-55, (1979).

of negotiation and open bidding. It is most unlikely that a sale could occur in this limited domestic market without the knowledge of the Information Display Products Group of Stewart-Warner, who would alert the Commission to any potential violations of the cease and desist order.

It is also unlikely that the County of Milwaukee, even though unfortunately not named as a respondent in this investigation, would countenance the violation of a Commission cease and desist order regarding components, spare parts, and servicing. The County of Milwaukee is the owner of the board found to be infringing. Additionally, under a cease and desist order SSIH would have had reporting requirements regarding complete systems, components, spare parts and servicing, and would have faced stiff penalties for any violations of a Commission cease and desist order.

A cease and desist order is a less extreme remedy than an exclusion order. As the Senate Finance Committee states:

It is clear to your committee that the existing statute, which provides no remedy other than exclusion of articles from entry, is so extreme or inappropriate in some cases that it is often likely to result in the Commission not finding a violation of this section, thus reducing the effectiveness of section 337 for the purposes intended. 3/

Nonetheless, it is a strong and, in the circumstances of this case, more efficacious remedy.

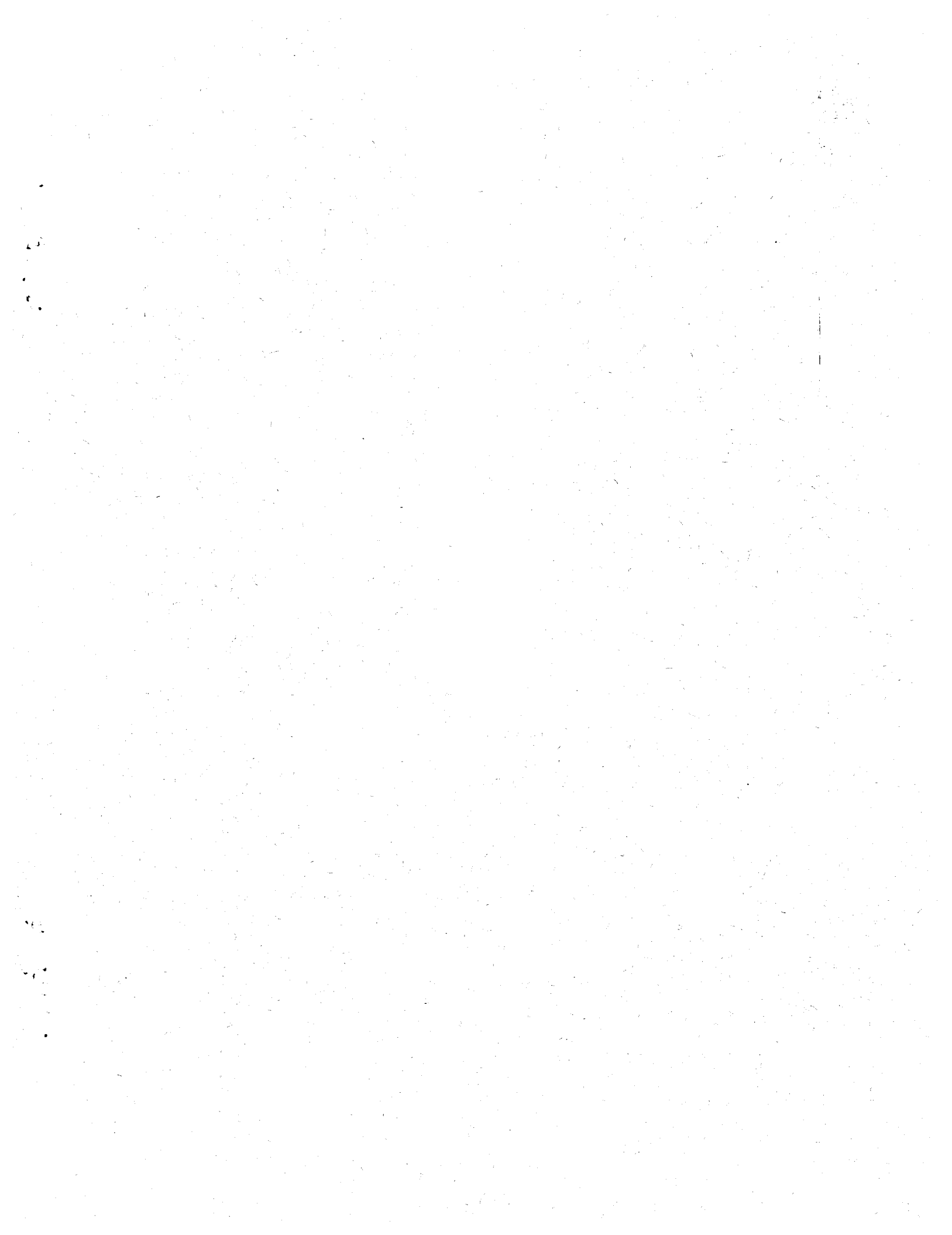
A cease and desist order would have the advantage in this case of being able to reach the activity of SSIH in servicing the scoreboard in Milwaukee and any stockpiles of spare parts maintained by SSIH in the United States. And it would have the distinct advantage of not requiring the mobilization of

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3/ S. Rep. No. 93-1298, 93d Cong., 2d Sess. 198 (1974).

the U.S. Customs Service to monitor all imports when the circumstances simply do not require such monitoring. The Customs Service has a difficult job in enforcing Commission exclusion orders where they are necessary, without adding to its responsibilities where a cease and desist order is the more appropriate remedy.

I join my colleagues in the decision not to issue a remedy with respect to the Milwaukee Brewers Baseball Club, Inc., and the statements as to Commission jurisdiction over the use of imported infringing articles.



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