

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the matter of:       )  
                                  )  
CHAIN DOOR LOCKS    )

Investigation No. 337-TA-5

COMMISSION OPINION IN  
SUPPORT OF THE COMMISSION ACTION



USITC Publication 770  
Washington, D. C.  
April 1976

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.  
April 3, 1976

In the Matter of: )  
CHAIN DOOR LOCKS ) Investigation No. 337-TA-5  
)

This is an investigation under section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337, 88 Stat. 2053; hereinafter, section 337).<sup>\*</sup> We have determined that a violation of section 337 is proven on this record and that the articles concerned will be excluded from entry into the United States. In determining to exclude these articles from entry into the United States, we have considered the effect of such exclusion 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, and find no reason why these articles should not be excluded for any of the effects of our determination in these areas. An Order directing exclusion in accordance with this Opinion is attached, and the same has issued on the date of this Opinion. 1/2/

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<sup>\*</sup>In this opinion, the following abbreviations will be used: "Tr." means transcript of the December 5-6, 1974, hearing; "Exh." means identified Exhibit number; "R.D." means a page of the Administrative Law Judge's Recommended Decision.

1/ Commissioner Parker concurs in part with, and dissents in part from, this opinion. His separate opinion is attached and will be filed and issued with the Notice and Order in this matter.

2/ Commissioner Ablondi concurs in part with, and dissents in part from, this opinion. His separate views are expressed in this opinion at the appropriate places in this opinion.

PROCEDURAL HISTORY

On June 21, 1973, Ideal Security Hardware Corp., 215 East Ninth Street, St. Paul, Minn. 55101 (Ideal), filed a complaint (hereinafter "complaint") with the then U.S. Tariff Commission (now the U.S. International Trade Commission) requesting relief under section 337 as amended prior to the passage of the Trade Act of 1974, alleging unfair methods of competition and unfair acts in the importation and sale of certain chain door locks by certain importers named therein. Such importation and sale were alleged to be in violation of such section of such act for the reason that the same were covered by complainant's U.S. Patents Nos. 3,275,364 and 3,395,556 (hereinafter referred to as the Quinn and Waldo Patents, respectively), owned by the complainant and allegedly unexpired and in full force and effect. The complaint further alleged that the effect and tendency of such unfair acts were to destroy or substantially injure an industry efficiently and economically operated in the United States. On June 17, 1974, claimant filed an amended complaint (hereinafter, "amended complaint") alleging also the importation and sale of chain door locks which infringe U.S. Patent No. 3,161,035 (hereinafter "the Adamec Patent") with the same alleged effect and tendency. No new respondents were named in the amended complaint.

Notice of the filing of the original complaint and the initiation of a preliminary inquiry into the allegations therein was published in the Federal Register on July 31, 1973 (38 F.R. 20381). Notice of receipt of the amended complaint was published in the Federal Register on July 30, 1974 (39 F.R. 27614). On October 29, 1974, the Commission, having

conducted its preliminary inquiry, ordered an investigation to be instituted and scheduled a public hearing for December 5, 1974. See the Federal Register of November 5, 1974 (39 F.R. 39110). The hearing was held on December 5 and 6, 1974.

On January 3, 1975, the Trade Act of 1974 was enacted, and on April 3, 1975, the amendments to then section 337 made by such act became effective. Such amendments did not change the substance of the criteria for a violation found in section 337 before this amendment. On June 4, 1975, notice was published in the Federal Register indicating that further proceeding in this pending matter would be conducted as an investigation under section 337 as amended by the Trade Act, with assigned Docket No. 337-TA-5 (40 F.R. 24056).

At the hearings in this matter there appeared the complainant, Ideal together with respondent Ilco Corp. (hereinafter "Ilco"), and the investigative attorneys of the Commission. None of the original respondents appeared at the hearing or otherwise. Ilco cross-examined Ideal's witnesses and framed objections to evidence at various points, but put on no defense. (Tr. 249.) The Administrative Law Judge found that, at the hearing and thereafter, Ilco was "accorded the status of a respondent and was the only respondent actively to participate."

On February 4, 1976, Administrative Law Judge Myron R. Renick issued a Recommended Decision in this matter based upon a stipulated record. Judge Renick set forth in detail the procedural history of this investigation up to the time of his Recommended Decision, (R.D. 1-5.) Judge Renick recommended that the Commission find violation of section 337 in respect

of the Quinn and Waldo patents and not in respect of the Adamec patent. Thereafter, on February 13, 1976, the Commission issued a Notice and Order announcing the public availability of the Recommended Decision. It stated that the Commission intended to give the case plenary consideration, and requested exceptions, briefs, and "public interest" comments on or before March 8, 1976. All comments have been considered, as have comments of the U.S. Department of Health, Education, and Welfare, the U.S. Department of Justice, and the Federal Trade Commission. (See section 337(b)(2)). On February 23, 1976, Ideal moved for oral argument on the validity of the Adamec patent which was denied by a separate order issued March 29, 1976. Ilco filed a motion to dismiss on February 23, 1976, which it withdrew February 27, 1976.

#### STATEMENT OF ISSUES AND APPLICABLE LAW

Pursuant to section 337 the following issues are considered by the Commission: (1) whether there is a violation of section 337, and (2) what remedy should be afforded as well as (a) whether that remedy should be withheld in light of the "public interest" factors set forth in amended section 337, and (b) if an exclusion order issues, what amount of bond should be set.



## STATEMENT OF THE CASE

I. Chain Door Locks

Chain door locks and chain door guards are closely related security devices that protect homes, apartments, and other secured areas from intruders by limiting access through doorways to these areas. Both types of devices have three basic elements: (1) a door slide plate, designed to be attached to a door, (2) a chain with a coupler at its free end, and (3) a door jamb plate, to which one end of the chain is secured by one means or another and which is designed to be attached to a door jamb or frame. The door slide plate has a slot into which the coupler at the free end of the chain can be inserted. If the lock or guard is properly installed, the chain can be inserted in or released from the door slide plate only when the door is completely closed or nearly so, and it can be inserted in or released from the door slide plate only from inside the secured area. If the chain is engaged in the door slide plate, the door can be opened only a few inches.

Chain door guards cannot be used when a home, apartment, or other area is unoccupied. They may be used only when a person is inside the space being protected by the device. Chain door locks, on the other hand, can be used to protect an unoccupied space. With a chain door guard the door jamb end of the chain is attached securely to the door jamb plate itself, but with chain door locks, the chain is attached to a tongue that is held securely in the door jamb plate. This tongue can be released by means of a key-operated lock in the door jamb plate. The lock in the door jamb plate is located so that it can be operated

from outside the secured area even when the door is opened only a few inches, and one can insert the tongue in the plate from outside the door so that the area may be secured while it is unoccupied. For our purposes, chain door locks incorporate a key and lock device to allow an area to be secured either from inside or outside, while chain door guards can only be operated from inside a secured area and do not incorporate a key and lock device. 1/

## II. The Parties and Their Positions

### A. Complainant

Complainant is Ideal Security Hardware Corp., a Minnesota corporation having its principal place of business at 215 East Ninth Street, St. Paul, Minn. 55101. Ideal is engaged in the business of manufacturing and selling hardware equipment, including chain door locks. 2/

Ideal alleges title to the Adamec, Quinn, and Waldo patents, which are alleged to cover the chain door locks Ideal manufactures and sells; that there has been no litigation of the patents in question; and that respondents S. Parker Hardware Co., Inc., Donner Manufacturing Co., Domestic Broom & Brush Co., Inc., Action Industries, Inc., and Ilco Corp. sell infringing copies of complainant's chain door locks. (See amended complaint and "Resume of Complainant's Case" filed November 29, 1974.) (Ideal asserts that Ilco imports chain door locks from Canada which

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1/ The background information in this paragraph is apparent from the devices that are in the record and from the specifications of the patents discussed in the course of this proceeding. For example, exhibit 1, the Adamec patent, column 1, lines 10-40.

2/ Amended complaint; complainant's brief filed January 13, 1975.

infringe complainant's Adamec patent, but concedes that these imports do not infringe the Quinn or Waldo patents. Infra, (footnote 2 on p. 9.) It further alleges that Hartzell Manufacturing, Inc., a Minnesota corporation, is Ideal's only licensee. The license is limited by its terms to the Quinn Patent. Wright Products Division, a division of Hartzell Manufacturing, Inc., manufactures and distributes chain door locks covered by the Quinn Patent. 1/ There are no other licensees under any of the three patents.

The other infringing imports are allegedly exported to the United States by P. S. Chelleram and Co., Ltd., a Hong Kong company.

Ideal further alleges that the domestic industry affected by the importation and sale of the imported chain door locks is the complainant and its sole licensee, Hartzell Manufacturing Inc.; that this industry is efficiently and economically operated; and that the importation and sale of respondents' chain door locks have the effect or tendency to substantially injure the domestic industry. 2/

#### B. Respondents

The respondents alleged to be engaging in unfair trade practices are:

1. S. Parker Hardware Co., Inc. (Parker), a New York corporation having its principal place of business at 27 Ludlow Street, New York, N.Y. In a letter, in the nature of a response to the complaint, filed October 10, 1973, Parker alleged it had ceased importing the chain door locks "involved herein."

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1/ Tr. 104, 168; see, Ex. 9.

2/ Complainant's brief filed January 13, 1975, p. 3-4.

2. Donner Manufacturing Co. (Donner), a California corporation having its principal place of business at 12860 Bradley Avenue, Sylmar, Calif. Donner advised in a letter dated May 6, 1974, that: "Because our sales of the chain door locks in question are so small, we cannot afford to incur any expenses in this matter."

3. Domestic Broom & Brush Co., Inc. (Domestic), is a New York corporation having its principal place of business at 252 Java Street, Brooklyn, N.Y. Domestic made a brief telegram response to the complaint, denying infringement, on August 7, 1973.

Since the submissions noted above by these three parties, none of them has participated before this Commission or the Administrative Law Judge, although Commission records reflect service upon them of Notices and other pleadings.

4. The following persons, although not named in the amended complaint:

Trans-Atlantic Co., which has a place of business at 440 Fairmont Avenue, Philadelphia, Pa.

The Ferum Co., Inc., a corporation having a place of business at 815 East 136 Street, Bronx, N.Y.

Action Industries, Inc., a corporation having a place of business at Cheswick, Pa.

Stem Distributors, which has a place of business at 16503 Rockside Road, Maple Heights, Ohio.

Each of these persons has been accorded notice and opportunity to participate at every stage of this proceeding.

5. Ilco Corp. (Ilco), of Fitchburg, Mass., 1/ the only active respondent. Ilco has stipulated that, if the Adamec patent is valid, the Ilco locks infringe it. (Ideal admits Ilco's locks do not infringe the Quinn and Waldo patents.) 2/ Ilco contends, however, that the Adamec patent is invalid for obviousness as set out in detail below, and that the Quinn and the Waldo patents are invalid because the structures covered by their claims were on sale and described in a printed publication more than 1 year prior to the dates their respective applications were filed. Ilco asserts Ideal has failed to show Ilco's imports have or will have the effect or tendency to destroy or substantially injure the industry.

#### C. The Commission's Investigative Staff

The Investigative Staff takes the position that there has been a violation of section 337 proven in respect of the Quinn and Waldo patents, but that no violation has been proven in the case of the Adamec patent.

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1/ On June 27, 1974, the Commission's Secretary informed Mr. Donald S. Wright, of Ilco Corp., which had not been named in the complaint or the amended complaint, that "the Commission's investigation has disclosed the probability that Ilco Corp. is a respondent in this investigation." Thereafter, on July 11, 1974, Counsel for Ilco filed a letter stating "why the Commission should not find that Ilco Corporation should be named as a respondent in a complaint under Section 337 . . . ." On September 23, 1974, the Commission issued a "Notice of Amended Complaint Received" in this matter (39 F.R. 27614), which stated that the Adamec Patent had been added by the amended complaint, but, in the usual practice at that time, naming no respondents. (Letter from Secretary Mason to Mr. Donald S. Wright dated June 27, 1974.)

Ilco attended a prehearing conference on November 18, 1974, (Tr. 57), and after the hearing, participated in every phase of this matter, including a second prehearing conference in December 1975. On November 22, 1974, Ideal filed a "Resume of Complainant's Case" in which it named Ilco as a respondent.

2/ R.D. Finding No. 5, which was not excepted to by Ilco; see "Supplemental Findings and Conclusions of Law" filed by Ilco February 23, 1976, pp. 2-3. See also Tr. 57, 156-157, 167-169, 256.

The Investigative Staff asserts that Adamec is invalid for purposes of of section 337, essentially for the reasons asserted by Ilco, as will be discussed in detail below.

### III. The Patents in Issue

#### A. U.S. Patent No. 3,161,035 to Adamec et al.

Patent Office records show that the Adamec patent is entitled "Door Chain Lock." It was applied for by the inventors, as assignors to complainant's predecessor in interest, Security Hardware Manufacturing Co., Inc., on June 28, 1961, and issued December 15, 1964, for the statutory period of 17 years. It expires on December 15, 1981. 1/ So far as this record shows, the Adamec patent has never been involved in litigation, nor has it ever been licensed. It was the first of the three patents here in issue to be applied for and granted.

According to its specifications , the Adamec patent has at least these objectives:

to provide an improved door chain having key and lock means which releasably secure one end of the chain to the door frame which is strong and durable and positive acting. It is a further object of this invention to provide such a door chain in which the screws, or other means for fastening the latching means to the door frame, will be covered when the chain is in locked position so that the door frame attachment cannot be removed by any intruder.

The patent contains two claims, one independent and the other dependent.

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1/ The United States Patent Office File Wrapper, offered by Ideal, was accepted as Exhibit 41 without objection. Ideal Security Hardware Corp. is the result of the merger of Security Hardware Manufacturing Co. and Ideal Brass Works. Tr. 14-16, 40.

Claim 1, the independent claim which necessarily exemplifies both claims, is, 1/

A door chain lock comprising

- (a) chain means adapted to be fastened to a door and a door frame of a structure by fastening means to permit restricted opening of the said door, in which at least one of the said fastening means comprises:
  - (1) having a housing
  - (2) containing an opening therethrough
  - (3) and a transverse latch bolt reciprocally [sic] mounted so that a portion thereof may be moved from a first, locking position within the said opening to a second, unlocking position outside of the said opening,
  - (4) and means to fasten the said housing to a portion of the said structure;
- (c) and a locking slide adapted to slide fit into said locking slide receiving means
  - (1) attached to the said chain means
  - (2) and having a cross-sectional dimension in at least a portion thereof corresponding to the cross sectional dimension of the opening through the said locking slide receiving means,
  - (3) said locking slide having a recess in a position which is in faced relationship to the said latch bolt of the locking slide receiving means when the said locking slide is slide fitted into the locking slide receiving means,

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1/ The patent claims are here broken out in outline form, after complainant's exhibit 31. Naturally, this matter appears in the patent in narrative form. Adamec patent, cols. 3 and 4.

(d) in which the said housing includes

- (1) a key operated lock to operated the said transverse latch bolt,
- (2) and is provided with at least one means to receive at least one fastener for mounting said housing; and in which the said locking slide, when fitted in the housing of said locking slide means, covers the said means to receive the fastener.

B. U.S. Patent No. 3,275,364 to B. A. Quinn

Patent Office records show that the Quinn patent is entitled "Chain-Type Safety Door Lock". It was applied for by the inventor, as assignor to Ideal's predecessor in interest, Ideal Brass Works, Inc., on June 26, 1964, and issued September 27, 1966, for the statutory period of 17 years. It expires on September 27, 1983. 1/ This patent has never been involved in litigation.

The Quinn patent purports to be an advance in chain door guards providing improved security against unauthorized entry. This patent relates to the slotted locking plate and the end of the chain that engages in the slot. (Tr. 160). A strike or shoulder having a sloping cam surface and an abutment surface is placed on the inner surface of the locking plate member. The cam surface cooperates with a spring-biased coupler on the chain to provide easy engagement between the coupler and the locking plate in the securing direction. However, the abutment surface of the strike prevents disengaging the coupler without depressing the element. The advantages of the combination include improved security and ease of operation.

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1/ Exh. 1 (Quinn patent).



The Quinn claims, as exemplified by claim 1, are,

A chain-type safety door lock comprising:

(a) a locking plate member--

having an elongated slot and said slot  
being enlarged at one end portion thereof,

(b) said plate member defining a strike having  
a cam surface and an abutment surface, said  
strike being located generally adjacent (to)  
said slot and being further arranged with the  
cam surface thereof sloping in a direction  
toward said enlarged slot end portion,

(c) a chain member having anchoring means at one  
end thereof--

and also having a coupler element at the  
other end thereof, and

(d) said coupler element being received in the  
enlarged end portion of said slot and slidable  
therealong--

and being outwardly biased whereby said  
coupled element rides over the cam surface  
said of said strike and engages said abut-  
ment surface and is releasably retained  
thereby.

C. U.S. Patent No. 3,395,556 to R. W. Waldo

Patent Office records show that the Waldo patent is entitled "Door Chain Lock". It was applied for by the inventor, assignor to Ideal, on March 27, 1967, and issued on August 6, 1968, for the statutory period of 17 years and is thus the most recent of the three patents in issue here. It expires on August 6, 1985. 1/ This patent has never been involved in litigation, nor has it ever been licensed, so far as the record of this proceeding shows.

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1/ Exh. 1 (Waldo patent).

The Waldo patent purports to be an improvement in door chain locks of the Adamec patent type. The invention permits changing the lock cylinder by the use of a lock cylinder retaining device and access to the retaining device from the rear of the housing. The patent also purports to provide cost savings, by eliminating a housing rear wall closure plate, which was previously required to prevent the locking slide being deflected by the latch bolt into the opening in the rear wall of the housing. This is accomplished with an elongated locking slide having a longitudinally extending tongue which freely passes between the latch bolt and the housing rear wall. The cam surface, which on Adamec engages and depresses the latch bolt, is located longitudinally inward of the tongue, rather than at the tongue edge as in prior art devices. The tongue of the locking slide then covers the rear wall opening in the housing prior to the cam surface of the slide engaging the latch bolt. As a result, the locking slide will not be deflected into the rear wall opening.

Claim 1, the only independent and therefore a representative claim of the Waldo patent, reads as follows:

A door chain lock including a chain and fastening means for securing said chain to a door and a door frame to permit limited opening of the door, one of said fastening means comprising

(a) a housing

- (1) having a rear wall for mounting against one of said door and door frame,
- (2) and defining a longitudinal passage therethrough generally parallel to said rear wall

- (3) and a transverse recess intersecting said passage substantially normal thereto and including an opening extending through said rear wall of substantially the same transverse dimensions as said recess,
- (b) lock mechanism
    - (1) including a key operated lock
    - (2) and a latch bolt, said latch bolt being mounted in said recess for movements toward and away from said rear wall and having a rear end normally disposed in said passage in forwardly spaced relation to said opening,
  - (c) yielding means urging said latch bolt toward said rear wall
  - (d) a lock retainer element engaging said lock within said recess and freely accessible through said opening for movement in a direction to permit removal of said lock from the housing
  - (e) and an elongated locking slide having one of its opposite ends secured to said chain, said locking slide being movable longitudinally into and out of said passage, and including:
    - (1) a longitudinally extending tongue as its other end for movement longitudinally in the passage between said rear end of the latch bolt and said opening,
    - (2) a latch bolt engaging cam surface longitudinally inwardly of said tongue,
    - (3) and a latch bolt receiving cavity between said cam surface and the chain mounted end of the locking slide, said tongue being of such length relative to the dimension of said opening in a direction longitudinally of the passage, that the tongue covers said opening prior to engagement of said latch bolt by said cam surface responsive to said inward movement of said locking slide in said passage.

## COMMISSION OPINION IN SUPPORT OF THE COMMISSION ACTION

I. Jurisdiction

Under section 337, the Commission's subject matter and personal jurisdictions are broad. Section 337(b) provides "The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative." [Emphasis added]. No party contends, so far as we are aware, that this Commission does not have jurisdiction of the subject matter of this investigation. Judge Renick found we have such jurisdiction. (R.D. 8.) We affirm his Recommended Decision in this regard.

Ilco challenges Judge Renick's decision that we have personal jurisdiction over Ilco on the ground, as we understand it, that Ilco was not named in the amended complaint as a "respondent." Ilco has withdrawn its motion to dismiss on this basis, although it evidently maintains its basic position. 1/ As our recitation of the procedural history supra pp. 1-4 shows, Ilco was notified timely of the amended complaint, and afforded every opportunity to participate in this investigation. As Judge Renick found, Ilco "was accorded the status of a respondent" (R.D. 3), and without more we find Ilco is subject to our jurisdiction in light of its active participation at each and every stage of this investigation.

Furthermore, it is noted that the Commission's order in this investigation is an order excluding articles from entry into the United States.

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1/ It is not clear that Ilco is raising a jurisdictional question; it never raised one before Judge Renick. See Ilco's Brief filed January 26, 1976. It may only be claiming a failure of proof on the injury question, which we pursue later. Infra, p. 38.

As such, this proceeding has been in the nature of an in rem action, and thus not requiring in personam jurisdiction over every importer of the subject article. The Commission's notices of complaint received, amended complaint received, and investigation instituted, all published in the Federal Register, served as proper notice to all present and potential importers of the Commission's investigation, and prevents any such person from successfully arguing a lack of jurisdiction in the Commission.

## II. Scope of this Proceeding

Section 337 provides in subsection (a),

Unfair Methods of Competition Declared Unlawful.--Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

We have already set forth what issues we must address in making our determination, supra, p. 3. The Commission now considers whether a violation has occurred, and--if a violation is found--what remedy to apply and whether that remedy should be withheld because of various "public interest" considerations, as well as what bond amount to impose during Presidential referral.

We will consider so-called "patent defenses" in deciding whether there has been a violation here. Under section 337(c), as amended

by the Trade Act of 1974, which section applies to investigations pending at the time of the amendment, "all legal and equitable defenses may be presented in all cases."<sup>10</sup> No party here has asked us to reexamine the holding that infringing a valid United States patent is an unfair trade practice within the meaning of section 337, and we will not do so. We will continue to follow the holding under the added statutory requirement that we consider "all legal and equitable defenses." The parties discussed these issues at the December 1974 hearing in this matter, and the Commission then instructed them to brief such defenses. (Tr. 56.) The parties had an opportunity for further hearing on this question if they wished.

### III. Violations

#### A. Unfair Acts or Methods of Competition

We now proceed to determine whether any unfair acts or methods of competition under section 337 exist. Here, Ideal makes essentially two allegations. The first is that certain chain door locks and chain door guards manufactured by P. S. Chelleram and Co., Ltd (Chelleram), a Hong Kong company, and sold through various importers, including but not limited to a number of respondents named in complainant's original complaint, infringe the Adamec, Quinn, and Waldo patents. The second is that Ilco has imported locks manufactured by Unican Corp. of Canada which infringe the Adamec patent.

## 1. Infringement

Ilco concedes its imports infringe the Adamec patent, if valid. 1/ No importer or representative of the importers of the Chelleram locks has appeared to defend against the charge that Chelleram locks infringe any of the three Ideal patents. 2/ Ideal came forward with evidence of a willful, conspicuous copying of Ideal's patented locks by P. S. Chelleram Co., Ltd. and the importation of these copies by various importers. 3/ Indeed, some importers have admitted importation, but alleged it is now discontinued. 4/ On this basis, we concur in Judge Renick's conclusion that respondents S. Parker Hardware Co., Inc., Donner Manufacturing Co., Domestic Broom & Brush Co., The Ferum Co., Inc., Stem Distributors, and Action Industries, Inc., have imported into and sold within the United States chain door locks that infringe the Adamec, Quinn, and Waldo patents, if valid; and that Ilco Corp. has imported and sold locks that infringe the Adamec patent, if valid.

## 2. Patent validity

The defenses in this investigation consist in part of assertions by respondents and the Investigative Staff that some or all of Ideal's patents are unenforceable for section 337 purposes. (which we will hereafter call the question of "validity" of the patents as a matter of brevity.

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1/ See, footnote 2 at p. 9, supra.

2/ Exh. 26, 31-35; Tr. 83, 143, 151-156, 163-167, 176-182.

3/ Importers have at various times asserted that none of the three patents are valid, a question we take up below.

4/ Letter from S. Parker Manufacturing Corp. to Commission filed October 10, 1973; letter from Donner Manufacturing Co. to Commission filed May 8, 1974; letter from Action Industries, Inc. to Commission filed January 7, 1976; but see, telegram from Domestic Broom & Brush Co., Inc. to Commission filed August 30, 1973.

a. The Adamec Patent

The Patent Act of 1952 provides United States patents with this favorable presumption:

"A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it." (35 U.S.C. 282.)

We find that Ilco and the investigative staff have failed to overcome this presumption, and therefore hold the Adamec patent is valid as that term is defined above.

The Patent Act of 1952 provides, in 35 U.S.C. 103,

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, 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 to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Judge Renick found and concluded that the Adamec patent was unenforceable as obvious.

Respondent's position.--Ilco originally asserted that the Adamec patent is invalid for obviousness in view of the United States patents to Sager (Patent No. 1,274,203 (Exhibit 5)); Falk (Patent No. 3,004,419 (Exhibit 18)); and Mintz (Patent No. 2,103,989 (Exhibit 4)). Thereafter, in briefs to Judge Renick and before the Commission, Ilco altered this argument, stating that Adamec was invalid in view of Sager and two other patents: U.S. Patent No. 1,612,728 to Johanning (exhibit 44) and U.S. Patent No. 1,368,711 to Foley, the latter first raised by Ilco in its January 23, 1976, brief to Judge Renick.



The staff's position.--The staff's position is similar, but is based also on patents which were before the U.S. Patent Office Examiner:

There is evidence in this record as it is now constituted that claimant's Patent No. 3,161,035 (the Adamec et al. Patent) is invalid for purposes of section 337 because of obviousness of the claims therein under 35 U.S.C. 103 over the teachings of U.S. Patent 2,966,053, to Mintz (EX. 4), in view of U.S. Patent No. 832,420, to Rinaldy (EX. 6), combined with either U.S. Patent No. 1,274,203 to Sager et al. (EX. 5) or U.S. Patent No. 1,612,728, to Johannning (EX. 44)-- all of said reference patents being within the related art and having a U.S. issue date well before the filing date of the Adamec et al. Patent. 1/

Moreover, the staff argues that many elements of the Adamec patent claims have been waived. This is based upon an analogy to the doctrine of "file wrapper estoppel". The unwaived elements of Adamec, the argument runs, are obvious in view of Rinaldy, Sager, and Johannning. Either way, Ilco and the staff take the position that the locking slide plate, the chain means, the locking slide receiving means (housing) and the locking slide position of the Adamec patent are decidedly old, and that at most the question of whether this patent is invalid is only in doubt as to this Adamec language:

. . . in which the said housing includes a key operated lock to operate the said transverse latch bolt, and is provided with at least one means to receive at least one fastener for mounting said housing; and in which the said locking slide, when fitted in the housing of said locking slide means, covers the said means to receive the fastener.

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1/ Staff "Exceptions and Alternative Findings of Facts & Conclusions of Law" filed 23 February 1976, p. 5. The staff cited Judge Renick to U.S. Patent No. 2,462,151 to Robins (Exh. 7), but has suggested to us findings which do not cite Robins.

Complainant's position.--Ideal contends the Adamec patent is not "obvious" and is therefore valid. It relies upon the statutory presumption of validity, 35 U.S.C. 282, noting that the staff and Ilco have cited several references to prove the Adamec patent is invalid, but have not presented an expert "skilled in the art" to examine the references against the Adamec patent. In any event, Ideal argues, the references offered by the staff and Ilco were before the patent office examiner who granted the patent or, if not (as in the case of some references), were no more pertinent than patents the patent examiner did see. Ideal also offers the commercial success of locks made under the Adamec patent as proof of nonobviousness, and discounts other evidence of invalidity as irrelevant or not probative.

(1) Obviousness Based On Prior Art References

All parties are agreed that the method to employ in resolving obviousness questions is as set out in Graham v. John Deere & Co., 383 U.S. 1 (1966) 1/:

"[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. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented."

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1/ See, for example, complainant's "Proposed Alternative Findings of Fact, Conclusions of Law and Determination," para. 8, p. 4; Ilco's "Opposition to Complainant's Motion for Oral Hearing," filed March 3, 1976, p. 4; Investigative Staff's "Brief in Support of the Invalidity of the Adamec et al. Patent. . .," p. 1.

We find the record in this matter is adequate to undertake a finding of obviousness, but that the Adamec patent is not "obvious" under the general patent law.

(a) Scope and Concept of the Prior Art; Differences Between the Prior Art and the Claims At Issue

Ideal concedes that there is evidence of the scope and content of the prior art. 1/ There is certainly ample evidence of the pertinent art in exhibits and testimony, which were stipulated at Judge Renick's Prehearing Conference. See, Koppers Co., Inc. v. S & S Corrugated Paper Work Co., 577 F. 2d 1182 (2 Cir., 1975).

Complainant urges, however, that there is no proof in this record of the "differences between the prior art and the claims at issue." Of course, all of the parties may have limited somewhat their proof in the area of patent defenses on a theory that the Commission would not consider such matter under the former section 337. However, all were invited to brief the issue and had the opportunity before Judge Renick further to prove such matter. We therefore agree with Ideal that we may decide validity with the record as it stands.

However, we cannot agree with Ideal that there has been a complete failure of proof of differences in the circumstances of this case. The patents in question are simple, mechanical devices that are of common knowledge. Ideal's witness had ample opportunity, which was exercised, to distinguish Adamec, and to explain the functioning of Adamec in detail. Ideal's counsel asked his patent witness Ungemach to say "what

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1/ Complainant's Brief filed March 8, 1976, p. 6.

effect" 5 prior art references "would have" on the validity of Adamec. Mr. Ungemach then distinguished two of these patents on the ground they were cited to the patent examiner, and the Adamec patent was granted in spite of them. A third was indistinguishable from Adamec, but was not filed timely to be a reference for Adamec, as Ilco admitted. Finally, Mr. Ungemach discussed at some length distinctions between the remaining two patents and Adamec. (Tr.49-159, 196-202.) In any event, once the Commission is aware of the basic purposes of the Adamec invention, it is qualified to compare it with other patents, at least in this art.

There were six prior art references cited to the patent examiner, 1/ four more alleged prior art references cited at the hearing before the Commission in 1974 2/, and one cited by Ilco in its brief to Judge Renick. 3/

Of the references cited to the patent examiner, the principal one is Mintz. It is similar to Adamec in that it is "a safety chain and lock for loosely connecting a door with the adjacent door frame." Further, it includes a "latch casing adapted to be secured to said door frame and having an opening therein, said opening having an axis parallel to

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1/ Exh. 44, which is the Adamec Patent file wrapper, paper No. 10, shows  
 Machinist-----2,103,989      December 28, 1937 (see Exhibit 41)  
 Robins-----2,452,151      October 26, 1948 (Exhibit 7)  
 Mintz-----2,966,053      December 27, 1960 (Exhibit 4)  
 Falk-----3,004,419      October 17, 1961 (Exhibit 18)  
 Great Britian--6,448 of AD 1912      March 6, 1913 )(See Exhibit  
 Great Britian----- 354,647      August 13, 1931 ) 41)

2/ They were:

Rinaldy-----832,420 (Exhibit 6)  
 Sager-----1,274,203 (Exhibit 5)  
 Johanning-----1,612,728 (Exhibit 41)  
 Fed. Rep. Germany-----1,179,133      October 1, 1964 (exhibit 8)

3/Foley 1,368,711, Feb. 15, 1921. See, Ilco "Reply Brief to Complain-  
 ant's Brief on Issues Raised by Investigative Attorneys' Memorandum,"  
 filed January 26, 1976, p. 9.

the plane of said door frame" and, perhaps most importantly, "a plug for insertion in said casing opening, said plug being connected to one end of said chain and having a keyhole therein." The lock's latch engages with the casing and, when unlocked, frees the plug from the casing.

The Patent and Trademark Office (PTO) never cited Mintz to reject or narrow the Adamec claims (see exh. 41, paper No. 6, p. 1). Nevertheless, Mintz contains some essential concepts of Adamec: The homeowner can reach with a key through his partially-opened door, insert the key and turn; and thereby release what Mintz calls a "plug" and Adamec calls a "locking slide," which falls away separating the chain from the Adamec "housing" or Mintz "casing".

These Adamec claims were at first rejected on the ground of Robins, a contraption which does indeed include a locking slide (in Robins, a "locking member"), but the Robins key lock is in the door itself rather than in a housing or casing attached to the inside of the door or frame, a patentable difference in the opinion of Ideal's witness Ungemach. (Tr. 216-217.) Similarly, Rinaldy (which was not cited to the PTO examiner) has its locking mechanism in the door or adjacent wall, rather than on the housing itself. Rinaldy also contains no analog to the Adamec "locking slide." It simply provides that the end link of the chain is held in place by a pin.

The other important aspect of the Adamec patent is the means to receive "fasteners", which evidently would be screws in most cases (see Adamec, fig. 3). The patent examiner was cited to Machinist as pertinent to this aspect of Adamec, and granted the Adamec Patent in spite

of Machinist. The latter is not a chain door lock, but a bar lock. It consists of twin "channels", applied side-by-side in the door frame respectively, with "fastening elements." When the locking bar is run through the channels to bar the door, it covers the "fastening elements". However, the significance of covering fastening elements is lost on a bar lock, which does not permit the door to be opened at all (it is only when the door is partially opened that it becomes significant that an intruder may be able to unscrew the "fastening" means that holds the lock on the door). Similarly, Foley, which was not cited to the patent examiner and, indeed, was only brought before Judge Renick on brief (supra p. 20), is a bar lock (a "door bolt and lock") in which "fastening elements" are covered when the bar is in the locked position. We find bar locks are not pertinent parts of the prior art.

The other patents cited by the Investigative Staff and Ilco as overcoming the fastener-covering feature of Adamec are Sager and Johanning. They were not cited to the patent examiner. Sager is for an "article-securing means," not a door lock. (See column 1, lines 9-26.) It consists of a bracket affixed by screws with a means for receiving a locking slide (called a "bar or member"). When the bar is in the locked position it partially covers the screws. The device is too far removed from chain door locks for us to consider it pertinent because the problems of protecting a door lock and a rack of clothes are entirely different. The former may only be defeated through a narrow opening in a door, whereas the latter is presumably open to direct attack.

Johanning, a door lock, is not a chain lock, but nevertheless permits the partial opening of the door by a series of interlocking bar-like "links," the last of which is shaped to fit into a "keeper or guideway". When the last "link" is slid into the guideway, it covers the screws that fasten the guideway. Thus, Johanning teaches covering a fastening element with a locking slide-like device on a contraption that looks much like a chain door lock.

Thus, the pertinent prior art is Mintz, Robins, Rinaldy, and Johanning, 1/ with the differences from the Adamec patent set out above. The prior art had developed the concepts of freeing the door chain by the use of a key operated lock via the partially-opened door; a locking piece on the end of the chain that fastened to the lock housing; and covering the means for fastening in various ways at the "slide" end of the chain. However, no one device incorporated all these ideas in one article. Nor did any prior device use a locking slide in any way machined to engage an ordinary cylinder lock latch. No device consisted of a compact lock installed in the receiving housing. And no device combined a locking slide that covered the means for fastening at the housing end of the chain.

(b). Level of Ordinary Skill in the Art

As respondent Ilco admits, "The last step set forth in John Deere . . . presents the greatest difficulty . . . ." Ilco Brief to Exceptions filed March 8, 1976, at 11. Ilco asserts that the art

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1/ No party presses the pertinence of the Falk patent, which functions by the use of a lock in the door rather than the housing. Cited to the patent office, we consider it pertinent, but adequately covered by our citations to closer prior art of Mintz, Rinaldy, and Robins.

before us is so "mundane," we may find the level of skill in the art without separate proof on the issue. The Investigative Staff notes that Ideal's witness, Mr. Waldo, testified that one with the expertise and experience of a person who was a machinist in a tool and die shop was competent to make an invention in chain door locks (Investigative Attorneys' Memorandum filed Dec. 31, 1975, at p. 8) but later the staff tacitly conceded the proof of ordinary skill was not in this record by aligning itself with Ilco's position, above. See, "Opposition To Complainant's Brief On Issues Raised By Investigative Attorney's Memorandum," filed January 26, 1976, p. 2.

The person having ordinary skill in the art to which the Adamec patent subject matter pertains follows a fortiori from our definition of the scope of the art. Courts have frequently since Graham v. John Deere inferred the level of ordinary skill in this way; Preuss v. General Electric Co., 392 F.2d 29 (2d Cir. 1968), cert. den. 393 US 834. Moreover, our record tells us how such items are manufactured and how they are derived from conception to production. 1/ While we do not know Adamec's background and qualifications, we know Mr. Waldo's, and cannot conceive that any greater level of skill than that possessed by Mr. Waldo to make his chain lock invention was required less than 6 years earlier, especially in an art that goes back at least to the 1906 Rinaldy patent. 2/ We find the ordinary level of skill in the art is the "machinist in a tool and die shop," at the time of the alleged Adamec invention, familiar with chain door locks and the chain door lock trade

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1/ Tr. 18-19, 63-64.

2/ Tr. 10-11.



and art. In a more complex art, where the makings of the patents are not readily apparent as they are here, we might require more proof of the ordinary skill level.

(c). Obviousness

In deciding whether the Adamec patent is "obvious", we are conscious that we may not do so by hindsight. We must follow the "presumption" in favor of validity. 35 U.S.C. §282.

Judge Renick found that no one of the patents embodies all the concepts of the Adamec patent but that the teachings of the patents to Mintz, Robins, Rinaldy, and Johanning could have been "combined" by one reasonably skilled in the art "into the equivalent of the Adamec Patent without the exercise of any appreciable inventive know-how or acumen." R.D.8.

The appropriate inquiry is whether the combination produces a nonobvious "synergistic result." Anderson's-Black Rock, Inc. v. Pavement Salvage Co., Inc., 396 U.S. 57 (1969), in which the "whole in some way exceeds the sum of its parts;" A & P Tea Co. v. Supermarket Equipment Corp., 340 U.S. 147 (1950); Walker on Patents, § 71 at 331 (2d Deller Ed. 1964). In deciding what constitutes the "invention as a whole" within the context of 35 U.S.C. § 103, we must find what problem the patentee discovered and his solution. Application of Aufhaser, 399 F. 2d 275 (CCPA 1968). The Adamec patent is not "obvious" under these standards.

The ordinary man skilled in the art would have had the problem of keeping the features of being able to open the door slightly and unlock

it, and yet to have none of the disadvantages of disengaging by key a plug which had the lock in the plug. He would have before him only the Mintz "plug" and the Robins "locking member." Viewed this way, it would not have been obvious to our hypothetical 1961 tool and die mechanic to put the lock in the door jamb housing and conceive some kind of machined slide to engage the lock. Moreover, even if we assume this much of the claim is "obvious," still the matter of covering the fastening means by the locking slide is not obvious. Here, the ordinarily skilled man would have before him only Johanning. There, the screws covered are on what amounts to the locking slide, not the lock housing. The critical idea is that the chain door lock could be locked and that thereafter an intruder could not attack the locked end of the chain by unfastening the screws. Obviously, Johanning says nothing in response to the question, how can the fastening means at the "lock" end of the chain be covered? Finally, combining the locking slide as both a lock device and a covering means, while simple, is not contemplated anywhere.

(2). Obviousness based on Estoppel

In deciding upon obviousness, we have considered the Investigative Staff's argument on "file wrapper estoppel." As we understand it, the argument is that Ideal is estopped by the actions of Adamec in obtaining his patent from asserting any broader claim than the closing words of claim 1, concerning the location of the key lock and covering the housing fastening means. Ideal does not specifically claim that the inference of a narrowed claim is untrue, even though there is conflicting

evidence in the file wrapper. <sup>1/</sup> In any event, we agree that in a proper case a concept like "file wrapper estoppel" may be used to narrow a patent when its validity is attacked. See, Koppers Co., Inc. v. S&S Corrugated Paper Mach. Co., Inc., 517 F.2d 1182 (2 Cir. 1975) at 1185.

However, in this case, we have found the material not covered by the file wrapper rejection is not obvious, so the issue of whether the claims as originally filed are or were "waived" is moot. Even on the narrower claim, the Adamec patent is not obvious.

### (3). Secondary Considerations of Obviousness

Respondent Ilco contends that "secondary considerations" tend to prove the obviousness of the Adamec patent. Ilco presents us with a variety of "childishly simple alterations" that it claims can avoid the Adamec patent. Some of these alternatives are not particularly helpful, as, for example, suggesting that Adamec may easily be avoided by drilling holes in the locking slide so the housing fastening screws are exposed. Producing modifications which regress the art proves nothing about how difficult it might have been in 1961 to find one that advanced it. We are not persuaded by this speculation.

The Investigative Staff has attempted to reinforce a finding of invalidity by noting that Adamec was not included in Ideal's original complaint, nor in Ideal's license agreement with Hartzell Manufacturing Co.

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<sup>1/</sup> For example, on the one hand, the patent examiner allowed the patent to issue only after the new Adamec material was added. The former material by itself clearly read on Robins, he said. Exh. 41, paper no. 6, p. 1. Nevertheless, he granted a patent containing the new and the old claims, a fact which seems to suggest the old claims were patentable in combination with the new, especially in light of the statutory provision that obviousness is determined by "the subject matter as a whole."

Ideal has introduced an affidavit that the reference to Adamec was deleted for reasons not related to the validity of Adamec. In the absence of a more substantial primary case of obviousness, this evidence is not persuasive.

b. The Quinn and Waldo Patents

The validity of the Quinn and Waldo patents was not questioned until Ilco filed its "Final Brief" on January 14, 1975, at pp. 9-11. After examination of the hearing transcript, Ilco asserted that the Quinn and Waldo patents are invalid because the structures covered by their claims were on sale and described in a printed publication more than one year prior to the dates the respective patent applications were filed. Ilco relied upon the following portion of the hearing transcript to support its claim of invalidity:

COMMISSIONER MOORE: It is not clear to me which patent you are producing it under.

MR. EDELL: It is being produced under all three involved in this action, the Adamec Patent, the Quinn Patent, and the Waldo Patent.

\* \* \* \* \*

MR. EDELL: Do you know approximately when in 1961 it was first put on the market?

MR. WALDO: I believe it was in April 1961. If I can refer to my notes. 1/

Complainant contends that Ilco's argument that the Quinn and Waldo patents are invalid is based upon a misinterpretation of the hearing transcript, and we agree. 2/ Complainant asserts that an examination

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1/ Transcript p. 15.

2/ Complainant's reply brief filed January 30, 1975, pp. 13-14.

of pages 12-16 of the hearing transcript reveals that early in the public hearing and early in Mr. Waldo's testimony, the Ideal Security chain door lock presently being produced by complainant, designated the SK28, was demonstrated to the Commission (TR. 12-13). Directly thereafter, the housing portion of a device originally produced only in accordance with the Adamec patent and before the Quinn and Waldo inventions were made was introduced as Exhibit 14. Immediately after the introduction of Exhibit 14, Commissioner Moore interrupted to ask a question for clarification purposes. He asked under which patent the Ideal Security chain door lock was being produced. As stated by Mr. Edell (Tr. 15), "It is being produced under all three involved in this action, the Adamec patent, the Quinn patent, and the Waldo patent" (emphasis added). In other words, Mr. Edell stated that it is presently being produced under all three patents, not that it had been produced in 1961.

Various other respondents have asserted in response to Ideal's complaint that one or both of these patents is unenforceable for section 337 purposes ("invalid", as we have been using the term), but none have appeared or offered to prove these assertions.

On this record, we find no proof the Quinn or Waldo patents are invalid, and we do not find them so.

#### B. Injury to a United States Industry

Having found all three of the patents asserted by Ideal to be enforceable for section 337 purposes, we turn to the question of whether imports of products infringing these patents have had the

effect or tendency to produce any of the various types of injury prohibited by section 337. Specifically, unfair trade practices are unlawful under section 337 only if they have

". . . the effect or tendency . . . to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States . . . ."

No party maintains that the unfair acts here alleged have the effect or tendency of preventing the establishment of an industry or to restrain or monopolize commerce in the United States. Ideal maintains, however, that the effect of the unfair acts here found in respect of Adamec patent infringement has caused statutory "injury". We will not assume "injury" resulting from infringement of the Quinn and Waldo patents, even though the alleged manufacturer and importer of the infringing products have not appeared and defended here; "injury" must be demonstrated by the evidence in the record before us.

#### 1. The Industry

Complainant maintains that the domestic industry consists of complainant and its sole licensee Hartzell Manufacturing Co. (Hartzell), which is the only manufacturer authorized to produce and to sell chain door locks under the respective patents. Ideal strongly asserts Hartzell's license includes the Adamec patent, and that it would sue to enforce that license. Tr. 127-128.

Ilco points out that there are no written licensees for the Adamec patent, which is the only patent that is being infringed by Ilco's Canadian imports and argues that Ideal has failed to prove that the

licensee of any of the Ideal-owned patents, Hartzell, manufactures any locks under the Ideal licenses.

The Investigative Staff asserts that there are two "industries" in this matter:

- (1) With respect to the Quinn patent: the facilities of Ideal and its licensee, Hartzell, devoted to production of chain door locks covered by that patent; and
- (2) With respect to the Waldo and Adamec patents: Ideal's facilities for producing chain door locks under those patents.

Ideal alleges that locks are manufactured under all 3 patents. Besides designing and performing most of the tooling for its locks in its own shop, Ideal also assembles, packages and sells the locks. 1/

The "industry" protected by section 337 is the domestic industry that is lawfully manufacturing the articles that are the subject of this investigation. 2/ In patent-based cases, that industry may consist of the patentee and his licensees, even if that be only one company. 3/ We find the domestic industry for purposes of determining whether there has been section 337 "injury" in this case consists of the facilities of Ideal and Hartzell for manufacturing chain door locks under any one, or any combination of, the Adamec, Quinn, and Waldo patents. All three patents are closely related. There is no question

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1/ Tr. 21-23, 37-39, 91.

2/ In-The-Ear Hearing Aids, Tariff Commission Publ. No. 182 (1966) at 20.

3/ In re Von Clemm, 229 F.2d 441 (CCPA 1955).

Ideal now produces a product manufactured in accordance with all three. There is some question, admittedly, whether Hartzell manufactures in accordance with any other than the Quinn patent. However, harm to Hartzell, if any, in respect to its facilities for producing locks under license from Ideal is harm to the "industry" as we define it here. Whether Ilco's importation of Adamec-type locks hurts Hartzell's licensee is an "effect or tendency" we discuss below.

## 2. Efficiently and Economically Operated

No parties to this investigation have disputed complainant's assertion that the domestic industry being considered herein is efficiently and economically operated. Ideal has automated some functions and taken steps with respect to the parts used in the manufacture of its locks which increased its competitiveness with imported locks. No evidence has been presented which indicates that the production processes used by Ideal are antiquated or out of line with the processes used by U.S. manufacturers of related products. Ideal appears to be a competitive company, and in the absence of evidence to the contrary about either it or Hartzell, we find the industry is efficiently and economically operated.

## 3. The Effect or Tendency to Substantially Injure

Ideal contends that it has met its burden of proving injury, even though its chief economic witness could not say whether Hartzell had suffered injury from imports 1/ or what amount of Ideal's injury was caused by Ilco's imports as compared to the Chelleram lock imports. 2/

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1/ Tr. 111-112.

2/ Tr. 104-105.



Ideal provided sales and marketing figures to our staff in confidence and also introduced exhibits which tend to show a decline in sales of its relevant product lines in 1972, the year it alleges infringing imports began. 1/ Moreover, it asserts that during the period from 1967 to 1972, according to the March 1974 Census of Manufacturers published by the Department of Commerce, national sales of "Night Latches and Deadlocks "(SIC Code 3429425)" rose 18 percent per year. 2/ Ideal also asserts it has lowered prices, automated some functions, and substituted parts to compete with imports, 3/ and that chain door locks as a result constitute a declining percentage of Ideal's profits. 4/ Ideal notes that Commission staff figures released to all parties (exhibit 38) show that sales of imported chain door locks increased from 2.1 percent of total U.S. consumption in 1972 to 6.9 percent in 1973.

Ideal's case on injury as to all three patents depends on the proposition that imported, infringing products cause or tend to cause substantial injury to Ideal. Ideal argues it matters not what percentage each respondent imports; which of the patents he infringes; or how the rest of the American "industry" is affected. (Complainant's Reply Brief filed January 30, 1975 at pp. 2-4.)

Ilco neither "accepted nor rejected" the "Confidential" information collected by the staff, Tr. 97, which includes sales by Ideal and sales

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1/ Exhs. 21-25; Tr. 73-78.

2/ Tr. 80.

3/ Tr. 85.

4/ Tr. 79.

of imports by Ilco. Before Judge Renick, further objections were waived by stipulation. Moreover, Ilco is not prejudiced by our use of this information. The information was described to counsel for Ilco; a Commission staff witness testified briefly on the sum of this information; a summary of the "confidential" exhibit was accepted as a public exhibit (Exh. 38); and Ilco was given the opportunity to state in public the quantity of its imports and sales, to cross-examine Ideal's economic witness, and to produce the price of its imports. 1/ Ilco argues Ideal has not proven it has been "substantially injured," and in any event, that the Ilco imports are so small that Ilco's imports should not be penalized.

We must determine whether the unfair imports are having the effect or tendency of substantial injury. If this is established, then the requisite "injury" under section 337 has been established, and a violation of the law is present.

On this record, we find Ideal and Hartzell suffered substantial harm which, if caused by the importation of locks infringing the patents Ideal owns, would amount to the requisite injury under section 337 "injury." This harm consists of Ideal's demonstration (and the figures on Hartzell in Exhibit 29) that its sales of locks manufactured under the patents in question dropped in 1972 and 1973, the only years of importation for which we have figures. For Ideal, the drop was in the range of 15 percent. See exhs. 21-24; Tr. 113-114. At least at

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1/ Tr. 96, 113-114; 184-85; 96.

Ideal, a profitable product became substantially less profitable and also became a smaller share of Ideal's profits. Tr. 89; exh. 25.

Although the public record is silent on the harm suffered by Ideal's licensee Hartzell in the period covered by the record, 1/ Hartzell is obviously a substantial seller of locks using at least the Quinn patent features. Moreover, the confidential record showed that Hartzell's sales did suffer. Overall, the losses in sales are large enough that they may reasonably be assumed, without more, to have caused some "substantial" belt-tightening at Ideal and Hartzell. Tr. 111-112. On the record before it is apparent the harm to Ideal was caused primarily by imports. 2/

The harm, as we have said, is Ideal's and Hartzell's reduction in sales. Ideal maintains the infringing imports had an "important bearing" on the harm it has suffered, Tr. 111, because its sales began to go down as imports arrived and continued to decline as they increased.

Ideal admittedly competes with domestic manufacturers of non-infringing chain door locks, and sales of competitive locks rose slightly as sales by Ideal and others (including importers) of Ideal-type locks

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1/ Ideal's economic witness Wright even cautioned that it would be "difficult" to say that "if Hartzell suffers [then] Ideal suffers." Tr. 112.

2/ Ilco contends that because it allegedly infringes only one of Ideal's patents, any finding of injury in respect of Ilco must be separate from findings of general injury to Ideal. We disagree. This Commission cannot require proof of injury arising from each patent trespass; every infringing import is, at least potentially, the cause of all the industry's hurt. That the patent Ilco's imports infringe contributes only to Ideal's harm, and not Hartzell's, is not persuasive that Ilco is not a cause of injury. Ideal's loss of sales alone is sufficient to constitute section 337 "injury."

fell slightly. <sup>1/</sup> However, comparing the dramatic trends of increase in import sales and a comparable slackening of domestic patented product sales, it is obvious the imports were the major cause of harm. Further, Ideal's Mr. Wright noted ". . . a substantial number of people with whom we have done business have been selling products from Hong Kong and other people." (Tr. 99). The Chelleram imports are (or were) about half the price of Ideal's locks because they apparently are of lower quality and cost less to produce. (Tr. 84). Low price is significant because it indicates that lost sales by the domestic industry to imports are likely when this price differential exists.

For the foregoing reasons, we find the importation into and sale in the United States of chain door locks which infringe the Adamec, Quinn, and/or Waldo patents has the effect or tendency to substantially injure the domestic industry, efficiently and economically operated.

#### IV. Remedy, The Public Interest and Bonding

Section 337 provides, in subsections (d) and (f), in effect, that in the event the Commission determines there has been a violation

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<sup>1/</sup> The actual levels of domestic non-infringing lock sales is not of record, although the testimony is that the increase in such sales was ". . . a very small extent." Tr. 114. Apparent consumption of Ideal-type locks (locks made in accordance with all three Ideal patents) fell about 10,000 units between 1972 and 1973 in a market of over 600,000 units--exh. 38--and Ideal's sales of Ideal-type locks fell much more steeply than this. This suggests some portion of Ideal's sales slump was due to competition rather than a contracting market. Import sales rose about 30,000 units from 1972 to 1973, exh. 38.

of section 337, as we have in this case, that we "shall" apply the remedy of either exclusion of the offending article from entry into the United States or, "in lieu of" this action, order the person violating the law to cease and desist his unlawful methods or acts. These remedies may be withheld if any one of or any combination of, four factors (listed below) cause the Commission to find otherwise. Finally, section 337 (g)(3) provides that while our final determination is before the President,

articles directed to be excluded from entry . . .  
or subject to a cease and desist order . . . shall be  
entitled to entry under bond determined by the Commission and prescribed by the Secretary until such determination becomes final.

We have determined to direct the Secretary to exclude the offending articles; that no public interest factor would support a finding that this remedy should not be applied in this case; and that the section 337 (g)(3) bond should be fixed at 50 percent of the value of the articles concerned, f.o.b., foreign port.

#### A. Choice of Remedy

In our Notice and Order of February 13, 1976, setting forth various procedural matters in this investigation, we solicited comment by March 8, 1976, on the choice of remedy in the event we found violation in this matter. We received no comments from any person or party except the Department of Justice and our investigative staff. 1/

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1/ Letter to the Commission from Thomas E. Kauper, Assistant Attorney General, Antitrust Division dated March 5, 1976; Commission Staff's "Brief in Support of the Invalidity of the Adamec et al. Patent for Purposes of Section 337" filed March 8, 1976 at 7 (hereinafter referred to, respectively, as "DOJ Letter" and "Staff Comment.")

The Department does not indicate a preferred remedy; the staff obviously assumes exclusion is the proper remedy. We have decided (Commissioners Ablondi and Parker dissenting in part) 1/2/ that an exclusion order is the appropriate remedy. This is because the unfair method or act we have found is patent infringement, meaning all the offending articles are in violation of the law. This is unlike a section 337 case based upon the existence of an unfair act or method which is not inherent in the imported articles but is, rather, an act or method of which persons could purge themselves without changing the nature of any articles. Here, the articles themselves offend, and there is no evidence that any other action save exclusion will remedy the violation.

#### B. Public Interest Factors

Section 337(d) provides,

If the Commission determines, as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion 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, it finds that such articles should not be excluded from entry.

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1/ The separate opinion of Commissioner Parker is attached. Commissioner Parker would hold the Adamec patent unenforceable for section 337 purposes, and therefore prescribes no remedy in respect of imports meeting the claims of that patent.

2/ Commissioner Ablondi concurs in the Commission decision of violation and the Commission remedy as to the Quinn and Waldo patents, but he would issue a cease and desist order to imports infringing only the Adamec patent to permit Ilco the opportunity to cease and desist its unfair trade practices.

Our Investigative staff takes the position that the patent "monopoly," being a statutory policy, overrides the policy considerations set forth in §337(d). Staff Comment, p. 8. The Department of Justice also sees no "public interest" bar to remedy in this case:

Competition in the United States for chain door locks involves many competing non-infringing products, including imports. Thus it appears no significant effect on competition or consumer prices or choice will be made by the entrance of relief in this matter. (DOJ letter, p. 2.)

We find no "public interest" reasons why relief should not be afforded. We do not, however, believe that in every patent case the Congress intended the policy of patent monopoly to override these factors. In this case, the comments we have received and the other investigative work reveal no reason to deny relief. The effect of exclusion upon the public health and welfare consists in the security which products manufactured under these patents afford. The patent owner and domestic and foreign noninfringing sellers will still be free, after this order, to sell locks in the United States. Similarly, as the Department of Justice points out, the effect on competitive conditions in the United States and upon U.S. consumers of the exclusion order are not such that the order should be denied. Finally, the production of like or directly competitive articles in the United States will not be affected except as prescribed by the patent laws of this country. We find no reason of public interest upon which we may refuse to issue this order.

### C. Bonding

The amount of the bond lies within the discretion of the Commission. The only standard provided is found in the following excerpt from the Report of the Committee on Finance on the bill which became the Trade Act of 1974: "In determining the amount of the bond, the Commission shall determine, to the extent possible, the amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article." <sup>1/</sup> It is apparent from that language that an automatic full-value bond, as is now set by the Secretary of the Treasury, is no longer routinely acceptable and that each case will have to be considered on its own facts.

In this case, our investigative staff has recommended a bond at 50 percent of the value of the infringing article, f.o.b. foreign port. This recommendation was, of course, in aid of the staff's position that only the Quinn and Waldo patents are enforceable for Section 337 purposes. This would have meant only imports from Hong Kong (which, the record shows, undercut the domestic prices severely) would have been covered by the bond. Nevertheless, we think the recommendation is well taken. The bonding will go some distance toward correcting the injury caused by the Hong Kong imports. Moreover, it will not be so severe as to prevent the importation of Ilco locks in this period. Since locks incorporating all three patents may arrive at U.S. ports, we shall not

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<sup>1/</sup> Trade Reform Act of 1974: Report of the Committee on Finance . . . , S. Rept. No. 93-1298 (93d Cong., 2d Sess.), 1974, p. 198.



create confusion in the administration of our order by prescribing different amounts for similar products manufactured under related different patents.

Separate Opinion of Commissioner Joseph O. Parker

Administrative Law Judge and Presiding Officer in this investigation, Myron R. Renick, recommended that we determine that the Adamec patent was obvious because the Mintz, Robins, Rinaldy, Sager, and Johanning references could have been combined by a person "reasonably skilled in the art . . . without the exercise of any appreciable inventive know-how or acumen" to arrive at the Adamec "invention". R.D. 8.

Implicit in Judge Renick's recommendation and the finding of the majority, is that the Commission may reach the issue of obviousness essentially by inferring the requisites of Graham v. John Deere, 383 U.S. 1, from the prior art. I agree that we may decide the case without the need for expert testimony on the differences between the prior art and the instant patent or the level of ordinary skill in the art. In this respect, I agree with the majority's definition of these differences, the level of

1/ As a matter of brevity, in this opinion, I will refer to the patents and references in this by the inventors' names used in the majority opinion.

ordinary skill and the scope and content of the prior art, except that-- as Judge Renick held--the Sager patent is pertinent because it contains an alternative concept for covering fastening means in a closely related type of mechanism.

Where I part with the majority is on whether, given these inferences of art and skill, and the Adamec patent is obvious. I agree with Judge Renick that it is. As described in detail in the Commission's investigative staff proposed alternative finding No. 9, 1/ the prior art tracks virtually every element of the Adamec patent claims. Where it departs (e.g., in the location of the latch bolt), I believe the person of ordinary skill in the relevant art could easily have conceived of the Adamec location in 1961; this is a mere design device.

Moreover, in any event, I would hold that the Adamec patent is invalid on the basis of the doctrine of "file wrapper estoppel" as applied to those Adamec claims contained in Paper No. 4 of the file wrapper.

During the prosecution of the Adamec et al. patent before the United States Patent and Trademark Office (formerly the United States Patent Office), the patent examiner in Paper No. 6 of the file wrapper rejected both claims 5 and 7 as they were amended in Paper No. 4 of the file wrapper (EX. 41) (which claims, as further amended in Paper No. 7 of the file wrapper, were issued as claims 1 and 2, respectively, in the Adamec et al. patent) on the basis of U.S. Patent No. 2,462,151 to Robins (EX. 7). The patent examiner stated that "the chain door lock structure defined by each

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1/ "The Commission Staff's Exceptions and Alternative Findings of Fact and Conclusions of Law," filed Feb. 23, 1976, at pp. 5-9.

of these claims is clearly readable on Robins, Figures 1 or 2." Adamec et al. then amended claim 5 Paper No. 7 of the file wrapper, to overcome the rejection, adding the language--

in which the said housing includes a key operated lock to operate the said transverse latch bolt, and is provided with at least one means to receive at least one fastener for mounting said housing; and in which the said locking slide, when fitted in the housing of said locking slide means, covers the said means to receive the fastener.

With this amendment to claim 5, the patent examiner allowed both claims 5 and 7. These facts clearly reflect a disclaimer by Adamec et al. of any patentable novelty in claims 5 and 7 as they appeared in Paper No. 4 of the file wrapper. The fact that the patent examiner left the former portions of the claims standing does not dissuade me that the Adamec inventors waived objection to the rejection; this is more likely the usual practice of the Office.

The failure to object to the patent examiner's rejection in a timely manner during prosecution of the patent constitutes an admission that the subject matter embraced by the claims set forth in Paper No. 4 was contained in the prior art. The only novelty that could possibly be found to reside in either claim 5 or 7 is that portion of claim 5 added in Paper No. 7 by way of an amendment to the patent application. The language added to claim 5 by Paper No. 7, however, does not make claims 5 and 7 patentable in that both are well within the scope of the teaching of Rinaldy in view of either Sager or Johanning. Accordingly, the subject matter added to claim 5 of Paper No. 4 by amendment of that claim in Paper No. 7 would have been obvious to one of ordinary skill of the art

at the time the Adamec et al. invention was made.

For the foregoing reasons, I would hold only the Quinn and Waldo patents enforceable. I would further hold that imports infringing the Quinn and Waldo claims alone have a tendency to substantially injure an efficiently and economically operated domestic industry consisting of the facilities of Ideal and Hartzell devoted to producing locks under these two patents. There is no substantial question of the identity of the industry, given my conclusions on validity, and there is no serious challenge to efficiency and economy. Although the imports I would exclude, which originate exclusively from Hong Kong on this record, were less than half the allegedly infringing imports in 1973 (the last year for which we have statistics), they are nevertheless substantial. They alone, especially in light of their low prices, have a tendency toward substantial injury.

Thus, I find imports infringing the Quinn and Waldo patents are in violation of section 337. There is no question on this record that exclusion is the only remedy for this violation, and that this remedy should not be withheld in the absence of any convincing record evidence that it is contrary to section 337 public interest factors.



Library Cataloging Data

U.S. International Trade Commission.

Commission opinion in support of  
the Commission action in the matter  
of chain door locks. Investigation  
no. 337-TA-5. Washington, 1976.

49 p. 27 cm. (USITC Pub. 770)

1. Locks and keys. 2. Hardware. I.Title.

