

United States District Court,
N.D. Oklahoma.

VOICE SYSTEMS AND SERVICES, INC,
Plaintiff.

v.

VMX, INC,
Defendant and Counterclaim-Plaintiff.

v.

VOICE SYSTEMS AND SERVICES, INC. and Peter Zuyus,
Counterclaim-Defendants.

No. 91-C-88-B

Nov. 5, 1992.

John M. Freese, Tulsa, OK, for plaintiff.

Paul Cleary, Boone, Smith, Davis, Hurst & Dickman, Tulsa, OK, Sydney Leach, Honigman, Miller, Schwartz & Cohn, Houston, TX, for VMX.

Thomas A. Wallace, Oklahoma City OK, for counter-claim defendant, Peter Zuyus.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

BRETT, District Judge.

Before the Court for decision is Counterclaim-Plaintiff VMX, Inc.'s motion for preliminary injunction pursuant to Fed.R.Civ.P. 65 concerning alleged patent infringement by Counterclaim-Defendants, Voice Systems and Services, Inc., and Peter Zuyus. Following an evidentiary hearing on September 29, October 5 and 6, 1992, and after considering the issues in light of the relevant evidence, the legal authorities presented and the arguments of counsel, the Court enters the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Voice Systems and Services, Inc. ("VSSI") is an Oklahoma corporation with its principal place of business in Mannford, Oklahoma. [Stipulated.]
2. VMX, Inc. ("VMX") is a Delaware corporation. VMX now has its principal place of business in San Jose, California, and has manufacturing facilities in Dallas, Texas. [Stipulated.]
3. Peter Zuyus ("Zuyus") is an individual who resides in the Northern District of Oklahoma, and was at relevant times the president and chief operating officer of VSSI. [Stipulated.]

4. VMX is the owner of U.S. Patent No. 4,371,752, U.S. Patent No. 4,783,796, and U.S. Patent No. 4,727,124. [Stipulated; VMX's Exhibits 1, 2, and 3.]

5. U.S. Patent No. 4,371,752 is the pioneer patent in the voice messaging industry and covers voice mail. [VMX Exs. 1, 13A, 13B.] Since 1978 the market created by VMX for voice mail has grown to in excess of \$900,000.00. [Tansil, Tr. p. 35.]

6. The patent subject matter may be summarized as follows:

(a) The patent covers a voice mail system that may be connected to any private telephone system and through which users may call into the system and receive, store or forward audio messages using a standard telephone. The system is controlled by a microprocessor or computer processor.

(b) In the patented voice mail system, someone can use a standard telephone to access the voice mail system and record a message in their own voice. They can press buttons on the touch tone pad of the telephone to enable them to access the system. The audio messages are converted into a digital representation, and are stored in computer memory, usually on a hard disk drive.

(c) Unauthorized user access to the voice mail system may be controlled by requiring a password or authorization code for access to a person's individual mailbox. A person who has a mailbox on the system can call and listen to the stored messages that were left for them. The system contains circuits which are able to take the stored digital representations from the computer disk drive and reproduce them so that the recipient hears the voice of the person who left the message. Voice mail messages are transmitted to the recipient sequentially during the same phone call so that he can, if desired, listen to them all one at a time. [VMX's Ex. 1; Tansil, Tr. pp. 39-40, 42-45.]

7. VMX's voice messaging system patent has been licensed to thirty-six companies, including IBM (Rolm), AT & T, Northern Telecom Limited, Siemens, Advanced Voice Technology, Applied Voice Technology, Boston Technology, Brooktrout Technology, Centigram Communications Corporation, Digital Sound Corporation, Message Processing Systems, Miami Voice, Microlog Corporation, Octel Communications Corporation, and Votrax International. [Epps, Tr. pp. 13-14, 21.] These licensees have paid license issue fees and royalties to VMX for the right to manufacture and sell voice messaging systems covered by VMX's patent in the amount of \$15.2 million since 1986, with another \$5.8 million contractually owing but not yet due. [Epps, Tr. p. 14.]

8. VMX was the first company to produce a commercial voice mail system. [Tansil, Tr. p. 33.] In 1991, the market for voice messaging equipment in the United States alone, based on end-user revenues, had grown to over \$973 million. [VMX Ex. 9.] Market data shows that VMX and its licensees had about 83% of the market in 1991. [VMX Ex. 9.]

9. U.S. Patent Nos. 4,783,796 and 4,722,124 cover equipment for automatically answering telephone calls, sometimes referred to as automated attendant equipment. [VMX Exs. 2 and 3.] Opcom, which was later merged into VMX, was the first to offer a commercial automated attendant product. [Girerd, Tr. pp. 123-124.]

10. The subject matter of the automated attendant patents may be summarized as follows:

- (a) The patented equipment can be connected to a company's switchboard or private branch exchange, which is often referred to as a "PBX." The patented equipment provides an automated means for answering telephones and routing calls.
- (b) In use, the company's switchboard, or PBX, will be set up so that a group of extensions are designated as those connected to the patented automated attendant equipment. When a call comes in, the PBX will hunt for one of those extensions until it finds one that is not busy. The PBX will then connect the call to that extension. The automated attendant equipment thus simulates a group of telephone extensions. That is, to the PBX system, the equipment looks just like any other group of telephone extension lines.
- (c) The patented equipment has a means for detecting if a call is coming in over one of the lines connected to the PBX. The equipment answers the call. A recorded message is then played instructing the calling party to signal the extension of the person to whom he wishes to speak. The calling party may signal by pressing the buttons on his touch tone telephone, (the tones so generated are often referred to as DTMF tones).
- (d) The patented equipment includes a means for receiving and decoding the extension number when the calling party presses the buttons of his touch tone phone.
- (e) The patented automated attendant equipment then signals the company's switchboard, or PBX, using a "flash hook" signal. This places the calling party on hold, and connects the automated attendant equipment to the PBX in a manner which permits the automated attendant equipment to signal the PBX to transfer the call to the desired extension. This may be done by sending DTMF tones to the PBX. The PBX will then attempt to transfer the call to the desired extension. Thus, the calling party is connected to the person he wants to speak to, and no human operator is needed to make the connection. [VMX Exs. 2 and 3.]

11. The validity of VMX's patents has not been challenged in this case.

12. VSSI manufactures and sells voice mail and automated attendant equipment under the "Communicator" name. [Stipulated.] VSSI has never purchased a license from VMX, although VMX has offered to sell it a license. [Stipulated.]

13. VMX presented evidence comparing each element of the claims that it alleges have been infringed with features of VSSI's Communicator products.

14. VMX called as its expert on the voice mail patent (U.S. Patent No. 4,371,752) Thomas Tansil, a co-founder of VMX and co-inventor of the voice mail patent. [Tansil, Tr. p. 34.] In his testimony Tansil employed a claims chart [VMX Ex. 23] that sets forth each element of two of the claims as to which VMX alleges infringement of its voice mail patent and, for each element, the corresponding features of the accused products as described in excerpts from VSSI's deposition [VMX Ex. 21] by its President Peter Zuyus, and from VSSI's System Administration Manual [VMX Ex. 19], which is the instruction manual for the system administrator of a user of VSSI's products. Tansil described how the patented voice mail system works. [Tansil Tr. pp. 42-52.] With respect to the ten elements common to both claim 1 and claim 21 of the patent, Tansil testified as to the meaning of each element and then reviewed excerpts from the Zuyus deposition or excerpts from the System Administration Manual (or both) that showed the same or equivalent features in the accused products. [Tansil, Tr. pp. 53-78.]

15. As to each of the elements of claims 1 and 21 of the voice mail patent, Tansil concluded that the accused products had the same or equivalent circuits or program features. [Tansil, Tr. p. 81.]

16. Tansil further testified on the correspondence between the VSSI's so-called "Quick-Call" or "Emergency Notification" enhancement to the Communicator System and the patent-in-suit. [Tansil, Tr. pp. 82-85; VMX Ex. 14, 15, 16.] Based on the description contained in VSSI's Information Package [VMX Ex. 14], the Quick-Call enhancement performs the same functions as claims of VMX's voice mail patent. [Tansil, Tr. pp. 115, 118-121.] In both systems one leaves a voice mail message and tries to call someone and keep calling that person until he answers the phone and plays the message. [Tansil, Tr. pp. 115-116.]

17. VMX's voice mail patent, U.S. Patent No. 4,371,752, discloses a means for "sequentially transmitting" reproduced audio messages to the recipient. [VMX Ex. 1, Claims 1 and 21.] VSSI has attempted to distinguish its voice mail equipment by arguing that voice mail messages on its equipment are not always played back in the order in which they were recorded on the computer memory.

18. A plain reading of the claim, and particularly the word "sequentially," does not necessarily imply a rigid, predetermined order. The inventors did not give the word "sequentially" a limited definition or meaning in the patent. [Tansil, Tr. pp. 97-100; VMX Ex. 1.] The claimed invention only provides that messages are played back one after the other. [Tansil, Tr. p. 97.] The term sequentially in the claim implies that all of a person's voice mail messages may be played back to him one after another during a single phone call. The messages are not all played simultaneously. Nor is he limited to receiving one and only one message during a single phone call. This reading of the claim is supported by the fact that the equipment of VMX and its licensees, as produced under the patent, does not always play back messages in the order in which they were received. On the other hand, in the VSSI products messages are typically retrieved on a first in/first out basis.

19. The Court finds Tansil's testimony credible on the infringement issues relating to VMX's voice mail patent.

20. VMX called as its expert on the automated attendant patents (U.S. Patent No. 4,747,124 and 4,783,796) Richard John Girerd, a telecommunications engineer with about eighteen years' experience who was one of the co-founders of Opcom, which was later merged into VMX. [Girerd, Tr. p. 123.] Girerd also worked with the inventor of the automated attendant devices covered by VMX's patents. [Girerd, Tr. p. 124.]

21. Girerd testified that an automated attendant system is a control system such that when users call in to a company that has a private branch exchange (PBX), a live attendant or operator is not required. [Girerd, Tr. p. 125.] It is a way by which the user can call in, gets a message saying "please enter the extension," enter the extension using his push button phone, and get connected to the desired extension. [Girerd, Tr. p. 125.]

22. Girerd described the operation of VMX's automated attendant system [Girerd, Tr. p. 128; VMX Ex. 31], and he then described the operation of the accused product, employing a block diagram of the VSSI product. [Girerd, Tr. p. 128-131; VMX Ex. 32.] Based on the comparison, Girerd concluded that the VSSI products infringe VMX's automated attendant patents. [Girerd, Tr. p. 131.]

23. Girerd supported his infringement opinion with a comparison of each element of claim 5 of the first automated attendant patent (U.S. Patent No. 4,783,796) with the VSSI products, as described in VSSI's block diagram, the user's manual supplied by Dialogic, the manufacturer of VSSI's circuit board, and the

Zuyus deposition. [Girerd, Tr. pp. 132-147; VMX Exs. 32, 18, 21.] Girerd reviewed VSSI's literature on the automated attendant feature of the VSSI system as well as excerpts from the Zuyus deposition and found a direct correspondence between the description of the VSSI feature and claim 5 of the VMX patent. [Girerd, Tr. pp. 145-147; VMX Exs. 14 at Bates No. 56, 15, 18, and 21.] Girerd's testimony is summarized in a claim chart, VMX Exhibit 29.

24. VMX submitted a claim chart (VMX Ex. 30) comparing each element of claim 1 of VMX's other automated attendant patent (U.S. Patent No. 4,747,124) with the features described in VMX Exhibits 14, 15 and 21, consisting of VSSI literature and deposition testimony. Girerd testified that his prior testimony comparing the VSSI products to the other patent was equally applicable to this claim.

25. The Court finds Girerd's testimony credible on the infringement issues relating to VMX's two automated attendant patents.

26. VSSI's principal expert witness on the voice mail patent and the automated attendant patents was Donna Behnke, a former employee of VSSI who developed or supervised the development of VSSI's software used in its Communicator products and who continues to do work for VSSI on a contract basis. [Behnke, Tr. pp. 177, 280.] Behnke employed in her testimony a claims chart (VSSI Ex. 17) in which she identified only two disputed claim elements of the voice mail patent and only two disputed claim elements of the automated attendant patents that VSSI alleges are not present in the accused products.

27. Behnke's "First Element for Discussion," which is common to claims 1 and 21 of the voice mail patent, was a "means for controlling unauthorized user access to the message system." [VSSI Ex. 17, p. 3.] By reference to the description of the preferred embodiment in the specification of the patent, including Figures 11 and 12, Behnke testified that this element means requiring a security code or caller ID for specific access for both deposit and retrieval of messages in the voice mail system. [Behnke, Tr. pp. 227, 233, 236.] She then compared this element to the VSSI products, which she stated do not require a security code or caller ID to deposit a message; only to retrieve a message. [VSSI Ex. 17, pp. 3-6; Behnke, Tr. p. 227.]

28. While the Court notes that the preferred embodiment described in the patent specification does illustrate that a user ID can be requested prior to both depositing messages and retrieving messages, the claim itself does not require such a limited construction. The VMX patent admits of the possibility that everyone who calls into the system would be authorized to leave a message, so there would be no unauthorized users whose access to the system must be controlled for purposes of depositing a message. The claim requirement would be met by controlling unauthorized access to the system for any purpose.

29. Behnke's reading of the "First Element for Discussion" improperly limits the claim to the particular preferred embodiment shown in the specification and also violates the rule of construction that all claims in a patent should be read as a whole. The element immediately preceding the element in issue in both Claims 1 and 21 provides for a "means for enabling an originator to access the message system through signals transmitted from a telephone station." [VMX Ex. 1, col. 36, 11. 4-6.] Because the claims provide for an originator (i.e., one who deposits a message, in contrast to a user, who retrieves a message) to have access to the message system to leave a message, the claims were not intended to be, and should not be limited to the exact preferred embodiment shown.

30. As Behnke admitted, if her interpretation of this element of claims 1 and 21 is wrong, her conclusion as to non-infringement as to this element is also wrong. [Behnke, Tr. pp. 233-34, 238-39.]

31. The findings set forth in the preceding paragraphs with respect to the "First Element for Discussion" are applicable to both claims 1 and 21. Since the only element in claim 21 of the voice mail patent that VSSI claims is not infringed by the accused products is the element cited by Behnke in her "First Element for Discussion," considered in the preceding findings, Behnke's incorrect interpretation of that element is dispositive of VSSI's defense on the claim 21 infringement allegation and dispositive of the infringement issue as to claim 21.

32. Behnke's "Second Element for Discussion" relating to the voice mail patent, which is found only in claim 1 (Behnke, Tr. p. 246), is "said electronic digital signal processing means including means for timing a predetermined period of time so that the originator may generate an audio message and store digital representations of said audio message in said memory means." [VSSI Ex. 17, p. 11.] Behnke testified that she construes this element to mean the setting of some sort of time limit on the entire telephone call when leaving a message [Behnke, Tr. p. 228], and she justifies her conclusion of noninfringement by reference to the description of the preferred embodiment in the patent specification. The particular embodiment described in the patent shows that the total length of a telephone call when depositing a message may be limited from the time a call is answered. Behnke's interpretation of this element suffers from the same infirmity as her reading of the prior claim element. She has unjustifiably limited the claim to exactly what is contained in the specific embodiment described in the patent.

33. In addition, even when Behnke's "Second Element for Discussion" is so limited, Behnke's testimony supports the conclusion that the VSSI products are functionally the same as or equivalent to this element. She testified that in the VSSI products there is a maximum amount of time: (1) for a caller to enter touch tone digits to identify the recipient, (2) for a pre-recorded greeting to be played to the caller, and (3) for recording a message, so that in the VSSI product the total length of a telephone call is also limited from the time the call is answered. Behnke also admitted that the total length of time during which the originator of a message is generating an audio message by talking into the telephone and during which digital representations of his voice are being stored in the computer memory is definitely limited in the VSSI product. Claim 1 only requires a predetermined period of time during which "the originator may generate an audio message and store digital representations" of the message in the computer memory. Claim 1 does not require a predetermined period of time for the entire telephone call. In the VSSI product, there is a predetermined maximum amount of time for generating an audio message and storing a digital representation for it. [Behnke, Tr. pp. 246-248, 252-255.] The Court finds that the VSSI product corresponds to this claim element.

34. Behnke's "Third Element for Discussion" related to one of the two automated attendant patents, U.S. Patent No. 4,747,124. The element of claim 1 cited by Behnke provides: "DTMF means responsive to a signaled extension number for receiving and decoding said signaled extension number from said calling party." [VSSI Ex. 17, p. 17.] Behnke testified that this element means that the system should have some method of receiving DTMF (i.e., touch tones) and be able to convert them into an extension number. [Behnke, Tr. p. 203.] As in the preceding two elements, Behnke concludes that VSSI products do not infringe this element by again limiting this element to specifically what is shown in the patent. The instant patent shows the possibility of allowing extensions having a variable number of digits based on the first digit of the extension, but does not require it. [VSSI Ex. 17, pp. 17-18.] The VSSI system may be less sophisticated than the particular embodiment shown in this patent because it lacks the flexibility of having extensions of other than a predetermined number of digits. [Behnke Tr. p. 207; VSSI Ex. 17, p. 19.] But that does not avoid infringement.

35. The distinction between a variable number and fixed number of extension digits is immaterial; both the patent claim and the accused products have the capacity to receive touch tone signals and convert them into an extension number, which is all that this claim element requires. The fact that the description in the inventor's preferred embodiment differs in some immaterial details from what is employed in the accused products does not alter the fact that the accused product performs the same function described in the claim. The inventor chose the "means for" language specifically to cover different means for achieving the same result, which according to VSSI's own patent expert, Mr. Catalano, he is entitled to do. [Catalano, Tr. pp. 347; 354-359.]

36. The "Fourth Element for Discussion" covered by the Behnke testimony is from claim 5 of the other automated attendant patent (U.S. Patent No. 4,783,796) and provides: "means for receiving and decoding said extension number from said calling party when signalled." [VSSI Ex. 17, p. 21.] Behnke testified that this is the same element as the "Third Element for Discussion" (claim 1 of the first automated attendant patent), except the present element contemplates receiving something not necessarily limited to DTMF tones. [Behnke, Tr. pp. 229, 259.] Behnke again attempted to distinguish the accused products from the patent claim element by attempting to limit the scope of the claim to exactly what is employed in the preferred embodiment (i.e., the patent shows a flexible way of using a variable number of digits, rather than a fixed number), instead of focusing on the identity of function and result, which is receiving something and converting it to an extension number. [Behnke, Tr. pp. 259-63.] In the end Behnke admitted that the element and the allegedly infringing products achieve the same result. [Behnke, Tr. pp. 260-63.] The VSSI products have a means for receiving and decoding an extension number that is signalled by the calling party.

37. Behnke's "Fifth Element for Discussion" related to claim 5 of the second automated attendant patent-in-issue (U.S. Patent No. 4,783,796). It provides: "means for answering said calling party who is using one of said incoming external trunks or said internal telephones and informing said calling party to signal a certain extension number corresponding to one of said internal telephones connected to one of said PBX internal telephone subscriber lines." [VSSI Ex. 17, p. 25.] Behnke testified that this element calls for the system to answer the phone and then play a voice asking the user to enter an extension number. [Behnke, Tr. p. 211.] Behnke attempted to distinguish VSSI products from this element based solely on the fact that the patent's preferred embodiment shows a "talker circuit" to play back the voice recording, while VSSI's product plays back through the Dialogic brand circuit board a voice recording that was stored in the computer's memory. [Behnke, Tr. pp. 211-212.] Behnke read into the claim element the requirement for a talker circuit that must be exactly like what is illustrated as a preferred embodiment in the patent claim language requiring a particular talker circuit is absent from this element of the claim. The claim uses "means for" language to indicate that the function could be performed by any number of means in addition to the particular one illustrated in the preferred embodiment. In addition, when VMX's talker circuit was compared to VSSI's voice announcement circuit, Behnke testified that both used a microprocessor, both employed memory, and both employed an analog/digital converter. [Behnke, Tr. pp. 266-67.] The VSSI products use a means for answering a call and for informing the calling party to signal the extension number of the party he wants to talk to.

38. Behnke's defense against VMX's infringement claim for the Quick-Call enhancement feature, comprising her sixth and last "Element for Discussion," is unpersuasive. It was based solely on her oral testimony, which is contradicted by the available VSSI literature on the Quick-Call feature [Behnke, Tr. pp. 318-319.]

39. On the issue of infringement of VMX's voice mail patent by VSSI's Quick Call feature, the Court takes note that all of VSSI's documentation referring to Quick-Call describes it either as an enhancement to the Communicator System, or, in its stand alone form, as something that can be used as a voice mail system. [VMX Exs. 14, 15 and 16.] Thus, VSSI's one-page description plainly states that "the Communicator can be enhanced with Automated Attendant, Quick-Call, Dispatch or any one of the various application packages that makes the Communicator one of the most flexible and user oriented voice messaging systems available." [VMX Ex. 15.] VSSI's sales brochure for the Communicator lists the Emergency Notification Software package [another name for Quick-Call] as an optional feature to the Communicator [VMX Ex. 16 at Bates No. 72.] Lastly, VSSI's multi-page Information Package for the Communicator Series contains a two-page description of Quick-Call, and admits that Quick-Call can function as a "traditional voice-mail system." [VMX Ex. 18 at Bates No. 61.]

40. Behnke's analysis and conclusions, taken as a whole, were undermined by her disregard for or ignorance of several rules of patent construction, essentially that a patent is not limited to the exact embodiment described in the patent and that it is improper to read an element of a claim in isolation, without considering the other elements and claims.

41. The other witness VSSI called to give technical expert testimony was Nick Zwick, President of Dialogic Corporation, the manufacturer of the circuit board used in VSSI's Communicator products. [Zwick, Tr. pp. 283-85.] Approximately thirty percent of Dialogic's sales are to companies like VSSI who make PC-based voice mail systems. [Zwick, Tr. p. 285.]

42. Zwick's testimony is not persuasive because he demonstrated little familiarity with VSSI's software (not having read the source code), as applied to the Dialogic board, and because he was unaware that VSSI does its own modifications to VSSI's board and that a standard commercially available Dialogic board will not work in the VSSI system. [Zwick, Tr. pp. 295-296; Behnke, Tr. pp. 315-320.] Zwick construed the claims of the voice mail patent in a way that is inconsistent with and unsupported by the specification.

43. VSSI's patent expert, Mr. Catalano, an attorney/engineer, reinforced VMX's claim construction contentions. He testified that claims are not limited to exactly what is described in the specification. [Catalano, Tr. pp. 345, 353.] He testified that the description in the patent is supposed to be a detailed description of what the inventor at the time regarded as his best mode or his best example of how the invention might be used. [Catalano, Tr. p. 347.] Catalano testified that if the inventor does not want to be limited to the specific embodiment described in the patent, he uses "means" language, so that the patent will cover different means for doing it. [Catalano, Tr. pp. 347, 354-359.] Catalano testified that the patent and the claims should all be read as a whole [Catalano, Tr. p. 349], contrary to VSSI's technical witnesses. Catalano testified that even if a product does not literally have what is in the claims, then according to the doctrine of equivalents, if it does "substantially the same or similar work in substantially or similar fashion to get substantially the same result," there is infringement. [Catalano, Tr. pp. 351, 361-362.] Also Catalano admitted that it is customary to review the patent history in rendering patent opinions [Catalano, Tr. p. 344], which Behnke failed to do.

44. VMX has demonstrated by a preponderance of the evidence a reasonable likelihood of success on the merits, and that VSSI's Communicator voice mail and automated attendant equipment contains each element of claims of VMX's three patents and infringes all three of VMX's patents.

45. On March 18, 1992, VSSI filed a petition under Chapter 11 of the U.S. Bankruptcy Code, which

proceeding is still pending. [Stipulated.]

46. In its Chapter 11 proceeding, VSSI has admitted that its liabilities, exclusive of any that may be created as a result of VMX's counterclaims herein, are greater than its assets. Therefore, VSSI will be unable to compensate VMX for the damages that VSSI has caused and is continuing to cause by VSSI's infringement of VMX's patents. Therefore, VMX cannot be adequately compensated in damages and does not have an adequate remedy at law. [Epps, Tr. pp. 23-24.]

47. VMX's potential customer base is diminished each time VSSI makes a sale, and since each VMX customer is a potential source of referrals for new customers, each VSSI sale has the potential to impede the expansion of VMX's customer base. [Epps, Tr. pp. 15, 24.]

48. Each sale lost to VMX due to VSSI's patent infringement also injures VMX through the loss of future sales of parts, repair and maintenance services, and add-on equipment. [Epps, Tr. p. 23.]

49. VSSI's sales, tend to diminish VMX's reputation and standing as an industry leader. [Epps, Tr. pp. 23, 30.]

50. As a result of VSSI's cost saving in not paying any royalties to VMX, as other manufacturers and sellers are paying, VSSI is able to sell its equipment at prices lower than VMX's licensees, putting the latter at a competitive disadvantage. [Epps, Tr. p. 23.] VSSI also has an unfair cost advantage over VMX because VSSI does not have to recover VMX's past and continuing research and development costs. [Epps, Tr. p. 24.]

51. VMX takes funds that it receives as royalties and license fees and reinvests them into research and development of new products. In the years 1987-1992, VMX invested \$39.8 million in research and development. [Epps, Tr. p. 15.]

52. As a result of VSSI's cost advantage, VMX has had to reduce prices to meet the unfair competition. [Epps, Tr. p. 23.]

53. VMX's voice mail patent expires in the year 2000, thereby affording it only a limited time to recover its investment and make a profit. [VMX Exs. 1; 35 U.S.C. s. 154.]

54. Continued acts of infringement by VSSI may encourage others to infringe VMX's patents.

55. VMX will be irreparably harmed if a preliminary injunction does not issue. VSSI has not met its burden in overcoming the evidentiary presumption of irreparable injury in patent infringement cases.

56. The balance of hardships tips in favor of VMX, who has developed patentable innovations, and who has invested in substantial research and development, rather than VSSI, who has built its business by infringing VMX's patents.

57. Public policy is against an infringer who took a calculated risk that it might infringe a competitor's patents, and tried but failed to establish invalidity of those patents.

58. VMX published a detailed description of how to make and use its voice mail invention, *see* 35 U.S.C. s.

112, in return for a promise from the federal government that VMX would be given the exclusive right to make, use and sell its invention for a limited period of 17 years, *see* 35 U.S.C. s. 154. Because VMX published the details of the voice mail invention, VMX is no longer able to protect it as a trade secret. VMX fulfilled its obligations by publishing its invention so that others could try to improve upon it, thereby promoting the progress of science. In balancing the hardships, the Court has taken into consideration that VMX's patent will expire in less than 8 years, and such is entitled to protection.

59. The public interest favors protection of valid patent rights in order to encourage and reward innovation.

60. If VMX is not granted relief to stop illegal infringement of its patents, then VMX's patent rights will be greatly diminished. VMX and other patent owners similarly situated will be discouraged from investing in research and development. If courts do not protect valid patent rights, then in the short run other competitors will be able to copy a patentee's present products and drive prices down. But in the long run, incentive to invest money in developing new products will be lost because others will be able to take a "free ride" on one's invention and investment and copy new products that are developed. This would not be in the public interest.

CONCLUSIONS OF LAW

1. The Court has subject matter jurisdiction in this case pursuant to 28 U.S.C. s. 1338(a), and jurisdiction over the parties herein.

2. Any Finding of Fact above that might be properly characterized a Conclusion of Law is incorporated herein.

3. The validity of VMX's U.S. Patents Nos. 4,371,752, 4,783,796 and 4,727,124 has not been challenged and is not in issue herein. Thus, the three patents referenced above are presumed valid. 35 U.S.C. s. 282.

4. The injunctive relief sought by VMX on this motion does not violate the automatic s. 362 stay that was in effect in VSSI's Chapter 11 bankruptcy proceeding. 12 U.S.C. s. 959(a) reads as follows:

(a) Trustees, receivers or managers of any property, including debtors in possession, may be sued, without leave of the court appointing them, with respect to any of their acts or transactions in carrying on business connected with such property. Such actions shall be subject to the general equity power of such court so far as the same may be necessary to the ends of justice, but this shall not deprive a litigant of his right to trial by jury.

Section 959(a) has been held to constitute an exception to the s. 362 automatic stay. *Matter of Campbell*, 13 B.R. 974, 976 (Bankr.D.Idaho 1981); *In re Kish*, 41 B.R. 620, 623 n. 3 (Bankr.E.D.Mich.1984); *see also*, *In re Television Studio School*, 77 B.R. 411 (Bankr.S.D.N.Y.1987). *See*, *Bambu Sales, Inc. v. Sultana Crackers, Inc.*, 683 F.Supp. 899, 916-17 (E.D.N.Y.1988) (automatic stay not applicable to claim for injunctive relief on trademark infringement case).

5. The relief sought by VMX does not involve pre-petition claims, but only seeks to enjoin post-bankruptcy petition alleged acts of patent infringement.

6. Since this case arises in part under the United States patent laws, the United States Court of Appeals for

the Federal Circuit has exclusive appellate jurisdiction herein, pursuant to 28 U.S.C. s. 1295(a)(1). In *re Innotron Diagnostics*, 800 F.2d 1077, 1081 (Fed.Cir.1986) (consolidation of patent infringement action with earlier-filed antitrust action did not alter Federal Circuit's exclusive jurisdiction of an appeal since the consolidated action was based in part on 28 U.S.C. s. 1338(a)). Thus, the Court looks primarily to the Federal Circuit precedent in determining the applicable law. *Hybritech, Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1451 n. 12 (Fed.Cir.1988); *Toro Co. v. Textron, Inc.*, 703 F.Supp. 417, 420 (W.D.N.C.1987); *John Fluke Mfg. Co., Inc. v. North American Soar Corp.*, 5 U.S.P.Q.2d 1657, 1658 (D.N.J.1987); *Augat, Inc. v. John Mezzalingua Associates, Inc.*, 642 F.Supp. 506, 507 (N.D.N.Y.1986).

7. Injunctive relief in patent cases such as this is expressly authorized by statute, 35 U.S.C. s. 283, and by case law. *Tri-Tech, Inc. v. Eng'g Dynamics Corp.*, 8 U.S.P.Q.2d 1371 (D.Mass.1988), *appeal dismissed*, No. 88-1555 (Fed.Cir. Oct. 20, 1988), (citing *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-79 (Fed.Cir.1983), *cert. denied*, 464 U.S. 996 (1983)).

8. To obtain preliminary injunctive relief, pursuant to 35 U.S.C. s. 283, the movant must establish a right thereto in light of four factors: (i) reasonable likelihood of success on the merits; (ii) irreparable harm; (iii) tipping of the balance of hardships in its favor; and (iv) a consideration of the impact of the injunction on the public interest. *Hybritech, Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1451 (Fed.Cir.1988); *Roper Corp. v. Litton Systems, Inc.*, 757 F.2d 1266, 1269 n. 1 (Fed.Cir.1985); *Toro Co. v. Textron Inc.*, 703 F.Supp. 417, 419 (W.D.N.C.1987); *John Fluke Mfg. Co., Inc. v. North American Soar Corp.*, 5 U.S.P.Q.2d 1657, 1659 (D.N.J.1987); *Augat, Inc. v. John Mezzalingua Associates, Inc.*, 642 F.Supp. 506, 507 (N.D.N.Y.1986). These factors, taken individually, are not dispositive; rather, the district court must weigh and measure each factor against the other factors and against the form and magnitude of the relief requested. *Hybritech*, 849 F.2d at 1451; *Roper*, 757 F.2d at 1269 n. 2.

9. The grant or denial of a preliminary injunction in a patent case is a matter committed to the sound discretion of the court. *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1578 (Fed.Cir.1983), *cert. denied*, 464 U.S. 996 (1983).

10. A patent consists of three parts: (i) drawings illustrating a preferred embodiment of the invention, (ii) a specification describing a preferred embodiment of the invention and explaining the drawings, and (iii) claims defining the scope of patent protection.

11. It is the claims, and not any other matter in the specification, that measures and defines the metes and bounds of the invention. 35 U.S.C. s. 112; *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257 (Fed.Cir.1989). Hence, claims are infringed, not specifications. *SRI Int'l v. Matsushita Elec. Corp. of America*, 775 F.2d 1107, 1121 (Fed.Cir.1985).

12. Literal infringement of a VMX patent claim is established by a showing that the VSSI product embodies every element of such patent claim. *Mannesman Demag Corp. v. Engineered Metal Products Co., Inc.*, 793 F.2d 1279, 1282 (Fed.Cir.1986).

13. VSSI cannot avoid infringement by comparing its product to the product made by VMX. Infringement is determined by comparing the VSSI product with the claims of patents, not with VMX's commercial product. *ACS Hospital Systems, Inc. v. Montefiore Hospital*, 732 F.2d 1572, 1578 (Fed.Cir.1984) ("[i]nfringement is determined on the basis of the claims, not on the basis of a comparison with the patentee's commercial embodiment of the claimed invention."); *SRI Int'l v. Matsushita Electric Corp. of America*, 775 F.2d 1107,

14. The determination of infringement is a two step process. First, if there is any dispute about the construction of the claim's language, the Court first determines the proper construction of the claims. That is a question of law for the court to decide. *Texas Instruments, Inc. v. U.S. Int'l Trade Commission*, 805 F.2d 1558, 1562 (Fed.Cir.1986). Second, the properly construed claims are then compared with the accused product. *Hormone Research Foundation, Inc. v. Genentech, Inc.*, 904 F.2d 1558, 1562 (Fed.Cir.1990), *cert. dismissed*, 111 S.Ct. 1434 (1991).

15. The Court construes the words of a patent claim according to their ordinary meaning absent evidence that the inventor used them differently. *ZMI Corp. v. Cardiac Resuscitator Corp.*, 844 F.2d 1576, 1579 (Fed.Cir.1988).

16. Proper construction of the patent claims of VMX requires that all claims be read as a whole, and in light of the specification and prosecution history. *SRI Int'l v. Matsushita Elec. Corp. of America*, 775 F.2d 1107, 1121 (Fed.Cir.1985); *Loctite Corp. v. Ultraseal, Ltd.*, 781 F.2d 861, 867 (Fed.Cir.1985).

17. VSSI attempted to read the claim of the voice mail patent as requiring the use of a password for depositing messages. VSSI admittedly uses a password to control unauthorized user access to the voice mail system for retrieving messages. VSSI attempted to limit the phrase "means for controlling unauthorized user access to the message system" to the specific preferred embodiment described in the specification. The description in the patent describes how a user I.D. could also be used for depositing messages. But the claims, read as a whole, also provide for "means for enabling an originator to access the message system through signals transmitted from a telephone station." Because the claims read as a whole provide that an originator, i.e., someone who deposits a message, shall have access to the message system through a telephone, it is clear that the scope of the claims is not limited to the exact embodiment described in the specification. Reading the claims as a whole, it is clear that an originator who deposits a message has access to the message system. In other words, everyone may be authorized to deposit a message, so there are no unauthorized users whose access must be controlled for purposes of depositing a message. VSSI also requires a password in order to deposit a group message or broadcast message.

18. Although claims are to be construed in light of the specification and with a view to ascertaining the invention, a defendant cannot avoid infringement by reading limitations which only appear in the specification into the claims. *Sjolund v. Musland*, 847 F.2d 1573, 1582 (Fed.Cir.1988). In particular, references to a preferred embodiment which is found within a specification are not claim limitations. *Laitram Corp. v. Cambridge Wire Cloth Co.*, 863 F.2d 855, 865 (Fed.Cir.1988), *cert. denied*, 490 U.S. 1068 (1989). VSSI attempts to avoid infringement by improperly reading limitations, present only in the specification, into the patent claims of VMX. For example, VSSI's attempt to limit the element of a "means for controlling unauthorized user access to the voice messaging system" to the specification's preferred embodiment which described how to use a password for depositing messages, as well as for retrieving messages.

19. A claimed "means" for performing a special function is not limited to the particular embodiment set forth in the specification. *D.M.I., Inc. v. Deere & Co.*, 755 F.2d 1570, 1574 (Fed.Cir.1985) ("[t]o interpret 'means plus function' limitations as limited to a particular means set forth in the specification would be to nullify the provision of [35 U.S.C.] s. 112 requiring that the limitation shall be construed to cover the structure described in the specification and equivalents thereof"); 35 U.S.C. s. 112; *Pennwalt Corp. v.*

Durand-Wayland, Inc., 833 F.2d 931, 934 (Fed.Cir.1987) (*cert. den. en banc*), 485 U.S. 961 (1988).

20. A patentee is only required to disclose a particular embodiment in the specification as a means for accomplishing the function set forth in a patent claim. *D.M.I., Inc. v. Deere & Co.*, 755 F.2d 1570, 1574 (Fed.Cir.1985). There is no requirement that a patentee describe or predict every potential means of accomplishing the function set forth in the claim. *Id.* ("[t]here is and can be no requirement that [patent] applicants describe or predict every possible means of accomplishing that function. The statute, s. 112-6, was written precisely to avoid a holding that a means-plus-function limitation must be read as covering only the means disclosed in the specification.").

21. If comparison of a claim with the VSSI product demonstrates that the VSSI product contains each element of the patent claim, infringement is established. *ZMI Corp. v. Cardiac Resuscitator Corp.*, 844 F.2d 1576, 1582 (Fed.Cir.1988). If the VSSI product infringes any claim of a patent, infringement of that patent is established. *Intervet America, Inc. v. Kee-Vet Laboratories, Inc.*, 887 F.2d 1050, 1555 (Fed.Cir.1989).

22. The Court concludes that VSSI infringes the voice mail patent. VSSI only disputes whether it has a means for controlling unauthorized user access to the message system. VSSI does have such a means; in certain circumstances it uses passwords to control access.

23. The Court concludes that VSSI infringes the automated attendant patents. VSSI only disputed two elements of the claims.

24. VSSI has a "means for receiving and decoding said extension number from said calling party when signaled," as called for by claim 5 of U.S. Patent No. 4,783,796. VSSI has circuits that receive and decode touch tone signals from the calling party, when the calling party presses buttons on his phone to indicate the extension to which he wants to be transferred. These touch tone signals are referred to as DTMF tones. Thus, VSSI also has the corresponding element of claim 1 of U.S. Patent No. 4,747,124, i.e., "DTMF means responsive to a signaled extension number for receiving and decoding said signaled extension number from said calling party."

25. VSSI attempted to avoid infringement of claim 5 of U.S. Patent No. 4,783,796 by arguing that it did not have:

"means for answering said calling party who is using one of said incoming external trunks of said internal telephones and informing said calling party to signal a certain extension number corresponding to one of said internal telephones connected to one of said PBX internal telephone subscriber lines."

26. VSSI has a means for answering the calling party. VSSI argued that the "means for ... informing said calling party to signal a certain extension number ..." must be limited to exactly what is described in the specification. The specification illustrates a block diagram of a "voice response unit talker" that is used to play voice prompts to the caller. But the claims are not limited to exactly what is illustrated as the preferred embodiment in the specification. VSSI has a means for informing a calling party to signal the extension number of the party to whom they wish to speak. VSSI plays a voice prompt that instructs the caller to press the touch tone buttons on his telephone to indicate the extension to which he wants to be transferred.

27. Even if VSSI's products do not literally infringe a particular patent claim of VMX, infringement may still be established by the doctrine of equivalents so as to prevent "a fraud on a patent." *Graver Tank & Mfg.*

Co. v. Linde Air Prods. Co., 339 U.S. 605, 608 (1950). The doctrine of equivalents provides that infringement is established if the claimed invention and the product of VSSI perform substantially the same function in substantially the same way to achieve substantially the same result. *Id.*; *Jurgens v. McKasy*, 927 F.2d 1552, 1560 (Fed. Cir.), *cert. denied*, 112 S.Ct. 281 (1991).

28. The Court concludes that laches has not been established as a defense herein.

29. Based on the findings of fact set forth above, the Court concludes that VMX has met its burden in showing reasonable likelihood of success on the merits of its patent infringement claims against VSSI.

30. VSSI products perform substantially the same function in substantially the same way to achieve substantially the same result as the claimed inventions in VMX's patents.

31. VSSI's president Peter Zuyus is also a party to this lawsuit. Under the terms of 35 U.S.C. s. 271(b), anyone who "actively induces infringement of a patent shall be liable as an infringer." Inducement covers any activity that aids and abets infringement. E.g., *C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.*, 911 F.2d 670, 675 (Fed.Cir.1990) ("A person induces infringement under s. 271(b) by actively and knowingly aiding and abetting another's direct infringement."); *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 411 (5th Cir.1963) ("the term is as broad as the range of actions by which one in fact causes, or urges, or encourages, or aids another to infringe a patent.") Mr. Zuyus has himself committed acts of infringement by selling infringing VSSI products, and he has controlled and directed VSSI's infringement. Mr. Zuyus, as an officer of VSSI, also falls within the scope of Rule 65(d), Fed.R.Civ.P., which extends the binding scope of an injunction to the officers of a party to the action.

32. VMX has a reasonable likelihood of success in proving that VSSI has committed acts of infringement, and that Zuyus has committed acts of infringement and has induced infringement of the patents in suit. *See* 35 U.S.C. s. 271(a) and (b).

33. In patent infringement cases, when validity and infringement are established, immediate irreparable harm is presumed and must be rebutted by evidence introduced by the opposing party. *H.H. Robertson, Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390 (Fed.Cir.1987); *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1580-81 (Fed.Cir.1983), *cert. denied*, 464 U.S. 996 (1983); *John Fluke Mfg. Co. v. North American Soar Corp.*, 5 U.S.P.Q.2d 1657, 1659 (D.N.J.1987). This presumption can only be rebutted by clear and convincing evidence. *Roper Corp. v. Litton Sys., Inc.*, 757 F.2d 1266, 1272 (Fed.Cir.1985).

34. Based on the findings of fact set forth above going to the kinds and extent of injury that has been and will continue to be suffered by VMX if VSSI is not preliminarily enjoined, the Court concludes that VMX will suffer irreparable injury, which cannot be adequately remedied at law.

35. In view of the fact that the validity of VMX's patents has not been challenged, plus the fact that VSSI in the past declined VMX's offer to license its technology to VSSI, and for the additional reasons set forth above, the Court concludes that the balance of hardships weighs heavily in VMX's favor.

36. Public policy favors protection of the rights secured by valid patents, and in this case would be best served by the entry of a preliminary injunction in favor of VMX. *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed.Cir.1983), *cert. denied*, 464 U.S. 996 (1983); *Augat, Inc. v. John Messaliqua Associates, Inc.*, 642 F.Supp. 506, 509 (N.D.N.Y.1986).

37. The VSSI bankruptcy reference herein was withdrawn by Chief Judge James O. Ellison in Case No. 92-C-389-E, on September 9, 1992, and Plaintiff's motion to reconsider the reference withdrawal has not yet been ruled upon.

38. A preliminary injunction should issue in favor of VMX and against VSSI and Peter Zuyus enjoining them from committing further acts of patent infringement pending a trial on the merits and entry of a final judgment herein, such injunction to be conditioned upon security posted pursuant to Fed.R.Civ.P. 65(b) by VMX in an amount to be determined at a hearing on November 13, 1992, at 2:00 o'clock P.M., and Intervenor, Valley National Bank, is to be so informed. If the parties can agree on a security amount the Court should be so advised before the hearing.

39. The parties' attention is directed to Fed.R.Civ.P. 65(a)(2) which states the evidence presented at the preliminary injunction hearing is part of the record for the hearing on the merits.

N.D.Okl.,1992.

Voice Systems and Services, Inc. v. VMX, Inc.

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