

Eugene J. Wait, Jr.
Nevada Bar #001794
WAIT & SHAFFER
305 West Moana Lane, Second Floor
P.O. Box 719
Reno, Nevada 89504-0719
(775) 827-5500

FISH & NEAVE
1251 Avenue of the Americas
New York, New York 10021
(212) 596-9000

Attorneys for Plaintiff

FILED
00 APR 24 PM 3:48
LANCE S. WILSON
CLERK
BY [Signature]

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

CV-N-00-0222-HDM-RAM

TELXON CORPORATION,

Plaintiff,

v.

**LEMELSON MEDICAL, EDUCATION &
RESEARCH FOUNDATION, LIMITED
PARTNERSHIP,**

Defendant.

**DECLARATORY
JUDGMENT COMPLAINT**

Plaintiff Telxon Corporation ("Telxon"), as and for its complaint against defendant Lemelson Medical, Education & Research Foundation, Limited Partnership ("Lemelson Partnership"), avers:

CV-S-01-0703-PMP-RJJ

JURISDICTION

1. Telxon brings this action under the Declaratory Judgment Act, 28 U.S.C. § 2201, to obtain a judicial declaration that certain United States patents assigned to defendant Lemelson Partnership are invalid, unenforceable, and have not been infringed by Telxon or its customers. This Court possesses subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338(a) because it arises under the patent laws of the United States.

THE PARTIES

2. Telxon is a corporation organized and existing under the laws of the state of Delaware and maintains its executive offices at Ridgewood Corporate Center, 1000 Summit Drive, Cincinnati, Ohio 45150.

3. Since its inception in 1969, Telxon has been engaged in the business of designing, developing, and marketing mobile information systems, including a broad range of stationary and mobile computers that feature integrated laser or charge-coupled device (CCD) bar code scanners. Telxon has sold and sells bar code scanning products to a variety of industries, including, for example, retail, transportation/logistics, warehouse/distribution, route sales, and manufacturing enterprises.

4. Defendant Lemelson Partnership is a limited partnership organized and existing under the laws of the State of Nevada.

5. Jerome H. Lemelson ("Lemelson") formed the Lemelson Partnership in 1993, and assigned to the Lemelson Partnership various United States patents issued in his name, including the patents in this action.

6. Defendant Lemelson Partnership is engaged in the business of, *inter alia*, enforcing and licensing Lemelson's patents. For several years Jerome Lemelson and now the

Lemelson Partnership have pursued a well-publicized strategy of threatening infringement suits against companies throughout the United States and the rest of the world to induce them to take licenses under Lemelson's patents. Indeed, the Lemelson Partnership has filed sixteen lawsuits for patent infringement since August 1992 against hundreds of companies that have resisted its license demands.

**THE LEMELSON PARTNERSHIP'S CLAIMS AGAINST
TELXON AND USERS OF TELXON PRODUCTS**

7. Defendant Lemelson Partnership has accused Telxon of directly infringing numerous Lemelson patents ("the Lemelson patents-in-suit"), and has threatened to bring an infringement action against Telxon if it does not take a license under these patents.

8. The Lemelson Partnership has also accused many users of bar code scanning products of infringing the Lemelson patents-in-suit, and has both threatened to commence and commenced infringement suits against users of bar code scanning products that have not acceded to its licensing demands. Most recently, on April 14, 2000, the Lemelson Partnership filed five separate infringement actions against 438 companies that use bar code scanners, including bar code scanners developed and manufactured by Telxon. Consequently, many users of Telxon products who have been accused of infringing the Lemelson patents-in-suit have demanded directly of Telxon, or indirectly through distributors of Telxon products, that Telxon defend and/or indemnify them against the Lemelson Partnership's infringement charges.

9. Because the Lemelson Partnership has not identified any specific Telxon product or system whose use supposedly infringes the Lemelson patents-in-suit, Telxon is unable to identify herein the specific patent claims at issue. The Lemelson patents-in-suit alleged to be infringed by the use of Telxon products and systems include:

a. United States Patent No. 4,338,626, which issued on July 6, 1982, and is entitled "Scanning Apparatus and Method."

b. United States Patent No. 4,969,038, which issued on November 6, 1990, and is entitled "Method for Scanning Image Information."

c. United States Patent No. 4,979,029, which issued on December 18, 1990, and is entitled "Method and Systems for Scanning and Inspecting Images."

d. United States Patent No. 4,984,073, which issued on January 8, 1991, and is entitled "Methods and Systems for Scanning and Inspecting Images."

e. United States Patent No. 5,067,012, which issued on November 19, 1991, and is entitled "Method for Scanning and Inspecting Images."

f. United States Patent No. 5,119,190, which issued on June 2, 1992, and is entitled "Controlling Systems and Methods for Scanning and Inspecting Images."

g. United States Patent No. 5,119,205, which issued on June 2, 1992, and is entitled "Methods and Apparatus for Scanning and Analyzing Selected Image Areas."

h. United States Patent No. 5,128,753, which issued on July 7, 1992, and is entitled "Method and Apparatus for Scanning Objects and Generating Image Information."

i. United States Patent No. 5,144,421, which issued on September 1, 1992, and is entitled "Methods and Apparatus for Scanning Objects and Generating Image Information."

j. United States Patent No. 5,351,078, which issued on September 27, 1994, and is entitled "Apparatus and Methods for Automated Observation of Objects."

10. The Lemelson Partnership's conduct has caused Telxon reasonably and legitimately to fear that the Partnership will bring infringement actions against Telxon, and continue to sue users of Telxon products.

11. An actual case or controversy therefore exists between Telxon and the Lemelson Partnership concerning the validity, infringement and enforceability of the Lemelson patents-in-suit.

FIRST COUNT

12. Telxon repeats the allegations of paragraphs 1 through 11 as if fully set forth at length herein.

13. Neither Telxon nor any user of Telxon products have infringed the Lemelson patents-in-suit. Further, Telxon has not induced or contributed to infringement of any of the Lemelson patents-in-suit.

SECOND COUNT

14. Telxon repeats the allegations of paragraphs 1 through 11 as if fully set forth at length herein.

15. The Lemelson patents-in-suit are invalid under one or more provisions of United States Code, Title 35, Part II, 35 U.S.C. § 100 et seq.

THIRD COUNT

16. Plaintiffs repeat the allegations of paragraphs 1 through 11 as if fully set forth at length herein.

17. The Lemelson patents-in-suit, as stated on the face of each patent, are said by Lemelson to be the product of a long chain of continuation or divisional applications supposedly based on two applications that Lemelson originally filed in 1954 and 1956. As detailed below,

Lemelson committed inequitable conduct during prosecution of the chain of applications underlying the Lemelson patents-in-suit. In consequence of that conduct, the Lemelson patents-in-suit are unenforceable.

a. The Reed Non-Disclosure

18. During prosecution Application Serial No. 267,377 ("the 1963 application"), Lemelson submitted claims 53-57 for examination. In particular, Lemelson advised the Patent Office that claims 53-57 were "substantially respectively claims 1, 2, 4, 6 and 7 of U.S. Patent 3,218,389 ["the Reed patent"] granted November 16, 1965, less than one year ago." Lemelson's objective in proposing claims 53-57 was to provoke an interference between those claims and claims 1, 2, 4, 6, and 7 of the Reed patent ("the Reed claims"), and to induce the Patent Office to grant him the same patent monopoly previously accorded Mr. Reed.

19. The Examiner rejected claims 53-57 on the ground that Lemelson's specification did not provide an adequate written description of the subject matter of these claims, as required by 35 U.S.C. § 112. The Board of Appeals subsequently upheld the Examiner's rejection, and Lemelson elected to forego his right to further appeal.

20. Lemelson thereafter filed Application Serial No. 254,710 in 1972 ("the 1972 application") as a continuation-in-part of the 1963 application, in which he included former claims 53-57 from the 1963 application, renumbered as claims 41-45. In this regard, Lemelson represented to the Patent Office that: "Where there has been reference to insufficient disclosure because of a lack of elements as set forth in former claims 53-57, this new subject matter has been placed in the written description." Lemelson did not identify any such new subject matter. Nor, in fact, did he add any new subject matter to the written description to support former claims 53-57 (i.e., the Reed

claims), as recast in the 1972 application as claims 41-45. As it happened, Lemelson elected not to prosecute claims 41-45 of the 1972 application.

21. Lemelson subsequently included the Reed claims in Application Serial No. 778,331, which he filed in 1977 as a continuation of the 1972 application, and in Application Serial No. 13,608, filed in 1979 as a division of the 1977 application. Lemelson, however, elected not to pursue the Reed claims during the prosecution of those applications.

22. Finally, Lemelson included copies of the Reed claims in Application Serial No. 394,946, which he filed in 1982 ("the 1982 application") as a continuation of Application Serial No. 13,608. Lemelson pursued allowance of the Reed claims during prosecution of the 1982 application, and they issued as claims 18-22 of United States Patent No. 4,511,918 ("the '918 patent").

23. Lemelson did not disclose to the Examiner during prosecution of the 1982 application that he had copied the Reed claims 16 years earlier, and that ten years earlier the Board of Appeals had held that the copied claims were not supported by an adequate written disclosure. Lemelson also withheld the Reed patent from the examiner, even though Lemelson himself had earlier stated that Reed covered the same invention embodied in claims 18-22 of the '918 patent. Reed thus clearly anticipated and invalidated claims 18-22 of the '918 patent.

24. Lemelson thus obtained the '918 patent, including unpatentable claims 18-22, by fraudulently concealing material information with the intent to deceive the Patent Office. The '918 patent is, therefore, unenforceable; so, too, are the later issued Lemelson patents-in-suit as they claim priority through, and subject matter related to, the '918 patent. Moreover, as a consequence of this inequitable conduct, the later issued Lemelson patents-in-suit may not claim priority through the '918 patent.

b. The Gloess and Jacobi Non-Disclosures

25. During prosecution of the 1963 application, the Examiner rejected application claim 49 under 35 U.S.C. § 102 as anticipated by an earlier patent to Gloess, U.S. Patent No. 2,569,927. Mr. Lemelson consequently amended application claim 49 for the express purpose of distinguishing it from the Gloess patent. The Examiner then rejected amended application claim 49 as obvious under 35 U.S.C. § 103 in view of U.S. Patent No. 2,612,550 to Jacobi. The Examiner also rejected application claim 49, as originally submitted and subsequently amended to avoid the Gloess patent, as unpatentable under 35 U.S.C. § 112.

26. The Board of Appeals upheld the Examiner's rejection of amended claim 49 as unpatentable under 35 U.S.C. § 112. With respect to the § 103 obviousness rejection of amended claim 49 over Jacobi, the Board of Appeals stated:

Claims 49 and 69 further stand finally rejected under 35 U.S.C. 103 as being obvious in view of Jacobi and Richards, respectively. This rejection on prior art is inconsistent with the rejection under 35 U.S.C. 112 since we find that the disclosure is not sufficient to enable any person skilled in the art to which it pertains to make and use the same. Claims necessarily require interpretation in light of the specification. As a result of the insufficiency of appellant's disclosure, we are unable to interpret appellant's claims sufficiently to reach the issue of the applicability of the cited references to the claims. . . . In not sustaining the rejection under 35 U.S.C. 103, we are not making any determination on the relevancy of the references with respect to the invention as claimed.

27. In the 1972 application, which was filed on the heels of the unsuccessful appeal of the 1963 application, Mr. Lemelson submitted a proposed claim 20. With the exception of a minor and inconsequential grammatical change, claim 20 was identical to original application claim 49 of the 1963 application, which the Examiner had rejected on the basis of the Gloess patent. Mr. Lemelson did not disclose that claim 20 was virtually identical to original claim 49 or that the

latter had been rejected in light of the Gloess patent under 35 U.S.C. § 102. Rather, Mr. Lemelson misled the Patent Office by implying that claim 20 corresponded to amended claim 49 and representing that "the Board of Appeals reversed . . . the art rejections of former claims 49 and 69 under 35 U.S.C. 103."

28. Mr. Lemelson elected not to prosecute claim 20 of the 1972 application, which was virtually identical to original claim 49 of the 1963 application. Instead, Mr. Lemelson carried original claim 49 over to the application underlying the '061 patent, and then over to the application underlying the '626 patent. Original claim 49 then issued, in virtually the identical form in which it had been previously rejected in light of the Gloess patent, as claim 1 of the '626 patent. Claim 1 of the '626 patent is accordingly anticipated by the Gloess patent and invalid, as Mr. Lemelson himself recognized when he amended original claim 49 to distinguish it from Gloess.

29. Mr. Lemelson did not disclose the prior rejection of original claim 49 or the Gloess patent to the Examiner during prosecution of the '626 patent application. Nor did Mr. Lemelson ever disclose the rejection of amended claim 49 or the Jacobi patent to the Examiner, or correct his misleading statement that the Board of Appeals had "reversed" the rejection over Jacobi.

30. Mr. Lemelson thus obtained the '626 patent, including unpatentable claim 1, by concealing material information and by making affirmative representations with the intent to mislead and deceive the Patent Office. The '626 patent is, therefore, unenforceable, as are the later-issued patents which claim priority through, and subject matter related to, the '626 patent. Moreover, as a consequence of this inequitable conduct, the later issued Lemelson patents-in-suit may not claim priority through the '626 patent.

c. **The Laser and Collimated Beam Non-Disclosures**

31. In January 1980, well-after machine vision equipment and bar code scanners employing lasers had been commercialized, Mr. Lemelson sought to obtain a claim covering a laser during prosecution of the application underlying the '626 patent (the "'626 application"), which is one of the asserted machine vision patents. Specifically, proposed claim 67 of the '626 application provided:

67. A method as defined in claim 64 wherein the ["scanning radiation"] beam is a beam of *laser light*.

The Examiner rejected this claim (and others) for "an apparent lack of clear support for claim language." Mr. Lemelson in turn argued that "[a] beam of laser light can be used to replace the television camera," and that a laser scanner "broadly" fell within the rubric of an "electro-optical scanner" mentioned in the specification.

32. The Examiner disagreed and flatly rejected claim 67 "as not supported by an adequate disclosure, 35 USC 112, first paragraph," and emphasized that there was "not sufficient disclosure to enable one of ordinary skill in the art to construct a deflection controlled laser beam as claimed." Mr. Lemelson accepted this rejection.

33. Nine years and several applications and examiners later, during prosecution of the application underlying United States Patent No. 5,119,205 (the "'205 application"), an asserted bar code patent, Mr. Lemelson again sought the following claims using the term "laser":

55. A method in accordance with claim 49 wherein said narrow [radiation] beam is generated as a beam of collimated radiation on the output of a *laser* and is automatically deflected to cause it to scan said select path by automatically driving an optical means.

56. A method in accordance with claim 49 wherein said narrow [radiation] beam is generated as a beam of collimated radiation on the output of a *laser* and is automatically deflected to cause it to scan said select path by an optical means.
61. An [scanning] apparatus in accordance with claim 59 wherein said first means [for generating a radiation beam] comprises a *laser*.

Mr. Lemelson violated his duty of candor to the Patent Office in presenting these claims because he failed to disclose that his earlier attempt to claim the use of a laser in connection with the '626 patent application had been rejected. The Examiner nevertheless rejected application claims 55, 56, and 61 under 35 U.S.C. § 112, ¶ 1 for lack of support in the specification.

34. In response, Mr. Lemelson amended claims 55, 56 and 61 to eliminate the term "laser," but continued to maintain the phrases "narrow beam of collimated radiation" in claim 55, and "beam of collimated radiation" in claim 61. These claims were again rejected on the grounds that there was no support in the specification for Mr. Lemelson's claims to "narrow" or "collimated" radiation beams.

35. Mr. Lemelson then canceled claims 55 and 61 from the '205 application, and represented that he would insert them in the application underlying another asserted bar code patent, United States Patent No. 5,128,753 (the "'753 application"). However, in transferring these claims to the '753 application, on February 19, 1992, Mr. Lemelson dropped all pretense to claiming the use of "narrow" or "collimated" radiation beams in deference to the Examiner's earlier rejections. The '753 patent thus issued without any reference to lasers by name, or "narrow" or "collimated" beams of radiation by description.

36. In September 1993, Mr. Lemelson filed the application underlying asserted United States Patent No. 5,351,078 (the "'078 patent"), in which proposed claims 43 and 44 called for scanning with a "collimated beam of radiant energy." Mr. Lemelson did not advise the Examiner, who was not involved in the prosecution of the '205 or '753 applications, that he had tried to obtain substantively identical claims directed to a collimated radiation beam in connection with the '205 application, and that he had acquiesced in the Examiner's rejections of such claims under 35 U.S.C. § 112, ¶ 1 during prosecution of the '753 patent application. Consequently, claims 43 and 44 of the '078 patent call for scanning with a collimated radiation beam.

37. Mr. Lemelson thus obtained the '078 patent, including unpatentable claims 43 and 44, by concealing material information with the intent to deceive the Patent Office. The '078 patent is, therefore, unenforceable.

FOURTH COUNT*

38. Telxon repeats the allegations of paragraphs 1 through 11 as if fully set forth at length herein.

39. Lemelson filed the application immediately underlying the '626 patent, the first of the Lemelson patents-in-suit, in 1979; the applications immediately underlying the remaining Lemelson patents-in-suit were filed between 1989 and 1993. The '626 patent issued in 1982, and the remaining Lemelson patents-in-suit issued over the years between 1990 and 1994. However, each of the Lemelson patents-in-suit is the product of a long chain of related continuation or divisional applications that the Lemelson Partnership contends are entitled, *inter alia*, to the benefit of applications Lemelson filed in 1954 and 1956. The 1954 application issued as United States

*Telxon recognizes that the Judge Pro recently struck a similar claim in *Symbol Technologies, Inc., et al. v. Lemelson etc.*, CV-N-99-00397-PMP (PHA). Telxon asserts this claim, even though it may be stricken as well, to preserve the issue for appeal.

Patent No. 3,476,481 ("the '481 patent") in 1969, which expired in 1986. The 1956 application issued as United States Patent No. 3,081,379 ("the '379 patent") in 1963, which expired in 1980.

40. The drawings and specifications of the Lemelson patents-in-suit are not only identical in all substantive respects, but they are also identical to the disclosure of Lemelson's original 1956 application, as supplemented by material contained in continuation-in-part applications Lemelson filed in 1963 and 1972. Thus, notwithstanding the new material added in 1963 and 1972, the common disclosure of the Lemelson patents-in-suit is rooted in the specification and drawings of the 1956 application.

41. Lemelson first filed continuation applications resulting in the Lemelson patents-in-suit in 1972. As and when the advances of Telxon and others were published or embodied in real world products, Lemelson filed additional applications and sought and obtained vaguely worded claims that were calculated to read-on and claim to Lemelson the developments and technological advances of Telxon and others in the field of machine vision – developments and advances that were made without any knowledge of or reliance on the alleged invention disclosed by Lemelson in the 1954 and 1956 applications or the '481 and '379 patents.

42. By virtue of his unprecedented delays in presenting many of the claims of the Lemelson patents-in-suit to the Patent Office for examination – claims which purport to be based on the disclosure of his 1954 and 1956 applications and could have been presented decades earlier – Lemelson has extended the limited 17 year monopoly afforded the '379 patent to the end of this century and well into the next. He has also subjected Telxon and others to significant harm, including the threat of expensive patent infringement litigation and assertions that technology developed by others belongs to Lemelson.

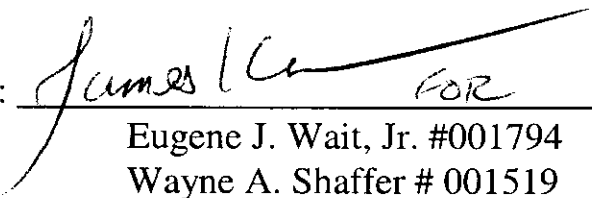
43. Lemelson unreasonably and inexcusably delayed seeking and obtaining most of the claims of the Lemelson patents-in-suit with consequent harm to Telxon and other members of the public. His unreasonable and inexcusable delays constitute laches and render the resulting patents unenforceable.

WHEREFORE, plaintiff Telxon Corporation requests a judgment:

- a. That the Lemelson patents-in-suit are invalid and unenforceable;
- b. That Telxon has not infringed, contributorily infringed, or induced infringement of the Lemelson patents-in-suit;
- c. That users of Telxon products have not infringed any of the Lemelson patents-in-suit, directly or indirectly;
- d. That Telxon is entitled to an award of its attorneys' fees under 35 U.S.C. § 285 and costs of suit; and
- e. Granting to Telxon such other and further relief as the Court may deem just and proper.

WAIT & SHAFFER
Attorneys for Plaintiff

Dated: April 24, 2000.

By:  FOR
Eugene J. Wait, Jr. #001794
Wayne A. Shaffer # 001519

OF COUNSEL:

Jesse J. Jenner
Albert E. Fey
Charles Quinn
FISH & NEAVE