

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

**In the Matter of**

**CERTAIN UNIVERSAL TRANSMITTERS FOR  
GARAGE DOOR OPENERS**

**Inv. No. 337-TA-497**

**ORDER NO. 14: INITIAL DETERMINATION GRANTING RESPONDENTS'  
MOTIONS TO TERMINATE THE INVESTIGATION**

(January 14, 2004)

On December 19, 2003, respondents Skylink Technologies, Inc. ("Skylink"), Capital Prospect, Ltd. ("CP") and Philip Tsui ("Tsui") (collectively, "Respondents") filed a motion (497-008) to terminate this investigation pursuant to 19 C.F.R. § 210.21 in regard to the claims of complainant The Chamberlain Group, Inc. ("Complainant" or "Chamberlain") under the Digital Millennium Copyright Act ("DMCA"), or alternatively to grant summary determination in Respondents' favor on Complainants' DMCA claim by reason of the doctrines of res judicata and collateral estoppel. On January 7, 2004, Complainant filed a response in opposition to Respondents' motion. The Commission Investigative Staff ("Staff") also filed a response on that date in support of Respondents' motion.

Also on December 19, 2003, Respondents filed a motion (497-010) to terminate the entire investigation pursuant to 19 C.F.R. § 210.21 on the basis of Complainants' stipulation and agreement that the investigation would be terminated if Skylink prevailed on its then-pending motion for summary determination regarding Complainant's DMCA claim. On January 7, 2004, Complainant filed a response in opposition to Respondents' motion, and the Staff, in the same response as that filed in connection with Motion No. 497-008, opposed Respondents' motion.

On January 5, 2004, Respondents filed a motion (497-012) to stay the procedural schedule for this investigation, as set forth in Order No. 3 (August 26, 2003), or alternatively for an amendment of the schedule, pending issuance of a final ruling regarding Respondents' two pending dispositive motions. On January 8, 2004, Complainant filed a response in opposition to Respondents' motion. The Staff also filed a response on that date in support of Respondents' motion.

On January 13, 2004, Respondents filed a motion (497-013) for leave, hereby granted, to file replies to Complainant's responses to the motions to terminate the investigation. As all of the foregoing motions are interrelated, they are being considered together in this order.

Regarding Motion No. 497-008, under Commission Rule 210.21(a)(1), "[a]ny party may move at any time prior to the issuance of an initial determination on violation of section 337 of the Tariff Act of 1930 for an order to terminate an investigation in whole or in part as to any or all respondents . . . for good cause . . ." 19 C.F.R. § 210.21(a)(1). Summary determination, on the other hand, is warranted only where "there is no genuine issue as to any material fact and . . . the moving party is entitled to a summary determination as a matter of law." 19 C.F.R. § 210.18(b). "When ruling on a motion for summary judgment, all of the nonmovant's evidence is to be credited, and all justifiable inferences are to be drawn in the nonmovant's favor." Xerox Corp. v. 3Com Corp., 267 F.3d 1361, 1364 (Fed. Cir. 2001).

In their motion, Respondents contend that Complainant's remaining DMCA claim against them in this investigation is barred under the doctrine of res judicata by reason of a final summary judgment in Skylink's favor on the same claim that was rendered on November 13, 2003 by the U.S.

District Court for the Northern District of Illinois, Eastern Division (“District Court decision”).<sup>1</sup> See Respondents Motion No. 497-008 Memorandum at 2-6 and Exhibit 1. That judgment is currently on appeal before the U.S. Court of Appeals for the Federal Circuit. See Respondents Motion No. 497-008 Memorandum Exhibit 8 (Notice of Appeal, December 3, 2003). The Staff, in its response to the motion, concurs with Respondents. See Staff Response at 5-13.

In its opposition, Complainant argues that the District Court based its decision that Skylink did not violate the DMCA on the fact that Chamberlain had implicitly authorized Skylink and Chamberlain’s customers to access the operating software of Chamberlain’s garage door openers (“GDOs”) by failing to expressly prohibit them from using non-rolling code universal transmitters with its GDOs. See Complainant Response to Motion No. 497-008 at 2-3. By so doing, the District Court found, Chamberlain could not show that Skylink’s Model 39 transmitter (the same transmitter at issue in this investigation) “circumvented a technological measure” consisting of copyrighted software in Chamberlain’s GDOs “without the authority of the copyright owner,” as proscribed by the DMCA. See 17 U.S.C. § 1201(a)(3)(A); Complainant Response to Motion No. 497-008 at Exhibit A (District Court Decision at 5).

Complainant contends that circumstances have changed, however, since the District Court rendered its decision. See Complainants Response to Motion No. 497-008 at 3. Complainant argues that it is rewriting, and has rewritten, its GDO owner’s manuals to expressly warn customers, regarding programming of a transmitter, that use of non-rolling code transmitters will circumvent Chamberlain’s rolling code security measure, and to make clear to Skylink and to Chamberlain’s

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<sup>1</sup> The Chamberlain Group, Inc. v. Skylink Technologies, Inc., 2003 WL 22697217 (N.D. Ill. 2003).

customers that they are not authorized to access Chamberlain's operating software using Skylink's circumventing universal transmitters. See Complainant Response to Motion No. 497-008 at 3-4. Specifically, Chamberlain has placed the following notice at a point in its owner's manuals where customers are instructed how to program an additional hand-held remote control for operation with the GDO:

*NOTICE: If this Security+® garage door opener is operated with a non-rolling code transmitter, the technical measure in the receiver of the garage door opener, which provides security against code-theft devices, will be circumvented. The owner of the copyright in the garage door opener does not authorize the purchaser or supplier of the non-rolling code transmitter to circumvent that technical measure.*

See Complainant Response to Motion No. 497-008 at 4 and Exhibit B (Tone Decl. Exhibits C, D, E, f, G, and H at 35 (portions of Craftsman owner's manuals). Complainant contends that on or about December 5, 2003, it started sending new GDO owner's manuals containing the above notice language to one of its primary customers, Sears Roebuck & Co., for inclusion in sales of its Craftsman GDOs. See Complainant Response to Motion No. 497-008 at 4. The notice language will be included in Chamberlain's other owner's manuals by about February 2004. Id. As a result of these changes to the facts relied upon in the District Court decision, Complainant contends, res judicata and collateral estoppel do not apply to bar its Section 337 action. See id. at 5-10 and cases cited therein.

In their reply to Complainants' response, Respondents argue that Complainants misstate the law of res judicata and collateral estoppel. See Respondents Reply at 1-5. Simply alleging new facts does not avoid application of the claim preclusion doctrine, Respondents contend, if they do not *in themselves* establish independent grounds for a claim against the defendants in the previous action. See id. at 2 (emphasis in brief). They also do not avoid claim preclusion "if those facts were known

or knowable during the first action because it could have been included in or amended into the prior complaint.” See id. at 3. A new contention is not necessarily a new issue, Respondents also argue, and res judicata applies if the new legal theory or factual assertion “is relevant to the issues that were litigated and adjudicated previously” even if they were “not in fact expressly pleaded, introduced into evidence, or otherwise urged” in the prior litigation. See id. Complainant adds only one new fact to the mix that was previously litigated, Respondents argue, and could easily have drafted and submitted its new owner’s manual while its DMCA claim was pending in the District Court. Id. at 4. Complainant’s new manuals do not impose any restrictions on consumer conduct any more than its warranties that it relied on in the previous litigation show customer notice. Id. at 5-8. The new manuals are irrelevant, Respondents further maintain, because Respondents’ Models 39 and 89 transmitters do not work with Complainant’s post-2002 GDOs anyway. See id. at 8-10.

Under the doctrine of res judicata, a judgment in a prior proceeding bars the relitigation of identical issues in a second proceeding between the same parties or their privies on the same claim (known as “direct estoppel”) or between a party to the first proceeding and a third party on the same or a different claim (known as “collateral estoppel”). See Parklane Hosiery Co. v. Shore, 439 U.S. 322, 327 n.5 (1979); Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314 (Fed. Cir. 1983) (“Young Engineers”).<sup>2</sup> Res judicata is applied either in the form of “issue preclusion,” which bars only issues actually litigated in the first proceeding, or as “claim preclusion,” which bars relitigation simply by virtue of the final judgment in the first proceeding. See Young

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<sup>2</sup> The term “res judicata” is often misused as a synonym for “direct estoppel,” usually in juxtaposition with “collateral estoppel,” rather than as the collective term for both subcategories. See Young Engineers, supra. Here, consistent with the Federal Circuit’s definition in Young Engineers, supra, the term “res judicata” is used when both subcategories are referred to collectively.

Engineers, supra. Under “claim preclusion,” relitigation is barred even though the first judgment results by default, consent, or dismissal with prejudice “although care must be taken to insure the fairness in doing so.” Id., citing 18 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure §§ 4419, 4442, 4443 (1981).

In this instance, Respondents contend that under the doctrine of res judicata, the District Court decision serves as a direct estoppel barring relitigation of the DMCA claim against Skylink, as well as that claim’s litigation as an initial matter against CP and Tsui by virtue of their privity with Skylink. See Respondents Motion No. 497-008 at 3-5. Respondents further maintain that the District Court decision also bars litigation of the DMCA claim against CP and Tsui by collateral estoppel. See Respondents Motion No. 497-008 at 5-6. However, according to Complainant, res judicata applies only if there has been no material change since the first proceeding. A difference in the pertinent facts, Complainant contends, renders the doctrine inapplicable. See Complainants Response to Motion No. 497-008 at 5, citing Avenues in Leather, Inc. v. United States, 317 F.3d 1399, 1404 (Fed. Cir. 2003) (collateral estoppel); Young Engineers, supra, 721 F.2d at 1316 (res judicata generally). Complainant’s addition of the warning in its manuals changes the facts, it maintains, and avoids the res judicata effect of the District Court decision. See Complainants Response to Motion No. 497-008 at 7.

Complainants’ contentions against the res judicata effect of the District Court decision fail in several respects. As the Staff points out in its response, claim preclusion applies to Complainant’s assertion of a DMCA violation, barring “any matter actually addressed by the prior judgment, plus any matters or defenses that could have been asserted in the prior action.” See Staff Response at 5, citing 18 Moore’s Federal Practice 3d at § 131.10 [3] [c] (emphasis added). Complainants have

characterized the District Court decision as turning on only one point, viz., that Complainant had not expressly prohibited Skylink and Chamberlain's customers from using non-rolling code universal transmitters with its GDOs. See Complainant Response to Motion No. 497-008 at 2-3. That point, as the District Court acknowledged, was reached in the Initial Determination concerning temporary relief in this investigation ("TEO ID") that preceded the District Court's decision. See District Court decision at 4; citing TEO ID at 39, 41-42.<sup>3</sup>

However, the TEO ID also turned on the fact that Respondents' transmitters do not circumvent Chamberlain's copyrighted rolling code software program, but instead send fixed identification code signals to Chamberlain's GDOs that fall outside of the copyrighted software. See TEO ID at 35. These transmissions, the ID determined, do not "circumvent a technological measure" to control access to a protected work, and therefore do not violate the DMCA. See id.; also see 17 U.S.C. § 1201(a)(2). The fact that Respondents' transmitters send a fixed identification code that does not circumvent Chamberlain's copyrighted software program removes those products entirely from the purview of the DMCA, regardless of whether Chamberlain warns its customers and

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<sup>3</sup> The TEO ID was affirmed by the Commission. See Order Affirming Initial Determination Denying Temporary Relief (November 24, 2003). In that order, the Commission further stated:

Finally, we note that complainant and respondent Skylink are engaged in parallel litigation in the United States District Court for the Northern District of Illinois. We have been advised by the respondents and the IA in their reply comments that the district court has, on summary judgment, ruled adversely to Chamberlain on the identical DMCA claim it raises here. Respondents have stated that they expect that ruling to be entered as a final judgment shortly and that when it is Chamberlain's DMCA claim here will be barred by res judicata. Should the proceedings in the district court give rise to res judicata, we encourage the parties to raise this issue with the Commission promptly.

Id. at 4.

Skylink that non-rolling code transmitters are unauthorized. See id. This fact has not changed as a result of Chamberlain's subsequent alterations of its user manuals, and was before the District Court when it rendered its decision, even though the Court did not address this fact in its decision. Nevertheless, this fact "could have been asserted" before the District Court because the TEO ID was issued before the District Court acted.<sup>4</sup> Consequently, the doctrine of claim preclusion applies to bar relitigation of the DMCA claim in this investigation by reason of the District Court's final judgment. See Staff Response at 5, citing 18 Moore's Federal Practice 3d at § 131.10 [3] [c].<sup>5</sup>

What is more, as Complainant admits, changes that foreclose application of res judicata must be "material" ones. See Complainants Response to Motion No. 497-008 at 5. Chamberlain's new owner's manuals, like its warranties, impose no enforceable restrictions on consumers even if they do "warn" them that non-rolling code transmitters are "unauthorized." See Respondents Reply at 7. There are no negative consequences for a consumer who ignores the statement in Chamberlain's new manuals. Id. "[A] seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product. . . . A noncontractual

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<sup>4</sup> The fact that the TEO ID determined the DMCA issue only for purposes of temporary relief and not for the full investigation does not mean that granting Respondents' motions unfairly forecloses Complainant from a hearing on the merits of its claim in a Section 337 hearing. It is the final judgment of the District Court that creates the res judicata bar here, not the TEO ID. In the absence of the District Court decision, there would be no res judicata impact and a full investigation on the merits of the DMCA claim would ensue.

<sup>5</sup> The Staff also points out that issue preclusion applies if "(1) the issue is identical to one decided in the first action; (2) the issue was actually litigated in the first action; (3) resolution of the issue was essential to a final judgment in the first action; and (4) plaintiff had a full and fair opportunity to litigate the issue in the first action." See Staff Response at 10 and cases cited therein. In view of the fact that the District Court decision did not reach the foregoing issue regarding Respondents' transmitters, it cannot fairly be said that the issue was "essential to a final judgment" in that action. Accordingly, in view of the changed manuals, issue preclusion may not apply in this instance.



intention is simply the seller's hope or wish, rather than an enforceable restriction." Hewlett-Packard v. Repeat-O-type Stencil Manuf. Corp., 123 F.3d 1445, 1451-52 (Fed. Cir. 1997). The changes to Complainant's manuals, therefore, do not rise to the level of materiality needed to escape the res judicata effect of the District Court decision.<sup>6</sup>

Further, as Respondents point out, Chamberlain had by November 2002 already redesigned its GDOs so that Respondents' Models 39 and 89 transmitters no longer could operate them. See Respondents Reply at 9; Djavaherian Decl. Exhibit 1 (Rhyne expert report at 10). Therefore, since long before Chamberlain even began changing its user's manuals, Respondents' transmitters no longer posed a "threat" to Chamberlain's GDOs manufactured after that date. Respondents' transmitters, therefore, are unable to circumvent Chamberlain's new technological measures protecting its copyrighted software and do not violate the DMCA as to that software.<sup>7</sup>

For these reasons, Complainant's alleged "new facts" do not foreclose the res judicata effect of the District Court decision on this investigation. Accordingly, termination of the investigation in its entirety for good cause pursuant to 19 C.F.R. § 210.21(a)(1) is warranted.<sup>8</sup>

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<sup>6</sup> The pendency of an appeal of the District Court decision before the U.S. Court of Appeals for the Federal Circuit is no bar to terminating this investigation under the doctrine of res judicata. "[T]he law is well settled that the pendency of an appeal has no affect [sic] on the finality or binding effect of a trial court's holding." SSIH Equip., S.A. v. U.S. International Trade Commission, 718 F.2d 365, 370 (Fed. Cir. 1983).

<sup>7</sup> Of course, these new technological measures do not protect GDOs that were manufactured before November 2002 and that remain in use. Respondents' transmitters continue to work on those GDOs. However, those GDOs were most likely purchased with the old manuals that did not have the new warning legend, and therefore fit squarely within the District Court decision.


<sup>8</sup> In the alternative, summary determination in favor of Respondents by reason of the res judicata effect of the District Court decision on Complainant's DMCA claim is warranted under 19 C.F.R. § 210.18(b). See, e.g., Mattingly v. Village of Palos Park, Ill., 2003 WL 22765020 (N.D. Ill. 2003) (summary judgment based on res judicata warranted).

In view of the foregoing determination in Motion No. 497-008 and the determination in Order No. 13 regarding Complainant's Motion No. 497-007, which together terminate the investigation in its entirety, it is unnecessary to reach Respondents' Motion No. 497-010. That motion is, therefore, dismissed as moot.

Further, in view of the foregoing determinations, Motion No. 497-012 is granted. The procedural schedule is stayed pending a final Commission decision on this Initial Determination.

This Initial Determination is hereby certified to the Commission, along with supporting documentation. Pursuant to 19 C.F.R. § 210.42(h) this initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to 19 C.F.R. § 210.43(a) or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the initial determination or certain issues herein.

**SO ORDERED.**

  
Charles E. Bullock  
Administrative Law Judge