

February 26, 1977

SCHEDULE OF PATENT INFRINGEMENT CHARACTERISTICS
RE. CERBERUS COMPANY, MAENNEDORF, SWITZERLAND

The Cerberus Company has patents issued in most countries of the World covering ionization detectors and may be initially presumed to interfere with our designs in two specific areas:

- 1) Internal voltage gradient in the ionization chamber is alleged to be protected by their patent at voltage levels below five volts per centimeter. This patent we refer to as the low voltage patent. This patent was issued in February 1966 and should expire in February 1983.
- 2) The second patent of consequence concerns the Cerberus patents, again issued in most countries of the World, covering the use of an alpha emitter, precluding any measurable radiation beyond the distance of ten centimeters in free air. The material used in ionization detectors manufactured by all companies, at least 99.9% of all product, is Americium 241, an alpha emitter falling within the coverage of the claims of Cerberus.

Statitrol Corporation, and to our knowledge no other company, has a license for use of both of the above patents extending into 1980, or the expiration of the radiation (alpha emitter) patent.

The licensee for Cerberus in the U.S. and Canada is Pyrotronics, Inc., a New York Stock Exchange Company. Pyrotronics Inc. is the first company to distribute ionization detectors for commercial use in this country, beginning about 1961. To our knowledge, Cerberus has not advised any U.S. company manufacturing detectors, which might be infringing on either of the above patents, that they may be violating or suggesting any form of royalty payment. In early 1975, the president of Pyrotronics, Mr. Joe Johnson, advised Duane Pearsall that he had not been advised by Cerberus that they intended to pursue defense of their patents. He did not understand why they had not pursued this defense in the U.S. and indicated that per their license agreement with Cerberus, it was the prime responsibility of Cerberus to take this action. However, the agreement also provided that Baker Industries, or Pyrotronics, could take such action on their own.

With the proliferation of products using both of these patented characteristics and have used them commercially in large quantities in the United States since 1971, it appears as if they have intentionally forfeited their rights.

From the indepth research done by our attorneys and the attorneys for the Simplex Time Recorder Company in Germany and France, we believe there is sufficient prior art to seriously cloud the subject patents. We also have record of an early patent in the United States which did not issue in Europe, which would protect our position in the United States at a greater level than our defense in Europe.

Further, relative to the low voltage patent, the first commercial detector of Statitrol was sold in 1965, demonstrating prior art.

In summary, it is the feeling of our management that Statitrol is relatively well isolated from any potential action on the part of Cerberus. Further, should such action be initiated on the part of Pyrotronics or Cerberus, Statitrol owns certain patents which we feel are being infringed by many manufacturers, including Pyrotronics, which will serve most adequately as "trading material". Although we assess the risks to Statitrol to be minimal, we also recognize that all areas involving patent rights are relatively unpredictable and always carry relative risks.

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