FRANKLIN PIERCE LAW CENTER PATENT SYSTEM MAJOR PROBLEMS CONFERENCE TUESDAY, MARCH 31, 1987

INTRODUCTION

BY HOMER O. BLAIR

On March 31, 1987, Franklin Pierce Law Center, in cooperation with the Kenneth J. Germeshausen Center for the Law of Innovation and Entrepreneurship and the PTC Research Foundation, both of which are located at Franklin Pierce Law Center, held a conference on the major problems of the patent system.

The conference attendees included faculty from Franklin Pierce Law Center and twenty-five invited guests from the judiciary, patent bar and private industry.

There were no prepared speeches. The purpose of the conference was to get the opinions of experienced people in the patent system as to what could be done to solve or alleviate what some see as major problems in the present U.S. patent system.

All attendees were previously provided with the following publications:

1) Section D. Different Classes or Forms of Patents, from section 4 OTHER MATTERS CONSIDERED IN THE U.S. DEPARTMENT OF COMMERCE'S September 1979 Report of the ADVISORY COMMITTEE ON INDUSTRIAL INNOVATION, Final Report, The Industrial Advisor Sub-committee on Patent and Information Policy, Report on Patent Policy: Pages 161-162.
2) Section F. Ideas for Reducing the Cost of Litigation, from section 4 OTHER MATTERS CONSIDERED IN THE U.S. DEPARTMENT OF COMMERCE'S September 1979 Report of the ADVISORY COMMITTEE ON INDUSTRIAL INNOVATION, Final Report, The Industrial Advisor Subcommittee on Patent and Information Policy, Report on Patent Policy: Pages 163-164.
3) Competitiveness Initiatives, Memorandum for the Economic Policy Council from the Working Group on Intellectual Property on stationary of the U.S. Patent and Trademark Office, November 5, 1986, Pages 1, 7-9. "Policy"

4) Section 3107, Patent Law Amendments to Reduce the Cost of Litigation, of U.S. Senate Bill S. 539 and Analysis appearing in the Patent, Trademark, and Copyright Journal, Bureau of National Affairs February 26, 1987. This is part of the Administration's "Competitiveness" Bill. "S. 539"
5) Donald R. Dunner, "First to File: Should our Interference System be Abolished?", 68 J. of the Patent and Trademark Office Society, 561-566 (November 1986). "Dunner"
6) Harold C. Wegner, "Patent Law Simplification — Phase I" similar to Harold C. Wegner, "Patent Law Simplification and the Geneva Patent Convention", 14 AIPLA Q.J. 154 (1986). "Wegner"
7) Report, Committee 108 — Patent System Policy Planning, American Bar Association, Patent, Trademark and Copyright Section 1987 (the "gray book"). "Armitage"

The papers listed above will be identified as "Policy", "S. 539", "Dunner", "Wegner", and "Armitage."

The attendees are set forth below:

ATTENDEES:

Judge Giles S. Rich
U.S. Court of Appeals for the Federal Circuit
Washington, DC

Judge Pauline Newman
U.S. Court of Appeals for the Federal Circuit
Washington, DC

Judge William C. Conner
U.S. District Court
New York, NY

Donald M. Alstadt
Chairman and Chief Executive Officer
Lord Corporation
Erie, PA

Tom Arnold, Esq.
Arnold, White & Durkee
Houston, TX

Professor Homer O. Blair
Franklin Pierce Law Center
Concord, NH

Joseph A. DeGrandi, Esq.
Beveridge, DeGrandi, & Weilacher
Washington, DC

Donald R. Dunner, Esq.
Finnegan, Henderson, Farabow, Garrett and Dunner
Washington, DC

Professor Thomas G. Field, Jr.
Franklin Pierce Law Center
Concord, NH

Thomas E. Fisher, Esq.
Watts, Hoffmann, Fisher & Heinke
Cleveland, OH

Charles L. Gholz, Esq.
Oblon, Fisher, Spivak, McClelland & Maier
Arlington, VA

Gene Harsh, Esq.
Director of Patents
Mobay Corporation
Pittsburgh, PA

William O. Hennessey, Esq.
Franklin Pierce Law Center
Concord, NH

Karl F. Jorda, Esq.
Corporate Patent Counsel
Ciba-Geigy Corporation
Ardsley, NY

Thomas Lord
Chairman, Executive Committee
Lord Corporation
Erie, PA

Roy H. Massengill, Esq.
General Patent Counsel
Allied-Signal Corporation
Morristown, NJ

John E. Maurer, Esq.
Arnold, White & Durkee
Houston, TX

Dr. Arthur S. Obermayer
Chairman of the Board
Moleculon Inc.
Cambridge, MA

President Robert H. Rines
Franklin Pierce Law Center
Concord, NH

Frank E. Robbins, Esq.
Robbins & Laramie
Washington, DC

Nelson Shapiro, Esq.
Shapiro & Shapiro
Arlington, VA

Professor Robert Shaw
Franklin Pierce Law Center
Concord, NH

John O. Tramontine, Esq.
Fish & Neave
New York, NY

Dean Robert M. Viles
Franklin Pierce Law Center
Concord, NH

Harold G. Wegner, Esq.
Wegner & Bretschneider
Washington, DC

Marjorie L. Westphal, Esq.
Cleveland, OH

George W. Whitney, Esq.
Brumbaugh, Graves, Donohue & Raymond
New York, NY

Clyde F. Willian, Esq.
Willian, Brinks, Olds, Et Al
Chicago, IL

Richard C. Witte, Esq.
Chief Patent Counsel
The Proctor & Gamble Company
Cincinnati, OH

James W. Wright, Esq.
Vice President, Legal Affairs
Lord Corporation
Erie, PA

Attendees were also given, previous to the conference, the following agenda and discussion.

I. MAJOR PROBLEM AREA 1 — DETERMINATION OF VALIDITY OF PATENTS

A. *Different classes or forms of patents*

1. *Incontestable patents*

A trademark, after a certain period is regarded as incontestable, with certain exceptions, upon filing an appropriate affidavit.

It is proposed that, five years after a patent has issued, it would be incontestable with respect to Sec. 103 (obviousness over the prior art) and, with respect to prior art, it could only be held invalid under Sec. 102 — in effect, if the invention was, for all practical purposes, identically shown in the prior art. This would have the result that a patent could not be held invalid for obviousness over the prior art after a period of five years had passed after it was issued by the U.S. Patent and Trademark Office (USPTO).

As Sec. 103 obviousness is probably the major ground for invalidity of patents, incontestable patents could significantly reduce the cost of litigation, although a patent could still be held invalid if it was clearly shown in the prior art as provided for by Sec. 102 and for the other reasons provided in Sec. 102 and other parts of the various patent statutes.

Another suggestion was that a patent could be held incontestable against all attacks, rather than only Sec. 103 attacks.

It would also be possible to make the patent incontestable if it has been used commercially for a certain number of years, such as five years, rather than have the period run from the issue date.

Any of these incontestable patents could reduce the cost of litigation and increase certainty as to the enforceability of patents.

2. *Super patents*

These patents would require the payment of a significant additional fee, such as $1,000 and a statement by the applicant that a thorough prior art and validity search had been completed, within some specified period after the patent application was filed in the USPTO. The results of this search, with comments, would be submitted to the USPTO, and the USPTO

would then make a more comprehensive search and, a more thorough examination than usual, perhaps with two examiners. The additional search and examination, with the special search made by the applicant, would give the patent a stronger presumption of validity.

3. *Copypatents*

Copypatents would require novelty (patentable over Sec. 102) but not unobviousness (Sec. 103); would be limited in scope to exact copies and close variations of the invention disclosed; and would run for less than ten years, preferably six to eight years. Access and copying would have to be shown before there would be infringement, as in the case with copyrights. Copypatents could be examined on the same basis as regular applications, except that they would not be subject to rejection for lack of obviousness under 35 U.S.C. 103. The USPTO would charge a lower fee for copypatents.

Copypatents would be used for many of the minor and/or "defensive" inventions that are presently filed in the USPTO. They would provide all the protection the inventor needs in many instances, would not require the same use of USPTO resources as for regular patents, and would not be as expensive to litigate.

B. *Changes in the law which will reduce the cost (in time and complexity) of litigation.*

1. *Prior use must be substantial*

Amend Sec. 102(a) and 102(b) to provide that prior use mentioned in these two sections would have to be a substantial amount, such as selling price of the products involved being at least $10,000, or the products being sold in a quantity of at least 1,000 units. Public use by the inventor, on the other hand, would continue as present law provides.

Much patent litigation is involved with wide-ranging discovery in an attempt to find prior public use by others. In many lawsuits, days of depositions are taken in an attempt to find or prove an early public use by others which may have involved very small numbers of items or very small amounts of money and which was completely unnoticed by society until a defendant in a patent suit tried to discover it.

If the public use was smaller than the amount mentioned above, it did not contribute to society and was unnoticed. On the other hand, if the use had to be at least this amount to be an effective public use bar, it should be much easier and cheaper

to discover and the time and cost of patent litigation would be reduced substantially.

Also Paragraph 2 on P. 9 of "Policy" provides: "Finally, patent litigation frequently involves wide-ranging discovery by defendants seeking to establish patent invalidity on the basis of prior public use of a patented invention. The Working Group believes that prior public use should not be available to invalidate a patent unless it involves a significant amount of public use of a product which, upon inspection, would clearly disclose the invention to the public. Unless both of these factors are present, the use which is being relied upon to invalidate a patent has, in reality, not effectively disclosed or made the invention available to the public. By excluding these acts from consideration, the incentive for discovery could be reduced and some litigation costs could be reduced."

2. *Nonobvious use is not prior use.*

Revise Sec. 102(a) and 102(b) so that any use not obvious to the public on inspection or analysis of the product sold or available to the public is not a bar to patentability.

It can be argued that the prior user who did not disclose the invention to the public, even though the end product of his invention was made available to the public, should not be entitled to prevent another who did disclose his invention to the public from obtaining a patent.

Such a change in the law could significantly reduce discovery in a lawsuit and thus reduce the cost. Possibly the prior practitioner of this public use should be permitted to be able to continue to use the invention, as provided in II C below.

3. *Use of an expert special master in patent validity trials.*

a. For supervising discovery, presiding at depositions, etc.

b. For the trial.

It has been suggested that the time and expense of such proceedings could be significantly reduced if an expert special master was appointed by the court (from a list of such people who were available or from lists provided by the parties) to supervise discovery, preside at depositions and other items preliminary to the actual trial. The use of a special master would be mandatory if it were requested by either party or by the judge.

Another suggestion is to have the special master also preside over the actual trial, with his opinion being submitted to the U.S. District Court for action by the court.

A related suggestion is to have the special masters act in a different manner than our present judges. The master would ask questions on his own initiative and would exert substantially more control over the proceedings than judges do at present.

People who have acted as special masters in patent litigation recommend such proceedings highly as a method to significantly reduce the effort and expense of uncontrolled discovery and the other aspects of litigation.

4. *Initial limited validity determination by the USPTO.*

The following quotation is from "the President's competitiveness initiative" fact sheet dated Tuesday, January 27, 1987 under the category "Enacting Omnibus Intellectual Property Reform." "Reduce the cost of defending patent rights by: (2) requiring challenges to patent validity based on publications to be considered first in an administrative proceeding before going to court."

Also Paragraph 1 of P. 9 of "Policy" states: "Another cost-cutting step believed appropriate would be to require both patentees and accused infringers to have any prior printed publications alleged to establish patent invalidity considered by the Patent and Trademark Office in a reexamination proceeding before they can rely on that information in Federal Court. This provides the parties as well as the judge with the patent examiner's expert opinion as to the relevancy and impact of information which was not available during the initial examination of the patent in question. The reexamination proceedings are relatively quick and inexpensive compared to district court litigation, and mandating their prior use would eliminate some infringement litigation and lessen the cost of many of the remaining cases. It should be noted that this suggestion was considered and rejected by the patent bar and Congress when the reexamination statute was enacted in 1980." Also see Sec. 3107 of S.539.

This is an idea which was initiated by the USPTO so that the USPTO makes the initial validity determination when publications or other prior art were the basis for arguing in validity of the patent. Some have said this would put us more

in line with the laws in other countries, such as Germany and Japan.

C. *Judicial reformation of patent claims.*

When faced with a patent in which no claims are held to be valid, yet the court is convinced that there is a legitimate invention disclosed in the patent, the court would be permitted to reform the claims to provide a valid claim. This would avoid the problem mentioned by the judge in the case of *Henry J. Kaiser Company v. McLouth Steel Company,* 150 USPQ 239-295 (E.D. Michigan 1966). In this case the court stated: "The Court reaches its conclusion that the patent in suit is invalid reluctantly, not only because of the statutory presumption of validity, but also because of the revolutionary nature of the invention disclosed in the specification." (p.294)

Also the court stated "It is not the responsibility of the courts to remedy deficiencies in patent claims which might have been avoided by more careful preparation and presentation to the initial Patent Office." (p.295)

The patent involved in the Kaiser case was the basic patent on the oxygen steel process, which some have said might have been the most valuable patent in U.S. history if it had been held valid. In any reformation of patent claims there would have to be provisions for intervening rights as is the case with reissue patents.

II. MAJOR PROBLEM AREA 2 — IMPROVEMENTS IN SYSTEMS OF OBTAINING PATENTS

A. *First-to-file is first inventor.*

First-to-file is a system in which a patent would be issued to the inventor who is the first-to-file a patent application rather than the inventor who is first-to-invent which is ostensibly the current U.S. system. The major advantage of first-to-file is that it is much simpler to determine who is to be the patentee. The first inventor is defined as the individual who is first-to-file a patent application in the USPTO.

Dunner discusses first-to-file and the reasons why he feels this system should be adopted.

Both Wegner and Armitage propose systems which, when combined with first-to-file, appear to answer a number of problems which have concerned some if a first-to-file system were adopted in the U.S.

For purposes of this conference I have selected certain items from both Wegner and Armitage, which in many respects are very similar.

First-to-file — discussion

While first-to-file may be one of the parts of the U.S. position in discussions of patent harmonization with both the Japanese and European patent offices as well as the World Intellectual Property Organization, for purposes of our discussion I believe we should discuss it on its merits and not as one of a possible number of "bargaining chips" which might be used in discussion with other nations in order to obtain more harmonization between our patent laws.

Wegner recommends first-to-file as a system which will safeguard small American business and give them a competitive advantage for both domestic and international filing through his Internal Priority Application System.

Wegner states that "the new system is far better for the individual inventor and small business, permitting competition on a more even footing against multinational companies at a more reasonable price."

Some have pointed out that our first-to-invent system is not really a first-to-invent system but is modified to being the "first" inventor who can prove, to the satisfaction of the USPTO, and occasionally the courts, that he has documents and/or witnesses who can collaborate his testimony that he was the first-to-invent. As all of us know there are some occasions in which the person that was really the first inventor is not able to prove this adequately and, as a result, the patent may actually go to the inventor who is second-to-invent. However, by definition, this individual is referred to as the "first" inventor.

I do not plan to put here a complete discussion of the reasons why some feel that a first-to-file system should be adopted but instead will refer to Dunner who lists a number of the advantages. Dunner states there are a small number of interferences per year. The vast majority of these are resolved in favor of the inventor who was the first-to-file a patent application. Dunner feels that because of the expense of determining the first-to-invent, as well as the necessity for inventors to keep detailed records over long periods of time, the system is really too expensive for the value society obtains from it.

It should also be noted that, in practice, those Americans who file patent applications in other countries, already live under a first-to-file system, and nearly always act as if the U.S. was a first-to-file country as far as not publishing, putting on sale, etc. before the first patent application is filed.

See Armitage, P. 4-12, especially his headings:

"Supporting Statement.
The Historical Objections to a 'First to File' Practice Have Largely Disappeared Constitutionality.
Impact on the 'Small' Inventor.
Loss of Preferential Treatment for Acts of Invention in the United States.
Judicial and Administrative Uncertainties in a 'Reformed' System.
Impact on the USPTO.
Impact on the Public's Right to a Full and Complete Patent Disclosure.
The Patent Bar's Economic Interest in Current Interference Practice.
The United States Already Has a De Facto 'First-to-File' Practice.
The Burden of Being 'First to Invent' Creates Unnecessary Hardships and Risks for United States Inventors.
A 'First-to-File' Would Facilitate Related Reforms to the Patent Examination System in the United States.
Advancing the Role of the United States as a Leader in the Worldwide Fight for More Effective Patent Laws."

Also see Wegner, P. ii.

With some of the additional items set forth below the first-to-file system becomes much more palatable.

1. *First-to-file, except for derivation from another.*

   Armitage (P. 1, resolution 1, P. B-14) proposes, under his first-to-file system, to still retain interferences for very limited purposes, one of which is to determine whether an invention by one has been derived from another and the later person did not really make the invention.

I would prefer not to retain interferences for any purpose but separately would provide for a derivation proceeding wherein a patent application which was proved to be derived from another could be assigned to the other and the other would also be named as the inventor. I believe this is one item that is necessary in a first-to-file system.

2. *Priority patent application.*
   a. Filed in the USPTO.
   b. Publications.

   Both Wegner (P. 6, Sec. 119(b)) and Armitage (P. 1, resolution 3; P. 3; P. A-3, Sec. 119(a); P. B-7 through B-12) provide for the initial filing of a document, which need not be as complete as the usual U.S. patent application with respect to its disclosure. In each case if a complete patent application is filed within a year of the initial filing, the filing date of the initial filing will be used.

   In addition Armitage provides in Sec. 123 (P. A-6) that a publication of an invention by an inventor can be regarded as a regularly filed application for a patent as of the publication date if the complete patent application is filed within one year of the publication and a few other requirements are met.

   Both Wegner and Armitage feel that the initial preliminary filing will give individual inventors and small companies an ability to compete with first-to-file systems in other countries which frequently do not require the complete disclosure that is required by the U.S. Thus a preliminary filing may be made at an early time and will provide the filing date as long as the requirement that a complete patent application be filed within one year after that time.

3. *Retention of one year grace period.*

   Both Wegner and Armitage retain the one year grace period. In international harmonization negotiations apparently most countries are willing to provide at least a six months grace period. All concerned seem to feel this is an important item to retain in the U.S.

4. *Early publication of patent applications.*
   a. Option not to publish under certain circumstances.

      Both Wegner (P. 7, Sec. 122) and Armitage (P. 1, resolution 3; P. A-5, Sec. 122) provide for publication of the patent application eighteen months after the effective filing date.

Each also provides that an applicant may keep the patent application secret if a statement is filed (Wegner) certifying that the application has no counterpart to be published in another patent office that regularly publishes patent applications in this eighteen months period or (Armitage) stating that the applicant has not made any commercial use of the invention claimed and has not placed the invention on sale in this country, etc.

Both feel that the early publication would have the advantage of getting the technical information out to the American public and put the U.S. on equal footing with those in other countries where patent applications are regularly published eighteen months after the effective filing date. While these may be obtained in the U.S., frequently they are in another language and translations are required. Under the proposed system the publications would be in English in the U.S. and would provide an earlier source of English language technology.

b. Right to royalties from the publication date until the patent issues.

Both Wegner (P. 9, Sec. 273) and Armitage (P. A-9, Sec. 154 (b)) provide that a patentee is entitled to a reasonable royalty from others who have infringed the invention prior to the grant of the patent but subsequent to the publication date of the patent application.

B. *Life of the patent runs from twenty years from the U.S. filing date.*

Both Wegner (P. 8, Sec. 154) and Armitage (P. A-9, Sec. 154(a)) provide that the term of a patent should be twenty years from the effective filing date of the patent application exclusive of priority under the initial publications.

C. *Right of prior user.*

Both Wegner (P. 10, Sec. 282(b)) and Armitage (P. A-9, Sec. 271(g)) have provisions for certain types of prior users to retain the right to continue to use the invention. Wegner provides if a person has placed an invention in commercial use in this country, or made substantial preparations before the effective filing date that person shall continue to have a personal right to use the invention.

Armitage provides this right for one who holds a "certification of prior invention." Armitage also provides in Sec. 271 (h) that

if an inventor has placed the invention in commercial use or on sale in this country prior to the filing date of the patent he shall also have a personal right to continue such use.

Both Wegner and Armitage have a number of additional features which we can discuss if time permits.

TRANSCRIPT FIRST SECTION*

MR. BLAIR: Good morning. I'd like to introduce Bob Rines, the President and founder of Franklin Pierce Law Center.

MR. RINES: Thank you, Homer. In 1973 we gave birth to the Franklin Pierce Law Center in an era of frustration with the lack of concern, if not hostility, of sectors of the federal judiciary and the Department of Justice to the cause of innovation, invention, and Article I, Section 8 of the Constitution, particularly as it applied to the useful arts. I suppose another example of the imposition by sectors of the judiciary of their idea of social norms upon society. The answer; until the country and the world became again inspired with regard to possibly a new Golden Age for patents and intellectual property and technology transfer, was perhaps to create a new breed of lawyer sensitive to the technology legal interface. This was the primary concern in the founding of the Franklin Pierce Law Center, which is an example of invention, free enterprise and entrepreneurship, not one that I'd like to go through again.

Through the disinterest in that era of George Washington University and the perspicacity of the Academy of Applied Science, the PTC, Patent Trademark and Copyright Research Institute, and its journal *IDEA, The Journal of Law and Technology,* were gifts, if you will, to the infant law center. We were off on an exciting adventure to create a law center that would recognize the importance of the intellectual property field and the importance of a different type of lawyer who could be concerned with win-win philosophies that are so essential if technology and innovation are going to happen, as distinguished, from tort claims. The purpose was only to be a principal source of a training ground for intellectual property lawyers, but lawyers that are interdisciplinary; and to develop new methods of imparting legal skills, and even of someday providing a training ground for administrative and government personnel who have to deal every day in the interfaces of technology and society.

*The second of two sections will appear in the next issue of IDEA.

We've come a long way. In addition to being a principal source of, we think, very bright patent lawyers and technology law practitioners, (we are much broader than that, of course) we are at least starting to train foreign government administrators. Some of you had the opportunity yesterday to meet some of our students from the People's Republic of China and other developing countries, where we are performing a mission of trying to show them our American concepts of fair play, and the principles that underlie our common law tradition, and trying to persuade them as they go back and set the rules and regulations and the actual administration of their new patent law and their new joint venture law, to have an inventor, entrepreneur, legal system, and make a blend where we can live together with common expectation of fair play, which I think underlies the success of joint ventures and other types of relationships between our countries and amongst the other developing countries.

Under Homer's tutelage, this has attracted the attention of the United Nations bodies and we now are privileged to have amongst our students people from many developing countries, with all kinds of requests for the coming year. This can be a fantastic contribution to America.

It parallels what the Academy of Applied Science is doing with young people, starting all the way from the first grade on, to excite them in the concepts of innovation and where it comes from; in dealing with our brightest high school science students in the junior science symposia throughout the land, and rewarding them for invention and for coming and delivering papers at universities on their own pursuits in science and technology, and also in a program where the Academy represents several Chinese universities and ministries in attempting the reverse process, namely to take Chinese invention and innovation and seeing if we can't find American companies who might be interested in commercializing upon them in some sort of a partnership way.

Again, through Homer Blair's efforts we make a start here today at bringing together the bar, bench, and industrial and private intellectual property leaders to begin to dream again and to plan again for the future in what is now a Golden Age all over the world for the protection and fair use of intellectual property. If we're going to do anything, now is the time. I think this meeting couldn't be more timely. So from our point of view, we are proud of the unique clinic here today, we are grateful to you for coming; we're grateful to Homer and his staff for being able to impress upon all of us that this is a moment

for action; and we look forward to a wonderful day and certainly extend our warm welcome. Thank you.

MR. BLAIR: Thank you, Bob. Bob Rines, as I mentioned is President of the Franklin Pierce Law Center. Bob is analagous to a Chairman of the Board in the way we operate. In addition to spending some time at the Law Center, he also teaches courses here. At this time, I'd like to introduce Bob Viles, who is the Dean of the Law School. He is like the Chief Operating Officer of our school. He makes sure that we shape up and do the right things and tries to keep everybody under control, which is not an easy job in a law school.

MR. VILES: Thank you, Homer. I intended to get here early enough to speak before Bob Rines. The reason for that is that I assert constitutional precedence, my clause in the Constitution comes before your clause. My clause is the bankruptcy clause and I mention that because it allowed me to introduce President Rines appropriately last week when we were beginning our celebration of the bicentennial of the Constitution. I mention it today because it allows me to leave gracefully after I welcome you, unless you wish to recall me later on because of some interest in the treatment of trademarks or something in bankruptcy.

It is with a great deal of pride, and absolutely no basis of taking any credit whatsoever, that I join in welcoming you here today. This is, of course, Homer Blair's show, and many of you have been a colleague of Homer Blair far longer than I have. I am very grateful to have become relatively recently, one of Homer's colleagues. He has done a great deal for the school in the brief time he has been here to help us achieve greater strength as a training place in intellectual property. It is a testimony, a credit to Homer's achievement, that you are here today, that you have come to Concord to enjoy some of our splendid weather and to keep pace with the people of the political faith who come here for somewhat different, and some might say shallower purposes, on a regular basis. We hope you might come here more frequently than they do, although some of them come more frequently than we might want. In all seriousness, I am very interested as an academician in the fruits of this meeting. As you know, the principal vehicle for written expression in academia is the *Law Review,* and the *Law Review,* it seems to me, has always been rather stilted and limited in the ability of presenting views as well as presenting intellectual information. It seems to be here, today, in terms of making a record of the proceedings, there is a chance to bring out differences of opinion, the chance to juxtapose points of view and the chance to make

contributions in that way, that other forms of meeting and other forms of publication do not permit. So even though in watching and listening to the interplay, I might be more confused than I am at a tennis match, I'm going to be anxious to see how fruitful the results are. That's enough from me and I turn this back to Homer. I wish you well today, and I'm going to go back to bankruptcy.

MR. BLAIR: Thanks, Bob. One of Bob's major responsibilities is to make sure that Franklin Pierce Law Center doesn't go into bankruptcy. Most of us know each other, but some of us don't. I'd like to have each one of us briefly introduce ourselves with our name, affiliation and location. Jim Wright, will you start out?

MR. WRIGHT: Jim Wright, Lord Corporation, Erie, Pennsylvania.

MR. SHAPIRO: Nelson Shapiro, Law firm of Shapiro and Shapiro in Arlington, Virginia.

MR. WHITNEY: George Whitney, Brumbaugh, Graves, Donohue and Raymond in New York.

MR. WITTE: Dick Witte, Proctor & Gamble Company, Cincinnati, Ohio.

JUDGE RICH: Giles Rich, one time patent lawyer, first patent lawyer on the CCPA, and by virtue of the creation of the CAFC, now a Circuit Judge.

MR. JORDA: Karl Jorda, Corporate Patent Counsel, Ciba-Geigy Corporation, Ardsley, New York.

MR. SHAW: Bob Shaw, Franklin Pierce Law Center.

MR. WILLIAN: I'm in private practice in Chicago in the firm of Willian, Brinks, Olds, Hofer, Gibson and Lions.

MR. HARSH: Gene Harsh, Director of Patents, Mobay Corporation, Pittsburgh, Pennsylvania.

MR. DEGRANDI: Joe DeGrandi of Washington, D.C., with Beveridge, DeGrandi and Weilacher.

MR. MASSENGILL: Roy Massengill, General Patent Counsel, Allied Signal, Inc., Morristown, New Jersey.

MR. BLAIR: Homer Blair, Franklin Pierce Law Center, Concord, New Hampshire

MR. DUNNER: Don Dunner, Finnegan, Henderson, Farabow, Garrett and Dunner in Washington, D.C.

JUDGE CONNER: William Conner, Judge of the U.S. District Court for the Southern District of New York. Before I went on the bench I was for 28 years a member of the firm of Curtis, Morris and Sanford in New York City.

MR. RINES: Bob Rines, Franklin Pierce Law Center.

MR. MAURER: Jack Maurer, Arnold, White and Durkee, Houston, Texas.

MR. ROBBINS: Frank Robbins, Robbins and Laramie, Washington, D.C.

MR. OBERMAYER: Arthur Obermayer, Moleculon Research Company. I'm one of the few people who are nonlawyers here, but I have had a lot of practical experience with patent law.

MR. FISHER: Tom Fisher, Watts, Hoffmann, Fisher & Heinke, Cleveland, Ohio.

MR. ARNOLD: Tom Arnold, Arnold, White and Durkee, Houston.

MR. HENNESSEY: Bill Hennessey, PILOT Program, Franklin Pierce Law Center.

JUDGE NEWMAN: Polly Newman, Federal Circuit. Before I became a colleague of Judge Rich, I was Patent Counsel with FMC Corporation.

MR. WEGNER: Hal Wegner of Wegner & Bretschneider, Washington, D.C.

MR. GHOLZ: Chico Gholz, Oblon, Fisher, Spivak, McClelland & Maier, Arlington, Virginia.

MR. TRAMONTINE: John Tramontine, Fish and Neave, New York.

MR. BLAIR: Thank you. I want to talk a little bit about what we're going to do today. The object, of course, is to discuss some of the major problems of the patent system. The conference is being transcribed. We plan to give each one of you an opportunity to edit your comments for syntax and whatever, and then we will publish the transcript in *IDEA, The Journal of Law and Technology,* of which Bob Shaw is the editor. We'll keep him busy with the conference proceedings.

I will introduce each subject on the agenda and ask for comments. There will be no formal speeches. I would like each of you to tell us what you think. If you want to speak please raise your hand and I'll recognize you. That will help in transcribing the festivities here. I hope we would not have any more than one person talking at one time. I brought along my LES gavel, which I took off the plaque on the wall, and I can have somebody shut up if I have to. Also, try to speak clearly and loud enough so we can all hear and also the people in the audience can hear us.

When you talk I would prefer that, in addition to saying what you think about a particular item being discussed, you could give some reasons. It isn't too helpful for somebody to say, "I'm for this, it's a good idea. I'm against it, it's a bad idea." Why is it a good idea or why is it a bad idea?

I also want to avoid getting involved in any drafting problems or how we're going to write the language to embody some concept which may be very difficult to draft. Drafting would be far down the line and I'm not going to worry about that today. I hope most of us won't say the same thing that somebody else has said. If you want to say "I agree.", that's fine, but hopefully don't repeat too much. Also, I would like to make a rule that no one can speak more than twice on the same subject without my permission. You can see I'm using Blair's Rules of Order rather than Roberts' Rules of Order.

I reserve the right to terminate any speaker, but speakers all have the right to supplement their remarks in writing. It's a little bit like Congress, you can send in all kinds of goodies to expand on your views or if you want to work somebody else over for having some particularly stupid views.

In deciding who to invite I tried to make sure that you would not be in a meeting that everybody would agree with everything everybody was going to say. I don't think that's a heck of a lot of fun and I don't think that really accomplishes too much. I invited some people whom I know will have different views on different subjects and I think that will make it a lot more interesting.

In the agenda and schedule the times are for the purpose of illustration only with few exceptions. Lunch will take place at 12:00. You will pick up your food and bring it back to your seats. Those of you in the audience will put your chair on the inside of the U-shaped table arrangement and you can select who you want to sit opposite. After lunch we will put you back over in the audience area.

Also, at 4:30 P.M. the gavel comes down no matter how far along we are. I will be very surprised if we discussed all these problems and ended up with unanimous opinions on everything. A number of you have airplanes to catch, so at 4:30 P.M. we are through.

At the end of some of the discussion subjects I may ask for a show of hands, yes and no, whether you see that this subject is worthwhile for us to pursue in the future. I hope we will come out with a few subjects worth pursuing. Some of the subjects, as you will see, will be pursued by others anyhow, regardless of what we decide. Some of the others may not and we may decide to pursue some or we may decide in some cases they just aren't worth the effort.

When you get home, please send me any other comments, thoughts and recommendations you have.

I will introduce various subjects. I sent all of you packages of information which hopefully you have read. I know a lot of you are very

familiar with the subjects as you have worked in some of these areas all your lives and you certainly aren't going to learn anything from me on an awful lot of them.

DETERMINING THE VALIDITY OF PATENTS

I would like to start on the first broad major problem area. I have selected it but I had a lot of support and comments from others. Many people feel that the biggest problem today is determining the validity of patents once they are issued. Many say it is too expensive. For example, I have heard it said, and I don't disbelieve it, that in the *Polaroid v. Kodak* case, each side has already spent 10 million dollars. That's been going on for 13 years. Many of you know it's common for each side in a patent controversy to spend half a million or a million and often substantially more. We are doing a study here at Franklin Pierce Law Center, in which one of our students, Mark Ciotola, is reviewing all CAFC final decision patent infringement cases over the period of a year. He is contacting the parties on each side to attempt to get information about the litigation costs and the time the controversy has been pending. Obviously, any individual information that's sent in to the school will be confidential. We hope that some of you will cooperate if you are contacted. We plan to publish an article giving some factual information on what patent litigation costs are today. We've all heard wild tales and many of us have a lot of experience in patent litigation, and we know what those costs are. I think it would be useful if we had more facts on the subject. If all goes well we will publish the article in *IDEA, The Journal of Law and Technology.*

A number of you have been involved in some of these controversies that have gone on for years. The polypropylene controversy has lasted over twenty years, *Kodak v. Polaroid* has been going on over 13 years, and they haven't had the damages trial yet. The Gould laser controversy has gone on for many years. That situation will not be resolved until many early patents on lasers will have expired.

I recently wrote an article, which I'm not going to discuss at this conference, which is included, I think, in the issue of *IDEA* which you got today, with the title "The Court of Appeals for the Federal Circuit — Should its Judges be Technologically Literate or Illiterate?", Volume 27, *IDEA* 121. That's not a subject I want to get into here. However in that article I mention a rather interesting case which I'm sure will not be the model for all patent litigation, but it would be rather nice if it did, in which Judge Bill Conner here was the judge. It's the case of *Capri Jewelry v. Hattie Carnegie Jewelry Enterprises,* 191 USPQ (2nd

Cir. 1976), which I think must have set a record in having a patent infringement trial in the shortest time.

In this case the patent owner filed suit in the Southern District of New York on October 2, 1975. The defendant brought suit for a declaration that the patent was invalid and not infringed on October 8, 1975. The case was assigned to Judge Conner, apparently on the morning of October 9, 1975. Counsel were served a notice of hearing before the judge at 2:00 P.M. on October 9. The hearing was adjourned until the morning of October 10, when the judge directed the alleged infringer to furnish the patent owner with specimens of the allegedly infringing product and instructed the patent owner to state his position with respect to infringement on October 14. The judge then set trial for October 23.

Prior to the trial, the judge studied the patent, the history of its prosecution in the U.S. Patent Office and a prior art patent. The trial was started and completed on October 23 and counsel were directed to file briefs by 9:00 A.M. on October 28. The court then rendered its opinion that the patent was invalid before 5:00 P.M. on October 28.

Thus, a suit was filed, a trial was held, and a decision was rendered on a patent case in 26 days. The loser appealed and Judge Friendly, in the Court of Appeals opinion said, in affirming the opinion that the patent was invalid, that, "Appellant mounts a variety of attacks upon the speed with which the court decided the case. It is probably true that a judge less versed in patent law would have taken longer to reach a decision even in so clear a case as this. We agree that, except perhaps in cases of grave emergency, speed should not be a goal to be purchased at the cost of fairness. It was not so purchased here. When as here justice can be swift as well as sure, it attains its best. The court is fortunate to have a member who can understand and speak the arcane language of patent litigation as readily as ordinary English and can act, soundly and decisively from a background of knowledge of patent law which most of us must tediously acquire or reacquire for each case."

Now, I suspect that that is not going to be the model for disposing of cases in 26 days, but I think Judge Conner should be congratulated for doing it once. As he says, he doesn't do it every time. That's the other extreme from some of the problems we've heard about.

One of the concerns that some of us have is that some are opting out of the patent system. Some small companies and some individual inventors, because of the problems in enforcing patents are doing this. I've talked to people in small companies who keep their inventions

secret until they are ready to introduce the product. They introduce the product and sell as many as they can, until copiers come in and then they will go on to another product. It's very tough for small companies and individuals to use the system because they can't really enforce their product. What does a small organization do when someone is infringing their product? They can't afford the time or the expense to sue.

That's why I invited Art Obermayer here. Art, as he has pointed out, is a honest man, and is not a lawyer. He is president of a small corporation in Cambridge, Massachusetts. Art has been a member of the Licensing Executives Society for many years and, among other things his company is the plaintiff in the case of *Moleculon v. CBS,* which many of you will recognize is a case involving the patent that may cover Rubik's Cube. I'm sure Art will have some comments and thoughts on the expense and the time involved in litigation for a small company. Fortunately, he was able to find Brown Morton, who many of you know. Brown is very sorry he's not able to be here today. Brown was willing to take the case on a sort of contingency basis, and most of us can't do that and make a living. I think that's one possibility, but it's very difficult to do.

ALTERNATIVE PATENT VALIDITY DETERMINATION SYSTEM

I want to mention a few possible solutions which I suspect will not be greeted by acclamation. One is the *Homer Blair Patent Litigation Technique.* The patent owner files a complaint, the alleged infringer files the answer and each side files motions for summary judgement. If the judge cannot decide the case based on the motions for summary judgement, which rarely happens, the judge will invite counsel into his chambers. On the wall of the judge's chamber is a dart board. The dart board has indications of, "valid", "infringed", etc. The judge throws a dart. Many of you will snicker and think that's ridiculous. Maybe it is and maybe it isn't. Take a universe in which we have only a choice of two, my system and our present system. Mine is faster, it's cheaper, and maybe some might say it might reach the right result as often as our present system.

Another system which would help a lot in resolving validity situations is the following. When a patent is issued by the U.S. Patent and Trademark Office, it is valid and that's an irrebuttable presumption. That would simplify things, but I don't think too many of us would accept that.

Another system would be to say that the infringer would have to prove the patent invalid beyond a reasonable doubt, which again I

think many of us would not be too enthused about, but it would simplify a lot of litigation.

Some have even gone so far as to suggest that we should adopt what a few foreign countries have adopted, that the infringement of a patent is a felony punishable by imprisonment. Some of you probably think some infringers should be imprisoned, but so far we haven't done so.

I doubt that any of these suggestions are going to be accepted. If they are, I think we can probably adjourn the conference and go home.

On the other hand, I suspect we had better stay around and talk about some things that may or may not be a little more acceptable. What I will ask, and I don't think I'll have any trouble getting you folks to go along with this one, don't be shy about giving your comments and expressing your views. I have known most of you for a number of years and I know you are very good at expressing your views and I fully expect you will express them.

The first area is, should we investigate different classes or forms of patents?

INCONTESTABLE PATENTS

The first one, which is one mentioned in the report of President Carter's Advisory Commission, is the concept of an incontestable patent. As you know, trademarks, after a certain period of time, are regarded as incontestable. Some people have suggested that five years after a patent is issued, it should be incontestable with respect to § 103, unobviousness over the prior art. A patent could only be held invalid under § 102 as far as prior art is concerned. That would give the result that a patent, after five years, would be much more difficult to invalidate.

Now, the idea is not to come out with a system where a patent is valid if it really isn't valid. The idea is to see if we can come up with modifications that would help in determining the validity.

Section 103 is usually a major ground for invalidity of patents, and it is certainly the ground that many of you have used in trying to uncover information, taking depositions, internal investigations and so on.

Another suggestion is maybe a patent could be held incontestable against all attacks. That's a little extreme. Others have said that maybe it should be only held as incontestable five years after the patented item has been introduced in commercial production. If the invention that the patent covers has been used for five years, it should get special status. I think that if we had incontestable patents, and I'm not neces-

sarily suggesting we should, but if we did have them, I think it would reduce the cost of litigation and the amount of certainty as to the enforcability of patents.

All of us have had many occasions when we've been asked by clients, employers or whatever, what is our opinion on the validity of a patent — Can we enforce it? Back in the days before the CAFC was established, as you know, there were rather interesting forum-shopping games played, so you might have to tell your client, "Well, it depends on where we sue the other people or where we get sued." This isn't a very satisfactory answer. I think the reason that the CAFC was established was an attempt to bring uniformity to patent law which is a national law. If the patent was valid in California, it would be valid in Massachusetts, or if it's invalid in Massachusetts, it would be invalid in California. I'd like to now throw the subject open for discussion on the idea of incontestable patents. Is that a worthwhile idea to fool with? Should we not pursue it? Are there any modifications that would make it worthwhile? Who is going to be first?

MR. DUNNER: I remember this coming up on President Carter's Commission and I didn't like it then and I don't think I like it now, although I am intrigued with part of the proposal more than other parts. I agree with the proposition that litigation has become unconscionably expensive, and we've got to do something about it. The problem is that to have an incontestable patent means that you are going to lock people out who may have no incentive to have challenged that patent during the periods of time you're talking about. Merely by way of example, in the pharmaceutical industry, with which I am somewhat familiar, some pharmaceuticals are not commercialized until five or six or seven or ten years after the patent is issued. In that situation you probably won't have anybody with a motive to challenge the patent and the worst situation would be where you foreclose all attacks on the patent. A not much better situation is where you foreclose a § 103 attack on the patent. If you leave somebody with only a § 102 attack, at least as far as prior art is concerned, you have really emasculated the prospect of any meaningful defense in that area, because you very rarely will find a Chinese copy, or is it unfashionable to call it a Chinese copy anymore?

MR. BLAIR: Particularly with the number of Chinese students we have in the audience.

MR. DUNNER: I am more intrigued with the five-year period after commercialization. That's a less draconian solution, in that at least you've got in effect an announcement to the world that here is a product and

it's being sold. Even there you run into the problem of, "What do you mean by commercialization?" If somebody sold a few copies of a few samples of something, that's probably not enough to alert the world to the attention of this technology.

MR. BLAIR: If I can interrupt one minute. I would think that would be in the category of a drafting problem, which I would rather not discuss.

MR. DUNNER: In any event, I basically feel that the solution, if any, resides in other areas. I think there are solutions, and the solution probably more parallels your opening comments of having judges who are willing to take charge of the case and control it, and do control it, like Judge Conner did. It doesn't need to be in 15 days, we'll take 20 or 25. I think this approach to incontestable patents is not the right approach.

MR. WHITNEY: Rarely do Don and I agree on something. I agree with the comments he has made. I think that it's highly important to recognize from a practical standpoint that there has to be an incentive to spend the time and money to make the necessary investigations that go on. I also think that today, in today's world with the laws that now stand, thanks in great part to the Federal Circuit, but also to general acceptance and understanding of intellectual property law and the patent system, one has to think of the power that is in the U. S. patent, the power for injunctive relief. We just have to look at the *Kodak v. Polaroid* case. The power that's in the matter of the possible awards of costs and attorney fees, the triple damages. The matters of the costs in some cases where the prejudgement interest exceeds the liability by the time you get down to there. When most of us started practicing you had patent awards, when they got into the millions of dollars, that was somewhat rare. I remember when our firm won a case in the Congoleum thing, we got up to 37 million. Hell, 37 million isn't the beginning of everything when you see some of the judgments around today. There's a real draconian effect in patents and they've got to be treated properly, and if there's going to be any element of incontestability, which I don't think is appropriate, one has to bear in mind there's got to be the incentive to spend the time and money and the resources. One other aspect is, as far as having been an examiner in the world before that of Giles Rich 1952 codification of patent law, and thinking back to those acts at that time, examiners tried to do a good job. Examiners had experience, but examiners in the U.S. patent system are not people with practical experience from the outside. They are not experts and one cannot accredit the examination procedure. It can

be quality and it can be good, but it's not expertise looking at things and there isn't the incentive for the participants, even the applicant, to present even with the burdens of candor that are upon them today, the full opportunity and disclosure and discussion of the matter.

MR. FISHER: Homer, as I drove up here yesterday I found a Boston radio station playing Irish songs and one that almost caused an accident, its lines conveyed the message about this little lady, who over the years took aspirin tablets believing them to be antifertility pills, birth control pills, and she had 19 children and never had a headache. The relevance to this meeting is that obviously to stop her fertility and 19 children, you attack the cause and not the result. As I look over your agenda and topics today, starting with this topic, I think in many cases we are tinkering with the result rather than getting to the cause. Rather than taking aspirin tablets to deal with the cancer of invalid patents, I would attack not just the Patent Office, but the whole federal system. We listen to budget and deficit talk and we say, "Well, it's too much on defense. It's too much on human rights." What it is, the largest single expense and the biggest problem the federal government has got, is people. It's wages and salaries for half work. Now, the Patent Office has one proposal on the floor, Quigg wants to take it out and make it private enterprise. Before we get to incontestable patents, I submit we've got to get to civil service reform. This concept that we have 500 or 700 primary examiners in the Patent Office, people that have the last say about the applicants' rights, except for the appellate process. You can no longer go to the boss and say, "Hey, this idiot has searched in the wrong place and he's rejecting me on nonart." You are dealing with 500 to 700, some large number, of standards of invention, when years ago we basically had three. When I started going to the Patent Office if you had a mechanical case you could keep going up the ladder until you got the guy that was in charge of all mechanical examination. His standard of patentability permeated all the way down to the beginning examiners. Now each of these guys is his own boss. I submit to you that before we get to things like incontestable patents, we've got to do something about the standards of patentability in the Patent Office. There is one man who handles one set of inventions for a major industry, and if we're going to publish this I don't want to get into who it is or what the subject matter is. I can tell you that it's an industry that's considered sick. One of its major problems is the consistent hasseling over patents that never should have been granted because this guy's standard of patentability is too low. Now, if it's too high you've got an appellate process, if

it's too low all you've got is their primitive attempts at quality control. Point one, before you get to any of these ideas of incontestability, I think you've got to get at the examining process and reorganize and get things in order. The other thing where I think we are going to tend to be looking at the result rather than the cause, is the cost of litigation. We don't have a monopoly on litigation that's unduly expensive. You talk of ten million in the *Polaroid v. Kodak* case. I read in *Forbes* or *Fortune* a prediction of a billion dollar recovery which happens to be the number I came up with before I read it, so I obviously agree with it. I don't think that 20 million in fees is that outlandish. What can be outlandish is where I tried a case some years ago that we couldn't settle, where our maximum exposure was, if we lost it all, treble damages and attorney fees, I calculated at $35,000. The other side, before we went to trial, spent $75,000. There has to be some control of the litigation costs by the clients, which is more and more happening. More than anything else, we've got a clogged judicial system where in a lot of districts the courts don't feel they have the time to administer their dockets. Now, there are some districts around this country where they are still doing it and you can get in and out of a case for reasonable prices. There was a status call attended by one of the folks in our office yesterday on a case that's four years old in our district and the answer isn't filed. Now, the pleading file is up to volume two with the various motions that have been filed, none of which have been ruled on. God knows what they've spent. First of all, I think if you are going to effect the cost of litigation, you've got to recognize it's not unique to us, it's a cancer in the system.

MR. BLAIR: I think that's true, the problem is I don't think that absent you becoming Commissioner of Patents, you can get the Patent Office straightened out. I don't think we can straighten out all the judges, even though a lot of us have tried from time to time. I agree that the problems you mentioned are major problems, but I don't know how to solve them.

MR. FISHER: I think we're myopic if we sit here and say, "We're going to be insular and solve our own problems" instead of trying to join a more general movement to attack the civil service problem or a more general movement to attack the problems of the clogged dockets in the courts. Our friends on the CAFC were maintaining a very current docket for a time, they really were living in a sort of false paradise because their backlog was still being handled by the other circuits. Ten percent of the average of assigned judgeships are vacancies, 20% or some number. There are always vacancies. If we could have two or

three more judges I would hope the docket would be more current.

MR. BLAIR: I agree, but I don't know how to solve that one.

MR. WEGNER: I'm shocked; perhaps it's the weather, because I'm agreeing with Dunner, Whitney and Fisher, all in one morning. I've never done that before, and I promise it will never happen again. I agree in particular with Tom Fisher about the problem of patent quality. What stands out to me, and maybe it's because of my international perspective, is the need for some kind of an opposition system. Now, before we start invoking the name of the Carter Commission report, at the time of the late 70's I, too, agreed that we shouldn't have a German style opposition. I still think we shouldn't. But, the European system should be very carefully explored. It provides a nine month period for an opposition, post grant. This gives everybody in the industry time to think — Do I really need to oppose this patent? Do I really have the best prior art necessary to successfully oppose this patent? A built-in incentive is provided for quality before grant because the applicant will want to avoid an opposition. The cost is high enough and the time is long enough so that instead of the 30 to 40% rate of oppositions that were predicted for the European Patent Office, it's more like 10%. Again, five years ago I would not have favored an opposition system, but the quality problem with the Patent Office is so fundamental, so pervasive that before we can entertain any thoughts about incontestability or better handling of problems in litigation, we've got to shape up the quality of the patents being granted.

MR. ARNOLD: I agree essentially with the points that have been made. I'm not real sure about the opposition but I essentially agree with everything else. Without taking time to say why, I would say that trademarks are substantially different and are not a precedent for this circumstance. I would suggest that the severity of the Patent Office issuing patents it shouldn't be issuing, must run to some substantial number higher than 20% of the patents. That many are issued on essentially novelty examinations alone. There are a lot of them out there. There are people here who head patent departments that absolutely "patent the wheel" every day. They paint it purple, they do something else, but they get a patent on the wheel or the wheel-equivalent every day. That's routine, that's easy. We all know you can do that.

Another point has to do with litigation. It seems to me that we don't put enough focus on this concept. The amount of money you spend on a patent infringement suit is not nearly as proportional to the issues

that are involved as it is proportional to the amount of time you spend between the issue being joined in the first instance and getting the case disposed of. If your case doesn't go to trial for four years, you continue to work on it off and on for four years and you think of new things to work on when it gets ready for trial and when you get ready for the postponement. If the case goes to trial in nine months, you can't work for four years. There is a degree in which this alone is a sensitive factor to pay attention to — time. The time between when the issue arrives and the time when you get a disposal.

By way of comment upon that malfunction, which we all know exists, I've had one case that went on for 27 years. In another, I got to argue the appeal before the Federal Circuit on the day the patent expired. The case had been filed 13 years earlier. There had been a trial, the patent held valid and infringed; then new evidence and a new trial. Finally, I argued the appeal on the day the patent expired. Now that is a malfunction of the judicial performance and it is not rare. Maybe 13 years is rare, but it is not rare that we have undue delay.

Still, as you say, Homer, I don't know what to do about it. Maybe there is nothing we can do about it because the courts will always remain backlogged, by the nature of our political process, the courts will always remain backlogged.

Finally, I would say that I believe that there are mechanisms for judges to take control of cases and shorten them. I say this partly because I have been an arbitrator where we did this and we got the case (I think it was a 28 or 29 million dollar case) disposed of for probably $60,000 or $70,000 a side. I don't believe that either party felt that they were denied a fair hearing in doing it this way. It's the kind of thing that I don't believe the federal judiciary is competent to do and therefore I think the exploration of what they do in Austria, where the patent lawyers become masters and decide the cases, at least in the first instance, may merit some further study. I'm not recommending it, but I think it's an interesting idea that we have patent lawyers appointed to be masters that can get at the case and get at it promptly and can take control of the case and do several things that we can discuss at another time because it would take too long here.

MR. GHOLZ: I'd like to get back to incontestable patents. We do have incontestable patents already to a very limited degree. 35 U.S.C. 121 provides one specific type of defense that you can't raise in litigation; incorrect restriction requirement. I would be very strongly opposed to taking 35 U.S.C. 102 or 103 out of a litigation context, but I do think that there may be a few defenses that currently come up from time

to time that would be appropriate to simply take out of litigation. One that comes immediately to my mind because of specific litigation, I think we all speak from individual historical perspectives, is reissue estoppel. That is something which is peculiarly a Patent Office problem. They handle it as for better or worse in the Patent Office, but it's horrible when it gets out in the courts. It seems to me that is one good candidate for an issue which by statute should not be available in litigation. Another is the granting of retroactive license for foreign filing under 35 U.S.C. 184. I suspect that there are others, but they are minor, technical issues which don't come up very often. The gut issues of 102 and 103 and 112, I think are not suitable for the incontestability status for the reasons advanced by Don Dunner. You have to have somebody with a very important financial incentive to litigate those issues when the time comes.

JUDGE NEWMAN: I had always felt when I was in the private sector that the problems of quality of the product of the Patent Office and the problems of judicial handling of litigation were pretty much outside of the control of just about all of us, even though we might exhort and wring out hands. Therefore, I was at one time a vocal proponent of some kind of incontestability. I felt that after seven or ten years there should be an opportunity to know that your patent wouldn't be subject to some of these major time consuming challenges. I felt that something was needed, we weren't all looking at it from the viewpoint of the investor or the inventor, that we were so concerned about the rights of the infringer, we forgot about the people who had made the commitment to proceed commercially at an early stage in their patent life. Having made that commitment and having commercialized, the invention and then as they were starting to reap the benefits of the risk they had taken to find that they were spending the rest of their patent life in court — it seemed to me that there should be a better recourse. The idea that after say seven years an infringer might not be permitted to challenge validity on certain grounds was very appealing to me. Now I am retreating from that viewpoint, not for the reasons that have been raised by George or Don, because I think they can be argued and neutralized from the viewpoint of the investor, but because of my observation in recent years that most patents are being challenged in the early part of their lives. Perhaps not in the pharmaceutical or agricultural or chemical field where they don't get commercialized until the latter half of their lives, but many patent suits appear to be filed earlier in the patent life. What concerns me is that we might expend an enormous amount of energy and con-

troversy on a subject that might not be of as much practical significance as I once thought it to be.

MR. WILLIAN: I don't think that the discovery procedure that you go through, even though it's protracted, is all bad. I don't mean from the economics for the lawyers, we realize we have a conflict of interest. A federal judge explained to me the other day, he said, "The trouble with cases like this is, I've got to give an answer that either he's right, or he's right, and the trouble is, probably there are no absolutely right answers or absolutely wrong answers in this case." Eighty percent — I've heard this number — 80% of the patent cases are settled. The parties have had an opportunity to take their discovery, they've gotten over their blood passion for each other, and now they're looking at the real thing. This guy has got some arguments, we've got some arguments. Basically, I think when you accelerate the procedure, the discovery procedure, and put the parties to a trial within a couple of months, the number of trials you're going to have per number of filings, is going to go way up because the parties do not have an opportunity to sit down and reflect on the facts that have been developed through the discovery. The next point I'd like to make with your incontestability, it would seem to me the thing you should consider is — Would this force parties to litigate against a patent, even though they haven't decided they wanted to go into it commercially? — Would this cause you to take an offensive measure if you were a competitor and say, "I can't make up my mind within that period of time." Therefore, they've made it up for me, I am going to litigate against that and if I decide seven years from now, I'll withdraw my lawsuit. So I question whether or not you're going to be able to foreclose the contesting of a patent for that very reason. I would also think that there is a constitutional issue here. I'm not smart enough to know what the constitutional ramifications are of real inventions or obviousness, but it would seem that would be contrary to some of the pronouncements of the Supreme Court, that we only give patents to real inventions, etc.

MR. JORDA: Homer, I would have loved to come up with contra arguments, but I have to side with prior speakers. I believe we are already there insofar as you want incontestable patents with respect to the defense of obviousness, if you believe Jerry Lee's maxim. You may recall that Jerry Lee, at the ABA-PTC meeting in New York, gave a talk on the subject of the most significant patent cases relating to the question of obviousness. He said point blank if you have no other attack against a patent or a defense than obviousness, then forget it. In other words, he was saying that very few patents are held invalid for ob-

viousness reasons. Federal Circuit Judges contest that statement, but they do hold that patents are born valid and, if you talk about making it incontestable after commercialization, well, at that stage, if you have a successful product, if you have licencees, the presumption of validity is strengthened. If you believe the headlines of the literature, there is so much talk about the surprising new power of patents. Now, this will trickle down, infringers will get the idea that their chances in Court are not too good unless they have some very, very good invalidity reasons. If somebody has some very good reasons, and I believe there are at least three dozen reasons for a patent to be invalid, let him bring them forth. I would think that in the light of the general strengthening of the patent system, the strengthening of the presumption of validity at some stage and under some circumstances — I agree with Tom Arnold that the trademark situation is no precedent — We should stay away from incontestable patents.

MR. DEGRANDI: I think Tom Fisher put his finger on it when he started talking. We have to go back to the basics. We have to come out of the Patent and Trademark Office with quality patents, with strong patents. Back in 1982 when the administration raised the fees, such as the filing fees, the issue fees, and fees for extensions of times, etc., we were told that one of the reasons it was doing this was to make sure that the PTO had enough money so that it could issue quality patents. I don't think that is the case right now. What has happened is that the office is still under the gun trying to get patents out with an average 18 month pendency. An examiner that examines a case today, spends, I believe, no more than about 15 hours from start to finish. Those of us who practice before the PTO know that 15 hours is just not enough time to really get involved and understand what the invention is, to read the claims, to get out there and do a very thorough search so that when you allow claims you feel comfortable that these claims are going to be held valid. I know the Office is spending millions of dollars on automation. Whether or not it's ever going to work, whether or not the examiner is ever going to have all of the art in front of him is very, very questionable, even though right now the Office is thinking of spending something like 600 million dollars for automation. There is one way of getting around this. Of course, the big thing is to make sure that when the examiner examines the application, he has all the best art before him. Theoretically he is supposed to do his own search and the bar is supposed to help him out. There is an awful lot of art that is overlooked, that the examiner will never see. That art usually arises or comes to light when the patent

gets involved in litigation. The other side will conduct a validity search and, if they come up with a good patent or patents, will say, "Your patent is invalid because of the patent to A or to B or to C, or a combination of them." Years ago, Bob Benson, former Chairman of the American Bar Association Patent Trademark and Copyright Law Section, had a very good idea; once a patent issues and gets involved in litigation and new art comes to light that the examiner did not have before him, let's submit that art to the Patent and Trademark Office in a reexamination proceeding. Let the examiner reopen the prosecution, look at the art, give the patentee an opportunity to amend the claims and then your patent will either issue or will not issue. If it issues over that art, then the validity of that patent is enhanced, it's a much stronger patent. Unfortunately, the reexamination system really isn't working in the PTO. One solution may be that once you get involved in litigation, and you have a very complex chemical case or very complex electronics case, you feel sorry for the poor judge that's going to have to sit there and listen to it. Maybe we should do what they do in other countries, namely, get all of the art back before a panel of experts in the PTO, and then let's have the PTO consider whether or not the claims of the patent are valid over this art. Let's take the job away from the Court, at least in the first stage. Basically, I think you could cut down the amount of litigation and you would probably cut down on the cost of litigation, if we could ever get to that stage where we end up with very strong, quality patents at the outset. I think we're a long way from that.

MR. WRIGHT: I'd like to make a couple of comments in favor of the incontestability of patents. Being with a corporation there is a lot of merit to business people, inventors and corporations that are exploiting inventions to know with some degree of certainty what the consequences will be of the action they are about to take. I think much of the litigation and large amounts of money that are spent in litigation is the result of businesses having made business commitments based upon legal opinions they have gotten having a degree of uncertainty about its patent position. Once you have made the investment to get into a particular business, it's very difficult not to continue to fight even as your chances of being successful diminish. You've still got so much money invested in the program that you are forced to continue to try to press your case because the consequences of getting out of the business is much higher than the cost of litigation. I think you can also say if a business or an inventor had a perspective that he was not allowed to get into a particular area, if that was much

clearer, he would put more incentive into finding alternative ways to get around a particular patent that's involved. I think it could be looked on as promoting the useful arts by directing attention to other ways of accomplishing the same type objections.

MR. MAURER: I recognize that the Patent Office isn't being represented here today and I hate to keep using them as a whipping boy. . .

MR. BLAIR: Don Quigg said he would like to be here but he had to go to Geneva.

MR. MAURER: One of the things that bothers me is that it goes back to something that both Tom Fisher and Joe said. Often you find the situation where the examiner maybe didn't have the "best" art, but he had very good art, and it is not applied properly. If it isn't absolutely a § 102, the amount of applying by the examiner and the perfunctory response that's allowed doesn't ever focus on the issues. There's no argument, there's no nothing. It's just "Let's get it out of the way." To me, that is a very serious problem when you're trying to focus on invalidity. The fact is that the examination in the first instance isn't being done properly in order, in my mind, to establish a sound basis for allowing incontestability. Again, it's probably due to the pressures on the examiner, but somehow having more examiners, if we are going to follow that pattern, doesn't solve the problem.

MR. TRAMONTINE: I think we have suffered over the years from the creation of a myth. A few of the speakers have already touched upon it, and that myth is expertise in the Patent Office. I was an examiner and I can assure you I was not an expert in any area of technology. I don't know of a single examiner who has ever been called as an expert witness in technology. Your examiners are like a judge that only hears from claimants throughout his life. I do not think you can expect patents that will always be upheld with that system.

MR. BLAIR: Is there anybody that hasn't spoken yet that wants to talk?

MR. FIELD: All through this conversation about the examination process, I've been thinking of efficiency. It seems to me that it is not very wise to invest the resources in examining all patent applications that would be warranted in only a few instances. The point is similar to the one Mr. Dunner makes about the interference system.

The real questions are: How much of an examination is appropriate for the vast majority of applications, and how do you crank up the process for the few who may call for more? I don't have any answers, but those questions must be faced.

MR. BLAIR: As I recall, in the past I've heard Tom Arnold say in his opinion we have a deferred examination system. The initial examina-

tion isn't that great, we get the real examination when we get into court. So what you're saying is if you could somehow determine which ones should get a real examination, the system would be improved.

MR. ROBBINS: I think George Whitney made one side of the story clear when he talked about the power of a patent and the tremendous impact of the Polaroid judgment on Eastman Kodak. Jim raised another point which I think shows the other side of the story, and that is that businessmen need some degree of certainty. I've been thinking here during this entire discussion about incontestability, about the problem that the head of a corporate patent department faces every day. This problem is on which inventions does he get applications filed and in what priority. It's an impossible task. It is like throwing darts at the dart board. There are different kinds of patents and I think that's one element that has not been discussed. There are patents that are taken out just to protect the technology, with no thought that they are going to be very useful. Then there are real contributions to the art, and sometimes the art takes ten years to catch up with them. If those patents were incontestable, there would be no incentive to challenge them because the art is busy trying to catch up to them. I think for that reason I would go along with the majority, although I'm much more comfortable usually being in the minority.

MR. FISHER: I wanted to supplement a little bit. Joe raised something that really ties into what I was going to say, and that's this automation of the Patent Office.

MR. BLAIR: For the 800 million dollars.

MR. FISHER: Brad Heuther's job didn't exist when Ronald Reagan was elected. Last year, Brad Heuther's department had, if you count the full-time consultants, something over 400 people, and he wanted another 10% increase. Now, if we'd spent the cost of 400 people on examiners and grunts, clerks, who manually maintain the integrity of the files, we'd have their 18 months in 1987, we'd have the quality we're talking about. When Rene Tegtmeyer reported to the National Council in October, he noted that the young examiners, based on their quality control checks, the actions by the young examiners were of a quality commensurate with, and indeed in many cases better than, the guys I'm complaining about who are primaries and unsupervised as a practical matter. Why were they better? Because with the younger folks they are back to the old system where they've got a supervisor that works with them, that suggests further search, suggests, "Have you considered this?", and so on. Now that you're finding that result when you're back to the old system of supervision, is there any way

you can return to that for all the examination process. The response I just got from that wall, is just as good as what Rene had to say. He couldn't understand what I was talking about. There is something we can do with pressure from the bar about the management of that office. We can complain about the money going down the sewer for that automation process. How many of you have seen a demonstration of what they've got? Anybody besides me? Joe, were you as unimpressed as I was? The only thing it has got to offer is probably, the examiner will be able to find all the references that ought to be in the subclass. If he's been there a while, he knows all the good ones anyhow. Lowell Heinke tells me the guy that used to share a cubicle with him in the Patent Office, he thought was a damned good examiner and he searched through his private collection of patent copies in his desk drawer because he'd been there long enough to know which 10% of the patents in each of his subs represented the teaching of that sub. You don't need them all, you need to know what should be there. What they've got, I swear, is going to slow the examiner down. It's not going to enhance his searching and examining process.

MR. RINES: I don't know the answers either, but I think one important question we aren't asking ourselves is, what can we afford as a country? What is our public policy determination now about values in this country?

The Patent Office search provides only a presumption at best. Maybe it's a lousy search. I was an examiner and I did some lousy ones, and I did some good ones. It's a way of getting things going; saying it looks like this might be an invention, so give them a patent. The question is, to what decimal place are we going to carry the answer on data that inherently isn't accurate even to the first place, and what's the sense of talking about the sixth place? While we recognize that there's nothing against making things better, I don't think the answer to this resides in a perfect patent at all. I don't think we can afford it. You take a first crack at it; you do the best you can. Now, this gives business and industry some kind of a feeling on the basis of which to take business risks.

I want to stop for a moment and tell you what happened to me a few months ago, not that I'm advocating this, but there were certain things that I admired in it. We think our judicial system is bad. I hope some of you have had the experience of litigating abroad, particularly in the courts of Germany, never mind Italy. You get into Germany now, after nine years you finally get to the Supreme Court on the issue of validity. The Supreme Court sends us a letter. Why don't you amend

the claim to put this in the introduction? Of course, we do it. The Supreme Court really tells us, "We don't give a darn what the Patent Office said, we'll decide what the invention is", even though they go through the German, now the European mechanism, of pretending to argue about claims. The fact is, strangely in a West German Court there is something that our tradition invented, Anglo-Saxon equity. The power in the Court to make that claim what it really was intended to cover.

The objection I have with our brethren, including the Courts, is that we are the victims of real property lawyers of centuries ago who, with the idea of metes and bounds, have bound to the rule that the precious claim has to be correct. All it is, is an expression in language of an idea that we think is the gist of something that ought to be protected; and now we're married to it. When the Court is hostile, it finds a reason why there is no infringement. I don't think the Courts were any more friendly than they are today, with one possible exception, at least we're keeping them honest today, thanks to your Court, Judge Giles.

The Doctrine of Equivalents was an equitable doctrine. I remember my dad telling me about a case he tried in the Federal Court in Massachusetts for the preservation of pistachio nuts. There was no way to preserve them and there was some kind of a salt coating with gum arabic. The defendant wasn't using gum arabic, he was using something else, but the patent claim said gum arabic. An equity court — Have we lost that idea of equity that's supposed to abhor forfeitures and so forth? — says the invention is a broad idea; we are not going to let somebody get by; we're going to reform the claim. We never say that in America, we don't seem to have the guts to. But that's what the Court did in this case, saying this is the same thing, I don't care what the language said.

My thought has always been, yes, try to make our Patent Office better and so forth, but understanding we can't afford much better. If we could get some kind of dispute resolution system that was predicated on equity again, and that we weren't married to words, but appreciated what these things are in terms of ideas, I think a lot of our problems will go away. Having said that heresy, I will be quiet.

MR. OBERMAYER: I had two comments I'd like to make, one on the question of the Patent Office and the other on reduction of the cost of litigation. I think there's a fundamental problem related to the costs of operating the Patent Office in the last five years. That is, the costs are being paid by the user. When you have a regulatory agency where the costs are being paid by the user, there is no one in a practical po-

sition to or need to control costs. The Congress may not be the perfect organization to control costs, but when the Patent Office budget must be approved by the Congress, and is competing with other agencies for limited funds, there exists a better basis for controlling costs. When the user has to pay, there is just no way of controlling the costs within the Patent Office.

On the question of reducing the costs of litigation of patents, I have had a surfeit of experience with the huge costs and the long time for litigation. I see the fundamental problem being that there are few penalties to prolonged litigation, and I really mean few financial penalties. The infringer can usually get a better result by extending the litigation, and that seems to be a rather common practice. The results of litigation ultimately depend on the financial resources and the staying power of the two parties rather than on what I would call justice. The key question is — What can be done to provide disincentives for prolonged litigation? I think those disincentives really should end up as a monetary cost for continuing litigation. Apparently, it's rather uncommon for judges to require the losing party pay the winner's attorneys fees. The abuse has to be extreme for this to happen.

There is another choice I would like to suggest. Right now in patent infringement suits the amount of post-judgment interest is determined by law and pre-judgment interest is also paid at prevailing rates. If the interest paid were twice the prevailing rates, for example, that would be a major incentive to keeping litigation short. It would be a major incentive for the infringer not to prolong the litigation. For such an incentive to work, the courts must be required to respond rapidly. In my own business I deal a great deal with the Food and Drug Administration. According to their regulations they have to respond to certain kinds of actions within 30 days, and certain other kinds of actions within six months. Also, patent examiners must respond within a specific time. It may be a radical thought to require some kind of specific time response from the courts, but I don't know why the courts can't be required to respond promptly just as others are.

MR. DUNNER: I'm hearing an awful lot that I disagree with and we're sort of getting off the topic. I'd like to make a general statement. I think that for this proposal and a lot of the other proposals on your list, we are looking at the wrong thing. I agree completely with what Bob Rines said when he started out. As he went along, I think he lost a companion in terms of the thoughts that he expressed. I think there is a limit to what we can do by tinkering with the patents by having superpatents, copypatents, incontestable patents. I really think that

the core of the problem is the courts, and I personally think there is something that can be done about it. I personally think that if anything comes out of this conference it will be this thought. I think the problem is discovery abuse. I disagree with Art that if you have a bigger penalty in terms of double the rate of prevailing interest you are going to dissuade anybody from anything. Given the Federal Circuit holdings on damages, you've got an in terrorem effect in existence right now. They are sustaining huge damage awards, they are going, in my opinion, beyond the realm of real world evaluation of damage awards and it scares the living bee-jeebes out of me and it scares the living bee-jeebes out of some clients, but it doesn't deter lawyers from litigating the living heck out of a lawsuit. I have seen cases, I'm involved in one now, where the Federal Circuit has already ruled on the patent, and probably each side has spent a million dollars on a preliminary injunction in a second suit on the same patent that's been litigated, and the validity of which has been upheld, or as Judge Markey would say, "It has not been found invalid." The fact is, litigation can be controlled. It's controlled in the Eastern District of Virginia. When you go into that courtroom you had better be prepared to try a case on Superbowl Sunday, as I did a couple of years ago. That case went from cradle to grave, for at least one of the parties, in less than a year. It can be done, but what it requires is tight control by the trial judge who is willing to step in and absolutely hold intolerable the discovery abuses, the abuse of the Federal Rules of Civil Procedure by both sides, the game plan. I agree, if you have a lot of discovery it sometimes leads to settlement. The point was made that 80% of the cases were settled; Clyde Willian mentioned that. The problem is at what cost? You can settle cases very quickly if you go in and if the judge says, "Here's the timetable, you've got three months for discovery, maybe six months for discovery, and you had better be finished at the end of six months, because when it's all over, you're not going to get any extensions of time. There's going to be a pretrial hearing X-months after that, and the trial is going to be Y-months after that." You can't spend abusive amounts of money if you don't have time to spend it. Now, in a year you can spend a lot of money, but the problem is not the one year cases, the problem is the five year cases. I agree with Bob completely, we can't spend enough money in the Patent Office to get the effect that we want out of that grant. We thought we could do it with reexamination, but that's not solving the problem. A lot of people are refusing to reexamine, both plaintiffs and defendants. They're afraid to go into the Patent Office. The courts are the

answer, and it can be done within our system. Unfortunately it's not being done except by a few courts. It's too bad there aren't more Judge Conners around because I have litigated in his courtroom. He doesn't owe me any favors and I'm not going to get any from him because I don't have any cases in front of him, but that case was a model and it went right through. It was a pleasure to try that case, though it wasn't tried as quickly as this ten or fifteen day case. A lot of judges can do that, and some do, but most don't.

MR. BLAIR: I've been at a number of bar meetings, where the problem of litigation costs has been discussed. I've heard a number of people say exactly the thing that you said, and I think you'd all agree with that. The problem is that the courts don't control litigation and costs, the courts are not going to control litigation costs. How do we get it to happen? One way might be, as Art suggested, the judges would have to do certain things within certain periods of time. My impression is that judges are not too enthused about that kind of arrangement. How can we get the judges to act quickly? I do not have a solution for that. I agree with you that they can and some judges do. Sometimes it's not their fault, sometimes it's a problem with the docket in a particular area. How do we solve that problem? Tom Arnold?

MR. ARNOLD: We amend the Constitution and not allow any judge to draw his salary until he can certify that every issue that has been submitted to him for more than 45 days has been decided. Only then can he draw a salary.

Let me turn quickly to other points. The total mode of conversation here is good and constructive and desirable, but don't forget that the competitors of patents also need equity, need justice, need the certainty on which they base their business decisions to build a plant or not build a plant, and the nation needs their capacity to move out, to make a decision and move their business undertaking. That is also something we don't want to forget.

On incontestability, I would provide a new sentence reading, "The Patent Office shall be very strict in requiring full compliance with § 112 to the full extent that the knowledge of the technology permits. However, upon litigation of a patent, the burden of proof for any attacks under § 112 shall be beyond a reasonable doubt, and it shall be required that the attacker prove that there was an intentional violation of § 112 before he can invalidate a patent on § 112." Now, why do I take that position? I think that the examiners do have, generally, an understanding of the knowledge of the technology that is recorded there. They read the references, they know whether this is a disclosure

or is not a disclosure. I think society can tolerate the error that exists in the examiner's judgment as to whether there is a disclosure and as to whether there is a claim.

Then I jump back to joining in with John Tramontine, they are essentially incompetent to decide obviousness or nonobviousness. They should never be trusted with an incontestable ultimate decision on that. It is fundamental to recognize that they do not innovate, they always look at things by hindsight and don't realize that there are 139 diversionary ideas that look to design engineers or chemists to be just as good as this other idea. The innovator is working by foresight, as distinguished from examiners that are looking at it by hindsight. We kid ourselves if we think the examiners are always going to do the job right in an ex parte proceeding.

This gets us back to a point that Homer raised that I've been preaching for years: it is important to have the two step procedure, ex parte in the PTO and inter parties in court. The best we can do in an ex parte proceeding, the best we can afford, may be 15 or 20 hours of examiners work. Let's have the best we can in an ex parte examination, and then have the efficient reexamination in the court in which we have an adverse party there. We do know it can be done well in the court, it is done well by some masters, and it is done well in the Eastern District of Virginia, it is done well in Bill Conner's court. It can be done well in the courts if we insist and if we were to have the best we can do in the Patent Office. If that's only 15 or 20 hours of the examiner's time, I'm sorry, but get it out. Get the ex parte examination done and get the patent out, and get on with the reexamination, the real reexamination in the courthouse where you've got adverse parties representing their own interests.

JUDGE RICH: Following up on Tom Arnold's suggestion that the examiner is not really qualified to pass on unobviousness, I would just like to remind you all that 30 years ago when I got onto the CCPA, there was a rule which the CCPA used to follow that doubts about patentability shall be resolved in favor of the patent applicant. This would be your preliminary decision. The Patent Office, largely through the efforts of a very active solicitor of the Patent Office, decided that they couldn't indulge in a resolution of doubts in favor of an applicant and still adhere to the idea that a patent issued by the Patent Office is prima facie valid or enjoys a presumption of validity. The Patent Office initiated the move to kill that policy and it was killed, first in the Patent Office, and it finally died a natural death in the CCPA.

MR. WHITNEY: On the business of quality and what has been said about doing a job as well as we can and then let's get it out to let the parties do it, I endorse that concept. I would also like to make the comment that we fail to think about from time to time that is really in the public interest. It's in the public interest to get these patents out. They've had this preliminary view by the Patent Office and that sort of thing, and then there's an incentive. It's just like in licensing, people talk about, "Well, how many millions of dollars of royalties were paid in licensing?" There is another test as to the validity or the importance of licensing. How many times did people not do something and spend money and effort to come around and invent around something? How many times did they enter into cross-license agreements which brought into mind a cross-fertilization? There are a lot of tests. The very fact of a patent being out there, even if there is a question as to its ultimate validity and that sort of thing, is still in the public interest because it encourages people to talk about things, to think about these things. Once the patent has been granted you have these technological compendiums, composiums and colloquiums, and all the rest of the stuff we want to talk about. People are talking about it and the public benefits. The other aspect I have relative to litigation that I think is in line somewhat with some of the comments that have been made, and I'd like to put this as a question to the only gentleman in this room who has the background to answer it in that way, because he has been on both sides of the fence, and as a District Court judge for a number of years, not only from his own standpoint but the opportunity of, in the lunchroom of the Southern District and the other places, his fellow judges and that sort of thing, to address the subject. We say there has to be control. We don't want too much control, we don't want to be, as Tom said, when somebody gets sued, let's not limit their discovery to such a short period of time that they can't properly defend themselves. Let's have some reasonable aspect in it, let's not have arbitrary efficiency based on ignorance of what is involved. We have rules in the Federal Rules of Civil Procedure, we have Rule 16, we have Rule 37, we have Rule 26, and the F-part of it and the other things. There is the power under Rule 1 of that United States District Judge, to run his court in the way he wants it to be run and to do these things. The rules are there, the power to make people do the things properly, the ability for the court to exercise its discretion on both counsel, as to the way a case is declared exceptional. The Federal Circuit has made it quite clear, you're not just looking to willful and wanton infringements and acts that took place before the litigation started,

you're looking to what took place during the litigation. Now, there is a problem that the courts have, and properly so, that they don't want to ride too rigidly on lawyers. Lawyers should be inventive, lawyers should be able to exercise to the best of their ability, their charge to go forward with their client's rights and handle it in the best possible way. Sometimes we tread, maybe in areas we possibly shouldn't tread, and we're on the borderline. You can't write a statute and you can't write a rule that says when you get over that thing. The courts have to be willing to enforce 37, willing to enforce Rule 11, willing to enforce these other things and to exercise an educated discretion in particular cases and operate with that. Bill, could you comment? I don't think we need more rules, I don't think we need more statutes. I think we have a structure there and we've got to figure out how do we make it work.

JUDGE CONNER: Well, I don't want to sound defeatist. I really think that it isn't going to work even though all of the power is there under Rule 37, Rule 16, and Rule 11. If a judge is so disposed he can control the case to a fare-the-well. He can say jump and have the lawyers ask how high, without questioning why. It really isn't going to happen, quite frankly. I'm reluctant to tell you that, but it isn't for a lot of reasons. Number one, the judges are overloaded. In our court the average judge gets 30 civil cases per month and it's going to get worse before it gets better. We have five vacancies, or will have as of April 1 when I take senior status. We've had some of those vacancies for more than three years. So the judges are simply overworked. Obviously, you can't try one and one-half cases every working day. Those are just the civil cases, that doesn't include criminal cases of which we get two or three per month and which take priority by statute. Obviously, we can't try one and one-half civil cases per day, we rely on the fact that 90% of them get settled. If they didn't, we'd be absolutely drowning in cases. There are a majority of judges who take charge in the sense that they call the cases in for periodic status reports. If they didn't, nothing would ever happen. The first thing that I learned after I went on the bench was how little attorneys will do to get ready for trial if you ignore them. They'll bring a lawsuit and it will sit there, not just for months, but for years, with absolutely nothing happening beyond the service of the summons and complaint. A year later, a set of interrogatories may go out, or a request for production of documents, and it's a year before that gets answered. Unless the judge is calling the attorneys in and setting deadlines for completion of discovery, an incredibly small amount of progress is made toward getting the case

ready for trial. It was my first rude awakening to the realities of judicial life, attorneys are overloaded also, and they pay attention to the cases in which the judges are pushing the cases for trial. I've decided if I wanted to get my case load down, the only way I could get it down was to call the attorneys in and set deadlines and keep pushing so they'd be working on my cases instead of on the cases for some other judge. It worked, and it's the only thing that will work. In many courts the judges simply are so overloaded that they haven't got time to take charge the way the rules permit them to do. You've got a couple of other problems. One is that judges frankly admit that they don't know anything about patent law and they know even less about the technology. If you come before a judge in a case on biotechnology or pharmaceuticals, or advanced electronic circuitry, solid state physics in a patent infringement case, you've got three serious problems. One is he is overworked, two he knows nothing about patent law, and he knows even less about the technology, and he's not going to pay attention to a case which is ultimately going to reveal only his ignorance. He'd rather spend time trying diversity cases where he is very familiar with the law with respect to vehicular accidents and the doctrine of comparative negligence and so on. I have a solution, if it were ever adopted, but this is really out of order and I won't get into it now.

MR. BLAIR: Bill came in with some copies of a proposal he has. We are making copies, so each of you can have one, and that's the first item that we are going to take up after lunch.

MR. WHITNEY: Can I just note that in line with Bill's comments, we had a plateau for about ten years before the formation of the Court of Appeals for the Federal Circuit, of a number of cases being filed in the intellectual property area, and the number of cases that went to trial. We had about 135, plus or minus and about 15 or 20 appeals in a year. We had something like 270 on an average, plus or minus, District Court decisions. I believe, and I can't quote the numbers because I haven't done the research on it lately, maybe Don has. It is my definite understanding that those numbers are damned low compared to the world of today in 1986 and 1987. You're getting more patent infringement cases filed than have ever been done in the history of this country, and you're getting more of them where they are attempting to go to trial.

MR. MASSENGILL: I'd like to speak from the client's point of view with regard to settling cases. I think the courts can contribute a lot more than they are now contributing to settle cases. This might be a point to discuss this afternoon with regard to a master. The problem that

I have found in trying to settle cases is when you have a pretrial conference. It's obvious that the judge, because of his huge backlog, doesn't know much about the case. Usually he hasn't gotten into it at all, and really can't put pressure on the parties to settle the case, other than just encourage them to try to settle. I know one case that didn't work that way. We went before Judge Conner so long ago that I'm sure he doesn't even remember the case, it was 15 years ago. The trial opened up and within two days the case was settled. Allied received a 17.5% royalty, which was a high royalty at the time, and it wasn't in pharmaceuticals. Apparently, Judge Conner understood the issues and he was telling the other side, "Well, you're looking at a possible injunction", and he was telling us, "You may lose this patent." I probably shouldn't be telling this story, but it worked. He settled the case for us. Unfortunately the defendants filed a later suit to invalidate the patent and still practice and it went to the Second Circuit Court of Appeals twice before we finally won the case. Anyway, in the first instance it did get settled, I think it was a fair settlement, but there was some pressure to settle because the judge understood something about the case. In some cases in the district court in this country, you go in for a pre-trial conference and the judge hasn't really studied the case very much because of the huge backlogs, and then the private bar doesn't always help either. They argue, "My client is entitled to his day in court, he shouldn't have to go through the brow beating and pressure to settle. We have the right to our day in court." So cases go to trial and you spend hundreds of thousands of dollars and sometimes into the millions, because there is not enough knowledge about the case in the early stages for the court to get the parties to understand the possible consequences of their case.

MR. WEGNER: I think that everything that's being said about litigation is very constructive, but we are losing sight of what Jim Wright focused on, the business certainty aspect. Professor Kitch, about 20 years ago, and later Professor Chisum, in some unpublished communication, both talked about the "mining claim" theory of patent law. In other words, it shouldn't really matter how meritorious an invention may be, or how much advancement of the state of the art is made; it's rather just like the miner back in the old west who would say, "I need this territory around the South Fork, up 50 yards and so on. This is my mining claim. Here, I want to devote my time efforts to mine this territory." With a patent, we have, really, an intellectual property mining claim. I've got this patent, now I want to get ten million dollars from bankers to invest money in this area of technology and

I need some certainty. What Judge Newman has pointed out about her change in attitude about the five year period for incontestability is also a very real problem. Now, I go back again to oppositions. If you have a strong nine-month, European style opposition, you can get substantial incontestability for your patent. You can't do it through reexamination, that's a failed process. You may need administrative law judges or some other body to handle the opposition. I agree with Mr. Rines that you can't devote the "nth" dollar to patents in the Patent Office. Let's let the public take care of itself, let's have some kind of an opposition and if it's done with an administrative law judge or some equivalent making the decision, then we'll have substantial incontestability after that procedure is over. We could also dump § 112 in there. I agree completely with what Tom Arnold has said, but leave it in the opposition process. Let's force the public to use this procedure and get it all done and then after nine months we're done, set, and then we can make our investments. We can go to the bankers and say, "We've got a reasonable certainty."

MR. BLAIR: I'm going to let one more comment be made. I've deliberately let this subject run on because I think it's been worthwhile. I realize everybody has not been talking about incontestability, which is fine. I think some of the other comments are well worthwhile to get in. What I plan to do now is move to some of the other items and we will get into a lot more about litigation immediately after lunch. John, you had a comment?

MR. TRAMONTINE: I think that if there is one way to increase legal fees and the cost of litigation, just give us another judicial or administrative process to do, whether we call it reexamination or whether we call it opposition. The more forums we can get to, the more times we try the issue, your fees go up. The way to cut fees is to simplify the proceedings, get rid of your interferences and stop reexamination, particularly when you are in litigation. Simplify it, don't give us five different forums to work with.

SUPER PATENTS

MR. BLAIR: Now I'd like to move on to the second subject, the so-called superpatents, but you can call it whatever you like. Is it worthwhile when you have an invention you feel will be important to your client or to your industry, to pay a significant fee and also file a statement within some period of time that the applicant has made a thorough prior art and validity search? This thorough search would hopefully turn up a lot more art than we normally have time for in our preliminary pre-filing searches.

The results of this search would be filed within a certain period of time, the applicant would make comments on this search. This would be submitted to the Patent Office and the Patent Office, because of the extra money they would receive, would spend more time and maybe have two examiners look at it rather than the one examiner. The additional search and examination might give the patent a stronger presumption of validity. Obviously, this would only be used with patents that we felt had some significance. I agree 100% that you can't always tell which is an important patent at the time that you file it. Some you can, and some you know may be worth filing and may be worth getting a patent on but they are not going to be of major significance. Does this idea have any merit? You aren't taking the examination completely away from the Patent Office, but you're letting them spend more time on ones that might be good, realizing that their examination is never going to be perfect by any means. Is that an idea worth fooling with? Chico?

MR. GHOLZ: I don't think bucking up the ex parte part of the prosecution is going to do much good. I have the strong impression from talking with folks who have left the Patent Office recently that there are a lot of the examiners who don't use the 15 or 16 hours that they get now. They spend time studying for law school, they spend time reading, they don't use the whole 15 hours that they've got already. You pay them more dollars and give them supposedly 30 hours per application instead of 15 hours for application, I don't think you are going to get a substantially better ex parte prosecution. The only thing that is really going to get better qualities is making it inter partes, and for once in my life I agree with Hal. I like what would be in effect a three level system. The ex parte prosecution knocks out some of them, and knocks out the combination spoon and drinking straw applications, and maybe a few others. Then if you have an optional opposition of the kind that Hal was talking about, it won't apply to all cases because so many of them you don't know what's important at that point in time, but it will apply to some of them. That will further refine the process and then if you have litigation as the ultimate fire for doing the final review, you have three different levels and it is somewhat self-correcting. The amount of money that the public or representatives of the public spends is going to be a function of how important the case is. If the case is only worth a hundred thousand dollars, then you do a reexamination or the equivalent, you do a quick and dirty job.

MR. BLAIR: Can the small company afford that opposition at that time before they have made their money?

MR. GHOLZ: The small companies can afford reexamination. Sometimes we get instructions from clients saying, "For God's sake, do something, but don't spend more than $5,000." If you get instructions like that, what you can do is file a reexamination. It's not much, but it's cheap. If they can afford a little more than that, maybe we can do something like Harold's opposition, and if it's really important, then you spend the big bucks. You shouldn't be spending the big bucks unless the case is, in fact, important.

JUDGE NEWMAN: The more I see of litigation, the more inclined I am to look for other solutions. This conversation reminds me of the Carter Commission work. We were talking about different worlds. There were those of us who came from a corporate patent background or a patent litigation background, and there were the entrepreneurs and the inventors. We forget that there are 100,000 or so U.S. patents that issue each year and are told that some 60 or more percent of those patents are used. I'm not sure what that means, and I think that's part of the problem, but it's clear that any of those patents, many of those inventions, and innovations are relied on and developed without resource to litigation. In the cases where the entrepreneurial decision or the degree of confidence with which that decision can be made, depends too heavily on what's going to happen as a result of litigation ten years down the road, is just to say that that decision will not be made. Something else will be done with those investment resources. That can't be in the national interest. It was that concern that led to the various changes that were made in the patent system and the judicial structure, as well as the private sector could influence it, a few years ago. We need to review those concerns as we suggest new remedies and consider what kind of impact they will have. I was, at one time, a vigorous opponent of an opposition system, just as I was in favor of the increased certainty that you would get with some sort of limited contestability. I am reconsidering and rethinking, not so much because of the European experience with oppositions, but because of mistakes one might learn to avoid from the European experience. The goal must be to achieve a sufficient degree of certainty early enough in the life of the technology you're dealing with, to encourage innovation so that the nation can get maximum value out of it. That's what I think we need to concentrate on, and that cannot include the time it takes to litigate through the federal judicial system. The other side of it is, however, that if you have a certain degree of certainty as to the outcome of the litigation. That may be factored into the decisions that are made at the beginning of the innovation

process. That's where we hoped the Federal Circuit would have a value. I encourage us here to think about how we can strengthen this degree of certainty at the earliest possible stage in the life of a patent.

MR. WITTE: I don't agree with it, with the superpatent. To me, if an applicant wants a better patent, it's pretty much within his or her control to make sure that all of the examination is relatively high quality. If the examiner misapplies the art, then the applicant should make sure the record is good. I think to have a superpatent, but without having an extra fee for it or having to double up examiners, it's within the applicant's control to do it. I have to say that I'm also against oppositions. I agree with John Tramontine that it would just add another litigation level and additional delay, and would be like the Dann amendments, and I think that we've learned our lesson from that. There have been some comments on reexamination. To my point of view, I think it's working. It was never intended to be an opposition and it was never intended to be anything great, but I think it has done its job and I personally have had good experience with it. I think it should continue as a minor aid to the system.

MR. SHAPIRO: I am not in favor of superpatents, because they are not likely to have significantly better quality than ordinary patents. Speaking as a former patent examiner and as a patent practitioner for many years, I believe that there is a limit as to what can reasonably be expected from the patent prosecution process, and that substantial improvement in the quality of patents cannot be expected.

I think that the patent statutes should be amended to create a climate that is more favorable to inventors and to make it more difficult to attack the validity of patents.

Congress appears to be aware of the fact that so-called free trade is a fiction that does not necessarily serve our national interests and may be willing at this time to strengthen the rights of inventors and patent holders. I suggest eliminating some of the penalties of 35 U.S.C. § 102, such as the bar to a patent under § 102(b) on the basis of a mere offer to sell, or the prior art bar under § 102(g). I also think that a determination of obviousness or nonobviousness under § 103 should be made less dependent upon the legal fiction of omniscience of the hypothetical person of ordinary skill, and thus more realistic.

Concerning an earlier commment as to the hundreds of different standards of patentability today in the Patent Office, the reason for this is that we have hundreds of different examiners with at least partial signatory authority, unlike earlier times when examiner's actions were subject to the approval of no more than 70 division chiefs. To re-

store this type of situation, the Patent Office would have to be completely reorganized, which is not likely.

As for expediting patent infringement actions in the courts, the heavy docket of civil litigation in many jurisdictions and the large number of criminal cases that take precedence would seem to preclude any improvement. It would certainly be desirable to bring a case to trial quickly, as in the Eastern District of Virginia or the International Trade Commission, which, of course, is governed by different rules, but I do not know how you can force Federal District Court judges to deal with patent cases more expeditiously if they are not already inclined to do so.

MR. BLAIR: We are going to break for lunch because the food is here. Also, we have copies of Judge Conner's suggestions which we will make available to you. It isn't a very long piece of paper, and I ask each of you to look at it before we start at about ten minutes to one. We can get up and walk around a little bit, and the food people will come in.

(End of First Section)

COMMENTARY

In re Certain Products with Gremlins Character Depictions, 337-TA-201, U.S.I.T.C. Publication 1815, ——— I.T.R.D. ———, ——— U.S.P.Q. ——— (I.T.C. 1986), aff'd on other grounds, *Warner Brothers Inc. v. I.T.C.,* 787 F.2d 562 (Fed. Cir. 1986)

A complainant who successfully proves the elements of 19 U.S.C. § 1337(a) ("section 337"), i.e., (1) unfair acts, (2) importation, (3) existence of a "domestic industry," (4) injury to the domestic industry," and (5) an efficiently and economically operated "domestic industry," is able to invoke the International Trade Commission's ("ITC") jurisdiction, is able to have its intellectual property rights adjudicated by the ITC normally within 12 months, and may be able to have an in rem exclusion order issued by the ITC against all infringing products. Defining "domestic industry" is essential to three of the five elements of a section 337 action and consequently is fundamental in determining the jurisdiction and purpose of the ITC.

Traditionally, the ITC, an administrative agency, had defined "domestic industry" to include the facilities of the complainant and the complainant's licensees dedicated to the exploitation of the property right at issue. The "domestic industry" requirement had become easier to fulfill, and the ITC's jurisdiction had expanded accordingly throughout the 1980's as evidenced by decisions which found a "domestic industry" to exist in the domestic installation and repair of imported stoves, *In re Airtight Cast Iron Stoves,* 337-TA-69, 215 U.S.P.Q. 963 (I.T.C. 1980), the domestic mold production, quality control, and packaging of imported cube puzzles, *In re Certain Cube Puzzles,* 337-TA-112, 219 U.S.P.Q. 322 (I.T.C. 1982), and the domestic research, development, distribution and sales of imported computers, *In re Certain Personal Computers,* 337-TA-140, 224 U.S.P.Q. 270 (I.T.C. 1984).

However, *In re Certain Products with Gremlins Character Depictions,* 337-TA-201, U.S.I.T.C. Publication 1815, ——— I.T.R.D. ———, ——— U.S.P.Q. ——— (I.T.C. 1986) appears to mark an end to the ITC's jurisdictional expansion and illustrates the importance of a current debate about the proper definition of "domestic industry." Warner Brothers, Inc., ("Warner") owner of copyright in the "Gremlins" character, filed in July 1984 a complaint with the ITC alleging unfair acts and methods of competition in the unauthorized importation and sale of products with

"Gremlins" character depictions. After an investigation, the administrative law judge issued an initial decision that: (1) Warner's copyrights were infringed; (2) there were domestic industries, including one consisting of Warner's licensing program for Gremlin copyrights; (3) the domestic industry was efficiently and economically operated; and (4) respondents' unfair practices had the tendency to substantially injure the domestic licensing industry, but no other domestic industry. In a 4-1 ruling, the ITC, reversed the finding that Warner's licensing program was a "domestic industry" as required by section 337.

In rejecting Warner's assertion that its licensing program, i.e., marketing, financial and legal activities, constituted a "domestic industry," the majority in *Gremlins,* relying on the legislative history and prior ITC decisions for support, imposed a "production-related activities" requirement as an element of the definition of "domestic industry." The legislative history cited by the majority dealt primarily with patented items and Congress's concern about the exportation of production activities in high technology. By distinguishing the previous decisions which expanded the ITC's jurisdiction, the majority apparently includes within "production-related activities" installation, repair, quality control, packaging, research and development, distribution and sales, while excluding the servicing of the intellectual property right itself, i.e., licensing. Reflecting its belief that the purpose of the ITC is to provide protection for domestic production and manufacturing, the majority stated "Production-related activities distinguish a domestic industry from an importer or inventor," U.S.I.T.C. Publication 1815 at 6, and that "[the ITC has] consistently defined the industry in section 337 cases to be the domestic production of the products covered by the intellectual property rights in question." U.S.I.T.C. Publication 1815 at 5.

Then Vice Chairwoman Liebeler dissented, noting that section 337 "does not require a minimum relative or absolute size of productive activities, and says nothing about the character of the productive activity that takes place in this country." U.S.I.T.C. Publication 1815 at 6. Liebeler strongly objected to the imposition of the "production-related activities" requirement as an element of the definition of "domestic industry" and argued that Warner's domestic licensing activities constituted a "domestic industry" protected under section 337. Relying on the previous decisions which expanded the ITC's jurisdiction and on economic rationale, Liebeler stated that a more appropriate question to ask is, "does it [the domestic activity] add to the value of the product?" U.S.I.T.C. Publication 1815 at 4. Totally disapproving the majority's elevation of production activities over pure servicing activities, Liebeler pointed out

"the service sector accounts for over two-thirds of the domestic GNP and its share continues to grow," U.S.I.T.C. Publication 1815 at 5, and that, "The economic rationale for protecting intellectual property rights is not dependent on the nature and extent of complainant's domestic activities." U.S.I.T.C. Publication 1815 at 8. Liebeler's opinion clearly reflects her belief that the purpose of the ITC should be to protect all domestic "property rights from unfair acts occurring in connection with imports." U.S.I.T.C. Publication 1815 at 3.

Gremlins highlights the importance of defining "domestic industry" under section 337. The recent elevation of Liebeler to Chairwoman may further protract the debate within the ITC over the definition. In any event, Congress in the course of its current deliberations over an amendment to section 337 should address the present day economic concerns noted by Liebeler, i.e., the increasing importance of the service sector, and resolve the fundamental question concerning the purpose of the ITC.

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FRANKLIN PIERCE LAW CENTER PATENT SYSTEM MAJOR PROBLEMS CONFERENCE TUESDAY, MARCH 31, 1987

SECOND SESSION*

MR. BLAIR: Someone mentioned before the idea of having a special master who might preside at things like depositions and other items preliminary to the trial. Another idea was to have a special master actually preside over a trial. Judge Conner's proposal is a modification, a variation of that.

Another idea relating to a special master is to have a master who would ask questions on his own initiative and would exert a lot more control if that person were competent in the area involved. This would be in contrast with our traditional Anglo-Saxon method of each side presenting their party's position to the judge and the judge listening and asking only a few questions. This idea was suggested by some people who have acted as special masters. There's been a lot of discussion on various ways of alternative dispute resolution. One of the disadvantages of alternative dispute resolution is that people are very reluctant to get involved in something like that if it turns out to be a very important case. One reason for this thinking is that if a client should lose, the Board of Directors will ask the head of the client's organization, the president or whatever, "How come you lost? You went into this cockamamy system, you didn't go to court." If you go to court and you lost, well, it's because that damn judge didn't understand anything, and that's a perfectly legitimate reason.

So one thing I think we should discuss as part of this idea of discussing the use of special masters, should it be completely voluntary or should you make it mandatory if either party or the judge suggested it. With that, I'd like to get some comments from some of you on the concept of using either a special master as proposed in Judge Conner's proposal, selected from a panel of people who were regarded as qualified and available and who would be willing to act as a special master. Who wants to start out?

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*See 28 IDEA 61 for the First Section.

MR. FISHER: Homer, could I ask a question first?

MR. BLAIR: Yes.

MR. FISHER: I wondered what — I'd like to ask the Judge what he sees as the advantages over his proposal versus arbitration in the American Arbitration Association, now that we can arbitrate validity and we have patent lawyers who are qualified to be American Arbitration Association arbitrators and so on? There are some differences and I'd like various thoughts pro and con on that.

JUDGE CONNER: In this setup you would get only experienced patent attorneys; moreover, you wouldn't have any oral hearings or any oral arguments. It would be done entirely in documentary form, including affidavits. There wouldn't be any travel involved to go to an oral argument or to go to a trial. You would have a panel of people available, presumably having the time to give your matter first attention. They wouldn't be doing this on a part-time basis, they would become full-time judges after retirement. Someone who had put in a full career in practicing patent law and had reached the age where he would like to taper off a little but doesn't want to quit all together, but can't afford to work part-time and carry a full office overhead. It would allow him to say, "I'm going to retire from the practice of patent law and have my name placed on the roster of available judges to decide patent cases under this arbitration procedure." So you'd get a judge who had the time to devote full attention to your case and as soon as you were ready to submit the materials to him, he would be ready to decide it. It would save an enormous amount of time and I think a substantial amount of money as well, even though you had to pay for the time of the judge.

MR. BLAIR: Do we have any volunteers from the audience who want to be on that panel right now as retirees?

MR. WISE: Judge, don't you feel that you are losing the value of demeanor evidence?

JUDGE CONNER: Yes, you're losing that, but there are not many cases in which it really becomes critical, in patent cases, I mean, where a demeanor evidence is all that critical.

MR. WISE: Don't you question witnesses from the bench?

JUDGE CONNER: The attorneys think I do it too much.

MR. WISE: I think you're giving up a big advantage, a big plus.

JUDGE CONNER: Well, where the affidavits were in conflict as to a critical fact, then the judge could say, "I want to hear oral testimony on this one point." In most cases you wouldn't have to do it because you're not going to have a direct contradiction between affidavits sub-

mitted by one side and affidavits submitted by the other. Usually the affidavits are as to different facts, they are not giving different versions of the same fact.

MR. WILLIAN: Judge, do you typically find in the patent cases that come before you, a dispute between the experts?

JUDGE CONNER: Well, I don't allow patent experts to testify.

MR. WILLIAN: I'm talking about technical experts.

JUDGE CONNER: Technical experts, yes.

MR. WILLIAN: Almost invariably?

JUDGE CONNER: Yes, you do.

MR. WILLIAN: So that would almost always require you to have some kind of limited hearing to resolve that kind of a dispute.

JUDGE CONNER: Where you had an affidavit from Expert A saying, such and such and an affidavit from Expert B, saying just the opposite, you may want to hear them orally. Bear in mind, however, that you're going to have a judge who is technically qualified. If you've got a chemical case, you will tend to pick a judge who has had experience with chemical matters. He may not have to see the experts testify to know which one is worthy of belief and which one isn't.

MR. WILLIAN: Is it also your thinking that you would minimize or severely restrict the amount of advocacy that normally goes on in a case that's tried?

JUDGE CONNER: No, I don't think so, because there's still plenty of room for written advocacy, and also advocacy in terms of selecting the materials you are going to submit to the judge. The plaintiff is going to want to come in, or the patent owner is going to want to come in with evidence of the so-called secondary type, as to trial and failure of others. The skill of the attorney will still be a very great factor in determining the outcome of the case, because the skilled attorney is going to come in with the right evidence to prove those secondary factors, such as trial and failure of others and long felt need, commercial success and so on.

MR. WILLIAN: Notwithstanding that statement in the Orthokinetics case [Orthokinetics, Inc. v. Safety Travel Chairs, Inc., 1 U.S.P.Q. 2d 1081 (Fed. Cir. 1986)] about a plaintiff really shouldn't put that kind of evidence in on his case in chief, you don't necessarily adhere to that?

JUDGE CONNER: I vehemently disagree and any plaintiff who wants to rely on that may do so at his peril. I would say, "Put your best foot forward, seize the high ground and let them try to attack you." So come in with your best evidence on validity, even though you've got a pre-

sumption of validity, get the judge's mind by doing a selling job in your case in chief.

MR. DEGRANDI: Under your proposed procedure here, do you still anticipate discovery being taken by the parties, and if so, would you oversee that?

JUDGE CONNER: I wouldn't normally anticipate it. It may not be that you would want to get into this kind of resolution where you think the other side is concealing evidence of invalidity, for example, and you've got to get in there and get discovery to prove prior use or derivation or something of that kind, and you want the discovery. You will want this kind of resolution, I think, where you're willing to forego discovery.

MR. DEGRANDI: Of course, the plaintiff is always looking for the smoking gun in the defendant's file that says we spent five million dollars trying to solve this problem and we ended up copying the invention.

JUDGE CONNER: Well, this could be modified to permit discovery, there is no reason it couldn't be. Once you get into discovery, we're going to be right back into the same situation we are in now, because discovery takes a major portion of the total expense now and it's going to do it now if you allow unlimited discovery here.

MR. WILLIAN: I think there's a lot of merit to your suggestion that this could be used to control the discovery. I know that Homer, in his outline, had indicated that. I think that's one of the really bugaboos. I had a district court judge at one time say, "Well, on discovery motions to compel, if the moving party wins, I make the defendant deliver, or the other side, deliver the documents to the moving party. If I deny the motion, I make the moving party go to the other side's place to look at the documents." In other words, no matter how it comes out, you've got to cough up the documents.

MR. BLAIR: Someone said a special master has been used occasionally to supervise depositions. If you have someone who is an expert and competent in his field, he might be able to control the deposition a lot more and a lot better than the judge who doesn't have the time or the inclination, even though the judge has the power. Now, my impression is that judges today certainly have the power to appoint a special master to do a lot of these things. It isn't done very often. I'd be interested in Judge Conner's comment as to what would happen if one side or the other requested the judge to appoint a special master. Would most judges be willing to do that or would they say they don't want to?

JUDGE CONNER: I think if the parties agreed, certainly a judge would be delighted to appoint a special master to lay off some of the work on somebody else. I think unless both parties agree, I think few judges will appoint a special master.

MR. WILLIAN: I would imagine that it's not too easy to get both parties to agree, that's why I don't think you have large numbers of arbitrations, because both parties have to agree that they want to go to arbitration and I think most of the time it's hard to get both parties to agree on anything, whether it's special master arbitration, mini-trials or whatever.

JUDGE CONNER: I can't see much advantage, really, in bringing a lawsuit, going through the full and expensive discovery and asking for a special master who has to be paid. If you're going to do that, you're taking the time that it would take to try a lawsuit, almost, and adding to the cost of what a regular federal trial would be. The only advantage is that you don't have to wait until the judge has time to try the case, and you also may get a special master who not only knows something about patent law, but also something about the technology involved.

MR. BLAIR: If you had a special master that knew about patent law and the technology involved, and that special master was in charge of the depositions, things might move along much faster. Tom Arnold, do you have a comment?

MR. ARNOLD: Well, I have both served in that role and, of course, litigated cases before courts and litigated cases in which we did stipulate a special master to hear many motions and so forth. I suggest that I will try the case before any special master at 20% of the cost, on the average, of trying the same case before federal judges. This results from a number of things, including the time of response. If I've got a special master contracted to give me a priority on his attention, we get a motion ruled on and we get on with things. We get the case disposed of in eight months, instead of four years, or eight years, or whatever the number of years is. As I've indicated, the meter continues to run as long as the case is pending to a very substantial degree, and I really do think you will save money paying a special master if you can get the special master's attention to ride herd on the case and stay with you. I really feel that very strongly. At least if the master is given the authority in the order to conduct the proceedings and control discovery as he sees fit, you can do things like: the master, as an experienced trial lawyer, writing the first round of written discovery efforts; asking the parties to prioritize their depositions; let's take

these two depositions on each side and the master then knows enough to cut out all of that other discovery. He's gotten acquainted with the case, he knows the issues and he knows whether or not you need the discovery of all the foreign prosecution documents or whatever else. He can intelligently cut off the discovery, whereas our federal judges can rarely rule intelligently on discovery because they don't know enough about the case when they must rule. Now, that may be exaggerated a little bit, but not just a whole lot. As a practical matter, they do not have time to study the motions for discovery sufficiently to rule intelligently about whether they cut off discovery or whether they don't. This master who rides with the case can say, "No, we're not going to take Joe's deposition. Yes, possibly he might know something, but the cost effectiveness of taking Joe's deposition just isn't there. Is there anybody else you want to depose?" I think you can save a pot full of money, and I'm talking about a majority of the money. You can save even after paying a master, if the master will take control of the case and ride with you.

MR. BLAIR: I think one of the problems that district court judges have is that they feel very uncomfortable with patent cases. They can certainly learn the law, but they feel uncomfortable with the technology. As you said, you have been involved as a master and sometimes you have been involved as a lawyer when masters have been used. In any of those cases were they not agreed to by both the parties, or did both the parties say, "This is the way we want to try it?"

MR. ARNOLD: Agreed to by both parties in each instance. I feel that kind of has to be. Of course, you are exactly correct, it's awful hard to get both parties to agree to that.

MR. BLAIR: That's been my experience when I was a corporate patent counsel talking to the corporate patent counsel on the other side, who obviously had the wrong view of the situation and didn't understand that I was right on all these matters. Somehow he seemed to feel that my ideas were not even in the same ball park as his ideas. We would sometimes agree that today was Tuesday, but that would be about all.

Obviously our patent was valid or his patent was invalid, or whatever. I think that's a problem we have. If both parties are willing to agree to various ways of settling the matter, it can be settled.

I suspect that if I were a corporate patent counsel and there was 50 million bucks involved, I would be very nervous about going into a special arrangement. If we lost and we paid the 50 million bucks, my president would say, "How come you agreed to this thing? How come you didn't go through a full trial?" I think I'd have trouble ex-

plaining to him that maybe I didn't think the judge really understood all this stuff and I thought the master would. Maybe if the master understood, that's why we lost.

MR. WHITNEY: I suggest that you have a very important level above the corporate president, namely your board and your stockholders. You're talking about a potential payout that would exceed a level that the board or its stockholders decide that this is a level that the board should be involved in deciding. I mean, I don't know whether it's right or wrong, for example, the threshold at IBM is ten million dollars, and apocryphal or not, in most other places it's a little bit less. When you're talking about the potential payout in today's world of litigation, you've got a real problem. To heck with the president, you've got that board and your stockholders and when you aren't agreeing to the formalistic proceedings that are going out, there's a reluctance to do it. On the other side of the coin there is also the fact that with the simple things, and I say this from the standpoint of being on many panels and chairing arbitration panels and doing things like that, I believe in alternative dispute resolution if you can get people to agree to it. I think that as a practical matter, the real simple things ought to be handled in the first place, not by bringing somebody in from the outside, but can be handled by the respective corporate patent counsel, in many instances, to resolve things if they will actually try to sit down and talk to each other. When you come to the big things you don't get that, so you have what I think has proven to be, in the last few years since we've had the changes in the law and we have all this publicity on ADR and everything else, you're still getting a damn small segment or slice of cases where people will go for this. I just wonder who, realistically, is going to go for Judge Conner's proposal or any of these other possibilities. There's a whole lot of things that are available to us today under the law, but people aren't going there. When it comes down to it, we talk about the attorneys and the attorneys getting competitive and that sort of thing in litigation. I respectfully submit that there is another party, and you find it very interesting that when you start out and you are considering litigation, the client is very concerned about what the costs are going to be. Top management wants to know what the costs are going to be and you have that. Then you come up, and the moment you file that complaint and the thing starts, something mystical starts happening with the client. An awful lot of clients get very litigious and they get very strong in their views. The moment a motion gets lost on one side, the other management is saying, "Beat those bloody people over the head over there." I submit it's

a very real, practical problem in litigation, and one of the things that keeps litigation going on and keeps it often as expensive as it is.

MR. BLAIR: I think you're 100% right. Therefore, is it worthwhile to consider one party or the judge could make it mandatory, keeping in mind that the judge is still involved?

MS. WESTPHAL: What about making it mandatory at some threshold level in order to dispose of smaller cases?

MR. BLAIR: Make it mandatory below that level or above that level?

MS. WESTPHAL: All cases below that level. It's done in several other court systems.

MR. FISHER: It's done where she and I practice law in our state courts. You have mandatory arbitration, if the amount in controversy doesn't exceed X, which is $20,000 or $25,000? At the very least, that's a question, but beyond that question, I'm more intrigued by having a special master or whatever at the discovery stage. I have had experiences like Tom Arnold, and I agree with everything that Tom said, with one exception; I don't think you need a patent attorney to do it. In fact, I've had very mixed experiences with patent attorneys being the judge. I've seen patent attorneys who couldn't see the forest for the trees and I've seen some who were very good. In fact, in a case I had that was in Judge Conner's court, we had a retired patent attorney, John Pearne, resolve discovery disputes and I thought he was terrific. It requires that the judge not be willing to review de novo, every decision the person makes, or else you are constantly having an appellate process right in the trial process. The magistrate, as Tom says, gives the time to it, is available, gives you decisions right on the spot. The best special master we ever had was a professor, a professor of evidence, who knew nothing about patent law, but he was absolutely terrific. It was a multidistrict case, so we almost needed one, but he got all the counsel together in a huge room this size, with millions of dollars worth of counsel sitting around the table, and he had each one orally argue the issues before him and he gave his decisions right on the spot. He followed them up by a written opinion within a day or two. We got, in a half a year, we got three years worth of discovery done. At $200.00 an hour, we spent a lot less than we would have spent otherwise, but I think there's a problem of making it mandatory.

MR. BLAIR: What would you say as a lawyer representing clients, if it was made mandatory?

MR. DUNNER: What would I say if it was made mandatory?

MR. BLAIR: Yes, would you be in favor of that or against that?

MR. DUNNER: Do you mean assuming that it could be made mandatory?

MR. BLAIR: Assuming it could be made mandatory.

MR. DUNNER: For the discovery process I'd love it. Whether I'd love it for the full trial process, which in effect is a mandatory arbitration, I don't know. I think I wouldn't love it if I knew that the judge would always be a patent lawyer. My own preference, even though I was one of the supporters of the Court of Appeals for the Federal Circuit, my own preference, unless I know that I'm getting a high quality judge, and I don't want to blast Judge Conner sitting next to me, but unless I know that the judge is high quality, I would rather have a generalist judge with a good viscera, who has got a lot of good common sense to apply his views across the board. As to discovery, I would love a mandatory assignment.

MR. BLAIR: How about if there were some sort of a panel from which you had some power of selecting, or at least vetoing, certain people on that panel, and you could have both patent lawyers and non-patent lawyers?

MR. DUNNER: The problem, by way of example, this proposal permits you to do that, but if you can't agree you end up having it imposed on you. At some point the process would break down unless somebody imposed it on me. If he imposed it on me, I might be faced with the same problem. It's intriguing, but I'm not sure I would like that.

MR. BLAIR: I think that on a voluntary basis, people on each side of the conflict can do all kinds of things if they want to. As George Whitney points out, not too many do, and as a result, the complex and expensive litigation is still there. Whether mandatory is a good idea or not, who can say? I think a voluntary special master situation will not be widely used at present. If the use of special masters became more widespread and more judges tried to encourage this system to be used by the people before them, maybe more would be interested in trying it. At present, I don't think large numbers will.

MR. RINES: I'd like to make three observations. I have been a special master in four cases, none of them strictly dealing with patents, all in the common jurisdiction of the Commonwealth of Massachusetts. Patents have been indirectly involved, but it's been more trade secret and technology types of things. Therefore, the lawyers that were trying these cases were not patent lawyers, although we have very skilled patent trial lawyers. They were excellent general trial lawyers. The big problem I had was having them complain to the court that I was preventing them from presenting all the evidence that they wanted

to, because as a master I was attempting to limit both discovery and the trial. I was appointed for the purpose of the trial, too. Maybe it's because I'm not skilled, but I can see Bill saying to somebody in the Federal Court, "All right, counselor, I've heard enough about that. I want you to move on to something else." I'd like to see the master try to do that with skilled counsel on both sides.

So I do think that a question of empowering the master to be fully equivalent to a judge is an essential thing if you're going to, indeed, proceed along that line. Secondly, you may recall that at MIT we held a meeting some years ago on alternative mechanisms for dispute resolution. We got the Justice Department there and that was a meeting at which we persuaded them to oppose the proposition that patent validity might indeed be arbitrated. Following that, we sent out a questionnaire, mainly to large corporate counsel, and asked, "Would you accept arbitration and in what kinds of cases?" If I remember correctly, something like 80% said that in cases involving no more than a quarter of a million or one-half million dollars, arbitration would be fine. They wanted to be in court when larger amounts were involved.

The last question I'd like to raise is, you've been talking about the issue of a mandatory proceeding. Bill and I were talking a little bit about this. I'm unaware of anything in Article I, Section 8 of the Constitution that ties Congress' hands as to how it secures to inventors the exclusive rights to their discoveries. Remember, our CCPA was at one time an Article I Court, a legislative court, which did not have all the powers of an Article III Court. I just throw out for consideration, not meaning to dissolve the Court of Appeals for the Federal Circuit in patent matters, but whether Congress could not restrict the patent grant to a mandatory type of proceeding such as Judge Conner is proposing.

MR. TRAMONTINE: Picking up on the last comment, there is a serious problem there with trial by jury that applies to patent infringement actions and to deprive that right, I believe would violate the Constitution. [The Seventh Amendment, preserving the right to jury trial in suits at common law, was adopted in 1791. Patents were established in 1623 by the English Statute of Monopolies which provided (§ 2) that the force and validity of patents were to be determined "according to the common laws of this realm." The U.S. patent statute enacted in 1790 (one year before the Seventh Amendment) provided (§ 4) that damages "shall be assessed by a jury." The patent statutes did not provide for injunctive relief until 1819. These statutes provided that damages could be recovered in an "action on the case" until 1952, when

that phrase in the statutes was replaced by "civil action" (Section 281) to reflect the merger of law and equity. An action to recover damages for patent infringement is clearly a suit at common law for purposes of the Seventh Amendment. *Parsons v. Bedford,* 28 U.S. (3 Pet.) 433, 466-7 (1830).]

On the matter of special masters for supervising discovery, I have had the opposite experience. I found that where you appoint somebody to rule on discovery disputes, you get lots of discovery disputes, much more than you would have otherwise. The second thing that happens is the master likes to set time periods and when discovery is going to be completed. The last two months before that date is like feeding time for sharks, everybody is going full tilt. What happens next is he extends it. Here we go again. It's much more expensive than if the judge, who we are not going to bother with discovery disputes because he doesn't like it, says, "Here's nine months, complete your discovery, there will be no extensions." Within that framework people operate effectively.

MR. WILLIAN: There's still shark-feeding time.

MR. TRAMONTINE: It happens, but only once. At the end.

MR. BLAIR: Does anybody else have any comment on a special master?

MR. FISHER: Homer, I think I have comments that are more in the nature of questions. It seems to me the magistrates fit in with this discussion, they haven't been mentioned and I'd like to hear from people on their thoughts about magistrates as contrasted with special masters. To fill in the point that Marjorie and I touched on. Arbitration in Ohio, for example, is mandatory, but I think lawfully so, because the losing party has some options. You pay for the cost of the arbitrator and you go have the normal trial if you don't like the result. With it held down to $20,000, there aren't many lawsuits tried before the state judges for amounts in controversy under $20,000. I'll guarantee you that the arbitration is close enough and people take it. It would seem to me that there's room for something like that with any of these proposals.

MR. ARNOLD: This is an entirely different suggestion, but another thought that I have is that we do tend to lose a year of time when we appeal cases, and we do tend to have the Court of Appeals see the case through sometimes totally different eyes than the trial court, because of the way the evidence is presented and argued in the Court of Appeals and so forth. We have a number of patent cases that are worth in the millions of dollars. There are a bunch of them that are out here now that people in this room are involved in with more than

100 million dollars at stake. I would like to see a provision wherein if there is more than X-million, ten, 20, 30, or whatever, that we try the case once and we try it right and we don't have any appeals. We have a three judge court try the case. We don't have any appeal to cost us time and we don't have any appeal to cost us the change and the view of the evidence that inevitably occurs between the trial court that heard the evidence and heard the experts arguing about the believability of certain things, and the appellate court which gets frequently a totally different picture of the evidence than the trial court got. This is an entirely different idea that's on the other end of the spectrum, it's the real big case that you might want to do that for, but I would like to see that.

MR. GHOLZ: Your Point 3B talks about the use of expert special masters, or majors, as you call it in the materials, for the trial. I think that we really need one step beyond that. We need a specialized patent trial judiciary. There was a good deal of talk about that at the time that the Federal Circuit came into being. I recognize that there is a very strong division of opinion on this in the patent bar and that there are a lot of people that disagree with me on this.

We have had some experience with trying patent cases in the former Court of Claims. They have had a history, they no longer do it this way, unfortunately, but they used to have specialized patent trial judges, not enough of them so that you had any particular hope of getting a patent trial judge that had technical expertise in the particular issues before him, but at least someone who was technically oriented and wasn't scared by the thought of doing a technical case, even a technical case in a field outside his competence, and someone who was very familiar with patent law. Jim Davis and Judge Coliani used to run that Court very tightly and I thought very well. I recognize that that's a matter of opinion. That system, I thought, worked exceedingly well. That was only in cases against the government, but there have been suggestions from time to time that the Court of International Trade be given jurisdiction in patent cases. It's an existing court, it's got a gorgeous courthouse up in New York City, it has a lot of judges who apparently, to the extent that one can tell from the outside, are not overburdened, who are not overworked the way much of the other judges are. They are accustomed to applying statutory law, they're accustomed to having their appeals taken to the Federal Circuit, and they already have national jurisdiction. They go around the country and try cases in any courthouse around the country where the matter comes up. It seems at least possible to me to make that the Court

of Patents and International Trade, or something like that, giving them jurisdiction to have jury trials, which they don't currently, and eventually getting people with patent experience on the Court. I recognize they don't have that at the moment. That would probably provide the kinds of solutions that we are all looking for. We really need judges who are more familiar with patent law and technology than we are getting. I don't think special masters are the answer. They have to be voluntary, and there are a whole lot of problems with the special master process, which would be taken care of by having a specialized court.

MR. BLAIR: You're right that in the past it has been a very controversial subject. I'd be interested in hearing some comments now whether things have changed or if things are still the same as they have been in the past.

MR. WILLIAN: I think the quickest way to kill a patent is going to be to do that. I've felt that way before the CAFC. Right now, the CAFC's composition is such that the patent system is very viable; change the composition and it could become very unviable very quickly. I think that's the same way with the trial court. I think it would be even a quicker process with the trial court, because they have direct interface at the trial level. I'm unalterably opposed to that concept.

MR. DUNNER: I agree completely with Clyde. I was very much involved in the effort to get a Federal Circuit Court of Appeals, and the one thing we found is that the only thing that made that concept viable was that it was not to be considered a specialized patent court. There was much hostility to the concept of the specialized patent court. It took the imagination of Professor Meador and his colleagues to come up with the idea that this court would have multifaceted jurisdiction and would not be restricted to patent cases. Thus, the judges would develop a broad range of experience. I don't think a specialized patent court has the proverbial snowball's chance in you-know-where of being adopted. I think the hostility to this idea would be overwhelming. I don't think that it can be given any serious hope of surviving, even assuming it were a good proposal.

MR. ARNOLD: Chico, I'll give you another response. There is experience around of the type that Clyde was talking about, about the court becoming very biased in one direction. For example, the Court of Claims, before which I practiced my first two years in the patent game, 1941-51, heard a billion dollars worth of claims over two years without deciding a single one for the patentee, not even for one nickel's worth. We had similar periods of time in Canada where the patents were all one

way and none the otherway, and periods of time in England when we had one judge hearing things. I think that there is an experience rating out there that gives pause to this idea of having all patent cases focused too exclusively in a very small group of people. An idea to play with for what it's worth.

MR. FISHER: Homer, to supplement what Tom said. As of 1955, it could be said that no patent claimant against the United States Government in the Court of Claims had ever had his patent sustained, found valid, made a recovery, and lived to collect it. There were, at that point in time, I believe the hull of the amphibious airplane had been found valid for a dead patentee, and there may have been one other case.

MR. WILLIAN: The auto-gyro case. That was a lifetime.

MR. FISHER: That's what I mean by "lived to collect it." There were some, very few, but they were very, very protracted, long and drawn out cases and the inventors, in each case, had died.

MR. WILLIAN: The Court of Claims had a lot of problems. I suggest to you that partly came from always the same defendant, which you would not have in the situation I envision.

MR. FISHER: Your point may be well made.

MR. WEGNER: I can't disagree with anything that Tom or Clyde or Don has said. At the same time, we are overlooking what Mr. Obermayer has pointed out, the small inventor, or the small businessman; what are we going to do for him? As to the constitutional objections that Mr. Tramontine raised, I think in reexamination we solved that problem, as seen in *Patlex v. Mossinghoff,* I believe it is. There are answers to the constitutional objections. I think that's the direction we should be going, toward mandatory programs like Judge Conner has proposed.

JUDGE CONNER: With respect to the constitutional question, I don't see a problem. Article I, Section 8, says that the Congress may promote the progress of science and useful arts by securing for limited times to inventors the exclusive use of their discoveries, but it doesn't say anywhere that they can sue in a Federal Court and get a jury trial. It doesn't say even that they can sue in a Federal Court. That's a creature of statute in Title XXXV, and in Title XXVII. I don't see any constitutional reason why Congress could not enact, if it decided it was wise to do so, a statute which says that, "You'll get your right of exclusion for a limited period, provided, A: You get a patent, and provided, B: You go through this procedure that we're specifying in lieu of the patent infringement suit in the Federal Court that we previously permitted." I don't think that in any way violates anyone's constitu-

tional rights, but certainly I didn't envision making it mandatory. I think that it is the one thing that I've heard today that is do-able immediately; everything else requires a constitutional amendment or a statutory change or change in the rules of the Patent Office, or even more improbable, upgrading of ability on the part of examiners and judges. This is something you can do right now, simply by agreement of the parties.

MR. ALSTADT: Homer, can I just ask one quick question? It seems to be the time to ask it.

MR. BLAIR: Certainly.

MR. ALSTADT: What do you believe is the basic attitude within the court structure of this country regarding ethical, moral and useful proprieties of intellectual property monopoly? Is it something they tolerate, something they understand? Is a good share of our society still bent towards the concept that competition always serves the public? Is there really a finite, ethical commitment to intellectual property monopolate? Is that something that is inherently solid, or are some of the problems that the whole system has got to tolerate it. That's my question.

MR. BLAIR: The question is from Don Alstadt, who is Chairman of the Board and Chief Executive Officer of Lord Corporation and also Chairman of the Board of Overseers of Franklin Pierce Law Center, who is a businessman, industrialist-type, and that's the kind of question which is worth a couple of answers. Do you want to start out, Tom?

MR. FISHER: A patent is not, is not, and never has been a valid monopoly. A monopoly by definition is the extraction of something from the public domain and monopolizing. A patent in history, granted in England by the King for salt in the United Kingdom, indeed was a monopoly, but a grant of the right to exclude others from using an invention newly created by the inventor is the antithesis of the monopoly, but rather is the bringing to the public in exchange for this grant, the knowledge, the ability, to practice the invention once it's expired.

MR. ALSTADT: Excellent distinction. Do they buy the latter concept or do they confuse it with the first one?

MR. FISHER: There's no question that there has been, and if I go back 30 years, 20 years, there was tremendous confusion. I think what I've seen, and I'd be delighted to hear from others, I believe in the last five to ten years the, "pendulum has swung," patents are in vogue at the minute in Congress. The way to get something to happen is to get a delegation of small businessmen down there championing a program, because small business is back being popular, and well it ought to be,

because that's what creates the jobs. A cornerstone of small business, a cornerstone of start-ups, a cornerstone of the entrepreneurial adventure that's real again, that lives and breathes and happens because of the recognition of the stuff of which inventions are made and because of the support for those people. There were, as of the time of our APLA meeting in Boston, which is 1985 or 1984. At that time it was reported that there were some 11 billion dollars in the hands of venture capitalists out there waiting for seed investment, investment start-ups. That number is probably more like 30 billion today, and those folks and the folks promulgating legislation and various systems to assist in start-up, I think, see the advantage of a patent to permit a Telson, in our area, with the hand-held computers, Apple Computer, whatever.

MR. ALSTADT: I hear your distinction and I praise it and I believe you're right. My question is still — What percentage of the American population and the representatives from Washington, and even I would say a good share of the business community, believes in the useful social validity of the concepts that you so eloquently expressed? I have five friends, or five acquaintances, members of the House, and I would say that your statement would fall on them like auto mechanics would on a third grader. They wouldn't understand it and after you had done it, they wouldn't believe it, and one of the reasons is that they have been brainwashed by both liberal and conservatives alike, Milton Friedman is one of them, that competition always serves the public. So I thoroughly agree with your distinction, but my question is — How much of a battle are you waging because of a cloud of nonsupport from our society in general? That's my question, and I don't know the answer.

MR. BLAIR: One comment on that. In the patent litigation field, I think any lawyer that used the term "monopoly" before a district court today, would, if the district court didn't slap him down, certainly be slapped down by the CAFC and Judge Markey, who goes out of his way in a number of opinions to point out that patents are not a monopoly. Judge Markey made a number of statements on patents and the antitrust laws. However, I certainly would agree that I don't think all the economists of the world would go along with that. I'm not convinced that everyone in the Department of Justice would agree even though there have been some changes. I am also not convinced that many people who haven't been exposed to the patent system are aware of this distinction. Hal Wegner, do you have a comment?

MR. WEGNER: I think we have to get beyond mere labels of "exclusive right" versus "monopoly" and so on. From my own experience, in the course I teach at Georgetown in the graduate program, I think it's still a very serious concern. Relating this to what we're talking about today and to Mr. Wright's and Mr. Obermayer's concerns, I think we have to have an equitable, a fair shake for the public, and we have to have clear definitions of what is an infringement and what is not. A lot of the problem, to be sure, is the patent attorney who has taken advantage of old anti-patent courts that let them make very facile opinions of noninfringement. They have to do more work. But, we still need better guidance in the area of noninfringement. We have to take care of the problem of the big company, with the big war chest, against the small company. If we don't deal with such issues, if we don't make the patent system fair and open to everybody, we can forget all the talk about labels and all the good corrective instruction that the Federal Circuit has given in talking about patents as not being monopoly. We have to do more in this area.

MR. ALSTADT: Let me just go one step further, forget patents, forget the initial stages of a products market life cycle, forget that. Let's go to the other end. I think that a strong case can be made for the fact that we are still overestimating the value of competition of the society as a whole. When we put such fabulous wealth equity into outmoded technology, this is not serving the public. When you've got multiple airline structures around this country gobbling up wealth, equity and investment, I can predict what's going to happen. I make the claim that this overwhelming preoccupation in this country with competition always serving the public, in much of the planet lifecycle is just nonsense. Peter Drucker believes this, Milton Friedman does. I think you've got a very basic, ethical, moral, economic understanding, that is inadequate in this country, and the patent system is only one of the things that's suffering. Does anybody like what's happening with their phone system? I think that's a very basic question in our society as to when competition serves Joe Doakes, and when it doesn't. I suspect it doesn't serve him in a lot more places than our legislators and our government will face up to and realize.

MR. WHITNEY: Somewhat in answer to the question is to bring up a concern of mine. I think I am very concerned from what I read in the papers, and what I hear expressed by members of Congress, and also members of the patent bar and the intellectual bar. We have gone past, I submit, the stage that you refer to in your question and we have too many people in Congress and too many people in the patent bar say-

ing, "Let's establish another exclusive, be it limited, area of three years for this, or five years for this. Let's have some petit patents, let's have this kind of thing, that kind of thing." I submit that we have a far healthier patent system today than maybe we have had before. Let's make it work and let's keep a balance in the idea of the free marketplace and competition. Let's have rigid tests for patentability under our current system and not bring up a whole plot of other systems, getting into quasi-copyright systems, getting into all these other things that we're doing. Congress today seems to be, instead of lost with the antitrust or free competition view of it is saying, "Now, in our fight to regain our position in the world," and they're all excited about that, "Let's set up some more little exclusivities. Let's set up some more rules and things like that." I think that's very dangerous and I oppose it.

MR. WITTE: One illustration, I think, of a grassroots reaction in favor of patents, is what you see with surrogate juries. When you try a patent case and you have a jury, it's common now to have surrogate juries to see what the strengths and weaknesses of your cases are. This is a way to look through one-way mirrors and see what they talk about. These juries tend to be very pro-patent, because they have been raised from young people to resent copying. What they see is the infringer, assuming the patent is valid, they see the infringer as a copier. They don't like that, and they see something good in a patent because it punishes or prevents or deters copying. My view is that that's a halfway decent illustration of a grassroots notion that you can get from empirical evidence that favors patents.

MR. ALSTADT: I'll just quit by saying that I think that it's a major problem in this country, the amount of growth equity that's being invested in duplicate facilities that practice old technology or duplicate facilities that practice new technology, where the supply and demand relationship doesn't justify it. Apart from the patent system, and apart from any other legal attitudes, we can't go on and just put money and money into old technology under the guise of bringing competition, because competition sometimes doesn't serve the public whatsoever, and the steel industry is a classic example of that, and we are going to have more and more of it. From a pure economic standpoint, there is a place where money should be put in new technology and not duplicated into existing or antiquated technology. I just don't think society is facing up to that.

MR. HENNESSEY: One of the things that has impressed me in this discussion is that when lawyers talk about alternatives to litigation,

it is of the sort: "Oh, yes, there's that other less preferable, less attractive, or second class kind of dispute resolution." Sometimes we lawyers present that view — even if unconsciously or subconsciously — to our clients. Rather than persuading them on not just the legitimacy of the kind of thing that Judge Conner is proposing, but its clear cut preferability, we leave it up to the client to make decisions which are sometimes not as well informed as they could be.

MR. WISE: I look at the attitude of the public toward the patent system as sort of an inverse bell curve. I'll explain that in a moment. I believe that the "love" or reverence toward patents is inversely proportional to the degree of sophistication of the person being questioned at the lower end of the bell curve. At the higher end of the bell curve, it's the same but in the middle, I believe it's just the opposite. We assembled here are perhaps more sophisticated in patent law because that's our profession, we've spent our life doing it, we believe in the system. We love it and revere it. Now, since I retired I have been doing an awful lot with home workshop inventors. I am now a patent spec writer for the first time in 25 years, and I love it. Little people come off the street, and those are the people, I submit, who believe in the system far more than those in the middle of the bell curve, the equity venture capitalist, the callous individual with the ten million bucks to spread around. It's the little man who loves the patent and it's the patent attorney and judge who loves the patent.

MR. HARSH: I'd like to make a comment about your question and the awareness of patents. The company I work for, management was hardly aware of patents, and my office used to be on the far end of the campus in the engineering building. Six years ago we started spending roughly a million dollars a year on some litigation. I'm right next to the executive suite now and the respect for patents has gone way up. Every time I see an appropriation request it's got patents in it, in big, capital letters.

MR. ALSTADT: Sir, our secretary and patent attorney and I have had similar experiences.

MR. WILLIAN: I think the turn about for patents in favor is primarily an economic one and not an ethical one. Ethics are sometimes quoted as a reason for upholding patents, but I think it's economic. About five years ago I was walking through the airport with my wife, going to a lecture at a licensing seminar, and I saw something in the trash container in a *New York Times* that caught my eye, and I'm over rummaging down through it to get a hold of it and my wife said "You look like a bum." Anyway, I pull it out and it's got an article there that

says, "Technology, Our National Treasure," that's the way I remember it. This guy was saying that American technology results in royalty payments of something like ten billion dollars a year from overseas to the United States, he says this doesn't include equity positions that are based on technology, and what a wonderful national treasure. There wasn't a word in there about ten years prior to that it looked like the whole thing was going to go down the tube when we said that trade secrets are no longer viable, patents were held in distain, they were monopolies. That, I think, was a reflection of the change in national attitude that patents and technology and trade secrets not only protect us against our American competitors but competitors from all over the world. It's that realization, coupled with a forum that believes in it, that has caused, I think, a tremendous change, and not necessarily an ethical one, it's an economic one.

MR. BLAIR: To get back to the question of how do we determine somehow, at hopefully a fairly early stage, that whatever right the person has in the patent is a valid right, or an invalid right, as the case may be, so that economic decisions can be made based on that right. If you make an economic decision assuming that you have a valid patent right and after you have spent some years it turns out that you haven't got a valid patent right, you might not have made that economic decision in the first place, or vice versa; if you didn't have a valid right and you knew earlier, you might take some other action.

MR. WEGNER: I agree with Clyde that it should be an economic consideration and not an ethical one. Isn't it curious how in recent years morality has been thrown into the patent world. I'm referring now not to an original idea. Several people, Jack Goldstein and Don Chisum both simultaneously, came up with this. Professor Chisum has an article in the January *JPOS,* I believe, talking about morality in patents, dealing with inequitable conduct cases. We also deal with this in willful infringement cases. I agree with Clyde that we should have patents treated on an economic basis, and we should take the ethics and morality out of it. This is really not totally responsive to what you've said, but I think it's important to bring it up since it's not on the regular agenda of this conference.

MR. FISHER: Homer, in supplementing this thing in economics. The results of a study were published in the *JPOS* in about 1954, which showed that a graph of the validity rate in the courts of patents and a historic graph of the economic conditions of the country, were coincident. The invalidity rate hit its peak in the depths of the depression in the 30's, for example. Now, since then it's maybe been kicked a lit-

tle out of phase for a lot of reasons and I'm not going to get into it now. There are a lot of reasons to hypothesize why the invalidity rate goes up when business is bad, you start suing because you're hurting. I would encourage you folks to chase down that old article and update it and see where we are and see if you can find reasons why, if that historic coincidence in the graph is no longer the case, it has changed. A big chunk of it is the thing that Hal is touching on, it's the infusion of morality in the patent decision. There's a great old guy that used to work for BNA, he would come to the BNA Advisory Patent Board meetings. He told a story of back in the 30's when he was practicing patent law in New York. He represented a client sued on a patent related to transit buses. He did some investigating and got word that maybe the transit bus system in Washington, D.C. had something similar. He went down and talked to their head service guy and the guy said, "Oh yeah", and told him of an article that had been published in the trade journal. A couple of days later this fellow called the plaintiff's counsel from the bowels of the New York Public Library and said, "Come on down here, I think we've got something you ought to see." The fellow came down and saw a magazine publication which was a 102. The next day he received a call from the plaintiff's lawyer's office and was told, "Look, here is a paid up, non-exclusive, license for your client under this patent. It's granted to you on one condition, I've got your word as a lawyer that what we saw in the bowels of the New York Public Library yesterday will remain our secret." He took the license, his client was out scot-free and the patent was litigated and sustained against others. Now, can you imagine that in today's standards? That's how the patent system used to work.

JUDGE RICH: I would just like to add one statement to your validity rate discussion, and that is that there is no such thing. You're talking about a percentage of patent validity only in litigated cases, I believe, and very, very few patents ever get into court.

MR. FISHER: Those are the good ones.

JUDGE RICH: Isn't it the fact that patents that are litigated are generally those that have some doubt about their validity?

MR. FISHER: I should add a codicil and correct my statement. I'm talking about, as Judge Markey has taught me, the invalidity rate: that is the number of patents found invalid as distinguished from those found not to be.

JUDGE RICH: Now that I have come out of my post-luncheon stupor, I want to throw out one other thought about patents and monopolies. A long, long time ago I got into this subject and I discovered that the

word monopoly is derived from two Greek words, monos (alone) and polo (sell), which gave rise to the Greek word monopolion meaning to have the sole selling of something. If that isn't what a patent grants, it doesn't grant anything. I know very well why you said what you did to the questioner about morality, about patents not being a monopoly, but that's something that came in about the middle of my 57 year long career in this field. We all used to think of them as a kind of monopoly. They grew out of the Statute of Monopolies in England in 1623, which said that monopolies are abolished except monopolies over new inventions within the realm, and if a patent doesn't give you sole selling of something, I don't think it gives you anything. To put it in another form, the power that makes the patent system tick is a kind of monopoly power. Along about the time that Irving Kayton became a professor, the courts were running very anti-patent and the antitrust division was up to its customary behavior. The idea was thrown out that we've got to stop talking about patents as a monopoly if we expect to get anywhere. People, or even kids, learned in school or in their civics classes that monopoly is bad and then they learned that patents are monopolies and they connected the two ideas together. Then they became federal judges and carried out this same theory. Patents have got to be given a restrictive interpretation. I'm sure that Professor William C. Robinson of Yale who wrote the great, three-volume patent text in 1890, said in effect that "If you don't understand that a patent is a monopoly, you don't understand patents at all." (See Chapter II) I can't leave here without leaving that counter thought in the minds of the group. (See G. Rich, "The Relation Between Patents Practices and the Antimonopoly Laws," XXIV Jour. Pat. Off. Soc. 85, 90-91 (1942))

MR. WHITNEY: Homer, an assignment was given to the *IDEA* Board, or group, whatever it is, a short while ago. I throw out another one that follows up on what Clyde mentioned a few moments ago and what your chairman did. That is, I wrote a paper which I published in the APLA and the NCPLA back in 1980 or 1981 on the economic value of patents, trademarks and copyrights. I used as my base for it the statistics from the Internal Revenue Service and the Department of Treasury, their analysis of the breakdown of the 1967 Corporate Tax Returns. I submit that nothing has been followed up on that since. I have had some very interesting statistics that were effective at that time when Baldridge came in as Secretary of Commerce and some others right at the 80/81 point, and Congress paid some attention to them as to the economic value of patents. I've been trying to get some

group to follow up with that and I think someone might want to, and the statistics are available. Usually they are about three years behind, but even if we got the 1984 statistics from corporate returns which are broken down into licensing royalties from patents, trademarks and copyrights, admittedly under royalties there is also a provision from what you get in lumber, oil and some other things. They actually also have it broken down in patents, trademarks and copyrights, and then going into the area on foreign rights and foreign royalties. There are some very interesting statistics that could be there and ought to be brought before the public that would address the question of the economic value of this system we're talking about.

MR. BLAIR: I note Bob Shaw who is in charge of *IDEA*, among other things, making a few notes on that.

MR. SHAW: I was thinking as George was talking about it, there's the other factor that probably doesn't appear in there and that's what benefits accrue to the individual company and that will just show up on a P&L Statement and not show up as royalties.

MR. WHITNEY: It's also one of the greatest values which was driven at me on a number of occasions when I came out with that, was through cross licensing which doesn't show up in any of those statistics. There might be some interesting way of assessing the value of the patent system in some way through cross licensing.

MR. BLAIR: I've been very interested in the discussion and I deliberately let it go on into some other areas. I'd like now to hit a few of the things that are on the agenda and maybe "hit" is the word.

COPYPATENTS

MR. BLAIR: I'd like to go back and look on page two and just have a brief discussion on "copypatents", which I know a fair number of you might not be too enthused about. Copypatents would be used for the inventions that are not the big inventions, yet which still take up significant amounts of the Patent and Trademark Office time, assuming we can get them to do some good work. The theory would be limited in scope to exact copies and close variations.

Copypatents have the requirement of copyrights that you have to have access and copying. Copypatents would require novelty similar to patents under 35 U.S.C., but not on unobviousness, similar to patents under 35 U.S.C. They would not last as long on either patents or copyrights, would have lower fees than patents. Copypatents would be a way that would be able to get a patent which might give the needed protection on a particular item rather than getting a so-called

"defensive patent." Yet, a copypatent would not require the same amount of Patent and Trademark Office resources as the really basic and important invention of an examination. A copypatent may still be patentable but not worth it from an economic sense. Is anybody enthused about that particular concept or some variation?

MR. FIELD: I've been intrigued by that idea for quite some time. It affords an opportunity to bring up a point related to the earlier monopoly decision. The principal characteristic of a patent is that one person gets *everything* while everyone else gets *nothing* for its duration. This is what interferences are all about and why they are so hotly contested.

In contrast, interferences aren't needed for copyrights. What I create is *mine*. What is independently created by another is *his*-notwithstanding the fact that it may be the same as what I created.

I've wondered for about seven years now [See *Brief Survey*. . . in 26 *IDEA* 57, at 89 (1985)] whether we don't have some room in the intellectual property system, outside of the traditional copyright subject matter, for something based on equity and ethics: not a block against the whole world, but only against free riders.

Along the same lines, I've wondered how many "strong" patents have been invalidated in litigation against an independent originator and how many "weak" patents have been sustained against slavish imitators. It would be difficult for judges not to learn that way. To the extent they do, we already have a de facto "copypatent" system. It is unfortunate that there is no de jure accommodation of such an idea.

JUDGE RICH: Well, I am for the copyright principle type of protection for one specific sort of so-called invention. That is ornamental designs for useful objects, which is a little project that I became involved with in 1954 which is still under way and unresolved. Only last Friday Senator DeConcini held hearings again on the new bill which is substantially the bill the committee I chaired in 1954 wrote for the protection of ornamental designs, which they have are now calling to "industrial designs." Just for your information I was somewhat shocked at the testimony of the proponents of this bill who were people who — Well, the whole hearing went off on what are they going to do about copies of automobile fenders. The other people, who used to oppose this bill because they thought it would interfere with their making automobiles, now are for it because they think it will interfere with their competitors in foreign countries making copies of their fenders for replacement parts. On the other side, if you are talking about this proposition of "copypatents", I am opposed to them because it seems to me

that one essential aspect of our whole patent system for inventions other than ornamental designs, is that if they're not patentable there is freedom to copy, Sears-Compco, and why shouldn't it be that way?

MR. FIELD: As far as I've been able to determine Congress can nevertheless change the law. [See *Brief Survey*. . . in 26 *IDEA* 57, at 89 (1985)]

MR. DUNNER: Why do we need it, aside from the industrial design area?

MR. FIELD: Beyond what I said earlier, Van Santen has suggested [See Legislative Proposal. . . in 6 Pepperdine L. Rev. 297 (1979)] that it may be useful to keep a large number of marginal applications out of the PTO. Many people wanting a patent, for whatever reason, will push and push until the Examiner says: "Okay, you've narrowed the claims to the point that they can only be infringed while standing on your left foot while holding your right foot in your left hand, under a full moon, on the fifth Saturday of an odd numbered month. So I will allow it."

We really don't need that kind of patent. If "copypatents" or the like could get that stuff out of the patent system, maybe what remains will be worth having.

MR. BLAIR: I've heard also said that on occasion some unnamed corporations have been known to try to get all kinds of detail patents to cover different details of some piece of technology, the theory being that while maybe you can invalidate one or two basic patents, you'd have a hell of a time if there are 100 patents involved with all this technology where you really only have a small number of good inventions, the other ones might qualify under the patent law, but really aren't of major significance. There's nothing illegal about doing that, but some people think that's not a good idea and it clutters up the patent system too much.

MR. WEGNER: Two quick points. First the industrial design protection adds an effective area of protection which doesn't really now exist, and may help American industry very much. So I very strongly support this. My concern with Professor Field's "copypatent" is not so much cluttering up the shoes with patents and so on, but making life very difficult for third parties. One can envision a whole host of copypatents being granted and making it much more difficult for the public to determine what they can and cannot practice. I see no socially redeeming value for such a system.

MR. ARNOLD: I would like to inject one other small comment there. The nature of proof being such as it is as evidenced in court, you pro-

vide us with incentive not to look at the prior art because we don't want to make a record that we may have derived from it. So instead of finding out what we can do, we deliberately stick our head in the sand. It seems to me that there is an incentive in this direction, because if I find out about that patent, somebody is going to be charging me with having copied it. If I didn't know about the patent, nobody can charge me with having copied it. I don't know exactly how that would play out in the real world, but I give it to you to play with and see what you think about it.

MR. JORDA: Is this similar to the petty patent and utility model? If it is, I'd like to make a comment. Is there a difference or is it just the semantic choice?

MR. BLAIR: I think one of the differences is the concept of showing copying and access as opposed to the petty patent which doesn't usually have that characteristic.

MR. JORDA: At any rate, if it's at least akin to the model or petty patent, then I'd like to quote to you a statement made by a Japanese with reference to the utility model system in Japan where they apparently have second thoughts. The gentleman is Saotome, many of you know him, he is a man of substance. "Nobody denies that the Utility Model Law has made a great contribution to the development of the Japanese industry since it was established and put in force in 1905. However, the social structure in Japan and industrial conditions have drastically changed since then. . . Certainly, it would be difficult to abolish such a system as it has planted its roots deeply in Japanese soil and still confers benefits on the people. Yet, this system which has been asserted by its related industries to be useless and is being utilized only from habit, should not be left as is forever." So they seem to be having second thoughts in countries where they have a very, very well established utility model system.

MR. WHITNEY: Just remember whenever you talk about a copyright type protection, and you're talking about access and copying, the Second Circuit, in particular, which is very strong on copyrights, has a substantial body of case law on if there is a striking similarity, there is a presumption of access. There is another set of cases that go even further than that, that if there is a striking similarity, if there is the slightest possibility that there could have been copying, you will presume copying. When you couple that with the fact that copyrights are a far more powerful weapon than patents, and we tend to look at them as our little sisters that don't have much strength and just think in terms of the attorneys fees, costs, the damages that come out in copy-

right cases, the fact that even through all the years when the patents were looked at as being the antithesis of free competition in antitrust system, the very judges who bought all those arguments of the antitrust division back through a few generations and years ago, also enforced copyrights and the tendency is to do that, and it scares the hell out of me as to what can happen with that type of a system.

MR. BLAIR: In the past frequently the person who had copyrights was a "creator" and a person who had patents was a "monopolist." I think now we are changing a little so that people who have patents are "innovators" and the people that are infringing patents are regarded as "copiers." It depends on the emotional words of the moment.

MR. FISHER: First, a caveat. In my assault this morning on the Patent Office, it wasn't against all examiners nor all examination. My gripe about the Patent Office in its current structure is it's nonuniformity in the quality and its lack of ability with its current structure to supervise and deal with the few bad apples there are. With respect to petty patents and copypatents, I wanted to note that in the year that Tom McWilliams was chairman of the Patent Section, we met in Washington about 1974, I think, the section did pass a resolution favoring something very akin to what are called copypatents here. A major argument for them at that time was the very thing that Tom Field brought out, the concept that this gives the creator of what today is a marginal patent, the re-patented wheel Tom was talking about this morning, a place to go for a kind of protection, which hopefully helps the image of the utility patent. While I was chairman of that committee and wrote that resolution, I don't know that I'd vote for it now. I don't know that I'd vote for it now because I am not at all sure in our present mood that it is needed and I've got the concerns George is talking about and other concerns that fit in with the objections people have made here today.

JUDGE NEWMAN: How easily we forget. Five to ten years ago when many of us, me included, were strongly interested in the concept of petty patents or copypatents, that would be granted for novelty, and enforced upon evidence of copying and identity. This wasn't because we thought that there was a gap in the kinds of intellectural property that needed protection, but because of all of the other things in intellectual property that were happening at that time, things that led to the Carter Commission study and ultimately to the formation of the Federal Circuit. We thought that the idea of easier proof, by the evidence of a presumption of access and copying, as the copyright law, would remove patents from the judicial attitudes that many of

us thought were harming the nation. That has now been implemented, in the computer chip law, although for more complex reasons. We might at the moment be lulled into complacency of thinking that things have changed rather than gone underground. In terms of the national attitudes, I think we all recognize that we may be deluding ourselves. It's appropriate to rethink, in the present climate, whether there is a need to design some other kind of protection. Are there kinds of technology that in the national interest or the entrepreneurial interest aren't being covered by utility patents but that nevertheless, if given protection against copying, will provide the innovation incentives that the system deals with. I think that's always a useful endeavor. But I think the rules have changed from when we last looked at petty patents and copypatents and short term patents.

MR. BLAIR: We'll have one more comment by Chico Gholz, and then we are going to take a 15 minute break.

MR. GHOLZ: It's surprising and a little shocking to me how often our Japanese origin cases claim the benefit of Japanese petty patent applications. The cases that they can't get through the Japanese Patent Office and get a Japanese patent, so they file for petty patents over there, they file as regular patent applications in this country, and we have little trouble getting them patents. Somebody mentioned that you paint the wheel purple, and now it's patentable. We've got petty patents already. We've got good patents, and we've got petty patents.

MR. DUNNER: We'll quote that back to you next time.

MR. BLAIR: We'll take a fifteen minute break.

(BREAK)

CONTINUATION OF AFTERNOON SESSION

MR. BLAIR: I'm going to ask Bob Rines to make a few comments, and then I want to start on page five at the bottom on Category C. After we'll go to one of the subjects in which many of you have interest... First to File.

MR. RINES: Thank you, Homer. I have permission to echo something that Judge Newman touched on that touched me a little bit. I have long been opposed to the need for both industrial designs and some kind of a copy or petty patent, despite the fact that in the simplicity of our legal system compared to other disciplines (we must all agree it's very simplistic) everything is shoved into this one procrustean bed of invention while trying to weigh by the same standards a can opener and a holographic laser. What are our choices when something is happening today that I think we should all be alerted to. Tom spoke of

the economic factors, the tracking of the validity of patents with our economic life and so forth.

We never came out and said it, but we ought to. We all know that Judge Learned Hand confessed that in the recent past the courts were "throwing out patents because of the orders," I think that was his exact language, "received from the Supreme Court." I've had it, particularly in the Eighth Circuit — right in front of my wife — The Court saying, "I'm sorry, I have to do this, this is orders from the Court of Appeals. Let them decide you have a patent." I've had it in the First Circuit.

Now, there was this era of hostility, of following "orders," and what did we do. The Japanese, Germans, Italians and others have been able to use our patents in many fields with immunity. Now we see coming the other alternative, if we don't seriously look, I think, at industrial designs and petty patents, that the conscience is beginning to bother the federal judiciary and the state judiciary, present company excepted, of course. They are beginning to stretch and extend laws to do things to prevent copying, whereas in actual fact in our country and in all countries of the world, you are free to copy unless there is some law that says you can't. So we witness the trade dress, which was popular a little while ago; we witness today litigation on "look and feel" in computer software and other crazy kinds of ideas that federal judges all over this country are doing in their effort to somehow relate as a tort — that there's something wrong in copying somebody else's product, when there isn't anything wrong with it, unless there is some law based on a new public policy setting up something designed to prevent that. We have always historically said that even in the case of patents there must be something at a certain level, or you're free to copy it; and there's nothing wrong in copying it if it isn't at that level. We've said in the case of copyrights, an original work even with a modicum of novelty, you can reinvent it; you just can't copy this fellow's work.

But look what's happening in the copyright field today the way they are actually getting to the point of talking about ideas — substitutes for patents — "look and feel" in computer hardware and software now.

If that's our alternative, this country is going to be in a mess. I think it behooves us as a matter of public policy again, to decide that if we don't want the Japanese to be copying petty things of ours, then let's have a petty system of some sort and let's not try to stretch things that are not designed for that purpose as our court's are trying to do today, because somehow their conscience now feels it's bad to copy.

That's not the case, unless we say it is with something that is different from a patent and different from a copyright.

MR. BLAIR: I'd like now to go on to this concept of judicial reformation of patent claims and whether that's a concept that should be pursued. The idea is, if you had a patent which the claims were held to be invalid and yet the court thought there was an invention but didn't feel that the claims were properly written, an excellent example of that is *Kaiser v. McLouth Steel Corp.,* 150 U.S.P.Q. 239 (E.D. Mich. S. DN 1966). The court in that case said that it was a pioneer invention, there was no really good prior art and the patent was invalid, even though there had been claims that the court thought were valid during part of the prosecution in the Patent Office. The examiner rejected those claims and the attorney and the examiner reached agreement on some other claims that the court held were invalid. Is that a situation where the court should be able to reform the claims? Of course, if you did that you would have to have some provisions for intervening rights for people who took the position that they acted on those claims as if they were invalid, or they designed around the claims in their earlier form. Is that an idea that's worth pursuing?

MR. GHOLZ: No, not unless we have patent judges. If you have patent judges that know what the patent system is all about, maybe, although I'd still have to think about that.

MR. BLAIR: If you hurry before April first, we've got one. (Judge Conner took senior status on April 1).

MR. GHOLZ: No, I'm talking about a core of them that try patent cases, the point that I pushed before. There is something like this in Germany. We had someone telling us a war story from Germany where something like this had happened. There is a special patent tribunal there. Hal is shaking his head. The story that we hear is that it's a specialized patent tribunal. Maybe they have enough expertise to do it. I don't think the average U.S. District Court Judge does. If they started doing re-examination and rewriting the claims, it would be lunacy.

MR. TRAMONTINE: I guess I have the same answer but for a different reason. My reason is that it is already in our jurisprudence at this time. It's part of the equity jurisdiction of the courts. If you look at *United States v. Adams,* the water activated battery case, they said the water electrolyte was an essential part of the invention. Anybody reading that patent would understand the invention was directed to a water activated battery. The water electrolyte wasn't in the broad claims but the court read it in to sustain the validity of the patent.

If you read *Linde v. Graver Tank* you will see great language on metes and bounds, but you'll find that language in the dissent. The courts, in effect, do equity on the basis of what is the essential contribution made here by the inventor and they act accordingly to protect that invention.

MR. WEGNER: The American system gives the patentee more opportunities than some of the foreign systems. We have historically had a multiple claim system. I say "no" to this proposition, answering "all of the above," plus, do we want to create a forum shopping opportunity to go to the court instead of reissue and re-examination? I just don't think this is a proper solution.

MR. FISHER: Homer, I'm not sure that I comprehend what is proposed here beyond current law. Is this not a variant of the Doctrine of Equivalents, which at one time we did some research on and couldn't find a claim where it had been applied more than once. That's no longer the case. Anybody that studies the Pringle Patent, and studies the suit in that case and then finds what the judge found to be infringed, will know that the judge totally rewrote the claim. With *Kaiser v. McLouth Steel Corp.*, I know what the judge said in his opinion, but that was the district court. Had he done what we're talking about here and sustained the patent on the record, there would have been no less than a dozen bases for the Court of Appeals to reverse. I think it would have happened. There have been a lot of problems with that patent and many of them tie into the next topic you're talking about, first-to-file, because the patent arose out of some European developments. It was sort of dribble-disclosed through a series of disclosures and the basic problem that the attorney and examiner had as a backdrop to what happened was the adequacy of the disclosure. Anybody who has seen an oxygen lance in process and the violence of the reaction and then talks about the gentleness of or whatever the language was in the patent, will wonder what in the hell that judge had seen.

MR. BLAIR: I agree that they didn't realize that was their important patent when they were getting it out of the Patent Office.

MR. FISHER: Coupled with the issues behind the language. If you've ever seen the damn process, you wonder how in the hell anybody could have dreamed up that language to describe what goes on.

MR. WHITNEY: My comment is supplementing what Tom said. It has always intrigued me that the exact words that are in the patent claim were the words that were suggested and demanded by the examiner of the attorneys to change the words that were in the claim, that the court otherwise seemed to think described the invention.

MR. BLAIR: Does anybody else have any comment on this subject before we go on to first-to-file?

JUDGE NEWMAN: One of the things that I would like to suggest to this group for some future conference is to put our collective minds to the equity jurisdiction that is now being exercised. I'm thinking about the cases on the Doctrine of Equivalents. We might consider, for instance, alternatives such as patents of addition. I think we would all be more comfortable if there were alternative ways of moving through the Patent Office with equivalents as may arise more than two years after a patent has been granted, when we can't reissue with expanded claims, and where re-examination won't do because the disclosure is inadequate to support expanded claims to cover equivalents. The only system that I know of in any nation has been the system of patents of addition. It would be interesting to study the question of finding some way of moving through the administrative process rather than the judicial process when the question arises of either infringement by equivalents or of protecting one's modifications of your own processes as you develop them, modifications that might be unpatentable based on present law.

MR. OBERMAYER: Perhaps the judges should have the right to remand a case back to the Patent Office for consideration of certain claims. Normally, that's done in a context of new art, but there is no reason it can't be done when a judge feels that possible error may be committed because of drafting problems, etc.

MR. BLAIR: That's an interesting and creative idea for somebody involved in litigation where a patent may have a problem.

MR. DUNNER: The problem is it invokes an intervening right problem. If the court is merely interpreting the claims, you don't have intervening rights, if you go back to re-examination, you do. That's not an acceptable solution.

MR. MAURER: It's the same as a re-issue problem at that point.

MR. WHITNEY: Isn't the Federal Circuit also telling us that a court should not unnecessarily interpret a claim as being invalid in view of the prior art and relative to the infringement that's there?

MR. WISE: One question to the CAFC judges here. What do you do when you are in the position, as in the *Kaiser v. McLouth Steel Corp.* case, when you want to find an invention and the claims are not technically valid? There is invention disclosed but not claimed. What do you folks really do?

JUDGE RICH: You're talking about appeals from the Patent Office or litigation, or what?

MR. WISE: Appeals from the Patent Office, or in litigation if you find claims invalid?

JUDGE RICH: What do we do? I think we just struggle with them.

MR. WISE: Judge Newman, what do you say?

JUDGE NEWMAN: Judge Rich is absolutely right, we agonize over them. If you're talking about appeals from the Patent Office, we can always send it back or you can start again. If there's really no way of interpreting the claims to cover what seems to be a plain infringement, there is no way of imposing on the public a judicial interpretation that can't be fairly read into it the claims. We don't get very many of those cases, they don't come as far as the appellate court. Inherent in what I was saying about patents of addition and the opportunities for administrative review, is that there needs to be a way to cope with that kind of situation. There's no reason why the words of the patent have to be carved in stone the moment they leave the Patent Office, even within two years you can't do anything about expanding your specification, only changing your claims if you're lucky. There ought to be some way of allowing people to correct their own mistakes or their lawyer's mistakes or whatever else, so that the question that you posed would not be a hard case where the innocent suffers. That is to be avoided in any judicial action, not just in patent cases. We have some flexibility in patent cases, because the Supreme Court has exhorted us to do justice and use our equitable jurisdiction. But that isn't always easy on the people who are inventing around and doing exactly that which the patent system is supposed to encourage them to do, to build on the knowledge that's been disclosed and find other ways of doing it. Perhaps they don't deserve to have an appellate court telling them it's equivalent either. That's why I've encouraged us to think of some administrative way, in the first instance, of coping with it. Technology is getting more and more complex. Even for those of us with a technical background, we are certainly not experts in all areas of technology. There ought to be some way of bringing to bear the expertise of the Patent Office. Although we are concerned about the technical and legal expertise of the examiners, they are charged with knowledge of technology and the rest of the art. There ought to be a chance of thrashing out technological questions, other than putting them in the hands of the judges.

JUDGE RICH: Well, to add a few words to what Polly has just said, I would like to distinguish between appeals from the Patent Office and appeals from district courts in litigated patents. We are much tougher on interpreting claims from the Patent Office than we are claims from

the court. We apply a rule, as I remember it, that claims on appeal from the Patent Office will be given the broadest reasonable interpretation. If the claims read on the prior art, fail to distinguish clearly or don't define the invention or whatever, all we do is to say whether the rejection is justified or not justified. The reason for this is that claims can be amended before the patent issues. We either affirm or reverse and we view every decision of ours from the Patent Office as a remand, because when it gets back to the Patent Office they can do what they like. Even if we reverse a rejection, we know perfectly well that when it gets back to the Patent Office, the Office can give a new rejection if it wants to. Of course, they generally don't. On the other hand, on appeals from the district courts we act just like any other Court of Appeals would have acted before 1982. The rule is to so construe claims as to save them — if possible. We have the Doctrine of Equivalents, we have the Reverse Doctrine of Equivalents, we have equity powers and we treat it that way. My personal feeling is that maybe we have gone a little too far maybe in applying the Doctrine of Equivalents all the time. I think that's a Doctrine that should be applied in very exceptional cases, as I think Graver was. (*Graver Tank & Mfg. Co. v. Linde Air Products Cp.*, 339 U.S. 605 (1949)). The invention was blatantly copied with only the slightest variation in order to use the invention without using the claimed invention. I might frankly confess that when Graver came out I was still practicing patent law in New York, and I thought it was a bad decision. That brings up the other point I wanted to mention, that what we are also faced with trying to do is to remember what claims are for. Claims are to enable potential infringers to find out whether they are infringing or not. If the court is going to screw them all around and expand them into something they don't say, where does the potential infringer come off. The competitor wants to know what he can copy and what he can't copy. I keep emphasizing the fact that we've got to remember what claims are for and balance this with the application, and not on a free-for-all basis, of the Doctrine of Equivalents.

JUDGE NEWMAN: As a corollary to that, people shouldn't have to wait until we get to it to know whether or not something is equivalent. There should be a better way. I think this is something that has come into focus only recently, perhaps because there has been an emphasis on the equity jurisdiction. Not just of the appellate court, but we see it also in the district courts, with the renewed emphasis on jury trials in patent cases. People who feel that they have a good case as a matter of equity may feel that there's a better opportunity of persuading

a jury of that. There have been more jury trials in patent cases in the last few years as I understand the count.

MR. TRAMONTINE: What I have found is that the past practice of having patent counsel sit and read claims is foolhardy. What we have to do now, is bring in your technical people, have them read the patents and say, "Now, what was that man's invention?" They'll tell you and then you ask them. Are we using it?" We forget that the patent and its claims are addressed to someone skilled in the art and that's not lawyers and not judges.

MR. FISHER: I just wanted to note that if we go too far in this we've adopted the former French system. I read at one point in time a study which indicated the amount of royalties paid in France as a percentage of the gross national product was the highest in the world by a wide margin, because they didn't know what the hell was patented. Have you ever asked the opinion of a French counsel? You could go for three out of five and I swear that you'd get five different opinions.

FIRST-TO-FILE

MR. BLAIR: I'd like to move on to first-to-file, whether that's good, bad or indifferent. First-to-file, rather than the first-to-invent system that we have. I think it's not as useful to take first-to-file as a concept by itself. In addition to the agenda we sent out papers by Hal Wegner and Bob Armitage, each of which have different parts of a package, if you want to call it that, with different aspects that each one of them emphasize. Now, some people feel that first-to-file would be in favor of the large corporations and against small business. I note Hal Wegner recommends it as a system which, in his version, would safeguard small business and give them a competitive advantage for both domestic and international filing if his "internal priority application" system were used.

Some also have pointed out that our first-to-invent system isn't really a first-to-invent system. We've all known of situations where the first inventor did not win an interference because he couldn't prove that he was the first inventor. Maybe he knew he was the first, but he didn't have the appropriate witnesses. I've been involved in a couple of situations which I was fairly relaxed about it because the patents involved in the conflict were not patents that my company had. In at least two of those situations, who the first inventor was did not make any difference because we were still infringing the patent that came out of it, or allegedly infringing. You could say that our present system is not perfect by a long shot in getting a real first-to-invent.

One other comment I'd make in starting. Most Americans that file patent applications in other countries live as if the U.S. had a first-to-file system anyhow. In most corporations you try to have a system where there are no publications of the invention before you file the patent application, usually the U.S. You hope you don't have any public disclosures or putting things in trade shows, etcetera, before you filed in the U.S., realizing in some countries you can get away with something and in other countries you cannot.

In practice, in the companies I've worked in, we have lived as if the U.S. were a first-to-file country because we were forced to live that way by the rest of the world. We've had to operate as if we were going to file in foreign countries where many times we may ultimately decide not to. I didn't want to foreclose that option before I made my final decision later on. With no further additional comments, I'd like to hear some comments from you folks on some of the material that was passed out here, Don Dunner's article, Hal Wegner's proposal and Bob Armitage's proposal.

MR. WHITNEY: A point of information?

MR. BLAIR: Okay.

MR. WHITNEY: What is small business? I remember very well, and I think Don was there when we had a meeting of the Board of the American Patent Law Association, as it was then called, when I was president or when Don was, I forget which. We were arguing this point and we had a representative from possibly the National Small Business Association or some such place, telling us that the people he was concerned with and viewed as small business, spent over $100,000 a year in intellectual property activities. I can think of a hell of a lot of clients at my firm and a lot of others that don't spend anywhere near that kind of money.

MR. BLAIR: Ordinarily, I think we end up with this definition that the government keeps using to define "small business." After working for corporations I have a little problem with those definitions. Many times we would have a small division of a fairly large corporation. In one instance the division had annual sales of three million dollars. They were part of a corporation that was much larger, but in their field and with their competitors, they had to act as a small business.

Before we start, I'd like to have Hal Wegner tell us about the comment he heard from Don Quigg last week in Geneva.

MR. WEGNER: Last week was the third session of the Committee of Experts on Patent Harmonization. In a very carefully worded statement the Commissioner said that the U.S. Patent Office favors first-

to-file, but he had two important caveats. He said it was a part of a package that would include a grace period, no exclusions from patentability such as product protection, at least the 20 year term, not the 15 or 10 year terms that some countries have, and although not stated in the open meeting, he clearly included broad claim interpretation, as we have in the U.S. and Europe. The other caveat was that he needed to get the support of the patent bar, that he did not have power by himself to introduce this legislation. The other aspect of the package in terms of what the U.S. would give, Mr. Maasel, who was speaking for the U.S. Government delegation, said we would "sacrifice *Hilmer* on the altar of harmonization."

MR. DUNNER: I won't repeat what's in my paper, but I would like to just mention a couple of historical points that many people here may not know. I was asked to present a paper on whether we should abolish the interference system. I did so at an AIPLA meeting and I guess there were about 200 people in the room. At the end of the presentation the chair of the meeting, who was Bill Thompson from Caterpillar, took a straw vote of the reaction of the people in the room. I was utterly amazed that there may have been two or three people who weren't in favor of abolishing the interference system. "We've come a long way, baby," is the expression that you can use, because I remember when Polly Newman was chairman of Committee 108, of the ABA-PTC section. She was avante garde at the time proposing to have a first-to-file system and even then, though the vote was opposed to it, and that was six, seven or eight years ago, it was nevertheless something like 92 to 70 or 90 to 75, it was very close. I think over the years there has been an evolution and the thinking has been away from the old interference system for all the obvious reasons, it was not cost effective. Judge Rich was quoted in the *BNA Journal,* to the same effect. Even Don Quigg, the PTO Commissioner, who long has liked interference systems at least in part because he was Patent Counsel for Phillips Petroleum that won the polypropylene interference, seems to be turning around. I won't say this is an idea whose time has come; I will save that for my debate with George Whitney in New York. Basically, I think the sentiment is very strongly in favor of doing away with the interference system. All the old reasons in favor of it, I just don't think hold water.

MR. GHOLZ: I was one of the three who voted against Don on that. I think you have to draw a sharp distinction between doing away with the interference system and going to first-to-file. I am in favor of going to first-to-file, but I am not in favor of doing away with the inter-

ference system. We do an awful lot of interferences in my firm, and what we are seeing is that many of them involve two foreigners. Many of them involve who is entitled to which filing date. The Japanese in particular are fond of combining when they get to the U.S. two, three, four, a dozen applications with different filing dates. If two companies are working in the same field, they often have a spread of interlocking filing dates. The question is, who is entitled to which date for which counts. Also, under the new interference rules, a lot of the heavily litigated interferences are really patentability disputes. One person, or one side, can see that it is going to lose on the dates and then the issue becomes can they knock out the invention entirely so even if they don't get a patent, at least their competitors don't. These things are working very well. The new interference rules are working, in my opinion, extremely well. There is a lot besides derivations which even Don can see still have to be handled in an interference-like context. There are a lot of disputes that are very well handled in the interference context.

Doing away with the ability to prove invention dates before filing dates would certainly knock out a number of interferences. My guess, based on our practice, which may or may not be typical, is that it would only knock out substantially less than half, perhaps a quarter of the interferences. Most of the interferences we work on don't turn on that kind of issue anyway.

Interference law is highly developed. There is a small core of patent-type judges known as the interference examiners who are really good, know what they're doing, and can handle these disputes expeditiously, and, even though we occasionally lose, by and large very accurately. I think that the kind of people that handle the interference disputes in the Patent Office are a paradigm for the kind of people I'd like to see handling patent disputes in litigation. I'm not in favor of doing away with interferences, but I still am in favor of going to first-to-file.

MR. DEGRANDI: I can see why a lot of corporate patent attorneys would like to get rid of interferences, because they have been very, very costly in the past and the results are not always predictable. I don't think that they have given the new interference rules the chance to really show whether or not the costs can come down. I think Chico is right. The rules as they have been revised probably will decrease the costs of interference, and I know you're going to get the decision a lot quicker under two years, or a maximum of two years. Whereas before it used to drag on for five, six or seven years. I don't think that the private sector has really concentrated on what it means if we go to the first-

to-file system. I hear that small business is in favor of first-to-file. For example, if a small businessman came to me today, and I'm in private practice, and says "This is my invention, I've had a search done or I don't want a search to be done, I want you to file on this." I say, "Fine, I'm going away on a two week vacation tomorrow, and when I get back I'll get around to writing your application." I come back and there's two weeks worth of work piled up on my desk so I have another two weeks before I get around to preparing and filing his application. He executes the case and we file it in the Patent and Trademark Office. Eighteen months later we find out that a patent has already issued to somebody that filed a week before I filed the application for the small businessman. I can see a malpractice suit brought against me. I had the disclosure, it was sitting on my desk. I went on vacation, I came back and I didn't take up his case right away, and therefore he did not get the patent, even though he might have been the first inventor. He did not get the patent. What do we do? Hal Wegner has suggested that we have this internal priority application system, which means that when the inventor comes to my office today, I drop everything and I prepare a very short application for the invention as it was disclosed to me, and I get it on file in the Patent and Trademark Office before midnight tonight. Otherwise, if I delay a day, or two days, or three days, I run the risk, and I realize this is not a very large risk, but it is a risk, that someone else is going to beat me to the Patent and Trademark Office by a day. And that's all you need is to get beaten by a day. If you didn't expeditiously prepare and file an application the day that disclosure came to you, or at least filed a preliminary application, and the man did not get his patent because of something that you failed to do, he may have grounds for malpractice. I don't think a lot of members of the private bar have thought about it, and the rest of the bar should also think about it. If this is going to be a malpractice problem, the premiums on your insurance are going to skyrocket even higher than they are today.

MR. WEGNER: I appreciate Joe's candor on this. He has focused upon the one problem I have had privately expressed to me by many attorneys. I think it's very worthwhile to focus on this one point. The idea of the preliminary application should be that has the substance of the invention with the enabling disclosure, but stripped of formalities like inventorship nomination, a large fee. It should be something that can be dumped in the Patent Office when it is received by the attorney. Now, under the present system if it's not an enabling disclosure you don't have a basis for priority later. If it's not enabling,

if disclosure came to you not in an enabling form, you'd have some difficulties proving a date of invention as a junior party. The other thing you have built in, and now I'm speaking from an American public policy standpoint, if you win an interference as a junior party, you would be subject to a malpractice suit by the American inventor for forfeiture of foreign rights in Japan and Europe. Let's think about it. When you win an interference as a junior party, you have proven that there's a patentable invention. You made the invention first and proved it because you won the interference in the United States. You were second-to-file and your priority date therefore was junior in Japan and Europe. As an American public policy matter, I think this is terrible. Europeans and Japanese routinely get earlier filing dates and Americans are routinely losing out where there's a close competition. A German can file a *Gebrauchsmuster* (utility model) for 50 deutsche mark, about $20.00 or $25.00, and get his internal priority in Germany today. So every incentive should be made to encourage early filing. One of the benefits of the internal priority application is, you file it quickly and then you have time to reflect on it. You should have one year to reflect on it. In hindsight, can't we all do better a year later? So, after one year of this application sitting, maybe there will also be two or three more applications. We would be paying $20.00 or $25.00 for each of these priority applications. They sit there for one year and we can combine them together. After that first year, then in hindsight we can reflect, "Did we do a good job?" Then we have a chance to fix it before the Paris Convention year is up and before we file a worldwide case. I share your concern, Joe, very much. It's a concern we should all have. The way to deal with the problem is to face it squarely. Maybe today we're not having foreign malpractice suits, but that's just around the corner.

MR. BLAIR: Maybe we should be more sophisticated about foreign practice people and start suing more lawyers because their clients are losing in first-to-file countries.

MR. FISHER: Let's start first with what goes around, comes around. In the days of the Johnson Commission there was a proposal very similar to what Hal has just voiced. The concept they talked about then on the Commission was that an inventor could write it on a brown bag and file it and get a date. We've got that now, as long as you're meeting the disclosure enablement requirements, as Hal just said you should. You write that same thing Hal's talking about, you put a tag on the end of the invention as shown and described and you file it as a patent application. The distinction between Hal's proposal and the

present law is there is no time limit on filing the CIP. The CIP has the original filing date if the enabling disclosure was there, and if it wasn't it doesn't. That's the law. What he's proposing doesn't basically change the law except to put a time limit on that point. I'd like to take several things up, all of which are interrelated. We are looking at PCT-II. We are looking at a proposal which would bring into the U.S. Patent Office, cases based on foreign applications filed 30 months earlier or something on that order. We have had a push throughout most if not all of the Reagan Administration, for what was 18 in 1987, but is now slipped back to 18 in 1989. The scenario — George Jones files in New Zealand on a patent application on something created there. Seventeen hours later I filed in Cleveland for Harry Smith. Eighteen months later, Harry has his patent. One year after that my New Zealand friend comes into the U.S. Patent Office. On a first-to-file system my client has had a patent for a year that suddenly is suspect, but they both have the same filing date, and I picked the seventeen hours because that's the time difference. Are we going to file internationally on Greenwich Mean Time? How are we going to pick a priority? If he filed 18 hours earlier, he perhaps had the date before I did and 30 months later he gets into the Patent Office, my client is going to be like three years from when he filed and a year and one-half from issue when he finds out he didn't have a patent at all, if we throw out interferences except in derivation, which seems to be the proposal. I suggest to you that the problem with interference is something that ought to be dealt with, and I'm with these folks saying that maybe the new rules have done it. To go back again 20 years to the Johnson Administration and the aftermath, there was the Cleveland Plan, which I'm sure Tom remembers, which was basically the Canadian Conflict System turned into American law. You would get rid of the principle complaint the foreigners justifiably have and admit evidence from anywhere in the world, not just acts in the United States, which has to be the cornerstone of their gripes and objections to our systems. You would do it by affidavit. You would, in the Patent Office, get a quick and dirty approximation of justice, cutting the cost in the Patent Office appreciably. If you didn't like the result, you'd then go to court, you can get rid of all this bit where we can in nice and refined ways say, "Each inventor is a presumed liar because he's got to have all this corroboration." Why is an inventor different from any other litigant? Why can't his demeanor be judged by the trier of fact and decide whether this fellow who testifies what he did on such and such a date, is or isn't telling the truth. The year I got out of law

school I did some claim adjusting. I was telling the folks at breakfast there were certain neighborhoods where I never saw a claim where the claimant didn't have at least one clergy person as a witness, an eyewitness, to the accident. You can't believe how many clergymen there are in certain sections, but always corroborated, you see, by a clergyman. Let me address two things about real life and why justice, I think, mandates the first-to-invent system. A properly administered, first-to-invent system. There is in Kent, Ohio a university known for some things that it shouldn't be famous for, called Kent State University, which has as a facet of its operation a Liquid Crystal Institute. Any of you got digital display watches? The basic patent in U.S. and Canada was invented by Furguson, a former member of the faculty at Kent, one of the original technical people at the Liquid Crystal Institute. In the rest of the world, Hoffman-LaRoche owns the basic patent. Mr. Furguson won the interference in the U.S., his attorney wasn't threatened by a suit, Hal, and never could be. Furguson didn't have the money to file sooner, in a five cornered lawsuit we negotiated a settlement. The royalty stream to Kent State has been sufficiently significant that they've now got six or eight technical people full-time. The income to Kent State from the liquid crystals is in the seven figures, we anticipate it will soon be eight. They are the lead institution in liquid crystal technology in the world, and without the interference system, the Liquid Crystal Institute wouldn't exist. Scenario number next: Those of us who are in private practice at what some call the rust bowl, others want to call the water bowl, some want to call it polymer valley. We've frequently got entrepreneurial creative types coming into the office and they've got a concept. A little more than just a concept, maybe a little bit of test work, maybe a crude prototype. Maybe that's only the beginning stuff of which inventions are made. "Tom, I just quit my job, I'm going to start this business. I've got $50,000 I've saved." The Greatbach story, into the Inventors Hall of Fame, winter of 1986. He quit his job and built a pacemaker in his basement or his garage. He devoted his entire resources except the money set aside as a trust fund to run the house, to developing his invention. Now, if my advice to him has to change from what it is now, saying "Greatbach, George, whoever you are, you've got a choice. In the real world you cannot divulge or you're going to lose your European rights, you can't divulge before you file. In the real world, if you pay me or my firm to prepare and file a patent application and pay these God-awful high Patent Office fees, funding their development of automation instead of examination, that's money out of the till that

could go to your development process." Now, if you're willing to say "My fall back position is North America, the U.S. and Canada, then don't hire me to do anything now. Keep records, get witnesses, all the traditional advice. Don't get the meter running on your patent budget clock because once you file in the U.S., the world budget has started. I can stall it a while by filing through the Patent Cooperation Treaty and various other methods, but you're started on the expenditure to protect the invention that you haven't even finished." I don't care if it's one in 1,000, to protect the ability of that guy to get his business going, to get patents, to create jobs; that's where they're created, with the real little people, the system is worth it. I don't see why we should throw that aside in the interest of harmonization. Hell, the Germans harmonized and they got rid of the grace period. They're going to get it back because it was right. I don't think we ought to throw out a just system that jeopardizes the thing that I think has really made this system work and made this country great. That's the proposal before us.

MR. OBERMAYER: I'd like to second what Tom said. As a small business person I certainly do not support the first-to-file approach. First, I think it will have a negative effect on the quality of patents, and second, it will increase the cost of prosecution in the Patent Office. In my company we do not file a patent application until we have done sufficient laboratory work to support our claims and appreciate the scope and reproductibility of our work. We want to put together a patent specification that has quality and will withstand the scrutiny of time. Under a first-to-file rule we would put together a patent specification as quickly as possible, maybe with one example, and hope that what we put on paper can be verified with more experimentation. This premature action would start us on the road to continuations in part, refilings, corrections and foreign filings. Instead of spending our limited financial resources on laboratory work to improve the invention, we would be spending more on the legal aspects of obtaining poorer quality patents. It just represents an approach which is going to lead to more costs and poorer quality of patents, in my view.

MR. DUNNER: I didn't deal with the merits before, but now that I've got targets I'd like to shoot at them. I think you're all wet, all of you who oppose the first-to-file system, and I'd like to tell you why. First of all, we like to achieve perfection in this world, but we never will, and we can't have a system that is keyed to one person, without looking at the big picture. The big picture just doesn't justify the very complicated, the very expensive system we now have, for the interest of

the polypropylene's and the Kent State's. It may be that Kent State has a wonderful, liquid crystal laboratory. If we took all the money that is wasted on interferences and gave one-one hundredth of it to Kent State, it could have two of the laboratories it now has. Now, the fact of that matter is that the statistics demonstrate that the junior party wins, which is presumably a possibility that the interference that you are protecting is supposed to protect, less than one fifth of one percent of all the cases that are filed. In my paper I have some statistics. The statistics are that interferences are terminated in less than one fifth of one percent all the applications that are filed, and of the cases that are awarded to the junior party, it's less than one fifth of that one fifth, so it's about one twenty-fifth of one percent, if that. The fact is, that an interference which is contested certainly under the current rules, even under the revised recent rules, that is, any kind of an interference that involves taking of depositions, is going to cost megabucks. If you think it's going to cost you $10,000, Art, multiply that by a factor of ten or 20 and you'll be a little more accurate. Interferences are like mini-litigations, they are very expensive. That is true if you have a two party interference or a ten party interference, they are very expensive. True, some can be decided on the basis of motions, but it's a trap for the unwary. Motions practice is the slickest, most difficult practice providing the most difficult kind of obstacle course for litigants. The small inventor is the party most likely to be able to least afford that kind of an interference. Now, I don't think that malpractice rates are going to go up as a result of the first-to-file system. You can scream "The sky is falling" about lots of things, and I consider it that kind of argument. There are plenty of opportunities for people to sue us for malpractice, there are dates to be missed and this is not going to add meaningfully to the big picture. I think the big question is that given the big picture, given the cost of the Patent Office, given the cost to the litigant, given the likelihood that it's not going to change anything, can we possibly justify this very complicated, crazy system to benefit only a few people. I think the public is the big loser and we are the big losers and I think on balance we have much more to gain by going to a first-to-file system, than maintaining this lunacy that we all now have.

MR. ROBBINS: Generally, I am kind of on the fence about this proposal of first-to-file, and I think I'm on the fence because I don't completely understand what's involved. I'd like to pose a hypothetical situation and see if the proponents of first-to-file can answer it. Let's take the simple case where a U.S. applicant files an application. A second in-

ventor files an application on the identical invention, better disclosure but the same claim. The patent issues to the first inventor. Assume that there is then a proceeding, and in this proceeding it is demonstrated that the best mode was not disclosed, or some other defect existed in that first filed application that is now an issued patent. What happens now to the second applicant, the second inventor? Does the second inventor get a patent or not?

MR. DUNNER: Even under the current system, winning an interference doesn't guarantee you are going to get your patent. If your case is defective for any reason under the current rules, you may win your interference, and the second inventor will not get a patent and you may not get a patent either. So the end result may be that no patent will issue in your situation. That's under current practice and I presume it would be the same under the new practice.

MR. ROBBINS: Maybe I didn't make my question clear. The first applicant has a defective application, that's proved after his patent is issued, but while the second application is still pending. What happens to the second application of the second inventor under the first-to-file system?

MR. DUNNER: It would not issue. You would have one invalid patent and one application that didn't issue.

MR. ROBBINS: Let's take the case where the first inventor files a non-enabling disclosure which somehow gets through the Patent Office.

MR. DUNNER: Same thing.

MR. WEGNER: There are two different concepts you're dealing with, Frank, and I'm glad you brought them up. Article 4B of the Paris Convention in the 1934 London Revision requires a patent-defeating effect for what is claimed in the patent, as from its filing date or priority date. In the first situation where there was a concealed best mode, the guy got a patent that was invalid, but the patent-defeating effect must be there under any legislation if we're going to conform to Article 4B of the Paris Convention. This is a matter independent from first-to-file. The second question, if there's no enablement, you have a LeGrice situation, and whether the patent is valid or not will depend upon the principles of LeGrice. Then the public does not receive an enabling disclosure from either inventor.

MR. MASSENGILL: I'd like to stress two points about interferences that Don didn't make. I agree with what he said and he said it so well. The two points I'd like to discuss are *abuse* and *uncertainty*. Both of those have flagrant examples of what can happen in interference practice. Abuse of the patent system is apparent in connection with a pat-

ent that was held valid and infringed just recently. It was filed in 1957 and issued in 1978, but should have already expired by 1978. The damages and future royalties in that patent will probably amount to well over 100 million dollars. With regard to uncertainty, and these are real cases, business people are waiting for interference decisions before making commitments to invest millions of dollars in manufacturing plants.

MR. ARNOLD: Roy preempted a good bit of what I was going to say. I studied this very closely as Tom Fisher has intimated, back during the McLellan bill days in response to the Johnson Administration study and I was of the mind that we should hang in with the principle of fair play and the principle of the first-to-invent system. I've spent 25 years, or whatever it's been since then, living with these things and I can match Tom antecdote for antecdote, as Roy has already started to do, about the great catastrophe of the delayed decision and the long interference, and the great catastrophe of all kinds of things that are wrong with having the interference system. If we're going to decide this thing on antecdotes, well, we ought to get together with our antecdotes and we'll have a great time. On balance, however, we can accomplish 98%, we can accomplish 99.98% of the socially desirable results of the first-to-invent system by the utilization of the various things that are available to us in terms of preliminary filing and other things. I just feel that the expense not only in money but particularly the expense in the time and the delay in reaching a final decision on who gets the patent, cannot be justified. We should have the first-to-file concept and learn to live with that, as we are, to the extent of such a tremendous percent of our activities that are dominated by foreign orientation. That's one person's viewpoint.

MR. RINES: I've been trying to approach this not knowing whether I'm emotional, whether it's the way I've been brought up, or what it might be. I have to confess I have a bias.

Judge Rich, on the CCPA, some years ago held me to be the first inventor on some radar inventions I made as an Army officer in the field during the war which caused me to be the junior party, and I'm very grateful for that. I have had a lifetime of patent practice that has involved quite a bit of interference practice. I have to agree with Don Dunner and Tom Arnold it's a lousy system that we've invented for interferences. But is that the limit of our inventive capacity? That system? Are we going to throw the baby away with the bath water? Wonderful idea, just because we've got a crippled baby.

The question I raise, however, is, what are we talking about? Less than one percent of all patents are involved in this and we're spending all our time concerned about this. I would say that there are certain things in America that I still feel pretty strong about. They are not economic, as a matter of fact, and they are terribly inefficient; they are characteristic of the burden of democracies. Yet, that's why my forebears came here and that's why people before them spilled their blood. We aren't like and don't think like Europe; we came away from there. We may, for example, give the argument somewhat analgous to the senior party nearly always winning in interferences, that 98 or 99% of the prosecutors in some parts of this country convict the criminals. We have a doctrine of due process; look at how expensive it is. Since we know what the results are going to be, what do you need due process for? Look how costly it is.

If the system of first-to-invent were even intellectually improper, I'd be the first to say, "Let's reexamine it." I do charge that first-to-file is nothing but claim jumping. Maybe you guys are geniuses, but I don't often know how to claim a patent in the first instance, or sometimes the first go around or the second go around. I don't always fully know what the client has done. We talk about "inventions" filed, in an application or disclosure; that's baloney. It's how we visualize the claim. It could very well be that you and I, Frank, have exactly the same disclosure and two entirely different claims. What kind of nonsense are we talking about? An intellectually sound system such as the interference of some sort, or something akin to it, really deals with the subject matter of claims and attempting to describe invention, not mere descriptions or disclosure filings. This is a very difficult situation with all kinds of nuances. Unless you want to intellectually defeat what we have built up in this country, with regard to the difference between generic claims and species claims and claiming inventive ideas from different viewpoints and things of this sort. Go look at Europe, look at that mess of nonsense in the European Patent Office. Go look at what we have to do today when we get a clue that somebody has claim-jumped us over there — trying unofficially to call to the attention of the European examiner some prior art so things won't happen. How does the European examiner or the American examiner in a first-to-file system know that somebody else may file within the next twelve months or eleven months or so, with an earlier conversion date than the case at hand. Have you really thought this out? I have tried to read Hal's proposals. They have some of the elements of some of the things that I think are good interference practice.

The question that I do raise is the same thing we have here in New Hampshire. Somebody says, "No nuclear energy because it isn't 100% safe." So throw everything out, because maybe the way we're looking at it right now isn't quite the right way to look at it.

I'd like to suggest that it isn't just a small number of companies, Tom, swapping war stories. I have to talk about my experience. There'd be no EG&G today without the interference practice. Professor Edgerton would have had an invention, but never had a patent. There might have been no General Radio, now Genrad, without interferences for the basic radio and crystal oscillator patents of Professor Pierce's and other things of this sort — situations that I have been associated with. As stated before, I personally would not have been recognized as the inventor of imaging radar.

The practicality of the way we do invention and innovation requires us to get out in the marketplace and try something before we perfect it. That's why we have the one year rule. You're talking about Europe now coming and saying that they're going to have a grace period for six months. They're boobs, because that is opening the invitation, if you're going to have a claim-jumping system, to serious problems. I have to say you're talking about the problems of New Zealand, where, when I finally recognize what the invention is and I add the new claims, the patent application has to take the date of the new claims, not when I filed it. How are you going to handle that situation? Who is the first-to-file if we don't formulate the claims the right time the first time we file? This mishmash of so-called examiners they have in Europe, from all over Europe with all different standards is nothing to be emulated. I'll get any patent through a British examiner in the EPO. I'll get any patent through a Frenchman there. Sometimes we'll have some trouble with the Germans. Hey, this is no Utopia we are going to join. Despite the fact that it might be very nice for our government to be able to harmonize, there are certain things that I'm willing to fight for that I believe should not be harmonized. If it's a poor interference system, and I agree it is poor, even the new system isn't streamlined enough, there's nothing that says it can't be made simple. For example, does the Patent Office have to have rules of evidence of the courts? It could be like any other administrative agency. Tom's point — you don't need corroborating witnesses. We can do all kinds of things to streamline. Have we put any of that energy into these kinds of improvements and safeguards before concluding we should dump this idea of first-to-invent? I confess, it's emotional, but it's also experiential with me. I think what you are proposing is intel-

lectually barren and out of time, as is much of the law, with the realities of the way innovation and entrepreneurship develops and needs nurturing.

MR. WEGNER: I think it's very useful to have all these comments because they lay some of the issues very frankly on the table. If I may, I'd like to respond to Tom Fisher and President Rines. First of all, consider the New Zealand application, and how do you know about it? Well, everyone should have in his office the PCT *Official Gazette.* One of the modernizations that we provide is to have each Patent Office publish the information nationally. You don't have to go to New Zealand, you can go to Geneva right now, and you should have that journal in your office right now. Secondly, with the Liquid Crystal Institute situation, if we had the German system in place right now, you'd pay a $20.00 check, or a 50 deutsche mark check and a twenty-two cent stamp and file the disclosure with the Patent Office. The Liquid Crystal Institute would have had worldwide rights. Third, it may be nice to say, "I'm going to work in my garage and I don't want to pay for the financing of the patent." If you want to get the invention financed and you don't have a patent, *that* may jeopardize matters. Now, let's talk about the history of the United States. I grew up in the first inventor system, I'm predisposed to be in favor of it. I do not want to harmonize for the sake of harmonization. As a matter of fact, if you read some of my papers in the past, I am in favor of unilateral changes, and I do not want to create a "European" system. But if something works well in Europe, we shouldn't close our eyes to it. The first U.S. patent law of 1790 I don't believe had an interference system. It was only later that we added that system.

Now, you're right, I can't formulate optimum claims, when you get right down to it, in the very first instance. But Article 4H of the Paris Convention says you don't *need* claims for a priority date. In the Internal Priority Application, the best way is to make such a system not require claims, just the enabling disclosure. Then you have a year to figure out what you're doing. I certainly would be the first to agree with you that you can't formulate claims right away, and in no internal priority system should you have a requirement for claims. I realize it is an emotional issue, and, that I have an advantage in that I started practice only in 1965. I think philosophically the problems can be reconciled. What we're doing in the new system is this. If I'm a small inventor, and here are my drawings and my laboratory workbooks — BANG — $20.00 and get my priority filing date. That's my proof. Isn't that a lot better than trying win by bringing out two witnesses? Try-

ing to win as junior party and then opposing counsel says, "He's a liar." How, if I am a small inventor, can I find a George Whitney to be my attorney, or a Don Dunner, or pay the $200.00 an hour rates we're talking about? If I'm lucky enough to find them they're going to tell me, "My God, Wegner, you didn't keep laboratory records. You've got to settle, otherwise, give me a $200,000 war chest and two years and then maybe I'll give you a 20% chance of getting a patent." That's no way to run a railroad or a small business.

MR. OBERMAYER: My company has never actually been in an interference in the normal course of events. We would have been, but we have been able to avoid them. When it appeared we would get in an interference, I contacted an executive of other companies and we found we could work things out. We could find out informally from our respective records who was the first one to develop the invention. In fact, in one case we resolved the potential interference by putting together a joint venture where we both worked together toward a better product. I don't know how frequently this happens. I'm not sure whether this is the rule or the exception. We have been able to negotiate with the other party and come to a resolution without going through an interference.

On the question of proof of conception, keeping good, verifiable records is the key. Within my organization we find the formal Patent Disclosure procedure of the Patent Office to be a convenient way of establishing proof of the conception and reduction to practice dates. Although it should not be confused with a patent application, our forms combined with the use of the formal disclosure process get inventors thinking about the requirements of patenting. I believe the filing fee is only $10.00, and it does the job of establishing the date quite adequately.

MR. GHOLZ: I'd like to respond to two people, Mr. Massengill and then Dr. Obermayer, on whether interferences delay resolution of disputes and whether they hold up businessmen in getting their investments. Again, the problem that I have seen again and again, and we all speak from our own personal experience, is the business with interleaving priority dates. That is a problem that has to be handled somehow. It can be handled ex parte or it can be handled inter partes. If you don't have interferences to handle that kind of a thing, each individual examiner decides what dates you're entitled to and I submit that will not work at all well. That's the way the Japanese do it. It doesn't work well there and I think it wouldn't work well in this country either. We need the inter partes form to resolve that kind of dispute. It works

relatively quickly under the new rules. Interferences really do move along, almost as fast as ITC procedures. Not quite that fast, but they move very rapidly.

The invention disclosure documents that you're using, Dr. Obermayer, I don't think that they are at all useful. I do not recommend them to clients. It will give you a date for conception, but if you think you've got anything remotely resembling a patent application, you are sadly misinformed. It's one step better than mailing yourself a letter. I guess it's worth something. Maybe it's worth the ten bucks you pay for it, that's about what it's worth. Please don't rely on those.

MR. JORDA: I'd like to mention a couple of additional reasons why we should consider switching to a first-to-file system. They are not as weighty as the reasons mentioned in Don Dunner's article. I subscribe to those, and those should be thrown into the scales, too. One has to do with a new way of keeping records. The old laboratory practice of keeping records, that's gone out the window. The data are now generated by computers, and there's no way they can conform to the old rules relative to recordkeeping. It's just not possible to witness all the mountains of computer generated data to properly corroborate data, that's not possible. The Patent Office doesn't have a case yet and they don't know how they are going to handle it. This is going to create tremendous complications and it's going to be years before it's sorted out, it's going to be a mess. It could be short-circuited by switching to a first-to-file system. In all other areas computer generated data are perfectly acceptable, for banking records, et cetera. In the patent field, because of the special rule of corroboration, because they don't believe the inventor, we are going to have an awful mess and this could be short-circuited. Another reason is this. A number of corporate patent counsel and corporate research directors perceive us to have a significant and competitive advantage vis a vis foreign parties, because of § 104, and the fact that foreign inventors and foreign applicants can't rely on anything but their priority dates or filing dates. I submit that this is a delusion and that we are kidding ourselves. First of all, the statistics have shown that foreign junior parties win as few interferences as domestic junior parties, or foreign senior parties win as often as domestic senior parties in general. Statistics have proven that. Secondly, foreign inventors now have a perfect way of neutralizing § 104, by importing inventions from foreign countries to this country. And by importing a conception letter or invention disclosure they have something that is tantamount to a conception in this country. If they import a sample compound or a prototype of a

gizmo, and when it's received here and understood, it's completely tantamount to reduction to practice in this country. We have a massive importation procedure ourselves and other companies do, too. There are situations where foreign inventors would inexorably lose. For instance, if the domestic party conceives before a foreign party's priority application but reduces to practice afterwards, there is no way the foreign party can prevail. However, if they have an importation of a conception letter or an invention disclosure before the conception by the domestic party, there's no way they can lose. This happens more and more. We had a case published recently in the *USPQ* with the same situation. The case is *Chan v. Kunz,* 231 USPQ 462. In other words, the advantage that domestic companies perceive to have versus foreign companies, just doesn't exist. These are two reasons I would like to throw in. I'm not going to respond to many of the arguments made, but just to two. With respect to the fact that the new procedure gives us decreased cost, this is not so, not in our experience. Before, we were able to handle interferences in-house. Because it's such a compact procedure now we can no longer handle them in-house, we have to go on the outside. This may be good news to outside attorneys and I see they all nod. Before the new interference rules we had at one point 40 pending interferences so we had a massive interference practice, but it was all just patent prosecution. Now it is *inter partes* in the nature of litigation and is much more costly than before. As far as the malpractice situation is concerned, I believe this is a red herring. Delays can be minimized, records can be kept and the incidence as to the reasons for any delays is so small. I don't think it is a very worthy argument.

MR. FISHER: Karl, you haven't been in private practice lately. Can you find me a patent draftsman so I can avoid those.

MR. TRAMONTINE: Great thoughts occur to me while sitting here: extend the first-to-file to litigation. Whoever files the complaint first, whether it's for patent infringement or declaratory judgement wins in the first-to-file system. On a more serious note, what I'm afraid is when you talk about going to a first-to-file system, we should also be talking about changing the term of our patents, to run from a priority date. Let me say why. Section 102(b), the one year bar from first publication is already gone. Section 119, that said you had to file in the United States within one year after first publication, that's also gone. It's now three and a half years, PCT II has done that. After your first publication, let's say it's in the United States, you wait almost a year, file an international application designating it to the U.S. and

then you have 30 more months to file in the U.S., as I understand it. Now, Section 104 is going to be gone and next, Hilmer is going to be sacrificed. What happened to our policy of encouraging prompt filing in the United States so U.S. patents issue at a reasonable date. Here, we're dealing with Mr. Massengill's problem. Let's get the patent out. We need something to encourage people to file the U.S. applications and not wait three and one-half years.

MR. FISHER: Here are the proponents of first-to-file saying they want it, at least some of them, because interferences are bad. We're not just throwing the baby out with the bath water, we're throwing out the whole damn bathtub. We will keep interferences, we will keep the worst kind of interferences, the derivations, because we still had that residue, the race to the courthouse is something we abolished in all phases of U.S. law over a century ago. He's right, we didn't have interference when the patent system started. We realized that the race to the courthouse was in our scheme of things, wrong. We gave people a little time for recording the deed to their houses instead of the race to the courthouse for the recording. We have a grace period for recording assignments of patents, which is a manifestation of the same thing, and we have an interference practice which I think we all agree is a damned mess that ought to be reformed. Step one has almost happened administratively in reformation. As far as I'm aware, the Patent Office, as a practical matter, doesn't set up interferences anymore, that's step one. Issue to the first-to-file, leave to the junior party the right to provoke an interference if he will. Coming to John's point on this PCT stuff, what I was talking about in my New Zealand hypothetical is really a different issue. I hear all these concepts being kicked around where people are not looking at the interleaving effect. What I'm talking about on the PCT is that a year after my guy's domestic patent application ripens into a U.S. patent, the New Zealander has a choice as to whether he will abrogate that patent by filing here or not. I can monitor the PCT publications all I want, and he may have reserved his right to file in the U.S., but he doesn't have to. If he doesn't my guy's patent is okay. If he does, it just went down the tubes. You talk about not making an investment because of uncertainty, if there is a foreigner that filed in the same case you can never be certain in less than three years. You never know if he's going to come in and take it away from you. Under the current law you've got some ability to predict whether you're first-to-invent.

MR. MASSENGILL: At least when you find out first-to-file then you'll know with certainty. First-to-invent decisions dragged on in the pres-

ent system for at least ten or fifteen years. There are a lot of lawyers willing to do just that; in fact, they make their livelihood at it.

MR. FISHER: There's been abuses, there's no question of that. Can't we deal with the abuses without abolishing it?

MR. ARNOLD: We haven't found a way yet.

MR. FISHER: We haven't really tried.

MR. ARNOLD: Some of us have. Some of us have spent at least dozens of hours trying to address that very statute here. I tell you true, I have logged months of time trying to draw the statute that would clean up the interference practice back in 1965, and 1966. I couldn't find one that I thought was worth a damn.

MR. BLAIR: I'm going to terminate the discussion in four minutes and have a few comments and we'll get out of here at 4:30. I will give Hal Wegner two minutes to comment and there will be one comment for one minute by one other person, whoever gets their hand up.

MR. WEGNER: Just 20 seconds on PCT reality. You can't wait 30 months, I mean, 30 months is the deadline for entering the national stage in the United States based upon the effective filing date. In 18 months, Tom, you know through publication of the application what exists. Only an idiot would fail to perfect a filing date if he knew there was a pending junior case. You are going to have publications for the most part at 18 months. I would be an absolute fool if I were a senior applicant and then I didn't perfect a filing to the national stage when I saw a junior party claiming the same invention. I think that's a reasonable assumption to make if you're the junior party, that somebody having a senior published case with the same claim is going to perfect his national stage. I think that's a red herring.

MR. FISHER: He can afford it in those.

MR. SHAW: I just have a couple of questions to maybe direct toward Hal. When you file this brown bag type application, you say you're the first-to-file, I say, first-to-file what? Since the claims define the invention you're not even suggesting any claims.

MR. WEGNER: That's a good point.

MR. SHAW: Just a couple more that I'll just add on to it. The other is, what do you plan to do about a Section 131 affidavit and that type of thing? I suppose that they go out if we adopt the first-to-file, do they not?

MR. WEGNER: On the brown bag application, as we call it, what I envision is, you get drawings and some disclosure from the inventor and you file it. Now, you don't claim anything at that time. Under Article 4H of the Paris Convention, you don't need a claim, and for internal

priority, our law would certainly not have a requirement for a claim. We want to get these disclosures on file. Then in one year you determine what claims you want to draft and you would then file a continuation in part or some other case, based upon that first case. You wouldn't have any claims in the first case. The idea is not to waste your time and not to charge money to the client to get those initial documents on file. So you wouldn't have any claims in the first case and Rule 131 would go out.

Three white lies keep the "first inventor" system alive: Filing in the first year after commercialization is free from risk; slow to file is all right; and universities and small inventors need the old system.

Penalty free-filing after commercialization is Lie Number One: American patent rights for Germany, France, England, Italy and elsewhere are forfeited. Even at home, the tendency to file just before the first anniversary of commercialization leads to inadvertent statutory bars due to isolated sale offers of slightly earlier and different versions of the commercialized product.

Penalty-free slow filing is Lie Number Two: The American junior party loses automatically in Europe and Japan, and at home has a one in five chance of winning, *if* he can bankroll a ten to 200 thousand dollar or more interference and *if* his backers can await a two or more years uncertainty at one-in-five odds.

Lie Number Three is the cruelest hoax of all, that we must keep the old system on account of the universities or small inventors. Some even say that the university's conception date permits a professor to hold up on experimental work until there is outside funding! Tom Fisher eloquently speaks of Kent State's Liquid Crystal Institute, funded by a junior party Kent State invention. Not mentioned was the first-to-file Swiss competitor's generosity in *settling* the controversy and tossing in foreign rights *won* by the Swiss. More tragic are the cases of American biotechnology professors who have held up their U.S. filings until after they have shared their scientific breakthroughs with their colleagues around the world. This is exemplified by Wister's 1979 Japanese monoclonal antibody patent application: Wister's U.S. priority application was filed just *one day* after the invention was published in *Nature* magazine.

A Wister or a Kent State is far better off with a "first-to-file" system, with proper use of an inexpensive "Internal Priority Application," with earliest, inexpensive priority dates and a one year period in which to perfect the filing. No more first-inventor junior-party interferences. An end to many needless forfeitures of valuable European and Japanese patent rights.

MR. BLAIR: I think the party is over.