# THIRD PATENT SYSTEM MAJOR PROBLEMS CONFERENCE SATURDAY, APRIL 27, 1991

## INTRODUCTION

BY KARL F. JORDA

On April 27, 1991 Franklin Pierce Law Center (FPLC), 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 FPLC, held its third conference on the major problems of the patent system in its biennial series of Patent System Major Problems Conferences started in 1987 by former FPLC Professor Homer O. Blair.

The conference attendees included faculty from FPLC and invited guests from the judiciary, academia and the patent bar.

The conference was chaired by Robert B. Benson, presently President of Bancroft Corporation and chairman of FPLC's Advisory Committee on Intellectual Property, and formerly Chief Patent Counsel of Allis Chalmers, President of the American Intellectual Property Association and Chairman of the PTC Section of the American Bar Association. This year's conference featured such patent law harmonization subjects as Secret Prior Art, Prior User Rights, Section 104 and Publication of Pending Applications. The 1989 conference dealt primarily with Patent Trial Simplification and Dispute Resolution and the discussions in the first and inaugural conference focused on such diverse topics as New Forms of Patents, Litigation Cost Reduction Measures, and First-to-file v. First-to-invent.

The attendees are set forth below:

**ATTENDEES:**

Robert A. Armitage, VP
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Judge Alan D. Lourie
U.S. Court of Appeals for the
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Leonard B. Mackey, Esq.
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Harry F. Manbeck, Jr.,
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Douglas W. Wyatt, Esq.
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The purpose of the conference was to elicit opinions of people knowledgeable about 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.

The format of the conference was in-depth discussions and exchanges among the attendees. Except for brief introductory pro and con statements on each of the conference topics, there were no prepared speeches.

The attendees were also given, prior to the conference, a compilation of the following items:

**POSITION PAPERS — PRO/CON STATEMENTS**

1. **SEC. 104**
   a. A Comparison Of The Paris Convention's National Treatment Provision, and 35 U.S.C. § 104: Can The Two Be Harmonized? (Valerie Dugan and Christopher Gagne), p.1
   b. History Of 35 U.S.C. § 104 (Ron Hermenau), p.18
   c. The "Worst Of Both Worlds": Continuing "First-To-Invent" Without 35 U.S.C. § 104's Limit Proving Invention Through Acts Abroad (Larry W. Evans), p.23
2. **PRIOR SECRET ART**
   The Defensive Patent Right: "Secret" Prior Art (Harold C. Wegner), p.25
3. **PRIOR USER RIGHTS**
   a. Gore V. Garlock And The Respective Rights Of Trade Secret Users And Patentees (Karl F. Jorda), p.59
   b. Prior User Rights In The U.S. (Richard C. Witte), p.74
4. **PUBLICATION OF APPLICATIONS**
   18 Month Publication: The Overpowering "Pro's" (Robert A. Armitage), p.76

**ADDITIONAL BACKGROUND MATERIALS:**

1. The "Basic Proposal" For The Treaty And The Regulations Document PLT/DC/3-December 21, 1990 (Relevant excerpts: Articles 9, 13, 15, 20), p.83
2. February 22, 1991 Letter From Commissioner Harry B. Manbeck, Jr. To Dr. Arpad Bogsch, Director General-WIPO, p.91
3. WIPO-Patent Harmonization (Heinz Bardehle), p.96

**Third Patent System Major Problems Conference**
**Saturday, April 27, 1991**

## SUBJECT MATTER AGENDA

Secret Prior Art
  Introductory Remarks by Hal Wegner
Prior User Rights
  Introductory Remarks by Dick Witte and Karl Jorda
Sec. 104 (Inventions Made Abroad)
  Introductory Remarks by Bill Hennessey and Larry Evans
Publication of Applications
  Introductory Remarks by Bob Armitage

# TRANSCRIPT

**Saturday, April 27, 1991**

(9:00 a.m.)

MR. RINES: I'd like to say good morning to you all and welcome you to our Third Biennial Patent System Major Problems Conference.

Judge Newman was saying this morning, a few minutes ago, that there now seems to be great enthusiasm engendered not only by these conferences, but by other types of meetings under the auspices of the Bar Association meetings and special groups planning for the future.

I'd like to take the opportunity, if I may, Bob, to touch on three or four points that I think have been important in previous discussions of this type.

Yesterday when we were privileged to present to Judge Newman an honorary degree, which we're very stingy with, she alluded to the wonderful record of our Constitution over 200 years. And, while all of us subscribe to that, I wonder whether we also really subscribe to the idea that we're lumbering along with a 200 year old legal system.

Her further comments on alternative dispute resolution, in reference to previous conferences here and to the current economic situation raise a serious question as to the needs of today versus ten years ago, never mind 200 years ago, and what ought to be constructive attitudes with regard to dispute resolution. At this point, I think Larry Evans and I, particularly, would point you in the direction of China. We have a lot to learn about how systems can get along without "lawyers" and litigious attitudes, and the very great invention of mediation.

The third point I would like to bring out is that we're in an era where everybody's talking about harmonization. There are people in the U.S. who want to be like everybody else, because they think it's in their interest to do so; but I'd like to call attention to two things. Had we been so minded when Thomas Jefferson instituted the concept of examination before granting patents, we'd still be in registrations. And the question is whether you're talking harmonization or mediocrity; and whether Americans lead or follow.

The last item I commented upon briefly yesterday. We've lost sight of the small inventor. We've lost sight of the university inventor. We've lost sight of the small company. We're not only out priced, but bureaucracy is killing us. These are competitive, highly competitive times, and unfortunately as I look over our group assembled here, there are very few in this room who are directly concerned with, or professionally represent, those areas of the inventive community that I have just referred to.

And I just would like to let you know that the Law Center... and its PTC, together with the Academy of Applied Science, are going to restore a lobby for the small inventor, university inventor, and the small company. Because what is being planned in our country and the world is a patent system that is even now beyond their ability, in many instances, to participate in; and that would be very sad when you think of the enormous contributions that come from those groups. So I welcome you, and I hope by your gracing us today with your presence and ideas, we may include the concept of a patent system open and affordable to the small inventor and company.

MR. BENSON: Thank you, Bob. And, as all of you know, you have been individually selected and invited to this program because of your interest, your expertise, your knowledge of the particular subjects which are being discussed today. And, I want everybody to have an opportunity to participate and speak, so, we're going to have a few rules about how we're going to conduct the meeting. First it would help in recording if you would give your name when you start to speak. Secondly, I ask that you speak only once on each subject. If, at the end, there is some time available I will give you an opportunity to speak a second time. In general, I ask you, no speeches, and hold your remarks down to three to five minutes. We've changed things a little bit from the last meeting, as I understand it, in that we're going to have somebody introduce each one of the subjects. In most cases it'll be a pro and a con before we open the subject to general discussion. The first subject that we are going to discuss is Secret Prior Art, and Hal Wegner is going to give some introductory remarks.

## "SECRET PRIOR ART"

MR. WEGNER: And, I'll try to make them balanced. First, turn please to page 25. There's an outline which you might find useful. This will get you to the internal pagination where you can follow along.

"Secret prior art" is really one of the major issues for patent harmonization. President Rines talked about harmonization versus

mediocrity. You should not simply copy a foreign system, but you should investigate comparatively what is the best approach you should take. We're on a shopping trip in harmonization to find out, do we have the best way, do they have the best way, is there something to synthesize in the middle? No area requires harmonization more than the definition of prior art. Because, if we are able to have a single definition of published prior art, then we can share search and examination results with the Europeans and the Japanese. Instead of reinventing the wheel three times over, as a Japanese examiner or U.S. examiner and the European examiner examines each case, we can greatly benefit from shared examination. To me this is the critical, critical area. Now, everyone knows the leading cases in the U.S. It would serve no useful function to go through them again. What I propose as an overview is to look at secret prior art in three dimensions. Historically, where did we come from to where we are today is the second dimension. Comparatively, what do the Europeans and the Japanese do in the same area, this is the third.

Now, what is "secret prior art"? We're talking about, basically, about information relevant to obviousness. What information, what published information is patent defeating for obviousness? What is a reference for the point of obviousness of an invention? I think it's useful to see how the Europeans and the Japanese bifurcate prior art. They look at prior art from a novelty standpoint in one instance and from an obviousness standpoint in another. Our primary concern is obviousness. Secret prior art is a term I know Mr. Klitzman will disagree with. But, it's a handle which the courts have used repeatedly, and I think it's in our literature whether we like it or not. Secret prior art refers to determining obviousness based on something that was not available at the time an invention was made. So, in other words, if we look at all of the prior art, if something is obvious in view of the prior art, we have to include information we don't even know. It's fictitious prior art. It exists in two basic species. One, at the time an invention is made a third party's then secret pending patent application exists, which is later published and given a retroactive effect as to the filing date. The other principal species is the prior invention of another in the U.S. At pages six through seventeen we have an outline of the U.S. secret prior art. We find historically there was no secret prior art in the U.S. In 1926 we had the *Milburn* case. *Milburn* established that a U.S. patent has a novelty defeating effect as of its filing date. In 1965, the Supreme Court spoke through Justice Black. It was a black period of patent law at the Supreme Court. Judge Newman was talking about several periods.

She was kind enough yesterday not to name names. I'm naming names. Justice Black in a very brief opinion, which I've reproduced in the materials, said that the patent is available for obviousness effect as of the priority date. And, that's the way it is, because, unless we make a legislative change, the Court, with a capital C, is the final word. And there's no way to say it's dictum. It's a holding on all fours.

Another dimension to consider is how far back do you go in establishing secret prior art. Is it the filing date or is it the foreign priority date? This is the *Hilmer* question. The international concept is that *Hilmer* is a violation of the Paris Convention. Well, that is utter nonsense as to the holding. The holding in *Hilmer* dealt with an obviousness situation. There is, to be sure, under Article 4B of the Paris Convention in a 1934 revision a requirement for some patent defeating right. But the only requirement of the Paris Convention is for a patent defeating right extending to what is claimed in a patent. That must be retroactive to the priority date. There is no holding in *Hilmer* in any way, shape or form along such lines. There is dictum along those lines, but not a holding. Now, what of the European and Japanese laws? The Europeans have a patent defeating effect as of the priority date for novelty only. For *novelty* only. So, they have no secret prior art from the standpoint of an obviousness effect. The Japanese, in their statutory enactment in the 1959 and 1970 patent acts, have the same law. The Tokyo High Court has fuzzed up the issue just as some of our courts in the past and as Justices Black and Douglas did in their golden era or dark era of patent law. They fuzzed up the law in Japan, so it's really a "102.1" or, as one of my colleagues sitting here in the red jacket would say, "102.5" situation. That's the way it stands internationally.

Now, the second category of secret prior art is secret invention of another in the U.S., which has not been abandoned, suppressed or concealed, which is a separate issue. For harmonization that is not so important, because examiners search published prior art. So, what we do on 102(g) is less important than what we do on 102(e), the prior published applications of others. That's an overview, and now I'll turn it back to you, Bob.

MR. BENSON: Thanks, Hal for that balanced approach. Now, I'd like to invite comments from the rest of the participants, and I would like the first one to speak to be one who doesn't believe that there is such a thing as secret prior art. I've heard some comments to that effect. Anybody want to volunteer?

MR. WYATT: Well, yes. There is an advantage to having secret prior art and keeping U.S. patent applications confidential until the day

they're published, particularly for small inventors and small companies. There is a great advantage in a system where, particularly for a process, that process can be held back from public disclosure until such time as claims that are worthy of a patent have been allowed. If they're not allowed, that patent can be abandoned, and that disclosure kept secret. That's a great advantage to small companies and many small inventors, and it's also an advantage to many big companies. It's not without reason that some of that art is kept secret. So, I don't have a problem with it. I think it's more of a, let's say, a bureaucratic need to have all this, let's call, secret art, opened up, but I don't think it helps the patent system as we know it. Thank you, Mr. Benson.

JUDGE LOURIE: Bob, I'd like to ask Doug or anyone else the question, how often does this really occur? In my experience in corporations, it hardly ever occurred, and you're talking about the small inventor, and I'm wondering, since you expressed the view, how often you think it occurs. If 100,000 applications are filed per year, how many experience that treatment?

MR. WYATT: On process patents, I think even with big companies, I can just say this, last week we, along with one of our large clients abandoned a number of process applications with a decision to keep it a secret. I know of, within the past several years, major inventions that were not filed and kept secret. And, I mean, the subject matter covered by these inventions are the type that could be used in this room today.

MR. GHOLZ: Charles Gholz, Arlington, Virginia. I don't think that this last comment is really responsive to the point Hal Wegner is making. It's basically an argument that addresses whether or not applications should be published and whether we should have trade secret law. I don't think that that is the point that Hal is trying to make. He's talking about whether such inventions that are being kept secret for good business reasons should be available as prior art against third parties, which is the situation we have now under 102(e). That's a completely different issue, and I don't think that Mr. Wyatt's response addressed that issue. The question really is whether or not somebody else, who has made an invention, which is novel as far as he is concerned — that is, there's no derivation issue, should be entitled to a patent, if it is obvious, in view of something done previously, either 102(g), actual reduction of practice, or an application that has been filed but that is not generally available. Our current situation is such that patents are with considerable frequency obtained, which look just fine when they issue, and then later on a 102(e) reference comes

out, and to everybody's surprise the patents turn out to be invalid. That is a situation we have in the U.S. that, as far as I'm aware, and certainly Hal's article supports this, is unique. Nobody else does anything like that, and it does seem to me to be counterproductive in the sense of what our law should be if we were completely isolated. And, second, the fact that it is radically different from what anybody else does is a problem in its own right. To the extent that we can harmonize, have similar law to the other people, I think we should unless there is an exceptionally good reason why we shouldn't. I've never heard anybody come up with a good reason for why we should have 102(e) except that the Supreme Court told us so, and then the statute was amended to provide 102(e). But, the rationale that Justice Holmes came up with, simply that the delays of the Patent Office shouldn't prejudice the public, seems to me extremely unpersuasive, and I've never heard any better explanation for why we should have 102(e). I think that's the issue we should be focusing on now. Not whether or not applications should be published.

MR. WYATT: Bob, can I have a slight rebuttal to that, just a one minute rebuttal?

MR. BENSON: One minute, okay.

MR. WYATT: The concept of, if you're talking about secret art under *In Re Hilmer* where we don't grant the Japanese or any foreign application to make their foreign filing priority date, if that's the type of secret art that you're talking about, that's another matter and that's another issue as to whether we're going to make that date effective. I'm talking about the concept of prior art that's pending in the U.S. Patent Office and the examiner can't use it as a reference while it's pending. That's the art I'm talking about. And that art, the fact our system is unique, I don't have a problem with that. I think that's a great thing. I don't think we have to harmonize just because ours is unique and we have to be like everyone else. I find that an absolutely worthless argument. I'm talking about the art that's pending in the U.S. Patent Office. I'm not talking about *In Re Hilmer*, that year priority date, Hal.

MR. FRYER: I have a point of information. I suggest there are at least four topics that Hal has laid on the table, and you might want to identify each one of them and give us a chance to speak on them individually, so that they do not become too commingled. One is section 102(e). I am going to use shorthand language. One is *In Re Hilmer*. The other is 102(g). And then finally is publication versus trade secret. Now, these topics are somewhat overlapping, but they are also individual subjects.

MR. BENSON: Bill, at least one of those things that you've identified will come up later, but some other people had their hands up. Let's pursue this a little while. Maurey.

MR. KLITZMAN: I just want to clarify something. There is no such thing as secret prior art. There never was. It's really a fantasy to undercut the first-to-invent system. If you're a second inventor, you're a second inventor and you're not entitled to a patent under the first-to-invent system. And when a second inventor files a 131 affidavit, for example, to overcome some unclaimed subject matter in a first inventor's patent, the second inventor is still left with the first inventor problem under 102(g). Nobody has determined whether he's the first inventor entitled to a patent. And the 102(g)er, if you will, who's had an application filed and has gotten a patent, he's the first inventor of that unclaimed subject matter until proven otherwise, and it shouldn't make any difference whether he's obtained a patent, or just put out a product. If he doesn't put out a product, then you have an abandonment, suppression or concealment. But if he puts out a product, he hasn't abandoned, suppressed or concealed. He is the first inventor and can rely on everything in the product. But if he obtains a patent, the case law says he's limited to his filing date of the patent as a reference, and I think that's wrong. You're talking about a first inventor, and if you're a second inventor, that's tough. The whole idea of this fantasy about secret prior art is really to undercut the first-to-invent system. Now, if you want to do away with the first-to-invent system, fine, I don't have any objection to addressing that issue. But, to undercut it with a fantasy, I think, is basically wrong. That's no reason to do away with the first-to-invent system that has worked so well. Even under a first-to-file system, if you file second, you're unaware of the first-to-file application. Does that mean we should do away with the first-to-file system because of "secret prior art"? But, the issue is not a question of secret prior art at all. The issue is simply, do you want the first-to-invent system, and that's what you ought to address, not secret prior art.

MR. KLINE: Picking up somewhat on what Maurey had said, I have a problem, Hal, with regard to eliminating this so-called secret prior art. Let me just give you a practical illustration, and, I'm sure a number of people around here have had similar ones. I guess what Justice Holmes and Justice Black were saying is that if we lived in an ideal world, and Commissioner Manbeck gets the patents issued a day or two after the applications were filed, maybe this issue wouldn't arise. But, take the illustration of where a first case is filed and, let's just say it's a new type of a chemical composition or a

resin, and, as part of the disclosure, there are a number of uses described for this, and these uses as such are not being claimed, but the disclosure is there. The applicant at the time of filing wants to tell the public all about these uses of the composition or resin without claiming each use as such. Then if we take the position that someone who files a case later claiming one of those uses, this first filed case with its effective date as of when it was filed cannot be used, I think that we've got a situation that maybe ties in with what Maurey said. The second applicant is not the first inventor of this particular use since it was described in the first filed case. Yet, if we can't use the patent when it comes out as a reference as of its filing date, we have the situation of where the one who was second to invent is going to end up with the patent.

MR. WEGNER: How did he learn about the first invention, to copy this, to make this new use?

MR. KLINE: He did it on his own. There's no derivation.

MR. WEGNER: Independent?

MR. KLINE: Independent.

MR. THOMPSON: Yes, I think maybe the term, secret prior art, is kind of a diversion. Essentially what we're talking about is what effect a senior filing has on something that comes later, and, I think we can avoid that discussion simply by dealing with that issue, also on the 102(g), of course. But, the context in the harmonization treaty would change that effect by giving only novelty defeating effect, rather than being able to couple that for an obvious type rejection. And, the question is, do we want to change that. The concern I have is that the treaty doesn't really define novelty, and we have differences in foreign countries. So, I think that, while it's a very good goal to have a common definition, I think we need to work more on what that definition is. For example, in some of the earlier European cases, there were questions of whether it would include general technical knowledge, standard reference books and inferences from drawings that were not described. Are they to be included in this novelty definition or not? We don't know. And I think what we need to do is prioritize this definition so that we, in fact, do have harmonization. So, I think that ought to be one of the priorities of our Commissioner and the trilateral group would be the mechanism to deal with that issue, because the principle difference is between Europe and Japan.

JUDGE NEWMAN: We shouldn't ignore 102(g) prior art, even when we're talking about harmonization. I can think of a number of ways in which that could come up in a harmonization context. This is prior

art that is in all ways secret. It never comes out unless it's hunted up in discovery, in litigation. It isn't something that will turn up when a reference is finally published and has got through the system. It's something that seems to be dug up by energetic counsel finding that there are earlier records, earlier dates than the filing dates, and raising those records as prior art. Whether it is the same invention and, therefore, could fall technically under 102(g) doesn't seem to be a deterrent anymore because it's simply a matter of combining those records with other references under 103. So, here is prior art that a person, an inventor, an investor, will never know about no matter how thoroughly he searched and how much time has passed after his patent issues. The real dangers and risks are to those who rely on patents that they think are established. Now, when you look at harmonization and what the impact of all of this might be, this 102(g) defense is only available in this country, because it would be very difficult indeed to dig into the archives and the notebooks and get behind the dates of inventions that originate outside of the country. So, when you put it all together, I think there are some fundamental philosophical concepts to be coped with as to whether lines can be drawn, and if so, where they should be drawn in order to provide some stability for the system, as well as fairness.

MR. BROOK: Thank you, Bob. I want to follow up on Judge Newman's philosophy, because as I was listening to Doug I appreciate the advantage of allowing a small inventor, who may be claiming a process, to abandon that application at the last moment if he wants to do it for whatever reason. He can't get claims of a commensurate scope for the invention, he's run out of funding and he doesn't want to appeal a final rejection or whatever. But, it has another effect. It has the effect of defining whether or not the disclosure in that application is going to be prior art, and it troubles me philosophically to let that determination be placed unilaterally in the hands of an inventor applying for a patent, rather than having some more objective determination of whether that's prior art. Now, I'm speaking mostly for Section 103 here. I realize we have the same problem for novelty under Section 102(e). That inventor still decides whether it's going to be prior art or not by accepting the patent or not accepting the patent. But, it seems to me that you have a powerful force in the other direction for the same invention, and we don't want two patents for the same invention. It does trouble me when that inventor can decide for the rest of eternity whether this is going to be prior art for obviousness reasons. And, I also agree with Judge Newman that we need certainty in the law, and this is a big problem under Section 103.

MR. DUNNER: I agree with Chico Gholz that we're confusing things when we talk about the small inventor who wants to keep his disclosure secret. The fact is right now, if an applicant does not let his patent issue, it does not become section 102(e) prior art, and so even under the present system, the applicants have control over whether it becomes prior art or not. I think that issue deals with a matter that we're going to be talking about later: whether we should publish it and when we should publish it. But I want to answer a point that Chico made before, and that is he's not heard any good reason beyond the fact that Justice Holmes in the *Milburn* case said that it should be so and we shouldn't have to suffer because of the delays of the Patent Office. Without being a really staunch advocate for using what some people are calling secret prior art, I think a case can be made that there is a relevance to obviousness of relying on the disclosure of an earlier filed application with a later issued patent, and that is that it certainly evidences the level of skill in the art to know what other people thought about, whether or not they claimed it, what they came up with before the invention date. Now, you can make that case. Justice Holmes didn't make it, because he came up with another reason, but that is a reason for having it. As to Section 102(g), I feel very differently about that. I believe in the first-to-file system. I don't think there's any constitutional impediment to that. We discussed that at the last conference we had, as I recall, or at least the one before that. But I do think a case can be made for having Section 102(e) prior art, not only as to novelty but as to obviousness, as well.

MR. PRAVEL: I had two areas that I think are relevant here and one of them that Don Dunner has just touched on. I believe everyone basically agrees that when you're talking about the issue of novelty that a prior filed application should prevent the subsequently issued patent. Hal Wegner is shaking his head, so basically we're agreed on this, so the real question is whether or not 102(e) should be applied under our obviousness section, 103. And so there you get into this philosophical approach. In a sense it's fictitious to say that it was obvious to someone who didn't know about it, so that's Hal Wegner's point, I believe. It is a fictitious thing you're imposing on a subsequent inventor as a test for obviousness when he didn't really have all the cards. On the other hand, you get on the other side of it and you say, well, should we have a patent issue that is not an unobvious variation of somebody's prior invention. And that's really where the Supreme Court came down, I believe, in the sense that they said, well, you can't have two patents in the sense this one is an unpatentable

variation of the other, because then you have two patents sitting out here, and it seems to be covering the same thing. So, that's the first point, and I think it's really a matter of how you see it in terms of which is the better system or which is the better result. You can have either result depending on how you like it. I think, personally I think the system we now have is better, and I think that we need to keep it that way. The other point addresses what Doug Wyatt had talked about and that had to do with the individual inventor or small companies that want to keep something secret, and I think we've kind of interwoven it here to some extent in the discussion, but it really does come up in the context of this idea when you get into the eighteen month publication of the application. And I think that's where the two start to blend together, because if you publish the application at least in eighteen months, you've avoided some of the secrecy element after that time. At least it's published. And, of course, Doug Wyatt's point was that may be detrimental if there hasn't been an examination in the Patent Office, and you don't know whether or not you should continue with your application or not. So, maybe it's a little fuzzy in terms of the relationship, but I think there is one, particularly when you get into the eighteen month publication aspect of it.

MR. BRUNET: I'd like to talk about 102(e) and 102(g) separately. Regarding 102(e), it seems to me that we should keep the obviousness criteria for that paragraph for the reason that even if we were to define "novelty", which we would have to do if we took the obviousness concept out of 102(e), it doesn't mean that the other countries in the harmonization program would also have the same definition. Right now they don't. There's one definition of novelty in Germany and another in Japan, so that we would have a problem there. And the second thing is that we would have patents issuing on patentably indistinct subject matter to different entities. It would really put the public at quite a disadvantage to have to pay tribute to two different or three or four different people. So, I would be in favor of keeping the obviousness criteria for 102(e) prior art.

Now, as to 102(g) prior art, I think Judge Newman pointed out the real difficulties of 102(g) prior art, and that is that something could be lurking in somebody's basement someplace and not unearthed until very many years after the patent to somebody else had issued. And then when they find it, it is patent defeating. It seems to me that such non-public prior art is almost like a prior use. I know some people are arguing very vehemently against prior use, but current 102(g) prior art to me, is a vicious type of prior use, because it's a prior use

that actually defeats the patent. It seems to me that 102(g) prior art ought not to be patent defeating; rather it should only give the person who had that prior invention the right to keep doing what they did. I would like to hear what people have to say about that concept.

MR. ARMITAGE: I'd like to begin by saying something now I probably won't be able to say later in the day, and that is I agree with everything that Hal Wegner has said. Also, for the benefit of Mr. Wyatt, I'm going to take the position here today of the independent inventor or small business, even though it's one I'm not accustomed to taking. And, as I look around this room, I can't help but noting that we are lawyers in one of the most overlawyered countries in the world. We litigate in the most litigious country in the world. Our litigation is burdened by the most discovery-rich legal system on earth, and all of this simply adds to my costs of operating as a small business or independent inventor. And, as I look out at our patent system, for some reason we seem fascinated with discovery-rich features. There are few in vogue right now, such as best mode and inequitable conduct. They are enormously productive for lawyers who can bill clients for looking through documents and files and taking depositions. Because Section 102(e) and particularly Section 102(g) are such enormously rich sources of prior art, for both novelty and non-obviousness, they too add enormously to the cost of litigation, which I — as a little guy — must face if I want to enforce a valid patent. And, if anything discourages me from using the patent system, it has to be cost. Now, there's one other issue, that I'd like to mention that hasn't been addressed directly, and that is, "What does it mean to our interference system, the one that Maurey Klitzman is so fond of, to have both Section 102(e) and 102(g) be full prior art?" It means, instead of a very simple priority contest where the PTO simply crosses out the junior inventor's anticipated claims when an adverse inventor has proven a prior anticipatory invention on the particular thing claimed, we must conjure up the legal fiction of interference counts that are set up according to very complex rules. It means counts may have to be nonliteral in terms of the disclosures in the respective applications, i.e. the notion of phantom counts. It means that interferences can't completely resolve priority unless a collection of estoppel rules are introduced, and as we all know, the pre-1984 estoppel rules didn't fully meet the public policy objective of having Section 102(g) be prior art, so they were rewritten: We have even more estoppel rules than we had before. My experience with interferences in the last few years is that they're now so complicated to set up; they're now too complicated to properly formulate the counts; and

the estoppel issues are now so complicated, the average patent lawyer, either in a corporation or private practice, who doesn't do interferences for a living, is intimidated to death. Now, Chico Gholz has been enriched under this system, but he only wants to get so rich off the current system. In my view, one way to salvage, if the interest is in salvaging our current system, is to not make it so litigation rich. To take Section 103 and limit it to public prior art, nonsecret prior art, and get Sections 102(e) and 102(g) off our backs.

MR. TEGTMEYER: I think most of my points have been covered, but Hal made a comment when he opened the discussion that either I misunderstood or, maybe he's provoking us a little bit. If I understood him correctly, he talked about 102(e) and then he got to 102(g) and made the comment that 102(g) is no problem because examiners never look at 102(g) or never consider it, which I don't understand. But I don't think, having read his paper, that we can separate the 102(e), 102(g) problem. I think that's probably Hal's point in terms of secret prior art because the same situation can have both issues arise in it a 102(e) and a 102(g) problem, both of which may be secret and both of which may be the work of other people than the applicant in question. So, I only suggest and would like to hear Hal address that particular point at the end, if I understood his 102(g) point correctly.

MR. EVANS: Larry Evans of BP America. I am also surprised this morning that I find myself agreeing almost completely with Hal Wegner and Bob Armitage. I spent most of my career, as many of you know, in licensing, rather than the hypertechnical prosecution of patents, and from a licensing standpoint, from the standpoint of a licensor or a licensee, I can well understand the concern with 102(g), the concern with prior user rights. I'm struck today that all four of our issues are so interrelated that we're probably going to end up talking about all four as we are discussing each of the issues. In this case, it should be every applicant's right to decide at some time during his prosecution, based on how good his coverage is likely to be, first action by the Patent Office or whatever, or by foreign patent offices, that he could decide not to publish his patent application, decide to keep his invention secret. On the other hand, if he decides to keep his invention secret, and some third party independently invents much the same invention, I think that to deny that second comer the right to a patent in the U.S. patent system would be frustrating the purpose, the Constitutional purpose, of the patent laws to promote progress in useful arts, and the second inventor, the one who decides to go public and decides to carry through with his patent and issue his patent, should not be denied that patent through the

application of 102(g). Maybe the better system, and once again I'm going into some of the other subjects, is a first-to-file system with some sort of well defined prior user right and to do away with 102(g) altogether. With 102(e) I can quite understand the novelty application, 102(e), but I share the view of many who have spoken before that it shouldn't have a 103 or an obviousness argument as well.

MR. BANNER: Sitting next to Bob Armitage, I'm concerned, my good friend feels we have too many lawyers. I remind him that I used to be head of a large corporate patent department, and I used to think litigation was expensive and there were too many lawyers. I was also the president of something called the Association of Corporate Patent Counsel, and we had a speaker there one time who said that there were two classes there. There was active members and emeritus members. Because of the changeover in the profession, he wanted to change that classification to almost emeritus and emeritus. So, my friend, Armitage, here, look around the room at some of these people who used to be corporate patent counsel and they're now in outside concerns. But, in addition, I agree with everybody. I don't know what they said, but I agree with them. I agree with them because I think they're good people and they have good points. We should listen to them, and I congratulate the people who organize conferences like this to get all these things out and talk them over. Secret prior art is a point, though, that started all this. What are we talking about? One of my coworkers at GW says there's secret prior art and it's a very important problem, and one of my other colleagues over here from GW says there's no such thing. They're probably both right, depending on what you're talking about. Theoretically, I guess, we could all agree that the only prior art, we should be considering in terms of some later filed case is something that is available to the public, and when it becomes available to the public it's not secret prior art. I suppose that's a pretty simple concept. What is available to the public when somebody files a patent application at that moment? Well, in the U.S. we all know it's secret. But it is not a U.S. problem. That's the same story almost everywhere in the world. The day something is filed in Japan, for example, nobody else in Japan or anywhere else knows about it. It is secret prior art until it gets published. So, are we going to have a patent defeating right given to a patent application as of the moment of its filing, as distinguished from a patent granting right, or are we going to do something else? That's really the issue. It is not a U.S. issue. The same problem is all over the world, and whether we say we'll take the patent filing date and then just give it rights for novelty, you know, that's just

a footnote to the big problem, and it gets very complex as we've said. What do you mean by novelty? What are we talking about? So, I think we have to come back to some fundamentals. Is it a good idea to have any patent defeating right given to a patent application as of the moment of its filing, or should we have it at some later time when it becomes really public, when it becomes available to the public? And then I think whatever that story is, I think it is a real problem, as Bill Brunet brought up, if we do limit this to a novelty issue, we have three or four or five patents on what is essentially the same subject. It would seem to me as a practical matter that would be very difficult. I just have one more thing, and that's this issue of 102(g) that we've talked about. Several of the speakers have talked about the fact we should get rid of 102(g) art. They say it only turns up when people look for it. There's difficulty with that, it seems to me. In the first place, 102(g) prior art is by definition not secret. You might not be able to find it very easily, but it can't be prior art unless it is not abandoned or suppressed. It can't be prior art. So, it is there. It is difficult to find, yes, that's often very true. Much more difficult to find than, for example, an issued patent. But it is, nonetheless, there. Furthermore, if we say things aren't really prior art unless they're easy to find, things aren't really prior art unless they're in the shoe of the examiner, things aren't really prior art if it takes a lot of money for a lawyer to uncover it someplace, what are we going to do about the issue of a publication in the Beijing High School newspaper? That's prior art. There isn't the slightest question about that, and yet I suggest to you it's a very expensive and difficult thing to find.

MR. MERGES: Yes, I'd be glad to say something. My name is Rob Merges, Boston University Law School. I'd like to pick up on something there that Don Banner just said: I think what we have is a clash of two basic principles; one, enunciated in the *Alexander Milburn* case: That which is public is that which is nonsecret. It's a clean and simple rule. The applicant has done everything he could to put his invention in the public domain. We won't inquire into practical questions like how accessible was it really. It's a clean rule and it's simple to administer, and that is its virtue. Contrast this with the position taken by Justice Black in *Hazeltine*, which is that the essence of 103 is what I call the nonremoval principle. You may not take something from the public domain, slightly modify it, and claim it. In this issue we have the clash of those two principles. It happens often, I think, in patent law. You have two fundamental principles that run head on into each other. I really don't think that there's any way to resolve the question of which principle is trump in this kind

of conflict. I don't think there's any system of logic that can chop through the problem and say, oh, yes, it's clear, nonremoval is more important than the principle that that which is public equals that which is nonsecret. I think you've got to take a pragmatic approach, and I'd like to contrast what people have said about treating this philosophically with our basic instincts. I think pragmatism is a perfectly respectable philosophy, especially here in New England. I think we shouldn't be ashamed to say, what's important is what effect the rule we adopt has in the world. That, I think, is the key question. And then I would base my comments on what Judge Newman said. A very important practical result, it seems to me, of secret prior art, to use a now controversial phrase, is that it interferes with what you might call the reliance interest of inventors and, especially, investors. You have a patent that looks perfectly valid. A couple years down the line you get a Jack-in-the-box effect, something pops up. Quite usually, I think, the reason that the secret prior art pops up, and this is an empirical question, I'd love to have comments on it, is that a lawyer discovers it, a lawyer sets out to discover it. As has been pointed out, it's very expensive to find that kind of prior art. My point is that, because it's expensive people will only seek it in cases where the patent has a lot of value, where it's worth a lot to invalidate it. It seems to me that's exactly the kind of case where you have a very strong reliance interest. Somebody has to invest a lot to develop an invention. Because of the high investment cost, somebody else says, I'd love to get in on this patent. What do they do? They spend resources investigating sources of prior art that we don't usually see. They look deeply into 102(g) questions, deeply into 102(e) questions. The result is, in precisely those patents, where people have invested a lot, have relied a lot on the validity of the patent as I'm describing it, there's going to be a search for secret prior art. It seems to me that's the pragmatic point we can talk about. And, it seems to me, because the principles can't be resolved, nonremoval is strong and so is a nice clear simple rule. And, by the way, a simple rule is really, I think, obviously a very strong instance of the basic first-to-invent principle. It's the flip side. If you have the right to a patent, if you're the first to invent, then the first to invent also has a right to defeat a patent. It's a straightforward point. I would point out, however, that that is not an ironclad principle in patent law. We see other instances where we deviate from it. In the case of an abandoned invention, for instance. We know that the patent applicant is not the first to invent. We give them a patent anyway. We know that, with respect to someone who's reduced their invention to practice in a foreign

country, a U.S. applicant may, in fact, be the second inventor in a metaphysical sense. They were second. Still, here in the U.S., they may wind up with a patent. It's not an ironclad principle. Because it doesn't dictate results in all cases, because there are exceptions, we might ask ourselves whether this is one of them. If this reliance interest, as I'm calling it, is a strong enough principle, and I think it is, and it's a strong enough reason, then I think we have a way to resolve the conflict in principles. We say, principles deadlocked, go to pragmatism. What does it tell us? It tells us that perhaps in many cases secret prior art is used only to defeat patents in cases where the patent has been relied on heavily. It is true that we may have a difficult situation of several closely related inventions being patented. I don't think, however, that that is an unsolvable problem. I think one way to deal with that is to perhaps monkey around with the remedy that you get when you assert a patent that's very closely related to another and someone is found guilty of infringement. Perhaps we can encourage cross-licensing, somehow, between those two closely related patent holders. Perhaps we can almost treat them, to be creative for a second, as a kind of joint inventive entity. Perhaps a license from one is equivalent to a license from both. We can treat it as a kind of joint inventorship, just off the top of my head. The point is there are perhaps ways we could deal with the remedy for infringement and/or the regime we have for those two inventors that could resolve the problem of closely related inventions being asserted against the public. That's a separate issue. Main point, two conflicting principles. It seems like the pragmatic approach, which is what people here are really very well equipped to talk about, ought to be the main thing on the table.

MR. RINES: I would like to echo some of the philosophical approach of the last speaker and Don Banner. It appears, you know, that in 1991, we're talking about a very different world than we've ever known before. To sit and be bound by the procrustean bed of what we have earlier created in an equal system, or what Justice Black said, or Justice Douglas said, or any other Justice said, is, in my judgment, a sure method for further decline in the U.S.

There is nothing to prevent us from changing some of our older concepts to fit today's and tomorrow's real needs. Instead of concentrating on discussion of the sections of statutes earlier created, we ought, I believe, to ask ourselves, what is the necessary public policy of the U.S. in 1991 to become a number one nation again, economically and otherwise in this world; and what do we want, therefore, in our patent system. Never mind the other patent systems. They'll follow if we're

right. And the concept that I would like to say to you is it is not a new principle to the law, even as it's now written, to create exceptions. I think what we're trying to struggle here with is the other side of the coin to which we're paying little attention. Are we asking what the real world considers a publication? While we seem exclusively to be saying that the public is entitled not to have conflicting patents, should not the concept of publication bear on the real needs of our economic society and investment; people who innovate have difficulty dealing with a technicality of using a filing date instead of an issue date as a reference.

I think our fundamental problem is, what do we need today, for the 21st century, to encourage our nation to be able to invent, and invest in risk capital; and to encourage our government to encourage innovation. What we have to do is to look economically at how we reconstruct ourselves, and how the government gets together with industry if we're going to compete with other nations that are doing this.

And, I would just urge that there's nothing that I see that can stand in the way of our innovating and junking 102(g) or anything else, including "what Justice Black said." And, I believe that would be a much more constructive thing for the benefit of the country than just looking at the exceptions out of some court decision.

MR. BENSON: Thank you, Bob. Anybody else who hasn't spoken? Harry, do you have any comments or subjects you would like discussed?

MR. MANBECK: I have been very interested in this discussion, and somewhat to my surprise I found myself in agreement with Don Banner. I think this issue, like others that we will talk about, is very important in determining where the nation should go. As you all know, we have now a commission studying the patent laws, on which two persons in this room, Don Banner, I'm sorry, Don Dunner and Doug Wyatt, are the representatives of the Patent Bar. There are many executives on the Commission, an antitrust section representative, et cetera, and this Commission really is trying to look at where we ought to take the law, or at least make changes in it, not only in harmonization context, but what's good for the country as a whole. I mean, has it been determined that harmonization is good for the country as a whole? I think it is, but hopefully we're going to get some advice from some high placed people. I do think that as we talk about these subjects we have to keep in mind that the patent system is supposed to work for the benefit of the public as a whole. And, to me, the public as a whole is benefited when the true inventor

gets a valid, worthwhile patent. I don't think it's benefited when a patent is issued on something which is, in fact, obvious and would have come along anyway. So, I'm going to listen and learn here today, Bob, and I think I already have. I've found the discussion very interesting.

MR. BENSON: I was inviting you also to suggest some things you'd like to hear about, or subjects you'd like to have discussed, but, you can always inject that. Anybody else? Karl, you wanted to say something.

MR. JORDA: No.

MS. LINCK: Nancy Linck. I'd just like to make one comment about what Bob Rines said. He said that if we came up with a good system, then others would follow us. And, I think what that says is that we need to take a very hard look at why we're out of step with the rest of the world. They haven't followed us for a reason. It's because those parts of our system have problems, very large problems, in my mind.

MR. MANBECK: I would like to say one thing in answer to that, if I may, having spoken already. There are other parts of the world who have, in my opinion, much greater problems than we do, the Japanese, for example. And, although we can't necessarily expect the rest of the world to jump in and do what we ought to do, I think we have to think very carefully before we change parts of our system which have worked very well over the years, in harmonization or anything else.

MR. JORDA: I'm really too busy watching the clock and keeping time, but I could've hit the ceiling when our good friend, Maury Klitzman said there's no such thing as secret prior art and it's all a fantasy. And, if indeed the term secret prior art has become controversial, well I have a suggestion for you. Let's call it bogus prior art. That's what it is. We're talking about bogus prior art. . . . I'm not that original or creative to come up with that. I'm quoting from a book written by Cyril Soans, published in 1970. Cyril Soans was a man of substance. He was president of the Chicago Patent Law Association in his time, and he wrote a very interesting book. It's called, RETURN TO ROBINSON, and he blasts bogus prior art, all art not publicly known. And he says our system has become, in most cases, so unrealistic, unworkable, and unjust that adequate enforcement of patents can seldom be obtained. Today, we're talking about Section 102(g) more than any other sections, and you may recall the decision *In Re Bass* and some other decisions. Now, *In Re Bass* has been reined in a bit, quite a bit, by way of statutory provisions so that it doesn't apply to corporate situations in many cases, and it has been limited

by some subsequent decisions. But it still is true that Section 102(g) prior art rolls back patents, publications and public uses to the invention date. And, consequently, one can never be sure whether a patent is valid or not, and as a matter of fact, CAFC judges have reminded us that nobody can ever say and no court can ever hold that a patent is valid. It can only be said that the burden of proof on invalidity has not been carried. So, I really do believe we have a serious problem. Section 102(g), incidentally, is best applied to interferences rather than as a patent-defeating section anyway, and there's some authority to that effect, I believe. Section 102(g), I do not believe, serves us well any longer in this day and age except in interferences.

MR. BENSON: Thank you. I think everybody who wanted to speak has spoken. I'm going to let people have a second shot, but I'm going to limit you to relatively short statements, and then in the end I'm going to let Hal sum up.

MR. FRYER: I have been listening and found it an exciting experience. A lot of ideas have come out, and I just drew a picture of what I heard. You ought to try to teach this subject to students, from scratch, and make some sense of the patent system. So, I draw pictures. I drew a horizontal line, and above the line is public and below the line is secret. You might want to do this. Below the line is what we have been discussing on 102(g) and its problems. And it has serious problems. I agree with Karl. We have made Section 103 amendments and we are still working on other changes. We have the question of 102(e), the effect of a patent application, and that is below the line until the patent issues. When it issues then it has prior art effect. We have dealt with that problem. We also have the effect of 102(b) that is secret commercialization, which we could put below the line. Also we should put below the line a subject we will discuss later, prior user right, which can be secret. So these subjects are something that you have to discuss as a whole, and you have to make the system work fairly for the benefit of the economy and for the benefit of the inventor. In summary, I would suggest that we have many issues here, and they need to be looked at together.

MR. THOMPSON: I agree with the comments that have been made that what we should do is address what's good for American industry large and small. However, when we look at that equation, what we have to remember is that the markets we're pursuing, American industry is pursuing markets that are beyond our borders. We're a very porous market ourselves. Everybody can come in here and compete very effectively in the U.S. But, we encounter cultural barriers as we go abroad. Cultural barriers where patents could be very helpful if we

had them to help wedge open those markets. So, the harmonization concept is pro-American in the sense that it gives us consistent rights. And, it's not only for the big guy, the little guy, too. Every new technology is targeted by the Japanese, biotech, semiconductors, whatever. So, they're there right at the beginning, and we need to think about penetrating those markets, and I think harmonization fits into that idea.

MR. TEGTMEYER: I have just a simple question listening to what Harry had to say, and I think he was answering Nancy Linck, and that is, which system is it that gives us the system in which a first inventor, first true inventor, will obtain the patent rights and will stimulate the development of technology?

MR. PRAVEL: I think there's a difference between the 102(e) problem and the 102(g) problem. I think 102(e), it seems to me, is necessary and then the only question is whether you carry it forward to 103, and I personally think that's necessary. 102(g), if the person or company hasn't filed, I don't see any reason to make that an invalidating or patent defeating right. I think you get into the question of whether it's equitable to preclude them from continuing, but unless you have a prior user right, this prior user must have some defense. That's why 102(g) is there as I envision it, so that if you're sued and you have a prior use, you've been using it commercially and so forth and it meets the tests of not being abandoned, suppressed or concealed, then you need it. However, if you have prior user rights, you wouldn't need it. Then you wouldn't have to invalidate the patent. So, it seems to me they're really two different concepts.

MR. KLITZMAN: First, Lenney commented about the *Alexander Milburn* case, and the one point that hasn't been mentioned is that it really is a 102(g) case, not a 102(e) case, because in two places the Supreme Court did say that you have to be the first inventor, pure and simple. And, I think that's something to keep in mind when you talk about secret prior art and that sort of thing. That notion of secret prior art was really in respondent's argument which the Supreme Court did not buy. But, yet, people picked the respondent's argument up as what the Court said. It didn't say that. It said you had to be the first inventor. Now, I agree with Karl on the one point, and that is, the real issue is 102(g), first to invent versus first to file, and that's really what the issue is, and it gets confusing when you bring in the question of secret prior art and confuse it with prior art. It isn't prior art. It confuses the whole thought process. The real question when you wipe the confusion of secret prior art aside is whether or not you want the first-to-invent system or whether you want the first-to-file

system. In my opinion you have to look at the pros and cons of both. We've picked apart the first-to-invent system, but I don't know that we've analyzed the first-to-file system from the standpoint of what negatives it has so that you can really balance the two and see which one you would prefer. And there's certainly a lot of negatives with respect to a first-to-file system. One such negative will be analyzing published applications to speculate for your client what claims may be obtained. And that will require it be done for all applications in your client's technical area. Can you imagine all of the time that will take to cover all applications in your client's technical area? And you won't be able to ignore the applications because if a patent issues that was published, what will you say to your client when he asks why didn't you bring that patent to our attention? The cost of analyzing all of those published applications will far outweigh the cost of the relatively few number of interferences.

MR. GHOLZ: Two points. First, responding to Don Dunner's statement that a case can be made, and he carefully didn't say that he agreed with it, but that a case can be made, that 102(e) is needed to provide evidence of the state of the art. 102(e) is not just that. If you have a 102(e) reference, it's treated like any other reference. It is not simply generalized evidence of the state of the art and what the skill of the art is. I think that it goes far beyond any need that we have for that kind of evidence and that it's not worth the cost of uncertainty. We have to be pragmatic. We can look at the value of 102(e) suggested by Don, but at least in my mind it is not a very strong value at all.

Second, the point that Bill Brunet made first and then Don Banner about the problems if we have 102(e) kind of art only for purposes of novelty and not for purposes of obviousness. The law in this country, with respect to doctrine of equivalents, I think, is exceedingly difficult to predict. You cannot guess what the court is going to do on doctrine of equivalents, at least I certainly can't. If we have references that are available only for 102(e) purposes, only for novelty purposes and not for obviousness purposes, we will wind up with many very, very close patent claims in the hands of antagonistic companies, or at least different companies. That is a problem for those two companies, but it is much more of a problem for other companies trying to guess what kind of scope of equivalencies related patents are going to get. There will be overlaps, and third parties will be faced with the possibility of infringing patents in multiple adverse hands. Professor Merges proposed, as he said, off the top of his head, some possible solutions to that problem. I don't think that his immediate suggestions are viable, and I have not heard any others that would

handle this kind of problem. I think that is a very serious problem that needs to be addressed.

MR. BRUNET: I just wanted to pick up a little bit on Bill Pravel's comment about 102(g) where he suggested that 102(g) activities not be given a patent defeating effect, but instead would simply give the prior inventor who had not abandoned, suppressed or concealed or who had not filed a patent application, the right to continue his use. That to me seems very fair and equitable, and it also would not require getting into a question of Section 103. That person could have the right to continue the use under any claim of the patent that had been asserted against him that would have covered his use. And, if the patentee had an additional claim that didn't cover the earlier use, then the person who had the earlier use could not change the form of his use to come within the additional claim. It would seem to me that would be a fairly equitable approach.

MR. MACKEY: I hope in these discussions of late discovered prior art, whether it be secret or however one may classify it in these discussions, consideration is given particularly in the case of an important invention, to a remedy other than either the total defeat of the patent or the upholding of the patent validity. The suggestions by Professor Merges, I think, ought to be considered further as we go on here.

MR. ARMITAGE: I wanted to address the comment that many speakers have now made that if we took out secret prior art from priority under Section 102(g) and patentability under Section 102(e), that too many patents would issue. Again, I'll take my self-assigned role of the independent inventor/small businessman. So what if too many patents will exist! Sometimes, in fact, patents are viewed as an incentive to invest, and sometimes, at least, it would be a better patent system if a few more patents were to issue. We don't have to address this issue totally in the dark. There are other countries who already eliminate secret prior art for both patentability and priority contests. Europe and Japan are good examples. What is the experience in Europe? Are European businessmen running around obsessed with the idea that too many patents are issuing in Europe? Europe has a doctrine of equivalents that in some respects is more equitable than ours. The answer is, no! Too many patents don't appear to be issuing in Europe. What's the experience in Japan? In Japan, as Hal Wegner has noted, the law of novelty has slowly migrated beyond the very strict way in which Japan and the U.S., by statute, at least, should apply novelty. Again, too many patents don't appear to be issuing in Japan. Perhaps too many applications are pending in Japan, but not too many patents. Let's look at the "too-many patents" that are

going to issue. In many cases the multiple patents that'll issue will be ones with no overlap whatsoever in claims. You'll practice your invention; I'll practice mine. In other cases, the first patent to issue will totally dominate all later-issuing patents. The additional patents to issue will be of no commercial significance whatsoever. In cases of partial overlap, there may be a need to facilitate licensing, but let me tell you there are plenty of other motivations to facilitate licensing when two parties have patents, especially if I'm the small guy and I've got something the big guy wants. So, I think it's a totally unexamined hypothesis that in some abstract sense too many patents will issue.

JUDGE NEWMAN: I wanted to follow up on what Bob Armitage has said in terms of keeping an eye on the equities, keeping an eye on the purposes of the patent system in looking at 102(g) prior art. Assuming that we don't have any trouble with the idea the first inventor's entitled to the patent, and, at least for the present, we've determined who that first inventor is through our interference system, the real problem with 102(g) is when it's not the same invention at all, but nevertheless the 102(g) information is used under 103 as a defense. Whether or not that prior information is abandoned, suppressed, or concealed is an enormously difficult question, because usually it's none of that. It's just there as part of the, shall we say, the corporate corpus of information. I suggest we reconsider whether secret 102(g) prior art should be useable under 103 in the first place. I encourage us to keep an eye on the practical purposes of the examination system, when there's no way that 102(g) prior art can be brought up in the examination before the Patent Office. But then you find out in court that the same secret information is perfectly available to invalidate a patent, seems to me to make no sense.

MR. MANBECK: I understand Judge Newman's problem of the little known prior invention which is out there and the dedicated, well financed litigator finds it and then invalidates a worthwhile patent. Nobody likes that. But, what if two people are practicing the invention out there and haven't gotten a patent, or three, or four. Are we saying that secret prior art, that really isn't secret prior art, but rather are inventions of others, should not have a patent defeating effect if they're not too widely known, but yet probably should have a patent defeating effect if they're widely known. That would create a real problem, and I think that somebody said that the fundamental of the first-to-invent system is that no one but the first inventor is entitled to a patent. My thinking may be all wrong, but that's sort of the conclusion I come to as I listen to all this.

MR. BANNER: I'm happy to say that I agree with Harry Manbeck on this point. I don't think 102(g) has anything to do with secret prior art. It's not secret. Can't be secret. That's what the statute says. I think Judge Newman's comment about what you do with it is a different issue. Do you combine it with something else or just look at it, what do you do with it? But, I think the point that's so important here that we have to keep in mind, this has nothing to do, as I see it with first to invent or first to file or anything else! What is the situation with respect to somebody who is practicing an invention and he doesn't file a patent application on it? It's very simple. And it is not an issue limited to finding it by some big corporation who looks all over the place. That's not true. That is not true. I have seen situations, and many people in this room have, where you find 102(g) prior art really quite simply for the reason that that is not the kind of prior art that the patent examiner in the Patent Office could ever find. He just has no facilities for going out and asking somebody something like that. It's all over the place and he doesn't know about it. Now, do we want that to be, quote, prior art, unquote, to defeat somebody's patent or don't we. The same thing with respect to prior art in other countries that is published. How do we handle that? Right today publication anywhere in the world is prior art. Is that a good idea? As I say, the Beijing High School newspaper is prior art, and there's nobody in this room that has the vaguest idea what's there, never will, probably. But how do you handle it? What do you do with it? It's a tough issue. I just want to make one more very simple point. There's a tension here that's part of our philosophical problem. The tension, I think, is between how do you get to a situation in which we have the maximum reliability of a patent. How do you get that, as distinguished from this possibly invalidating that patent with some prior art that he doesn't know about? Now there have been many, many approaches to this thing over the years. For example, somebody years ago talked about the fact that the only, quote, effective prior art, unquote, should be the prior art that is in the patent office at the time the application is filed. Another suggestion, after five years of the patent's issuance, if somebody hasn't done something about it, it can never be challenged for validity. All these are things, I'm sure if we talked about it long enough we'd have ten different approaches to the thing. But this is a basic tension in the system. How do you get absolute, positive ability of really giving something only to the person who is the first inventor. That's a tension, and it's a pragmatic answer I suggest to you that's required.

MR. ARMITAGE: I just want to make one comment. Several speakers

have said that secret 102(g) prior art is not secret. Anybody who's been involved in litigation knows it is. You're allowed to go all the way back to your conception date, plow through years of diligent laboratory work to your reduction to practice, and it's only then that the possibility of abandonment, suppression or concealment arises. So, the secrecy can go back years and years, an unlimited number of years.

MR. KLITZMAN: Why shouldn't one plow through his background work if he is a first inventor. That's simply a question of being a first inventor, that's all. You can't do away with 102(g). You can't permit secret prior art to overcome a first inventor. That's not the statute.

MR. WEGNER: Now, in 38 seconds I will go through eight points. I think basically you can break our discussion into eight points. The overview provided by President Rines, Commissioner Manbeck, Judge Newman, Mr. Banner, all focus on reliability. We want to get reliable patents and we have different roads to reliability. In point number one, Mr. Kline, echoed by several other speakers, Mr. Pravel and several others, raised the very valid question, which was not, I don't think adequately addressed in the papers you were given. That is, you have a first inventor who makes a composition and then independently, without derivation, without knowledge of the first invention, someone comes up with a use. If this use is discovered before the publication of the application or the patent, should a second patent be granted? So, you'd have one person with a composition patent, one for the use. Other speakers have echoed the point that we could have multiple patents. I think that's a very fundamental point, and the question is, how is that handled? I think Mr. Armitage was the only one to point out that this exists in Europe today, and we should look at what the Europeans do to handle this. Do they have to cross-license or not? We also have one point that was not addressed, which I think deserves study in the future, and that is that the viewpoint of economic philosophers and writers like Edmund Kitch at the University of Virginia, Professor Merges of Boston University here at this table. Does it serve public policy interests to have competing patents issue? Is that pro-competitive or is it better to let the first inventor have a winner-take-all system and award only one patent. Maybe one needs that incentive to develop, maybe he doesn't. But those are issues which have not been addressed. The second point Don Dunner raised first, and was echoed by Mr. Banner and Chico: What happens if you have simultaneous inventions? How do you take this into account? We now take into account simultaneous inventions in the state of the art, how will that be taken into account under

harmonization? That's a valid question. And that goes into the third point, which Bill Thompson raised, what is novelty? And, Bill Brunet echoed that, and clearly in the 102(e) sense on a novelty defeating effect, if we go to a system of a novelty only effect, there must be a universal definition of what is novelty. I think we should take into consideration Don Dunner's point, if we get to a discussion on what is novelty. If there is to be a novelty only effect, this is an area that requires much study, and I would encourage this group or any other groups to try to get trilateral discussion with the Europeans and the Japanese to try to come up with a novelty definition. The fourth area, Judge Newman speaks very eloquently and it's been echoed by several speakers on what Professor Merges has coined, as the "reliance interests" issue. In her context of 102(g), this is obviously a very important point. For harmonization, however, it is not important. I speak neutrally on the subject whether we need to make this change or not. The reason it's not important for harmonization is, in harmonization we need to have a common definition of prior art that the examiner searches. Section 102(g) is a different matter. This goes to Mr. Tegtmeyer's point: Examiners *do* deal with Sections 102(e) and 102(g), but they really don't do so on a garden variety basis. Mr. Banner said it is not the poor examiner who can find the art. In 99.9 out of 100 cases, the examiner does not have prior inventions of others in unpublished form to consider. So, if we're going to have a harmonized system, with a common definition of prior art at the ex parte examination level, whether we have harmonization on 102(g) or not, this is not an issue. So, since we need to decide by "yesterday" whether we should move in the direction of harmonization on 102(e), we have to take that first, and then we should not rush into a change in 102(g). I don't think anyone thinks we should make an overnight change where we don't have to do so. It's a separate issue, but the comments seem to have focused on 102(g) when I would've thought we need to focus on 102(e). Then, Mr. Armitage made a point on interferences, a very valid point which has not received much attention. The reason interferences have created so much attention under the 1984 law and the 1985 regulations is the horrible "phantom count." This creates a nightmare scenario out of secret prior art, because here you do play the game of Sections 102(g), 103. As Mr. Armitage pointed out, if you had a simple novelty system as to 102(g), then you find yourself in an interference with a senior party, you cancel "claim 2," which conflicts with the other party, and then you go about your business. Now, however, you have a phantom count. You may not even have an actual interference, but there are two

different subject matter areas which are obvious, one over the other, so you can't get out of the interference. Even if the commercial interest does not lie in the interference counts, you can't get out of the interference because of estoppel. So, if anyone wants to retain the first inventor system, they surely must want to get rid of 102(g), 103, because clearly this is poisoning the interference system. The final point is by Mr. Thompson and foreign markets. Yes, I think this is one point that today has not been considered very much. If the small inventor is to make the grand slam home run to have the good technology, developed to commercialization, he has got to get Japanese and European patents to protect his interests abroad. It really doesn't matter a bit if we get a U.S. patent and then there's no patent right in Japan or Europe; the technology can be instantly copied and instantly parallel-developed abroad. And, in fact, the interplay on secret prior art here is that today we do not get patents in the U.S. because of the secret prior art effect. We see, "Here I just found out that someone has gotten the prior filed patent, so I cut my claims back." This is thinking in the U.S. mode. And then we abandon our foreign rights, too, because we think, well, the laws of the world must be the same, right? Well, that's wrong. There is no secret prior art abroad so we could have proceeded and gotten foreign patents.

This seems to account for all the points. If I've left anything out, I apologize.

MR. BENSON: Thank you. For those of you in the audience hearing all these conflicting views, I want to assure you that all of these people are U.S. patent attorneys, and that every one of them is dedicated to improving our U.S. patent system. I think we have a very unique opportunity at this time. Harry Manbeck mentioned the special study commission, which involves people from the commercial industry, from academia, as well as patent attorneys that are looking at the patent system. And, rather than some of the bandaid approaches that I've heard here today, it may be worthwhile to sit back and look at the system and see whether there are significant changes that could be made and maybe now's the time to do it, keeping in mind that we're all interested in the U.S. system. And, I must tell you that this is not a pipe dream. It does happen. Some of you can remember, Don Banner and I served on a commission back in 1970 when they were considering what was then considered an extremely radical idea called the Patent Cooperation Treaty. As you know the treaty was passed, and has turned out to be a very, very good thing. The conference set up by President Carter came forth with a number of recommendations

some of which were considered radical, such as having a specialized patent appeals court. Many of these recommendations became law and turned out to be very good for the patent system. With this new commission that Harry has appointed, we have the same kind of opportunity, and I think now is the time for all of us to think through all of the things we've heard here today and try to come up with an overall recommendation that makes good sense for the patent system. We don't have to live with the opinions that are twenty and thirty years old.

MR. MANBECK: Bob, may I add something, please, on the commission. The commission is divided now into four subcommittees, headed respectively by Dr. Schmidt, the president of RPI, by Mr. Dunner, by Mr. Figuroa, a vice president of IBM, and by Bill Kefauver, who is serving as a public member, but was late a vice president of AT&T. Each of these subcommittee chairmen will be publishing questions for answers by the public. We're shooting for the May 15 Official Gazette. I think that will probably slip 'til May 22. Public input is really, truly sought. And, of course, the other comments you may wish to make on the subjects are welcome, too. And, your comments should be directed to these respective subcommittee chairmen. This is not a Patent Office commission. This is a commission of independent people from whom we are seeking advice. So, the public is to have a significant opportunity to put in their views. Thank you, Bob.

## "PRIOR USER RIGHTS"

MR. BENSON: We're going to switch subjects now and start talking about prior user rights. We have two people who are going to make some introductory comments. Dick Witte, will you start?

MR. WITTE: Yes, my thirteen bullets you'll find on pages 74 and 75 of the book, and I won't go through them, but I'll make some overall comments. I'm in favor of prior user rights so long as they stem from legitimate patent defeating public use, prior invention, where you won an interference or you're in a first-to-file system, if we change to that. In other words, what I'm against really is prior user rights based on secret or concealed use. This is what my brief is against. I should've made that more clear, and I think that the context will make that clear, that this is my view. I had at Procter & Gamble some experience on this and I'll pass this case around. I should've put it at your place. I hope it doesn't distract. It's not something you should look at now, but what it does represent, if you're interested in the subject for further review, is a case that P&G had for eight years.

We pled a defense, as accused infringer prior user rights. This was a process used to make a key ingredient in Tide, so there was a lot at stake. Now, we won this suit, the patent was thrown out and it was based on prior user rights, but it was based on legitimate 102 defenses. It was public enough so that it complied with 102. In my Bar Association activities, my experience with prior user rights has been primarily in the context of first to file. In 1982, 1987, and 1989, in the ABA Patent Section, there were debates on first to file and many of the first-to-file debates were combined with prior user rights. In fact, I introduced resolutions in 1982 and 1987 which favored first to file combined with prior user rights, and, in a sense, I was advocating prior user rights at the time. After 1987 I saw the light and I'm now opposed to prior user rights in connection with first to file. In 1989 at the ABA Patent Section, a resolution that I supported opposing prior user rights in the harmonization treaty was passed. At the bottom of page 75 it says that the vote against prior user rights was 102 to 23. Well, I recall that it was a heavy vote, at least two or three to one in favor of no prior user rights. Unfortunately, after careful reading of the proceedings, I find that 102 to 23 is really the number of the resolution, not the vote count. This case that I passed around was not in Karl's paper, but I do think it has a place in the law on this, as a precedent on this. It was affirmed on appeal at the Fourth Circuit and certiorari was denied at the Supreme Court. But, my views on secret prior user rights are from a pro patentee standpoint. I advocate strong patent rights, and I'm against any erosion of those patent rights, as, for example, by compulsory license or prior user rights. Many of the arguments in favor of prior user rights seem to play the role that the prior user, secret user, is some kind of a victim of the patent system. There's a great concern about freedom to practice. Well, I'm in favor of freedom to practice, but not on the basis of secret prior use. I've heard some excellent discussion already this morning about what I often refer to as certainty for the patent owner, for the patentee, but I hear better words, in, Bob Merges' point of reliance and Don Banner's similar word, reliability. This is the key. If the patent system is to mean anything, a person who gets a patent should be able to rely on it. A key problem with prior user rights is that the so-called victim, the person who all of a sudden sees a patent issued covering what he's been doing in secret. I don't feel sorry for him at all, because this is a situation that isn't accidental. It's a situation which the secret prior user has the full opportunity to control, i.e., to control his own destiny. If he wants to be sure of freedom to action, there are plenty of ways to accomplish that. Either by publi-

cation or using the patent system, or having the use out where it can be seen, rather than being held in secret. So, as you know from my bullets, I don't feel sorry for the prior secret user. They have the opportunity to protect themselves, by an insurance policy, however you want to characterize it. And, I don't think that there should be prior user rights for secret prior use, because the patentee should be able to rely on the grant that the government gives him.

One last comment and that has to do with the harmonization treaty. As it's presently drafted, Article 20 has Alternative A, Alternative B. I think it's Alternative A that makes the prior user rights optional in the treaty, optional in the sense that a signor of the treaty could have prior user rights or not, as the country saw fit. Alternative B makes it mandatory, so that if we sign a treaty which makes prior user rights mandatory, that would have this dramatic change to U.S. law coming in the back door. And, if it's to be done at all, if it's to be debated at all, I think it should be debated on its own merits, not forced on us by a provision in a treaty. Moreover, I understand it's not controversial; it doesn't give us a bargaining chip. Europeans aren't trying to force prior user rights on us. I don't think that for purposes of ratification or signing that we need another highly controversial subject in the treaty. We already have enough. So, as far as the treaty is concerned, regardless of what you think about prior user rights on their merits, I don't think it should be mandatory in the treaty.

MR. BENSON: Thank you, Dick. Karl.

MR. JORDA: Thank you. Dick, I am looking forward to rebutting your thirteen bullets, which is going to be very easy and which we are going to do in a couple of months from now at the ACPC meeting in Colorado Springs. That will be fun. I'd like to state the case for the prior user, and hopefully without indication which way I lean. Dick started with an actual experience at Procter & Gamble, so let me give you an actual experience at Ciba-Geigy. A situation that comes up in everybody's practice once every quarter, if not every month. We have a plant process and improvement patents; improvements are being made, some of which are being patented and some are not being patented, because they relate to product workup or are considered marginal and/or unpatentable, and besides, it's simply not possible to patent any and all improvements. Besides the body of technology that is not patented is about 90%. It is under trade secret protection as know-how, so more technology is protected or potentially protectable by trade secrets than is by patents. Patents are sort of the tip of the iceberg in this equation. So, some improvements are being

made and we decide not to patent them because they were marginal and not considered patentable. And one morning we wake up and seven patents have issued to a competitor on those improvements, those very minor improvements. What were we going to do about that? Were we going to be enjoined from practicing those improvements, which we have had in plant use for some time? No question we had priority as far as those improvements were concerned. The situation was resolved. . . and I needn't go into this, but this is a very practical situation that comes up all the time. The best and most ideal solution or compromise between the clashing public policy considerations and the illogical extremes of either having the first inventor/trade secret owner bow and scrape to the second inventor/patentee in the situation where the first inventor makes substantial investments or having the second inventor/patentee end up with an invalid patent in a situation where the first inventor kept the invention secret and took no steps to disclose it to the public. The reconciliation is, of course, a prior user right. And that's a universal practice in the industrialized world and has been the practice since before the turn of the century. All industrialized countries, if you want to count them it's at least 30, 40 or more, and some of them since before the turn of the century have had that prior user rights. It's that simple. A number of commentators over the years, including Jim Gambrel and others going back to the forties and fifties, have argued that you've got to have prior user rights. To continue the practice of an invention that the inventor does not choose to patent, but which he chooses to keep a trade secret, is his common law right, and the principles of equity would require that he be permitted to continue to practice his invention. And, if you did not accord him that right, you'd be taking property without compensation, and you would violate due process principles. And, Richard Bennett of Morgan, Finnegan pointed out in a 1975 JPTOS article, and I consider that as the key to all of this, a constitutional award to one inventor does not mandate a constitutional penalty to another inventor. Ellis, Milgrim, they've all argued that a prior user right is sort of, or is akin to, a shop right. Ellis in his book, TRADE SECRETS, has indeed some interesting statements. Just one quick quote from Section 180: "A user of a secret process or machine would never know when he would wake up to find he had to stop using his process or machine in which that person perhaps invested thousands of dollars and built up a substantial business." As a practical matter, we have in place a prior user right system. It's not under any statutory provision. It's not because of any law or case decision, but because as a very, very

practical matter, there is no case in the books that has gone against the trade secret user. Why is there no case? And I make another prediction: there never will be a case unless Hal Wegner takes a special test case to the court systems. Why? That's a very interesting question. You know why? Because it's not in the interest of either party to litigate this issue. Either the patent's going to be invalidated and neither the patentee nor the trade secret owner wants that to happen, because when a patent issues the trade secret is no longer a trade secret. But the trade secret owner has protection for that invention he made by virtue of the existence of the patent that issued to the Johnny-come-lately second inventor. He does not want the patent destroyed. He wants to leave the patent out there to be enforced against everybody but the prior, the first inventor/trade secret user. It's in the interest of both parties, and besides, if you're the patentee and you're not the first inventor, you'd be rather reluctant to put your patent on the block. Lisa Brownley wrote the only article of substance that argues against prior user rights. She is a student or was a student of Professor Chisum and published an article in the JPTOS in June 1990. In it she says there are 31 cases in the U.S. dealing with this issue and there's a scarcity of cases abroad. So we don't need a prior user right because there are no decisions so there's no use, neither abroad nor here. But she mixes up three things. She mixes up situations where you have priority situations where both parties file, one is later, one is earlier, and many of the cases that are being cited, even *Gore v. Garlock*, rely on priority cases like that that really deal with priority situations and have nothing much to do with the respective rights of trade secret owners and patentees with respect to the same invention. Another situation that has to be kept separate is where secret prior art of a third party is being relied on to invalidate a patent. And that's the *Gore v. Garlock* case. *Gore v. Garlock*, as a matter of fact, has nothing to do with this issue. In subsequent cases it's been limited to an interpretation of Section 102(b). Besides, it's a case where not the respective rights were at stake, but where the secret prior use of a third party was relied on. That is different. And if anybody says *Gore v. Garlock* settled this issue, I say not by a long shot. It is still as open as ever and, as I say, there is not going to be a decision on that very point. What we are really talking about here is the specific conflict between a trade secret owner, a first inventor/trade secret owner, and a second/inventor patentee. That's the situation, and this is the situation where prior user right is the best resolution. It exists abroad. It's in the harmonization treaty. Why can't we have it. We need it, even if we continue with our first-to-invent

system, but in a first-to-file system, it's absolutely indispensable. Otherwise, you have a system that is not fair, that is not equitable.

MR. GHOLZ: I don't think this really is, or at least always is, a conflict between the guy with the patent and a trade secret owner, because in many cases the party that would want the prior user right has gone public before the patent issues, is making the product, or is doing something, maybe has published the technology, by the time the patent issues, but not early enough so that it is available as a reference to defeat the patent. This is somebody that has started making the product, typically, at least in my practice, while the patent application was pending. It's no longer a trade secret, but they've got the factory built, they've got their millions of dollars invested. So, it's not a conflict between a patentee and a trade secret owner, it is a conflict between the patentee and the prior user, which may be a totally public prior user by the time the patent issues. Still, you do have very powerful equities on both sides, which strike me as being very similar to the equities that exist with respect to somebody who has started manufacturing before a reissue patent comes out. Except there, at least, the proceedings are public, the reissue application proceedings are public, so there exists a possibility that the company that is building the factory could be on notice or could have found out of the possibility that a reissue patent with broader claims is going to come out. In the situation where you're talking about an original application maintained in secrecy, you don't even have the possibility that the company that is building the factory could find out about the existence of the pending application. It's a risk of a total blind side. It seems to me that balancing the right of the patentee, and we're all patent lawyers, and I think we all start off with at least a fundamental prejudice in favor of patentees and the thought that patent rights should be extremely valuable and they should protect. If you balance that kind of fundamental prejudice that I think we all have against the rights of somebody that has invested a great deal of money in building the factory, it does seem to me that the later equities are entitled to some protection and that perhaps giving protection similar to those that we give by the intervening rights statute in reissue situations, to the company that has built up the factory or whatever it is without knowing that the patent application is pending, is a reasonable balance that we might want to strike.

MR. DUNNER: I think the arguments against prior user rights advanced by Dick Witte border on the overwhelming as compared with the rights of the person who wants to invoke prior user rights. I start at what I feel is the paramount driving force in the U.S., and

that is, basically, the philosophy underlying the patent system. The patent system encourages disclosure. It provides limited exclusivity, not potentially perpetual exclusivity, and I think that those conditions in return for the grant of patents constitute the right balance. And I think that given the availability of the patent system, I, as Dick Witte, do not have much sympathy for the person who does not avail himself of the opportunities provided by the patent system and who hopes that somehow, some way, he's going to be able to continue what he's doing. Now, that isn't to say that we shouldn't have trade secret protection. I think that there are many cases where, for a variety of reasons, a party will want to avail himself of rights made possible by the trade secret laws. But, he runs a risk. If he wants to do that, he has to face the risk that he may, at a later point, be cut off by somebody who has availed himself of the patent system. I think the public has more to gain by somebody taking advantage of the patent system than he does somebody taking advantage of the trade secret system, although the public does benefit from people who operate in secrecy and who then produce a product which comes to the public. Now, I keep hearing the intervening rights analogy . . . reissue and reexamination. I really don't think it's a terribly good analogy, and I think Chico Gholz made the point, and that is, in the case of a patent issuing, people see the patent and whether they rely on it or not, they have a right to rely on that being its scope. If somebody wants to come in and modify that scope, either broadening or narrowing it and changing the scope, I think there's much to be said for having an intervening rights policy. I've heard Karl mention either as an advocate or merely reporting Jim Gambrell and others talking about due process and other things. I'm not very much impressed with due process questions, with constitutional questions or otherwise. Now, I really think we come down to the point they mentioned plus the uncertainty question, the unfairness question. It is grossly unfair for somebody relying on a patent to make a big investment, think he's going to have exclusivity for seventeen years, and suddenly have somebody come out who may be small in the beginning but who may be Procter & Gamble later on, with multi-millions of dollars worth of sales, and potentially rendering useless or undermining the value of that patent. I think that is grossly unfair, and I think that it is not in our interest to have that kind of system. I might be willing to make a tradeoff if we could get a first-to-file system, and I have so advocated that, but even there I must admit I would do it only reluctantly.

MR. FRYER: I go back to what Don said. I think he really started off

the discussion perfectly. We have to go to the fundamental role of the patent system in our economy. It seems to me that we do not have any serious questions if a line is drawn between public and private, to force public disclosure of technology. And that is the driving force behind our patent system. If we accept that principle, then a lot of other things follow logically. I think we have to go back and look at the U.S. Supreme Court *Kewanee* case, a fundamental decision that explains the relationship between state trade secret law and the patent system. This case gave us an outline for why we have the patent system. It would be counterproductive to have prior user rights. In effect, we are dealing with technology below the line, which is secret. We do not want to encourage secrecy. We should create an incentive to file a patent application. Now, having participated in the harmonization debates, I just want to add an additional point. You cannot just draw your diagram with the public information above and the secret information below. You have a filing date, and prior to that filing date someone else may have certain rights developed by prior secret use. You have to put the grace period in there. You have to draw the line for the grace period. And this is where all the really interesting discussion takes place. What happens if the person who files publishes before he files? Under the grace period he has the right to do that and he will not lose the right to file. What happens to people who use that information and start substantial commercial development? The Europeans, as far as I can tell, could care less. They let these people keep on developing the technology from this publication and give them prior user rights. I think we have a much better patent system. In effect, if prior user rights are granted, we will have people effectively avoiding the patent system. We will have an alternate system... called a prior user system. It would be a disincentive. It does not fit the policy considerations that the U.S. has developed. There are defensive patent procedures that can be used to avoid the likelihood of a patent issuing. You can publish and make your materials available to the patent examiners.

MR. KLINE: I agree with many of the things Don Dunner has said. It is a balancing of the equities, and I think when you do that you have to come down in favor of one, as Dick Witte is supporting, the one who chooses to use the system over the one who chooses to keep it secret, hopefully deriving the benefit of it, but, so long as he can keep it secret, not giving it to the public. Also, I think we have to distinguish between the cases of where the prior user has been using it publicly and it's something that the public can, based on what's being sold, derive the benefits of how the product was made, over the

case of where this cannot be determined. And here I have another problem with the text of the proposed harmonization treaty, because they are also talking about the situation of where one who is taking steps to make an investment with regard to the use. But, take the illustration of say, somebody who wants to start marketing a product like Coca-Cola, but you cannot tell from the purchase of the product how it was made. So, he's making steps for an investment to build a plant with regard to the process of making Coca-Cola, and there's no way that the public will know that by purchasing the product. So, are we going to let that person continue to use that process and sell the product over one who independently develops the process for making Coca-Cola, uses the patent system, files an application and gives that process to the public, in exchange for the seventeen year patent right. I think on balance you've got to favor the one who chooses to use the system.

MR. DUFFEY: I think I would have to come down very hard on the side of Karl Jorda. I think Karl articulated most of the points, but companies like our own in the chemical business so often have minor process improvements that legitimately need to be kept a trade secret for the simple reason they cannot be policed. So, very, very often the inventor or the company will make a legitimate election for trade secrecy. What worries me here is that that's a very risky case if we're going to allow full exclusionary rights later on to the patentee. That's always bothered me. We spoke today about the small inventor, the small investor. I think that's the person who is least likely to file a patent application. I think that later patentee is more likely to be a big corporation, so the small business very likely will lean towards trade secret. I think that they would be at risk. Karl talked about the global picture. I can say that a wholly-owned sub of our company in Belgium had a longstanding plant process, which included an invention kept as a trade secret, and a Belgian national later got a patent on this invention. Happily this sub was able to assert prior rights. A case in point where perhaps the American system should conform. I've read Dick Witte's thirteen points, and they are compelling in many ways. But, I think the exposure to the patentee for rights that he might have to give back to the prior user are measurable, and I think usually controllable. I would assume that a prior user right in the context of harmonization would be bona fide and would have definitional parameters that would not open up a terribly large infirmity to the patentee. And the last comment I would make in terms of harmonization, I would like to see these prior user rights mandatory from the U.S. point of view. And I say that to ensure

that our Congress would come along, after harmonization, and make sure that we do upgrade our law to that effect.

MR. WYATT: It's been raised just briefly here, but this harmonization treaty would make the public user's right to anyone who has made effective steps in experimenting and testing whatever that particular area of technology is, and has spent some sums of money on it. To allow anyone who has done that, let's say in a hot area of technology where you have 20 or 30 companies working in an area, someone comes along, files a patent application on what is a very meritorious invention, and you will have then 20 people saying, me too, coming along and effectively destroying any value for that patent, because he will no longer have the right to exclude others. The basic contract in patent law is that the inventor makes this disclosure to the public, and in return he gets the right to exclude others from making it. You're treading on that basic contract. Why will he, if he could keep the secret, then have an incentive to file a patent application, why wouldn't he sit back and, I'll be like one of these others, I'll use it, I'm not going to disclose what I have to the public. I may have a slight advantage. I'll hold it back, because the patent I get is going to be worthless. Twenty other me-too people will be able to come along and say, I have that same right. The prior user system is contemplated in the harmonization treaty at least. It will really be destructive of the patent system as we know it, because the inventor will not get the right to exclude others who can come along and say, yes, I've been working on it too. Now, does that include, I've been working on it here in this country, or in Japan, or Germany. What's the answer to that question? I think if we're going to have a patent system where we reward the inventor who makes the disclosure to the public, prior user rights are destructive of that system which we have.

MR. ARMITAGE: I'm going to tell you what my position is right up front, rather than keep it in suspense. I'm both a strong proponent and a strong opponent of prior user rights. If we're talking about our current law, our current patent statute, I think the instrument of choice for dealing with the current law is the scissors and not the pen: we need to take things out, rather than add things to it. And so, I fully agree with Dick Witte. On a long list of priorities this would be nowhere near the top of the issue for a forum. As to the treaty, I think Dick Witte's point is well taken. There's no need to implement a treaty that mandates any country to have prior user rights because they're territorial rights. So, if the Germans have prior user rights, they don't do us any good unless we have a plant in Germany,

and the rights only apply to the German market. However, if we're talking about moving to a first-to-file system, then I strongly believe that prior user rights are an equitable way for dealing with a large number of situations where two sets of inventors make the same invention. If we lived in a perfect world, with perfect patent attorneys who were always right when they said that a minor process improvement was unpatentable; and if we lived in a perfect world where perfect patent examiners always rejected obvious variance of known processes, you could make a much better case that prior user rights were unnecessary. But in the real world we live in, there are many situations where people in good faith make the wrong assessment about whether a patent application is even feasible. There are even cases where the PTO issues, after considering the closest prior art, a process claim that's invalid, that's obvious. And, anybody who's tried to get a good solid opinion from outside counsel on invalidity after the PTO has considered the closest prior art, knows that they are rare today. These complexities are simply avoided, if a bona fide prior inventor, who puts something in commercial use, can simply continue that use. Also, you have in a first-to-file system, as some of the opponents of that system so carefully note, a race to the Patent Office. And sometimes the first to invent files a patent application a little later or waits until he has a little more evidence supportive of nonobviousness. What should his or her rights be? One easy way of looking at prior user rights is that there is compromise. There is compromise in a first-to-file system between recognizing a secret use as patent defeating, that is recognizing it as prior art, or simply saying it doesn't affect patent validity, but it provides a defense for the independent inventor himself or herself. Some of the arguments we've heard sound as though the U.S. is writing on a totally blank slate. Prior user rights exist in every industrialized country, every first-to-file system. Do they pose serious problems? The answer is, in seventeen years I've been at The Upjohn Company, once a prior user right situation arose in France where we were "victim." However, in the end the French manufacturing company took a license anyway in order to export to Germany. Beyond that I'm aware of no circumstance where it seriously compromises the rights of the patentee nor am I aware in foreign countries of prior user right being a serious alternative system. In other words, the Europeans seem to make good use of the European patent system, prior user rights notwithstanding, and we all know that the Japanese still manage to file patent applications, even though they have a system of prior user rights. So, I would suggest that, if we're talking about a first-to-file system, it's just simply a fair compromise.

MR. TRAMPOSCH: I'd like to make the point that prior user rights are not contrary to the fundamental purpose of the patent system. I think it's true that the purpose of the patent system is to encourage disclosure, but I don't think it's true that the purpose of the patent system is to force disclosure. And if a trade secret user is going to lose his right to use if he does not disclose, then that's using the patent system as a stick rather than as a carrot to force disclosure. And I don't think that's a proper use of the system. Further, we as patent lawyers may not be impressed by the due process and constitutional types of claims that Karl outlined at the beginning of the discussion, but I can guarantee that any court that you go to will be impressed by those arguments. Further I believe that the trade secret system is more fundamental than the patent system in that it's grounded in the common law. There's a common law right to continue using for anybody that has used, and the patent system is laid over on top of that system by giving one person the right to exclude another person from being able to use. Once a patent is granted the trade secret user loses his trade secret rights. He can no longer exclude others, because, as someone said before, the trade secrets become public. To also take away his right to continue using, I think, is too harsh a remedy. There's kind of a halfway ground which may actually be inherent in prior user rights, which is to limit the prior user to the use, the quantum or the type of use that he has used before the issuing of the patent, which would prevent the problem that someone also mentioned that the small user may become a conglomerate in the future. The solution may be to limit them to the use that they made before the patent. I think that limitation may be inherent, that the prior user rights are limited in that way. If not, they certainly can be limited in that way. Finally, I agree that the way the harmonization treaty is written, with the provision that would provide prior user rights for users that begin use during the grace period, completely obliterates the grace period and makes it no grace period at all, and I think it's totally unacceptable.

MR. EVANS: Just very briefly I'd like to go on record as being in favor of prior user rights for many of the same reasons that have been expressed. I certainly echo the comments of Bill Duffy that when you have a process situation, I'm familiar with several process licensing situations in which there's a conscious decision for one reason or another to hold an improvement as a trade secret, basically because you correctly analyze the patent laws and the kind of patent coverage you can get, and decided that the disclosure you have to make to obtain the patent would be more valuable than the coverage that you

might receive, particularly in view of the difficulty of policing. That decision should not be penalized by someone later not reaching the correct decision and, in fact, getting a patent on that particular improvement. And one might say, "why worry, if it's difficult for you to police it, it's difficult for them to police it," but I think most of us sitting around this table represent corporations that will not consciously infringe the patents of others, whether they're difficult to police or not difficult to police. I would not want my corporation to be placed in a situation of secretly infringing somebody's valid patent. I believe that 102(g), as I said earlier, is, in effect, the codification of prior user rights in the U.S., but the problem is that its effect is to defeat the patent, rather than give the prior user a shop right or a right to continue his use. I believe prior user rights are necessary, certainly in a first-to-file situation.

MR. MELLER: I'm essentially in favor of prior user rights, and I think if we have a first-to-file system we have to have it. But, I do see some problems, and one of the problems is going to be really the interpretation of paragraph two of the harmonization treaty, unless it's changed, which says that "the right of the prior user may only be transferred or devolve together with his enterprise or business or with that part of his enterprise or business in which the use or preparation for use have been made." It seems to me that we have a situation here where if that is read by a civil code judge, he will do exactly what those words say. But if a common law court reads that, they will inevitably put equity principles into it. This is something that Don Dunner touched on, Al Tramposch touched on and I believe Bob Kline also touched on. We have a situation here where if you have the small business growing of its own into a big business, that may be one type of scenario. But, if you have a small business, now suddenly picked up by, let's say, General Electric Company, which bought it lock, stock and barrel and then develops it, then you might have a completely different equity situation. Do they inherit those rights lock, stock and barrel? I think that continental or Napoleonic code courts would inevitably say, reading those words very tightly as they are meant to be read: yes. But, if you put equity considerations in there, certainly in our courts, the outcome might be very different. Now, I don't know if there's a good solution to this, except maybe to put it right in the treaty in such a way that even our courts can accept it. But, it seems to me we're going to have problems of interpretation. This is not only true in this part of the treaty, but in other parts of the treaty as well. Certainly this is a potential problem.

MR. MANBECK: Mr. Chairman, I wish we would use Procter & Gamble as the example.

MR. WEGNER: Briefly, on the policy issues, I favor resolving any doubt in favor of disclosure and use of the patent system as opposed to secrecy. So, as a general philosophical approach, I agree with Mr. Dunner and Mr. Fryer and others who have spoken in favor of that viewpoint. The other side of the policy arguments is the benefit to the American of keeping certain types of inventions secret. I think it's important to realize that for most inventions you don't need prior user rights. We're talking about, I think somebody mentioned the "dinky" improvement and I think Bill Duffey said the minor improvement. These are very narrow inventions which are very important commercially. You want to keep them secret. You want to keep them behind your factory gates and you don't want to be burdened with the expense of patenting. You don't want to burden the Patent Office with searching process inventions which are hard to search because product searching is the way that patent classification is keyed. Now, who benefits if we disclose process inventions to the public, minor improvements? Asian and European competitors without strong patent systems who can knock off and copy these blueprints. This is a major policy factor which has not been considered. So, in this one little area of minor process inventions, perhaps we're doing a disservice to American industry if we publish. Briefly on harmonization, I think this should be taken out of the treaty. It's irrelevant to harmonization. The *reserve des droits des tiers* in Article 4B of the Paris Convention is the underlying, fundamental convention, and just to translate it into English in a subservient treaty makes no sense whatsoever. However, this should be considered in the policy debates of whether 102(g) goes out of our law. Then it's a couplet. Then it's to be considered, but it should not be considered before that time. And, in line with Mr. Dunner, Mr. Fryer and others' points on the balance, we should discourage use of the prior user right. You do that by having four limitations. You must make it narrow in four ways: First, a subject matter limitation, only to the embodiment it's been commercialized. Second, time limitations. The French have a broader interpretation as to time dated to possession. I favor the approach used in most countries, the German approach, of timing as of actual efforts to commercialization. So you don't go back to the time you possessed it and had it locked away. Third, I also favor a limitation to a domestic right; all of the prior user rights laws are domestic only. As Bob Armitage said, that effectively kills someone in today's global area. They can't export their products with the prior user right, because it's very narrow. Fourth is alienability. With due respect to what Mike said, yes, we have to have narrow alienability, but we're

not going to be operating under the treaty. We'll be operating under domestic implementing legislation even with the treaty, and so I think we have to craft legislation. I don't care what the treaty says in that respect because we can go beyond the treaty on this point.

MR. FIELD: Well first, I guess I agree mostly with Bob Armitage. I find it very difficult for a trade secret owner to have better standing than an applicant who loses an interference. I don't see how prior user rights are consistent with our present system. The reason we have this problem is that certain kinds of patents are hard to enforce. Perhaps attention should be given to making process patents on processes and patents on industrial equipment more easily enforced than to this end run.

MR. BROOK: All morning I've been hearing how my colleagues here are surprisingly in agreement with their good friends, so I guess somebody's got to break the ice. I find I'm in disagreement with my good friend, Karl Jorda, but only on a procedural point, and I disagree respectfully. It is puzzling that a case has never come up directly on point with what we're discussing, but I don't think it's because the stakes are high on both sides and both parties have a lot at risk. That's true in any patent litigation. The patentee can come out of court without the property he walked in with, and the defendant can be enjoined from a business. All you have to do is think about the *Polaroid v. Kodak* situation or many other suits like that. Polaroid must have known that they could come out without any patents and open up the whole market of instant photography, and we saw what happened to Kodak. And yet those suits go forward. So the fact that the stakes are high, I think, will not prevent it. Also, I think one of your reasons why people wouldn't bring a suit was because they were using logic, and I have found in patent litigation that parties who are suing each other a lot of times don't use much logic or they wouldn't be in the lawsuit in the first place. Now, getting the procedure out of the way, I agree with you on the substance. I'm in favor of some sort of rights, and I think a mistake that's been made around the table is, every time trade secrets have been discussed here, it's been in the context of some marginal process improvement that may or may not be patentable. I think we should think much more fundamentally about trade secrets, and I think there have been in the past and will always be tremendous breakthroughs in technology which can be better protected by trade secret protection. And I think when we're advising the client who walks in with that sort of fundamental technology, we ought to be able to say to them, yes, the issue of whether the patent system and trade secret systems in the U.S.

are mutually exclusive was answered long ago, and this is a perfect way for you to protect it. In some instances, it has a lot of merits over the patent system. We shouldn't be handicapped by having to say, but you do it at risk of some other party getting a patent some day and then you're out of business after you've invested all this money and time in building your factory. Now, I do think when that case comes up before a knowledgeable judge it's going to be very difficult for that judge. The judge is going to be on the horns of a dilemma about what to do. Not in terms of enjoining the prior user, because, after all, injunctions are always equitable, and if there is a good case of equity to be made for the prior user, I think we can trust judges to do the right thing on that. But I don't see how a judge is going to get around the issue of damages, which is not discretionary, and I therefore think in an infringement suit the judge is going to be faced with one hard dilemma of either enjoining the prior user or finding infringement and assessing some sort of damages. I just don't see a way around it, and I think it's going to be a problem.

MR. BANNER: Yes, thank you, Mr. Chairman. I come down on the side of my good friend, Witte. President Wilson had fourteen points, Witte only has thirteen points in a very modest approach to this difficult problem. I think that one of the things we've been talking about here is that, you know, this great, overwhelming, philosophical debate really doesn't get much practical exercise. In the European world Bob Armitage says once or twice in the whole history of its existence he heard of a situation, and in the U.S. world it doesn't come up. Of course, one of the reasons it doesn't come up is that if you have a 102(g) defense, if you have a piece of a process, for example, that is not suppressed or concealed, you can find from *Chemitron v. Procter & Gamble*, you have a 102(g) defense, the patent is invalid. If you have a true secret, then the patent owner probably doesn't know you're doing it in the first place, so there's lots of practical reasons why you don't get these cases. I'm aware of a certain very large company who attempted, may still do it, to protect their, quote, trade secrets, end quote, that they thought were possibly the subject of patentability by publishing those trade secrets in obscure parts of the world, like Finland. The problem is a recognized problem. You know, we all recognize some guy's got a plant and he's using a trade secret and he's spent a lot of money, he doesn't want to get stopped by another. He has to make a decision, what are we going to do about it. The patent system, I think, has to prevail and I don't think it's just a matter of, why do we have a patent system in the first place? Why is that good for the country? In the first place, the patent system

is a great teaching machine. The patent system teaches people how to do things. To promote the progress of the useful acts. The second thing is that the patent system is there as an economic lever. The patent system is there so that people can make risky investments. And don't ever forget that. Risky investments are protected by the patent system. And once you've spent your money in research and once you've spent your money finally to invent a patentable invention, you get a patent, the net result is you're supposed to be able to exclude others. And that means exclude others. So I think we have a balance here that we have to look at, and I would come down on the side of Dick Witte and his thirteen points.

MR. MYRICK: I agree with a great deal of what Bob and Doug have said. I think quite a number of the folks have alluded to the fact that, as Hal has commented, this right is or should be limited — limited in subject matter, limited in time and limited to its domestic market — and I think that's a very significant point. On balance I come down in favor of a prior user right as a safety valve against the day when I have an investment of a lot of capital and, under a first-to-file system, I may face adverse rights which I cannot defeat on filing date. However, it's a close call I have to say.

At the same time I do not think that I would ever rely upon a prior user right as a substitute for using the patent system, since you can't build a long term business on a prior user right. However, if you have a prior user right, it may strengthen your position in negotiating with a person who otherwise would be able to exclude your products from a marketplace. It may give you the grease to obtain a license from the patent owner that provides you the territorial expansion and perhaps the subject matter expansion that you require for building a business.

As respects the comments about derivation during the grace period: we discussed that in another body and came up with a proposal which I think we floated at one point. The proposal was that the prior user right would only be applicable if it were created pursuant to work independently done, i.e. not derived from the publications of the patentee during the grace period.

MR. THOMPSON: I think we're dealing with a very, very fundamental question and that question is, do we have a right not to file a patent application? And under the present system that we have, we have some protection in the much maligned 102(g), that is if we've been conceiving it and we've been working on in our research and we've reduced it to practice and we've made it and we are progressing on towards commercialization when somebody intervenes and files, we

have that protection of 102(g). But, as it's been described here, it's a particularly vicious form of protecting the prior user, that is, you have to destroy the patent. You destroy the patent, then you have your right to continue. You have your prior user right. Now, the question comes what happens if we go to a first-to-file system and 102(g) in all of its forms disappears. How do we now have this protection for the person who doesn't file, elects not to use the patent system? I think in our debates we've been thinking about some kind of secretive guy that's keeping this in his factory . . . commercially and is not sharing knowledge, but I'll point out that there's a lot of other very valid reasons. Number one, many things are just simply trivial, but in this day of what I think is the demise of the good old 103 defense, it's gone, you have to protect yourself against trivial additions to your basic technology. Some, perhaps the small people, perhaps not, some are simply not informed about the patent system. When they should go or what. . . . We used to also talk favorably about the guy who would want to dedicate something to the public. All he wanted to do was get a little fast start, be the first to introduce it to the market and not really preclude others. We used to think of him in a fond way, but now we're saying, no, we're saying if he doesn't use the patent system, then let's blow him out of the water. I think there's a very fundamental question of whether we should be providing the right not to file a patent application, and I think there are a lot of valid reasons for providing that right.

MR. MACKEY: Without belaboring a lot of other points that have already been made, I think one aspect, is that the prior user right, which I favor in a limited sense, ought to be against some reasonable compensation, this would be compulsory licensing, which raises lots of hackles. But licensing, in my view, turns out in many cases to be the practical solution that occurs in industry today.

MR. KLITZMAN: I think if you go to a first-to-file system you have to have a right of prior user, because many companies today do rely on 102(g) as a backup just in case it's needed. I think Bob Armitage and Bill Thompson expressed a number of my views, but there's a practical problem in all of this. There aren't enough patent attorneys in this country to deal with it if you go to a first-to-file system without a right of prior user. Why is that? Don, you may think you've completely covered an invention by filing a patent application on it, but you must depend upon the inventors to come forth with whatever information he desires to give you. There are a lot of things that inventors don't feel is patentable and don't tell you about them. And they spend a lot of money in doing a lot of R&D work and there are

a lot of obvious things that you can't possibly find out unless they tell you. Even if you tried to find out, there is no way you can patent them if they don't think it's patentable and don't tell you. And, you've spent a lot of money on all this development and you may end up having to pay tribute to a second inventor and may even be enjoined. That's not a pleasant thing to have happen after you've spent a lot of R&D money. So, from a practical standpoint there's just not enough patent attorneys around to get into these various obvious inventions, let alone unobvious ones, and patent every little nit that you can possibly find even though you believe they are obvious. Obviously you're going to have to file on them, because somebody else could get a patent on it. With today's law — all obvious inventions are patentable if commercially successful — you won't rely on obviousness as a defense. So you'd better get out there and get a patent on every obvious little thing you can find because if it becomes commercially successful it is protectable. And, Don, you won't be able to hire enough attorneys . . . in your law firm to handle all those obvious nits. They won't be able to patent them in the company. We may very well sink into a process of protecting obvious nits. Is that in the best interest of the U.S.? Should we spend a lot of time looking for obvious nits to patent? I don't think so. So, from a practical standpoint, I think if you go to a first-to-file system, you've got to have a right of prior user.

MR. BRUNET: I just have a couple of points. The first one is really a point of information. It has to do with the patent harmonization treaty and the bracketed provision in the prior user rights as to whether or not they should be mandatory or optional. One of the reasons that the European and other foreign countries wish to make prior user rights mandatory, has to do with the grace period that is also in the treaty. I think Commissioner Sugden of the UK Patent Office put it most succinctly when he said: "We do not want to see the first-to-file system degenerate into a first-to-publish system." The purpose for a mandatory right of prior use is to counteract the use of publication and grace period to give the inventor a special advantage. For example, an inventor might publish his invention immediately and then have a year within which to file his patent application under the grace period, and his publication would be prior art to any third party who tried to file a patent application but not to him. According to the mandatory prior user right, the way they would keep that from being a first-to-publish system would be to say that any third party may copy that publication, and as long as he copied it prior to the time that the inventor had made his invention within one year after

publishing, that third party could continue his intervening use. So that's the theory that I understand that the Europeans are pushing for a mandatory prior user right in the U.S.

Now, in respect of a prior user right under our current system, I agree with Larry Evans and other people who have said that we, in effect, have one under Section 102(g). I frankly think that we shouldn't expand prior user rights beyond what they are already granted under Section 102(g), except for one thing. Maybe we should consider moving the effect of 102(g) up from the date of invention to the date of filing and instead of having it be a patent defeating provision, simply limit it to a right of use. Now, as to a prior invention which is concealed or kept as a trade secret, it doesn't seem to me that a prior user right should be available because trade secrets don't help the public. They don't promote the progress of science and technology the way that a patent does. When somebody files a patent application, he gives a disclosure to the public immediately when the patent issues, and in seventeen years the public has the free right to use that disclosure. That is a benefit to the public and that's what the patent system was supposed to promote. So, I would think that should take precedence over trade secrets.

JUDGE NEWMAN: Bill Brunet has mentioned exactly the way I have seen the prior user law evolving over the last few years. I have not seen anyone who was a prior user who has been stopped upon raising the 102(g) defense and from that viewpoint it seems that the prior user right is alive and well. Because someone has kept it as a trade secret has not succeeded, as far as I can tell, in avoiding the defense, because if it has been in commercial use, even if the process has been kept secret, it is considered a bar. If we go to a first-to-file system we must face the important points that have been raised about forcing people into the patent system, even for marginal inventions technologically, in order to protect their prior user right. But if we stay with the current first-to-invent system, we would be changing direction if we felt that there should not be prior user right.

MR. RINES: I think this is a classic example of where certainly the smaller people who are using the patent system interface with the larger corporate sector that actually manufacture and produce products, with the two having absolutely divergent problems. First of all, Don Banner said we have the patent system to encourage people to disclose and thereby benefit the public. But we've outpriced that patent system for significant groups of inventors and small companies.

The other day we committed $8,000 for a small client of ours. To

file a European patent application embracing a reasonable number of countries in the European Patent Office — never mind attorneys' fees. What's happening in the U.S. where theoretically we say we have a patent system, but economically I don't think we do for small inventors. Even in the case of the most prodigious big company, I'm sure it's getting too costly.

Second point, let's take the small inventor, the university inventor, or the small company not fully able to launch the invention in a business. Maybe our patent system isn't for them. They don't need a patent to protect their products. They need a patent to license others. Now, let's test the prior user right for these people. They get no income or other benefit from it, and, indeed, it's not something very desirable to them at all. Indeed your concept of compulsory license — those are terrible words. But, it's very clear that in many areas we just can't any longer play with this legal system on the pretext that we have a patent system that also benefits the kind of people I'm talking about. The prior user system, of course, would destroy the licensing and income opportunity, particularly for universities and others who are researching and support themselves this way, by excluding a whole class of users.

MR. PRAVEL: After all that's been said here there's probably not too much more to add to it, except that I would like to go on record as favoring the prior user right under the first-to-file system. I personally feel that that's an essential to it. . . . Under our present first-to-invent system we don't really need to deal with the prior user right as long as we have 102(g). So, the main thing there would be just, we have to recognize that we have trade secret rights and we shouldn't destroy them.

(Break for lunch)

MR. BENSON: We're moving along on prior user rights. What I'd like to have Dick and Karl do, since you introduced the subject, is summarize the debate so that we will have at least a summary, if not a consensus of what the group decided, and some direction on where we're going and what are the major points.

MR. WITTE: Now or later?

MR BENSON: Do we have any more people who want to speak?

MR. MELLER: My only inquiry is this. We made a very informal poll in New York the other day. There were six of us who were somewhat knowledgeable on the subject of prior user rights. We asked around the table, how many have had personal experience with prior user

rights in their careers? And only two raised their hand. Well, having heard what I heard earlier, I'd like to sort of ask for a poll, and instead of asking the question quite that broadly, let us say how many have had, three prior user rights cases in their career? I think that would be interesting to have a show of hands on that.

MR. KLITZMAN: In terms of 102(g)?

MR. MELLER: It has to, obviously, because otherwise we're just getting half a reply. How many? So we have one, two, three, four, five, six, seven, eight, nine. And, more than two? Additionally one, two, three, four. Okay, how about one? One, two, three, four. I think that says something. What I'm really trying to establish is that this is the kind of problem that I think we worry about needlessly. Is it really going to happen that frequently?

MR. GHOLZ: That little poll Mike just took concerning how big a problem it is depends critically on prior to what? You talk about prior user, prior to what? A lot of the discussion here has focused on prior secret users that maintain their use as a trade secret up til the time that the case gets decided, gets litigated or gets into dispute. I think that kind of prior user right is exceedingly rarely an issue. But there's another kind of prior user right that I think is commonly an issue. That is someone who is the second inventor, who makes the invention after the filing date of the guy that ultimately gets the patent, commercializes the invention, perhaps publishes, does what we all say is good and virtuous. He uses the system and he publishes an article, disclosed the invention, but he's built his factory while the first inventor's application is maintained in secrecy, and while no possible clearance search could turn up the existence of the possible later problem, the pending application that eventually issues. That is a function in part of the fact that we keep applications in secret. But even if we start publishing after eighteen months, there is still the possibility of somebody starting to commercialize at a time when there is no way to protect himself. No matter how good your clearance search is, you can't turn up pending applications. (Someone interjects — secret prior art) Well, it's not secret prior art because my hypothesis is somebody whose use is not prior art. He makes the invention later and the application is pending. I have some sympathy for people like that, and I think that people like that should have the ability to get something more or less like our intervening rights. You can call that a compulsory license if you want to because in intervening right situations, the party that has the intervening rights is entitled to continue manufacturing. He can't be closed down, but he is subject to being required to pay royalties, and that seems a fair balancing of the equities to me in this situation as well.

MR. THOMPSON: I think that Mike's poll tries to get at the real relevance of this; however, what I think you have to bear in mind when you're talking about the real relevance, if we didn't have the prior user, either as it's contemplated in connection with the harmonized treaty with first to file or as 102(g) as we now have it, in this climate of very high patent awards and very slight differences that seem to get upheld on combination theories by the courts, I'm going to behave, if we don't have a prior user or a 102(g) knockout, in a very fundamentally different way. I'm going to file on every iteration of improvement to make sure that my developers can continue to have the defensive ability to follow their development. As I've heard in certain debates that first to file is going to drive us to a paper shuffling system like Japan. I don't think first to file would do that. I think that our high enablement and disclosure requirements will cause us to behave more like Europe unless we don't have some kind of insulation for the one who's got this in development. That's the one thing that'll drive us into a paper shuffling system, is if we don't have some ability to protect these small developments that we're carrying on. But I think we're going to behave very much differently under that kind of a system.

MR. ARMITAGE: I wanted to disagree with Bill Thompson, because I rarely get to disagree with him. Bill, you're not going to do that. You're not going to file massive numbers of patent applications, because you're going to have to pay filing fees. I would never disagree with the Commissioner. What you're going to do, Bill, is not wait the eighteen months for full prior art effect for these massive applications you're going to file. What you're going to do is find ways to "end run" both systems. You're going to massively publish technical information, obscurely and massively publish technical information, so that nobody knows what you're doing. You will do it so that they're barred. You may publish 80 phoney processes and mixed in will be one example of the thing that's important to you. It'll be out there; it'll have a patentability defeating effect. However, for what purpose would you want to encourage that kind of system, when a simple system of prior user rights would just do simple equity?

MR. THOMPSON: Yeah, well, sold, I'll do that then.

MR. WEGNER: I want to comment on this idea, whether we will go like Japan or will we go like Europe. That, I respectfully submit, has nothing to do with prior user rights. This idea that we'll turn into a "Japan" because we adopt first to file or do or do not have prior user rights is a red herring. Europe and Japan share most concepts. The reason why the Japanese "flood" is because they are able to file

applications in tens of thousands. I think the top six Japanese filers in a recent year filed about 100,000 patent or utility models a year. They're written by engineers often without any patent background at all. They pay a $100 filing fee, and nothing more for seven years until examination is required. That's why they can flood. We don't have a system like that, so I think it's a red herring.

On the record, I favor prior user rights as long as they are limited.

MR. BENSON: Okay, for purposes of kind of summing up, Dick would you kind of tell us what you think happened.

MR. WITTE: Well, what I think I heard in our prelunch discussion was that there's general agreement that prior user right is, in fact, an erosion of the historic patent grant. Some are willing to accept that for a variety of reasons, and I think others are not. Most of the commentators talked about the balancing of equities. I'm personally not convinced that there really are equities, but that is a commonly felt feeling, balancing of equities. I think that what I heard was that if we don't change to first to file then prior user rights aren't nearly as important as they would be if we changed to first to file, in which case the prior user right becomes a much more important thing for such reasons as protecting the small and university inventors and small businesses. The prior user right will protect large and small companies who can't file on, in Maurey's words, the nits, or the minor inventions that Bill Duffey talked about. This seemed to be a common theme. There was also a lot of comments about the basic fairness in an equity situation where the Johnny-come-lately who's the patentee, and the one who wants to use the patent system and disclosed. But is he the Johnny-come-lately over the guy who's been investing all along earlier in prior secret practice of the technology. I think the Johnny-come-lately is really the prior inventor who comes up later after the patent appears. Again, that's a balance, a basic fairness thing. Two other issues that seem to attract a lot of attention were the problems in defining prior user right. If we have one, what is it really going to be? I didn't hear a consensus. I think Hal Wegner's thoughts came closest to defining a narrow right. Even though I'd fight this to the death if we do have a prior user right, I would listen closely to some of Hal's ideas how it should be defined. The other one where there was a lot of mixed views was on whether or not a change to first to file with no prior user rights would result in a flood of patent applications. The old floodgates argument. I don't happen to agree with it, but, nevertheless others who have different kind of businesses than I'm familiar with would predict that. These are the important points that I thought I heard.

MR. BENSON: Now I'm going to ask Karl to do the same thing.

MR. JORDA: Well, Dick mentioned the erosion of patent rights. There was a trade secret system long before there was a patent system, and if you abolish the patent system tomorrow, there will be a trade secret system going on into perpetuity. The patent system is something that can coexist very nicely. I think *Kewanee v. Bicron* has taught us that the two systems are fully compatible, fully viable alternatives for inventions, for protection of inventions. There's no reason to denigrate one or the other. They're complements, they're not contradictory to one another. There's too much of a narrow view as to what the patent system stands for. The most amazing statement that was made, I think was made by Judge Newman when she said that a trade secret, if it's commercially practiced, is by definition not concealment. The common assumption out in the profession is that, on the contrary, concealment or maintaining a trade secret, is by definition concealment. So there's a real great polarity on that point. But it's nice to know that if Hal Wegner ever takes a test case to the Courts, to the CAFC, we know where Polly Newman would stand on that issue. Section 102(g) does not provide a prior user right, because when you apply Section 102(g) you invalidate a patent, and that is not what a prior user right is all about. A prior user right is one where the patentee and the trade secret owner can peacefully coexist and practice their inventions and the patent can be enforced against other competitors. This may not be very much of a review of all that which transpired here, perhaps, but some comments in summarization anyway.

## "SECTION 104 – INVENTION MADE ABROAD"

MR. BENSON: Now, we move on to Section 104 and Bill Hennessey is going to give a little bit of an introduction.

MR. HENNESSEY: Thanks, Bob. The proposal to deal with Section 104 is a fall back position, which has been proposed by the Commissioner in a letter which appears in your reading on page 91, dated February 22, 1991, alluding to the difficulties in moving to a first-to-file system in the U.S. In the last paragraph of the Commissioner's letter it says, in effect, that the U.S. should have the option to retain its first-to-invent system, and that the U.S. would address certain aspects of the system which have been criticized, "in particular the provision of U.S. law that precludes U.S. and foreign inventors from relying on acts outside the U.S. to prove dates of invention." The proposal to remove Section 104 has no practical advantages for most U.S. parties, other than as a part of a negotiating package with foreign countries. One

of the questions that arises which we will have to deal with is the extent to which Section 104 can be surgically excised from the statute, leaving what's left no worse for the wear or not too much worse for the wear by its absence. Some of the things that were brought up in the readings with regard to the Paris Convention and the extent to which Section 104 is or is not in compliance with the Paris Convention remind me of — I think it was Anatole France, who said "the laws of France do not know rich or poor; they prohibit all men equally from sleeping under the bridges of Paris!" Section 104 is in compliance with the Paris Convention in that inventors are treated equally, even if inventions are not. Another question that comes up beyond the extent to which we can remove Section 104 without doing a great deal of damage to the patent statute as it stands is the question of whether it's a rule whose time has naturally outlived itself and whether it deserves to pass away naturally. The language of some of the cases suggests that it's "a horse and buggy rule" that was made for a time when we didn't have quick access to air travel to go to New Zealand and look under rocks, or on beaches, for conception and diligent reduction to practice outside the U.S. To what extent is the rule of Section 104 one whose time has passed because of technological changes? Another question that arises with regard to that rule is how expensive it then becomes to do the kind of discovery that's done in the U.S. on a global basis, and whether or not that is too much of a price to pay for including this as a part of a negotiating package. There's also a question as to whether some of you see this as an unsavory alternative to what was already an unsavory proposition of movement to a first-to-file system. The question is, is there anything else that could be done in its place? And, finally, in the process of retaining Section 104, or deleting 104, have we done anything to educate U.S. inventors in how to deal with the world as it exists outside of the U.S. In the foreign world beyond the U.S. borders, inventors don't have the kinds of advantages that U.S. inventors have here, which are created by the uniqueness of the first-to-invent system. In any event, those are some of the issues I saw in this particular proposal.

MR. EVANS: I'm Larry Evans from BP America. I'd like to offer some comments this afternoon from a negotiator's standpoint, a practical view, that is, not a theoretical or philosophical one. It's very difficult for me to argue that we should retain discriminatory articles in our statute since any fair assessment of the law of national treatment would indicate that you should remove discrimination as much as possible. I would agree with Bill Hennessey and his students who

wrote the article that at least the spirit of national treatment under the Paris Convention is violated by Section 104, i.e. by retaining Section 104 in our treaty. I would suggest that ours is not the only patent system in the world that has discriminatory provisions. I would suggest that the Japanese system of pre-grant oppositions and the way that it is implemented, the way it's administered is much more discriminatory against foreign applicants than the first to invent and 104 system of the U.S. law. And I would also say that we have no reason to be apologetic about our system. I'm going to comment on the strategy of offering a concession at this point for which, in my opinion, we will receive very little or nothing in return. I've talked to my associates and friends in England, Scandinavia and France about this provision, and I can't see our treaty partners from those countries, at least, agreeing to the desired concessions of establishment of a grace period, doctrine of equivalence application, and the elimination of pre-grant oppositions in return for our giving up 104. I believe in harmonization, and I think that all of us would conclude that harmonization is in the interest of the U.S. economy. But in the present harmonization discussions, the one major trading chip that we have is our first-to-invent system, and we have that partly, and maybe largely, because of Section 104. I believe that giving up half or even more of our position, when it's doubtful that we will achieve our desired goals, is not good strategy unless the strategy has nothing to do with the views of the other countries, but rather, it has to do with the views of a very vocal opposition to first to file within our own country. That is, are we getting to the point where by pressing the removal of 104 that we're causing the opponents of the first-to-file system to realize that they're opposing a system which we must have in order to gain equity and harmonization of our laws around the world. We're not going to gain anything in the international discussions by offering this. The Scandinavians and the French will say, thanks a lot, that's great, you should've offered that already, but you don't get a grace period. At that point, having already offered the 104 removal, the price we will be paid for giving up first to invent and going to first to file is going to be lower. We're not going to get as many concessions as we would've gotten otherwise. Secondly, we're going in the direction of complicating interferences and making them more time consuming and more expensive. I know that the theory is that the foreigners will come to the U.S. with all their proofs, and we'll have the opportunity to view those proofs, but I believe that it's going to be very difficult to determine whether they've brought everything that they should've brought and whether we'll have a real

opportunity to impeach their witnesses or to talk to the witnesses that really know about the invention and have material information about it. We'll have reduced ability to impeach the foreign proofs and the foreign inventors would often have economic incentive to fabricate proofs. Of course, we have experience with fabrication of proofs in our own system, but there would be a lot less opportunity to impeach those fabricated proofs if they were fabricated abroad. Foreign inventors already enjoy a de facto freedom from strict application of 112 in interference proceedings today. We have no way of determining, for example, whether or not their convention application discloses best mode, and they have a lot of ways to find out whether or not ours does. The final point is that 102(g) would be opened up. A necessary companion to the elimination of 104 is the elimination of the phrase "in this country" from Section 102(g). This would allow prior conceptions occurring anywhere in the world to be used as prior art or secret prior art or whatever we want to call it. This would give defendants, in their attempts to invalidate our patents, an opportunity to cause quite a lot of havoc and it would weaken the strength of the U.S. patents, at least it would cost a lot more money to enforce them. I would like to close by offering that one way of accomplishing the elimination of 104, if, in fact, that's what we want to do, but not causing the 102(g) problem, which I alluded to, is to simply strike 102(g) from the statute, strike 104 from the statute and insert in 35 U.S.C. 135 the language of 102(g) that you need in a first-to-invent system. That is that the priority of invention shall be awarded to the earliest inventor who has not abandoned, suppressed or concealed the invention, and in determining the priority of invention, there would be considered not only the respective dates of conception and reduction to practice, but also reasonable diligence, et cetera. At least then you isolate the problem, that is the discriminatory provisions of 104. But what I'm left with at the end of the day is that a system of first to invent without 104 will force everyone to a de facto first-to-file system; thus why not go to a first-to-file system anyway and forget about eliminating 104 and retaining first to invent.

MR. BENSON: Thank you. I'd might as well alert you now that at the end of the session I will ask you to summarize. Okay, it's open for discussion.

MR. DUNNER: I accept your proposal. Let's go to a first to file. But, I would just like to comment on one particular aspect of the 104 issue, and it has to do with proofs. I see an enormous problem in eliminating Section 104 unless some means is developed to permit U.S. parties to get as effective discovery on this issue as foreign parties would have,

and I do not have anything in mind because I am not sure there's any practical answer to the problem. In particular, if the question comes up in the interference and if the witness happens to be a party or somebody employed by the party, the statute could impose as a condition of that party being in the interference that the witness, whether he be a managing agent or otherwise, has to subject himself to the same discovery that our people are entitled to. That would take care of part of the problem. But the problem goes beyond that. The problem also includes third parties, former employees, who are no longer employed by the party. Now, I read some place or other, probably in these materials, well, that's no problem, we have the Hague Convention and almost everybody is a member of the Hague Convention. Well I don't know, I could take the poll that Mike Meller asked us to take, how many of you have used the Hague Convention, and as many of you as have raised your hands will tell me that it's inadequate. Because it is grossly inadequate to prove what you need to prove. Depending on the country, you can get anything from nothing to something less than you'd get in the U.S. Now, unless and until that problem can be solved, and I do not know that it can, I think that giving up Section 104 is a real problem and this is wholly aside from the question as to whether it is equitable, it's wholly aside from the questions of whether it is a facade to suggest that we're in compliance with the international convention by arguing that, well, we're only talking about inventions, not inventors, which I think is a bogus kind of an argument. The courts have bought it, at least one or more courts have bought it, so where I come down on the whole thing is, I'd like not to be selfish and I'd like to be fair and I'd like to be equitable, but only if we could come up with a meaningful and effective system. I'm not sure we can, and if then, I'd want to think about it.

MR. KLINE: A couple brief comments. I guess I'd just like to raise the issue with Larry and maybe it ties in somewhat with what Don was saying. Would you find it more palatable, if you will, to give up 104 but provide that anyone, any party who is going to rely on acts or activities carried out abroad in connection with any proceeding in the U.S., i.e. say an interference proceeding, that they would have to make all discovery documents, all witnesses, et cetera available in this country, the documents in translated form and the witnesses to be deposed here? I just raise the issue.

MR. DUNNER: Am I supposed to answer that?

MR. BENSON: You can if you want to.

MR. DUNNER: The answer is that certainly would make it more

palatable. It would probably cause some people to choke over there, but it still would leave a problem because the third parties may not have control over the critical third party witness who may well be with an adversary of theirs today, people moving from company to company. And even then I would be concerned about the cost, about the burden, about everything else. I'm just saying, I don't think that would solve the problem.

MR. EVANS: And, I'm also wondering, just briefly, whether or not the French law against any Frenchman participating in discovery would be violated by a French company participating in such a proceeding. I'm asking the lawyers this question. I really don't know the answer.

MR. RINES: Of course, we have such diverging concepts. For example, in Germany, the parties who know everything first hand are not allowed to testify; and it's done by hearsay totally. But let's talk very frankly. I've had quite a substantial international practice. I tell you, I don't always trust either the practitioners or the systems; and I know they falsify documents and affidavits, and I know they don't produce documents throughout Europe. I think it would be quite ambitious for us to think that you're going to change cultures... even in the United Kingdom.

MR. WEGNER: First, I must make a comment on trust. I think there may be an occasional dishonest Japanese or German as in any culture, including our own. It's like Woody Allen who went to interfaith camp and got beaten up by people of all races, colors and creeds. [laughter] Frankly I know quite a few Germans and Japanese I'd rather trust than some Americans. That also doesn't mean all Americans are bad. But I think that's a side issue here. I think the first thing is, we should not make a black and white issue by saying we get rid of Section 104 we necessarily get rid of the domestic aspect of 102(g). There is no logical reason why we necessarily must make 102(g) into an international prior art event. It is not a Paris Convention violation if we make Section 102(g) a domestic situation only. The precedent for that is, for example, that the Japanese have prior domestic disclosures of invention as prior art, not international disclosures, and a domestically limited prior user right. I don't see that as a problem at all.

Don Dunner raises a very serious question, a very serious question of what do you do about discovery abroad. There are some partial answers. You can have a presumption as we have under Section 295 for process patents, but that's only a partial solution. Now, Section 104 has got to go at some point in time. Section 104 is a violation of the Paris Convention, pure and simple, with due respect to the excellent research that was provided here. If you look at the inter-

national fora where there are discussions of Section 104, you'll see ad nauseam and ad infinitum scholarly discussions by Europeans who rip Section 104 to shreds as a violation. The very wording of the second sentence of Section 104 is blatantly discriminatory on a "national treatment" basis. It talks about persons domiciled in the U.S. who make inventions abroad. They get special treatment. If that isn't discrimination on the basis of nationality of the inventor, nothing is discriminatory.

I think Don mentioned, I think Bob mentioned, what are we gaining, and Larry also mentioned, what are we gaining if we give up on 104? Well, the reaction I get from some Europeans is that this is no bargaining chip. "You're in violation of the Convention, *you* give that up." That is not a negotiating chip.

Now, I think Bob's point is very well taken. It would make our life a lot easier if we could force every witness to come to the U.S. and have testimony translated to English. That makes less palatable an already totally unpalatable option internationally. Now, at first I was thinking maybe this is a good negotiating strategy, it might have some merit. Germans and Japanese that I've discussed this matter with initially, they thought this was a good compromise, something that could work. The fatal defect in this compromise is that some countries sharply dissent. For the European Patent Convention to be modified, *all* the EPO member states, 100% of them, must sign off, because the EPO, the European Patent Convention, must be modified as part of the harmonization treaty. The only way, the only way that that treaty group can change is unanimously. So, Denmark has the veto power. Sweden has the veto power. Shortly, Portugal will have a veto power. So, unfortunately, this was a non-starter. I think this was a bold compromise. I'm very glad that it's been out on the table. I think it served a constructive purpose of focusing on the issues but now it is dead. We must move on.

I think the only resolution is that we necessarily conclude, if we recognize that Section 104 must go, is to go all the way to first to file.

MR. GHOLZ: We already have a substantial number of interferences where you are getting this kind of testimony. Derivation that takes place abroad amongst foreigners is an issue that we can prove right now. I've had a number of interferences like that. I also take strenuous objection to the suggestion that foreigners as a group are more likely to commit fraud than Americans. I think some of them are, some of them aren't. But we have the situation where the evidence is abroad. It is producible. You can prove this kind of case. There is an additional expense of flying there, but as people have said, ad nauseam,

interferences are expensive, and I don't think that that is a major component of the expense. And I've had experience with this third party witness problem that Don Dunner refers to. Obviously I can only tell you about cases I've been involved with, but I think that this is the general practice of the Board, at least this is what has come up, well in one particular interference I remember vividly where a key witness was no longer employed by the other side and I got a discovery order, which one doesn't get all that often out of the Board of Patent Interferences, and the order to the other side was to produce him for examination in the U.S. or there would be a negative inference drawn. The assumption would be that if they didn't produce him, his testimony would have been adverse to that party on a key point. They decided not to produce him, and we, therefore, won the interference as it turned out. The kind of problem that you pose, that doesn't help with the translation problem, of course, but the problem with getting the witness here in the U.S., the Board already has experience with that kind of problem and I think has a reasonable way of dealing with it.

As far as translating documents if they're kept in foreign languages, well, yes, that's a pain sometimes, and it can be expensive, and I wouldn't be in favor of something that would require the foreigners to have to produce any, have to translate any document that the Board would compel them to produce. That would provide too much of a harassing tactic. If you could get an order from the Board requiring them to produce a sufficient number of documents, which they would then have to translate, you could run their prices up ridiculously. So, that, I think, would be an unfair way of handling it. The good news, I think, on that is that an astonishing number of the foreigners, at least the Europeans, keep their documents in English to begin with, because so many research laboratories in Europe are staffed by people from Portugal, Germany, Finland, all over, and their one common language is English, and it's astonishing how often it turns up that their laboratory documents are in English anyway. I don't say it's always that way, but I've seen it a number of times.

MR. THOMPSON: The good thing about proposing the demise of 104 in the harmonization context is that it probably increases the percentage of those who are willing to go to first to file. Now, obviously that begins to look more and more attractive as one contemplates all these problems and difficulties without 104. However, we really ought not be looking at the demise of 104 strictly in the harmonization context, because it's also on the table in the GATT negotiation, and it's viewed foreignly as highly discriminatory no matter how we

sanitize it in terms of its origin or its logic, and they come at us with all guns blazing on this very, very discriminatory provision that we have. My take is that if it gets down to the question of whether this country is going to make some important gain in the agricultural segment in the GATT versus not giving in to the foreigners on the 104, we're going to give on this. And we're going to find that our principal opponents are our own trade negotiators in this country, not the foreigners. I believe that this issue, until we get rolled on 104, will surface in every trade negotiation that comes down the pike, the North American Free Trade next after GATT and whatever comes after that. So, I think we need to think about how we would survive in a non-104 world. Whether it's this requirement that's been suggested of requiring that every witness and all the documentation be brought over here, that's one possibility. I'd like to dust off a few old ideas and apply them in this context and see, maybe, if there's another idea. Suppose in a non-104 first-to-invent world, we limited the reach back on first to invent to one year and then, and I mean one year from the formal filing date as distinguished from internal priority filing, the date on which a case actually starts to attract its term. Then suppose we further gave a presumption of one year of diligence. Now, when we've done that we've eliminated the need to prove diligence, we've also dropped out the need to prove an actual reduction to practice, because that's confirmed by the constructive reduction to practice. And then if we established the ground rules, the strict ground rules for what documents establish conception. It has to be in documentary form. It has to be witnessed. It has to be corroborated, all in a document. We have something we can put our hands on. Interferences then would essentially reduce to the question of producing evidence of conception, pure and simple. Now the reason I, and I saw Hal wince on this, the reason I would suggest that it be keyed in with formal filing is because the Europeans are so prevalent in using the internal priority filing and one year later the formal document, which means that for all the foreigners there'd be no advantage in proving early conception. They've got their earliest date recorded on this internal thing and so it's an objective filing record that's out there. Now, the criticism here would be, well, are we discriminating in that respect, and I would say, well, why don't we create an internal priority system just like it with the same rules applicable to it so that we have it totally balanced in that respect. I think in this way we could think about moving into a first-to-invent world without 104 and getting our proofs way down to a bare minimum, something that we could handle, and would be essentially

fair. So, perhaps we could live with this thing and then we can come back to now rethink of this in the harmonization treaty context. Maybe the proposal isn't all that bad if we visualize that we could modify our law in such a way that it's reasonable to handle these proofs, and perhaps it even becomes a total compromise because now in the U.S./European, U.S./Japanese context, we've got a lot more to offer than just saying we're going to eliminate 104. We now are saying we're going to limit the reach back to one year. That is, after all, equivalent to what you're doing with your internal priority. It's not all that much different. It's just a non-filed record versus, in your case, a filed record, and we really have systems that are very, very similar at that point in time. One of the educations that I have had in the harmonization preliminary meetings is that the more I listen to it, the more I realize that the first-to-file, and the first-to-invent systems are not as different as we would like to think they are, because the internal priority really kind of does give them a reach back in a way. So, I think we can figure out how to live with this, and I think we'd better figure out how to live with this, because in harmonization, first to file is not assured, and the possibility that we're going to get rolled on 104 is a distinct possibility, so we'd better have some fall back, some way to go.

MR. MELLER: I'll try to keep this short, but the idea of eliminating 104 if you read the Bardehle article, (the last one in the package you have) I had something to do with it, I helped edit it and put it into more idiomatic English. This contains precisely the idea that Bob Kline has posed, mainly that taking of evidence would be done according to our rules. The proofs would be provided by those wishing to prove conception coupled with diligence to the satisfaction of a U.S. Court or the Patent Office. Now, I'm also mindful very much of Bob Rines' comments on whether we can trust those proofs. Well, that's one of those things. In the old days, if you look at some of the history and you look at some of the cases that talk about Section 104, there are all kinds of stories about how long it took for information to go from one continent to the other and how systems were different. But the whole idea behind harmonization is that we're getting together. So, if trustworthiness is truly an issue in this, I wonder why we're even thinking about harmonization. We have to trust each other in this country and we are reaching out to the rest of the world and we're saying, we want to trust and work with you. So if we put trust in the issue, why bother with harmonization.

MR. KLITZMAN: One thing dealing about discovery, that you find out quickly, if you go through the FEDERAL RULES DECISIONS, you will

find that we in the U.S. are experts at stonewalling discovery, destruction of documents and all that sort of thing. There's an awful lot of stonewalling that goes on in the U.S. There are a lot of reported decisions on this topic. We're experts at it, so I think it's wrong to put a label on all foreigners that they're going to lie and do that sort of thing. They probably will in some circumstances like they do in the U.S. Secondly, I think that in any rescission of 104, I think you have to have a reciprocity type provision that tracks what they have in Trade Regulation 301. The discovery process as it relates to third parties, and it may not be a party to an interference, for example, the opponent who doesn't have control over that third party, that unless that country has some sort of provision that meets our requirements for discovery of third parties, they don't get the benefit of rescinding 104 and they'll have to qualify and make sure that the laws in that country subjects third parties to discovery. Now, there are probably things wrong with that that you can find, but at least that's a step in the right direction. I think that, insofar as stonewalling discovery is concerned, I think that to some measure the judges in the U.S., for example, are able to deal with it through sanctions. They can give sanctions as it relates to the decision, money, injunction, all sorts of things, and their decisions provide for that. So, if you include sanctions and include a provision like they have in Trade Regulation 301 where a country's discovery rules have to qualify, I think you can eliminate a lot of the discovery problems raised today. Probably not all, but you can to a large extent.

MR. ARMITAGE: The difficulty I see with this worldwide application of Section 104 is that, in the first instance, we don't have the same kinds of verification tools we do in the U.S. Eventually if someone is wholly manufacturing documents, there are ways to find out if the originals are not authentic. But, if you're talking about something that comes out of the bowels of a Japanese research laboratory, allegedly many years earlier, of which you receive an English translation, which you may not be able to afford to verify as being correct, then I submit that it's an impractical system for us. We simply, in the average interference, won't be able to verify, won't be able to retranslate everything from the beginning. The cost will be enormous. As to the linkage of a Section 104 change to a Section 102(g) change, I think there've been two views expressed, both of which are correct. I think that Larry Evans suggests that those two are linked. Hal Wegner suggests that they are not linked. We certainly have a choice as to whether to link them or not. You can write your patent statute in any screwy way you want and the courts will apply it and you'll

get a result. But the simple fact is if you uncouple Section 104 and Section 102(g) then as Hal suggests, you won't get analogous results to those you get in the U.S. now for a very simple reason. Right now, in order for an interference to properly allocate patentable subject matter to a winner and a loser of the interference, there's an interplay between Sections 102(g) and 103. For example, lost counts in some cases become prior art and in some cases they are not prior art. Further, interference estoppels also operate on the notion that 102(g) prior art is created which impacts on nonobviousness determinations. If in the interference, we're going to have the fiction that Section 102(g) is there to defeat novelty as well as to impact on nonobviousness issues as between two specifications, but outside the interference pretend that Section 102(g) is no longer there for those proved prior inventions, you're going to get different results. And I submit that in some cases you won't like the results you're going to get. Bill Thompson also has a very interesting idea. I've never disagreed with Bill twice in the same day, but I'm perilously close to doing it today. What Bill is suggesting is a very elaborate compromise, a one year throw back period, et cetera. Inventors could use internal priority documents that are filed in the same way that written conceptions that are not filed with the PTO are now used. Given the real world we live in, though, I submit that it'd be a lot simpler just to go to a first-to-file system and a lot more predictable. It is a model that, based on European and Japanese experiences, is really imperceptably different from this much more elaborate one. I only want to make one more point, and that is that several groups have looked at the Section 104 option versus a patent harmonization treaty that mandates first to file, and the unanimous view of the National Association of Manufacturers, PMA, and Intellectual Property Owners, Inc., has been that the U.S. would benefit from a properly crafted, properly balanced treaty that mandated first to file, but under no circumstances should the U.S. attempt to negotiate or implement a treaty with the Section 104 option. I must applaud Harry Manbeck, because I don't think we'd have gotten the solid support for first to file today if this screwy idea hadn't surfaced.

MR. FRYER: I have a couple of comments and then I would like to make a proposal, because Bill Hennessey suggested that maybe there might be other alternatives. I think there is at least one proposal between first to file and first to invent. My comments on 104 changes are that I would rely primarily on the experience of other attorneys, people more experienced than I am in the international litigation field, in torts, particularly in the airline industries. Have they had problems

litigating matters overseas? I would certainly lean on these people, professors and others that are knowledgeable about the problems. We have heard some of it today. I would like to get a more comprehensive view of whether it is a problem. My second point deals with derivation. This issue is now a matter considered on a worldwide basis. It so happens that I was involved in a case in which there was an alleged derivation problem in Japan, and the court handled it.

MR. WEGNER: Filed in 1940.

MR. FRYER: A third comment is that you have to deal with the question, if you change 104, what to do about 102(b)? Are you going to eliminate the U.S. geographic requirement there? Are you going to allow foreign activities to apply? So if it is just a problem of proof, and that is the only reason, and you have the ability to determine and discover this foreign evidence, then what is your justification for not doing the same thing for 102(b)?

My proposal, as some of you may know who read my article in 30 IDEA: JOURNAL OF LAW AND TECHNOLOGY, is something between first to invent and first to file. Take the first-to-invent system and cut it down to a shorter period during which you can prove your date. Down to maybe one year, which happens to interestingly coincide with the grace period and other things. So, in effect, we could make an incremental move to modify 104. In effect we could say that foreigners would have the right of proof for one year, which means the evidence is more certain. It is more current and so forth. Actually this is a progressive substitute for first to file, in that it gives us the opportunity to move the system in the direction of filing as the most important step, but at the same time it preserves the right of both the inventor and the attorney, the diligence that is necessary, such as for application writing. It preserves the right for those that are trying to do the marketing and development at the same time they are getting the patent work done. And I think there is considerable room for argument that this is a good compromise. I call it the modified first-to-invent system.

The U.S. has a very unique patent system, in many respects, that will not change if patent harmonization proposals are adopted. The inequitable conduct principle, the greater disclosure requirements and malpractice sensitivities and litigation on them are the most critical. Some flexibility is needed for the attorney and inventor to complete the invention and the application, to obtain an enforceable patent. The modified first-to-invent system satisfies this need.

MR. JORDA: If the topic is Section 104, I can't sit back, because it's hopelessly anachronistic and shamefully discriminatory. Judge

Holtzoff said in the *Monaco v. Hoffman* case in 1960 the following: "Today with modern means of travel and communication, information may be transmitted from Europe to the U.S. as rapidly as from the Eastern seaboard to Honolulu and Alaska.... With the great increase in volume of travel between countries as well as the constant utilization of new means of communication, the reason for the rule no longer exists." And that was back in 1960. Now we have 1991, and we should get rid of Section 104 simply because it's anachronistic and because it is discriminatory. And as far as discrimination is concerned, if you say it's not because it addresses inventions and not inventors, well tell foreigners that they are not being discriminated against because they have the perfect option to come to this country and make all of their inventions in this country. Now, if that doesn't prove that it's discriminatory, I don't know what is discriminatory, and I am sorry, Larry, that I have to disagree with you. You cannot equate it with pre-grant oppositions in Japan, because that provision is not discriminatory as a matter of law nor as a matter of practice unless U.S. or foreign applicants have no interest in the Japanese system, have not learned how to deal with the Japanese system and just are not able to take advantage of it.

The Presidential Commission under President Johnson in 1964 came out with a very clearcut recommendation that Section 104 should be removed and bills that were introduced in Congress shortly after that, in fact, left out Section 104. But due to the effort, spearheaded by a good friend of ours, who shall be nameless, it was put back in. Recently a trade organization came up with the following unanimous resolution, after extensive debate the first-to-invent system benefits U.S. inventors and discriminates against foreign inventors and so the U.S. should not unilaterally forego the benefits of our first-to-invent system. The question is can we have it both ways? We insist on discriminating against foreigners and at the same time insist that foreigners stop discrimination against us. Section 104 is very, very narrow; it addresses only the question of priority. On all other issues: derivation, nature of an invention, even on questions of diligence, foreign data are not excluded. You can rely on them, you can take testimony and all of us have taken testimony abroad. It can be done. There is no problem. It's being done. Nobody can say: "Well, you cannot go abroad and take testimony. That's not practical. That's too expensive." In the polypropylene interference American attorneys were sitting in hotels in Milan for decades taking testimony.

MR. WEGNER: And enjoying it, I might add. Too much sometimes.

MR. JORDA: Of course, there are problems, and I ran into one such

problem. You cannot take testimony in Switzerland of Swiss citizens. The same is true for Yugoslavians and there may be other countries. I had an interference and the inventor from Switzerland was not willing to come to this country so we were going to have to take testimony in Switzerland. But you cannot take testimony in Switzerland except by way of Letters Rogatory, which is very complicated as it goes via the courts and via translation into German. So, we were going to take this inventor to Strasbourg, have him testify at the American Embassy, which can be done. No problem. There are complications here, too, but of course there's a perfect way to short-circuit it all and Bob Armitage said it. I couldn't agree more, and that is change to a first-to-file system. That short-circuits all of the problems.

MR. WYATT: Karl, I hate to disagree with you, but I think what the Commissioner has done with this 104 is to give the Europeans exactly what they've been screaming for for years. Now that they've got it, they don't want it. Because they smell blood, they smell this harmonization treaty where we're going to give up a lot more. This is exactly what they've been asking for. For those that don't remember, back in the 1960's the Presidential Commission recommended that we give up 104 and go to first to file. This is now 1991 and we still haven't done it and there's very good reasons for not having done it. Some of them you've heard here today. A lot of the reasons you haven't heard here today, but one of the reasons is, what are we going to get, we're going to give up a lot, but what are we going to get in return to give up 104? For instance, in the Japanese system they don't have the same patent system that we have. The Japanese have essentially what is a publication system, which is very good for them, very good for their culture, they tell each other what's going on, but they issue patents with extremely narrow claims. They don't enforce the patents against each other, and God forbid an American company tries to enforce a patent in Japan. It's almost an impossible task. So, it's a different system for a different culture. But nevertheless, and the European problem is different. I won't go into that. But what it is, it's us, the Europeans smell blood. This is what the Commissioner gave them here in 104 that they could come in here and prove it. Now they don't want it, because they see they can get many other things from us and we're going to get very little in return. That's the problem. It isn't the 104. It isn't the first to file. The problem is we're going to get very little in return for giving up these things that do discriminate in our favor. All these other countries have things that discriminate in their favor and very little of that will be remedied, but where we discriminate against them, we're

going to give that up, and that's really the underlying problem that's not being addressed here today. All we're talking about is what we're going to give up. There's no quid pro quo being addressed as to what we're going to get for giving up 104. There are good reasons for giving up 104 perhaps, but what are we going to get in return. That's what you're not hearing today as the real underlying problem here.

MR. EVANS: It's my view that 104 should be in the treaty if we can get it and if only for the reason that first to file is such a significant change or would be such a significant change that I think first to file should be debated as a national issue and it should not be tied in with a harmonization treaty as a basis of what are we going to get from this and what are we giving up for that. Because to me it's too priceless to be given up for a price other than what would be good for our own domestic industry and our own domestic promotion of technology. So I would say that we should continue pushing for the change to Section 104. I feel there are problems, but these problems have been addressed in other contexts, such as in the courts in litigation, they've been addressed in derivation. Those things, I think, can be handled. Moving over to 102(g), 102(g) would have to be changed. I don't see any need to change Section 102(a) or 102(b). Those two sections deal with anticipation, which is a different matter. Unfortunately 102(g) in this country deals with two things. As several courts have pointed out, in the one case it's used in interferences, in another case it's used for its anticipatory effect. I would propose that 102(g) be split by adding another clause that would keep the 102(g) in this country provision as it is now for purposes of anticipation and eliminate the restriction for interference purposes. I don't see any problem with doing that.

MR. BANNER: Just a very brief comment and then, I hope you'll forgive me but I have to leave, I have to catch an airplane. I just wanted to speak to what Bill talked about here. It is not necessary to get rid of 102(g) if you eliminate 104. 102(g) has two aspects. One relates to patent granting. One relates to patent defeating. They are different. If you get rid of 104 with respect to patent granting, then obviously you have to modify it, but you don't ever have to change it with respect to patent defeating, unless, of course, you want to. But you don't have to. Secondly, I think this problem of proof with respect to foreign activities is one that can be solved. I think it's very important that we would have a provision that the nation, as distinguished from the party, that the nation would, for example, France, would have to agree that if their nationals are going to take the advantage of this elimination to 104, we would have the right to take discovery of their

nationals just like we do U.S. nationals. I think we have that essential change in the laws of other countries before we could possibly do that.

MR. BANNER: Excuse me, could I ask one question? We did hear about the fact that some Europeans apparently don't like this, Commissioner, is it accurate that the appropriate body of FICPI has agreed to this? What is that situation?

MR. MANBECK: I can't say. This was, of course, discussed with some Europeans before it was proposed, and I will talk more to that, and was embraced enthusiastically by them.

MR. BROOK: The discussion I've heard so far is that if we were going over to a first-to-file system, we'd be giving up something that's priceless about a first-to-invent system, and I've got to admit I don't see what's priceless about a first-to-invent system. The discussion has been in terms of what we would be giving up if we switched over to a first-to-invent system and not getting anything back, but I think citizens in this country would be getting something, and certainly one thing we would be giving up is the cruel hoax that a first-to-invent but second-to-file inventor has much of a chance of gaining a patent in this country under the current interference procedures.

MR. MYRICK: I just have a few comments about the proofs issues. It may be that you can assume for the moment that court sanctions or unfavorable inferences from failure to produce discovery, and so forth, will take care of the bulk of the discovery problem you may have with parties. However, at some point, you may have to have some kind of third party discovery by compulsion and there problems begin. Discovery is not the same anywhere in the world as it is here. For example, it's not the same for the pretrial discovery of documents.

If you need compulsory foreign discovery, you have only a few possibilities of significance. You can use the Hague Convention for requests for evidentiary judicial assistance but this may be usable only for judicial requests and not for administrative requests. Also, there may be a bilateral treaty with the respective other country, or you may rely on comity and Letters Rogatory.

The Hague Convention has twenty-two members, or so, now and it's been in force in the U.S. since 1972. In the last ten years it's only added about ten members. To my recollection, none of them is in Asia, except Singapore. Even of the twenty-two who have joined the Hague Convention, only four have not exercised their right under Article 23 to preclude "pretrial discovery" of documents. In other words, there are only four countries, including the U.S., that will allow the "pretrial discovery" of documents under the Convention. And, insofar as there are only twenty-two members, and the last time I looked the

Paris Union has rather more than that, you have a big hurdle to leap in getting enough people to join the Hague Convention to make any Patent Law Treaty provision relying upon the Hague Convention a success. Interpreting the Hague Convention, recently the Supreme Court in the *Aerospatiale* case has ruled that the Convention is not an exclusive remedy. In other words, it's not the only channel to use with foreign discovery, but the Court also seemed to suggest that foreign parties may be a more protected class than non-foreign parties because of the concern the Supreme Court had for treatment of the issues of comity, even under the Hague Convention. That's still being worked out by district courts as they try to interpret the Supreme Court's decision. So, Hague is not the answer at the present time.

If, to go further, we intend to negotiate into the Patent Law Treaty a provision that would subject other countries to U.S. discovery for any purpose, I think you would have the Ministries of Justice very much interested in this Treaty, and I believe that the Treaty would be stalled for a long period of time.

MR. PRAVEL: I think we've kind of woven into the first to file versus first to invent question on the 104, and just as a preliminary to the issue, it seems to me looking at it and listening to Doug Wyatt's criticism of it I kind of look back in time and I remember when I first heard there was a serious effort in the U.S. to go to the first-to-file system, I think Bob Armitage may have been one of the first ones to vocally push it. Frankly, I resisted it. I felt it was something maybe un-American about going from the first-to-invent system. But, by having been involved to a great extent in the harmonization proceedings, and having been more or less forced to evaluate it, I have concluded that the first-to-invent system is not superior to the first-to-file system, and there are advantages to the first-to-file system, particularly for the individual inventors and for large companies, too. So, I don't see that we're giving up anything by going to the first-to-file system if we go that far. As far as the 104, obviously if we go to the first-to-file system, we eliminate our problems with 104, so that's a plus in itself. The next thing has to do with the Commissioner's proposal and the way I looked at it when I first heard it, I thought it was a good proposal and maybe I interpreted it to mean that along with giving up 104 we would add these requirements of proof that we would need in foreign countries. I don't know what you were going to say about that, Harry, but that's the way I looked at it. So, it's not a crazy proposal if you think of it in terms of giving up 104 in a first-to-invent system and you have the protection of discovery in foreign countries of the type we're thinking about. Maybe that's pie in the sky to think

that that could be accomplished, but at least in my view of it that's the way I envisioned it working.

MR. BENSON: Anybody else who hasn't spoken. Okay, I'm going to go around the table and give everybody who wants a second crack at it. Two minutes, not more than two minutes, and then the Commissioner's going to speak and then we're going to have our summary.

MR. THOMPSON: I just wanted to bring some data I've been working up for a presentation I have to give next week, but it puts some of this in perspective. In talking with Ian Calvert, he advises me that last year, fiscal year, 221 interferences were declared. Expressing that as a percentage of the cases that were filed in that year, you come out with 0.13 of a percent, about a seventh of one percent. Of those interferences, a certain segment are going to be dissolved as demonstrating no interference in fact, and then another small percentage, about 30%, are going to be won by junior parties. When you do those multiplications, you come out with about 1/50th of one percent deviation between the first-to-file and the first-to-invent system. So, that's a little bit of the context that we're talking about here. Now, this is not to say that the 1/50th percent that's yours isn't important. I understand that. But we do have to get these things into perspective. And, the data also indicates relative to the proposal that both I made and Bill Fryer made about limiting the reach back of interferences to one year, that 70% of the junior party wins, when the junior party wins, he has filed within one year of the senior party. So, I think we protect substantially most of the junior parties. When he has filed further downstream than that, his odds go way down indeed, and so it's kind of a pragmatic approach to still preserving those rights, but I must admit, and I agree, and I have never suggested this in any context other than this, is a fall back. I agree that the cleanest solution is, of course, first to file.

MR. FRYER: My research, conducted on the interference cases in the last five or six years, indicates that abandonment works as an effective cutoff at about one year from filing, usually. It supports what Bill is saying, that we do have that mechanism in there now.

MR. TEGTMEYER: Just two observations. One on the proposal that Bill Thompson and Bill Fryer offered, being somewhat different. This is the first time I've heard those particular proposals myself. My immediate reaction is favorable. You're either talking about a test based on first to file or a test based on first to conceive, when you take the diligence question out or assume diligence, and I'm not sure I like that particular aspect of it. But I'm just trying to keep an open mind on it still. The second thing is, I don't think you accomplish

a lot, even though you do take care of this one year period of time, in terms of the party who either can't afford or can't establish by sufficient evidence their dates. I don't think this takes care of them anymore than the old procedure did. Maybe it does because it's more recent, and I haven't thought all that out, but right off the top of my head that's my reaction on it. The other, going back to the basic question on the first to file, I think it's much easier to train, just an observation that hadn't been brought out, those applicants on a first-to-file system. In other words, it is easier to train them to file promptly more easily than it is to train them and get them to keep records that will corroborate their dates and establish their dates. And, I think that's another point that I don't think has been adequately discussed. These are just some observations on some of the things said.

MR. GHOLZ: Hal made the statement that 35 U.S.C. 104 is irredeemably or hopelessly contrary to the Paris Convention, but it's only the second sentence that is indefensible. And the second sentence is virtually useless, or at least the reported opinions involving the second sentence are two or three at most. The first sentence is what got litigated in *Eli Lilly v. Brenner*. I think the first sentence of 35 U.S.C. 104 is perfectly consistent with the Paris Convention. The one that says that you can prove pre-filing invention dates based on where the invention was made as opposed to the citizenship of the inventor. We could get rid of any legitimate arguments that 35 U.S.C. 104 is contrary to the Paris Convention by doing away with the second sentence of 35 U.S.C. 104 and, for those that want to keep 35 U.S.C. 104, the meat of it is in the first sentence.

Second, with respect to the argument about getting discovery, I think of 35 U.S.C. 104 in the interference context, which is where it normally comes up, and there you're not worrying about the Hague Convention and that sort of thing. If you can persuade the examiner-in-chief to order discovery, which is tough, but if you can do that, then the other side has to make discovery, period, and if they don't, then they lose the interference. Now, they can't be sanctioned and sent to jail. They can't have various other things done to them, but the ultimate sanction is you produce the stuff or you lose the interference and that seems to be a perfectly appropriate sanction for that kind of a litigation. You can get discovery of foreigners in interferences without going through the Hague Convention.

MS. LINCK: I feel I'm under somewhat of an obligation, being the only woman left on this panel, but I'm also probably the least experienced in this area, but, initially I'd like to say I haven't heard any arguments that convince me that a first-to-invent system is a good

idea when you consider all the cons of the first-to-invent system, setting aside the harmonization question. But, it's my impression that there's more people now that are supporting the first-to-file system, and maybe I'm wrong about that, but let's say for arguments sake we're split 50-50, then you've got to throw in the harmonization question. The rest of the world wants us to harmonize on first to file, so if we're split 50-50, if we can't decide within our own country, let's put the harmonization question on the scales and go with first to file.

MR. ARMITAGE: I appreciated Bill Pravel's suggestion that I was one of the leading early advocates of first to file, although I think first-to-file advocacy must go back to the beginning of the current system and the many messes it has created. But today I have changed my mind, because I have become infatuated with the Thompson-Fryer first-to-invent initiative. The notion that you ought to be able to use a written conception of the invention for priority and that you ought to be able to use it only for a one year period, I think is only a slightly imperfect idea. I'd like to launch the Thompson-Fryer-Armitage modification, and that is the following: Under current law, conception needs to be corroborated. I would propose that the only acceptable form of corroboration be that the written conception be filed with Harry Manbeck at his office upon payment of $150 "corroboration fee." I think that the "corroboration fee" is really the only difference we're talking about between this modified proposal and what's commonly referred to as a first-to-file system: Very close, not that far away. However, why not do what the Japanese do and simply give the patent system certainty? Let U.S. inventors, for a modest fee, have worldwide priority rights, instead of leaving them with this potential for a U.S. patent right, providing they can prove corroboration and that their conception is adequate. Now, no one has answered Doug Wyatt properly, in my view. Doug says, "What are we going to get for it? Why aren't we talking about what we're going to get for it?" My fear is that if we don't move quickly in the harmonization context what we're going to get for it is something very minor, maybe even parochial, like a change in the Canadian system of compulsory licenses for pharmaceuticals. Now, Peter Richardson and I are ecstatic about that possibility, but probably no one else in this room cares much about that possibility. The reality is there are other U.S. industry groups who are out there, who have an agenda in TRIPS, who'd be very upset if TRIPS doesn't address their private agendas, and they are willing, unlike Peter and I, who are not willing, to give on Section 104 if it means we get something that narrow — from your perspective — in return. I think another alternative, Doug, is that

we may get something like textiles or grapes. That's all we may get. We may get some concession in the agricultural area if we give up Section 104, and that'll be the end of all of our dreams for harmonization on a grace period, pre-grant opposition, and the like. So, my view would be if we're serious about getting something in return, let's strike now, today. Lay out our agenda. Go through the exercise NAM went through to find what we want, see what we can get, and bring it back for ratification. If it's a good balanced package, there really isn't any opposition to first to file in the U.S. that I can see that's substantial and industry based.

MR. BROOK: I just want to point out, Bob, that we've all been living under first-to-file practices because that's the way the rest of the world's been... I think we've all been practicing that way, realizing that you have to have international patent rights, so I don't understand the problem.

MR. WEGNER: Bob Armitage's comment about 102(g), 103, I only support the change I proposed in the context of secret prior art going out, so I think that takes care of that.

The "wince," if there was any, with Bill Thompson's statement was only to make sure we have a solution consistent with the Paris Convention Article 4. I think really what Bill and Bob, what they're saying is, in essence we need an internal priority system for first to file. That's what the President's Commission recommended in 1966. That's absolutely essential for first to file. Bill Brunet, yes, we should make a unilateral decision on first to file. How many people in this room, raise your hands, how many people in this room, if we had a treaty where we're going to get the claims, protection and we're going to get all the goodies from Europe, how many people would *oppose* a treaty where first to file was mandatory? Is there any hand here? Raise your hands if you're against it. Is anybody against it? [no hands were raised] I don't see any hands.

MR. CHOW: One comment, why don't we ask our bosses who pay our bills why... first to file, first to invent. We all work for bosses who pay our bills. Ask them. Ask the people who are investing. Get their views... first to file, first to invent based on personal prejudices... next time ask the people... see what their views are.

MR. DUNNER: For all the reasons I spelled out at that speech and in that article, I think first to file is the system we should go to, but I'd just like to make one minor point, and that is that Chico has mentioned twice now this bizarre ruling of an examiner... which makes it more bizarre... to grant effective sanctions against the party that doesn't produce a witness beyond its control. I find that mind-boggling.

I assume it was appealed. If it was appealed and affirmed, that would make two mistakes instead of one. I just find it mind-boggling that there can be sanctions for not producing somebody beyond your control.

MR. RINES: I think the statement was made here that there's a great emotional attachment to this concept of first to file. When you get the practical result of so few later-filing applicants succeeding in interferences to determine the first to invent, the temptation is to say why not "harmonize" to first to file? I remember, it was during World War II, I made some inventions. Since I was an American and I was abroad, I was allowed those dates of invention while I was in the military; and I succeeded in being granted very important radar scanning patents over first-to-file inventors. So, to me, it was important to be in that fraction of a percent. To those who would point out that very few junior applicants prevail in interferences, I would argue that some district attorneys obtain a 99% conviction of criminals; so why not forget this costly due process. You know, just convict them. And I kind of felt that that was a bit of Americanism.

But I have come to the point of view — a pragmatic one — that since patent systems are not now designed for small clients and small companies and small communities, or economics they can deal with; worldwide patent systems, maybe the big boys should have their first to file if its good from them and the business they'll do for America. And, therefore, in the words of Edwin Land, who passed away recently, expressed to me some years ago when I was on the Commerce Department Technical Advisory Board, "I don't care what kind of a patent system they want. Whatever it is, I'll learn how to use it and I'll learn how to maximize it." And I think that is the view that I'm now expressing. If first to file is good for American industry and for our economy and our way of using it, we'll find a way to live with it. So, I just wanted Don Dunner to know that you have another ally if it's really economically good for our country.

MR. MANBECK: Well, I've found it's a lot easier to be Commissioner when you're on the outside looking in rather than on the inside looking out. The people in this room represent, in general, large clients. Not everybody does, but in large measure you do, and you don't hear, as we do in the Patent Office, from universities, particularly, that is, research oriented universities, groups of small inventors, and some attorneys who represent mostly small private clients. And, we have received quite a bit of opposition to first to file from these people. Now, that may be due to a lack of education. In fact, it may very well be due to that, but the fact remains that that opposition exists and is

or will be vocal. Fifteen years ago, roughly, a very nice treaty called the Trademark Registration Treaty was negotiated. It was signed. It was brought proudly back home and it couldn't be ratified because the opposition came out of the woodwork. Now, two things. Remember GATT has not yet succeeded. Many problems were to be taken care of in GATT, particularly those of the pharmaceutical industry, on subject matter coverage for pharmaceuticals in all countries. Remember, we don't have the clout in harmonization to get that sort of thing. I'm have little clout if I tell India, if you don't let us have pharmaceutical patents, we won't go to first to file? I can't stand having Indians laugh at me. It just won't wash. You remember the old thing, it's like skim milk. It's too blue to drink and it's too white to wash with. It won't go. All right, now, lest you think that we're out on a foray of our own when we raise this possibility of giving you an option or giving this nation an option, remember whatever I may have felt before I became Commissioner representing a corporate client, I have to operate now or try to operate in an ambience of getting things done where a consensus is necessary. Without a consensus it won't go. So, we made a proposition, and now all of a sudden we are really seeing people come out and say, we want first to file. Where was that support four or five months ago? I, you might say, was the colonel, and Kirk, the major, of a regiment that wasn't there. We were marching down the avenue with nobody behind us. No band, no nothing. All right, now, we're beginning to see the alternatives. Okay, who knows whether a treaty can be negotiated with the, what I'll call, the 104 option in it. I don't know, you don't know. There's going to be an extraordinary meeting, of the Paris Union on Monday and Tuesday, because seventeen nations have proposed postponing the diplomatic conference which was to take place in the Hague. And this will probably be supported by the developing nations. So, the U.S. is neither going to support nor oppose postponement... this move to postpone, we believe, comes from two things. Number one, the fact the GATT round wasn't finished, and, number two, the 104 proposal. Now, if the conference is postponed, this gives us time for two things. Number one, for the Commission to come in with its recommendation on whether this nation should go to first to file. And I couldn't agree more this nation shouldn't go to first to file unless it is good for it on an overall basis, and shouldn't do it just to get a couple of things in harmonization. We should do it because it's overall good for us. I don't say it isn't. I don't know. I want to know. I've listened very carefully here today. We will have time for that. Number two, there will be time for those of you who are strongly in favor of first to file

to make your positions known to the key Congressmen involved. Congressman Hughes, Congressman Moorehead, Senator DiConcini, Senator Hatch, and if there is a consensus behind first to file, and if the harmonization convention is put off, then your negotiators, whoever they may be, it may not be me, can go to that convention and can negotiate knowing they can sign something, bring it home, get it ratified, and get it implemented. I'd like to say one more thing if I may. We had quite a bit of talk this morning about prior user right. Man are you guys divided on prior user right. If we divided you up with clubs, I'm not sure who'd win. But the treaty, then, has to come back with it optional as to whether the U.S. will go to a prior user right. Then the treaty can be ratified, and it can be fought out in the implementing legislation as to whether or not this country will put in a prior user right. So, let's see, have I said everything I wanted here. Oh, believe it or not, we have done some thinking, if it ever should go the 104 way, about testimony and all that stuff, but I don't think we have to get to that point yet. So, forgive me for talking so long.

MR. BENSON: That's fine. Okay, we'll have a brief summary now.

MR. WYATT: Bob, just one point. One thing that I think this group should consider is, one of the real driving forces, I think, to go to first to file was the alleged expense of interference projects, and I think Bill Thompson has really indicated that that really is not, it's a phoney argument, a windmill, only 221 interferences. Consider that. You have a problem with 104 to keep first to invent, but only 221 interferences a year. Keep in mind, if you go to first to file, and everyone that wants to go to first to file tells me they've got to have prior user right, substantial prior user right, keep in mind what litigation you will have with prior user rights with the patentee trying to stop people alleging prior user defenses. It won't be 221 interferences. It will be lawsuits in the thousands that will make it impossible for a small business, an individual inventor to assert his patent, in any kind of an area that people are working on against these so-called prior users. And as to the Thompson-Fryer-Armitage compromise, when I first heard that, I thought it sounded like an oxymoron, but I have to think about that. Possibly that has some bite. It may be a good compromise, but the problem with prior user is it's going to bring out enormous litigation, and it's going to bring about a great deal of difficulty for the individual patent owner, small company and a big expense for big companies to assert its patent rights.

MR. BENSON: Okay, the summary.

MR. HENNESSEY: We have a spectrum of views and possibilities from

leaving the patent law the way it is with Section 104 intact all the way to a complete movement to a "first to file" system; and there are some pros and cons to each of those positions. The fact was noted that if we leave the statute with Section 104 intact, there is a possibility that it will be attacked by other members of the GATT as an unfair trade related intellectual property practice. There is also the possibility of moving slightly, or what I call the surgical excision of Section 104, which would preserve certain rights for attorneys and inventors to order their lives in ways that have been similar to the way they've always ordered them in the past. The question that arises, then, is to what extent this would give certain unfair advantages to foreigners who would be outside of the country, whose documents would be outside of the country, and whose witnesses would be outside of the country. Therefore, there would be significant issues concerning the question of discovery: the expenses that go along with discovery and the resistance to discovery that would inevitably occur if that were done. There was also mentioned the question of to what extent removal of Section 104 would influence Section 102(g); and the opinion is out as to whether a removal of 104 would require elimination of 102(g) in some if not all of its aspects. The third option which was presented here was the limited "first-to-invent" (LFTI) position, which would involve limiting the reach back to one year as a transition to "first-to-file", as it was put in Professor Fryer's article in 30 IDEA at 352-3 (1990). And, the final option, which is a direct move to a first to file, has the most difficulty because there's the most political opposition to it. That opposition is, in some sense, a matter of educating inventors and their lawyers to the true advantages that exist in a first-to-file system. It was mentioned, for example, that it is easier to educate inventors to file properly if they think about it than it is to get them to keep accurate documents. And so, perhaps, in dealing with inventors who may have to compete outside of the U.S. or should be thinking about moving outside of the U.S. to cover their markets in other countries such as Europe and Japan, if they could be educated to think in a "first to file" mode, they would be able to avail themselves of the true advantages that come from first to file, rather than seeing first to file merely as something which is going to unleash problems compared with their prior way of dealing with how they get patents. And, finally, the question is sort of around, as to what extent elimination of 104 if it occurs, or the specter of the elimination of 104 occurring, is perhaps something of a Trojan horse leading to a first-to-file system in that the option of eliminating 104 makes going directly to first to file look better.

MR. EVANS: I would echo Bill Hennessey's comments. I could go into a very long summary, but I really think that the Commissioner has achieved what he wanted to achieve as illustrated by this discussion. There is an inherent discriminatory effect in Section 104 in our statute. This impacts the GATT discussions and the proposal has caused us to focus on our false sense of security which we all have had from a first-to-invent system in which we have had 104 present. More particularly, we have focused on what would happen if we didn't have 104 present. I believe U.S. patent lawyers' support for first to file will be galvanized by this proposal. Another impact of making this proposal has been that the Geneva meetings beginning tomorrow will probably result in delaying the harmonization discussions and giving us a chance to convince, what I think is minority, that first to invent is not the system that this country can continue to practice in the global economy. I believe it's been a very useful discussion. I know I've learned a lot. I learned about a new conception based interference system, which sounds like a good idea, but I think first to file is a better idea.

MR. BENSON: I would like to just make a couple of observations, since I had been involved in a lot of these discussions myself, and I would have to say that the time has probably come where we, as a profession, ought to step up and take a vote and find out what we really think. We have been dodging around this issue for years. If you go back to five years ago at the AIPLA meeting, when Don Dunner gave one of his famous speeches, at that time he and I both thought that at the very most there was a 50-50 split on the question of first to file. When he took his straw vote, it turned out to be about 70-1 or 70-3, something....

MR. DUNNER: Three dissents out of about....

MR. BENSON: Then the harmonization came along, we said, this is the trade debate, so don't touch the first-to-file issue. The U.S. is going to hold back and we're going to get all these other goodies from other countries in exchange for first to file. And so a lot of us shied away from really going out and saying, look, let's vote on this thing and let's get a decision. People like Bob Armitage would make speeches and point out the advantages and other people take an opposite position... and I'm part of the problem, because I chaired a committee of legislative initiatives for AIPLA and I told the committee, we will not take a stand on first to file because the Commissioner doesn't want us to do it at this time, that's part of the U.S. strategy. So we took positions on everything else including a lot of the things that we're talking about here. But our view at that time and our focus

was, let's make recommendations which are good for the U.S. with or without harmonization. Now, Harry has his Commission, and they're going to look at the patent system and determine what is good for the U.S. If it happens to be harmonization, fine. And at this convention, today, we are dodging around the issue again. We put everything on the agenda right up to the point of first to file. We did not address first to file in this meeting, and I think that was a mistake. We should've hit it head on, because we have a lot of people here who are really knowledgeable. We do have people here, Harry, who represent and are sensitive to the independent inventors. We have people here who are responsible for the Bar Association organizations which have to look at this issue from the broad spectrum.

MR. BENSON: If there's one thing that could come out of this conference, I think as leading members of our profession we ought to face the issue head on, make a decision and get that decision back to the Commissioner. Some of the other associations, not the Bar Associations, have made their positions known. Bob Kline keeps telling me all the time, whenever we get on this subject, that we should ask the users of the systems, the corporations and people who pay the bills, what they want. Let's ask them. Let's find out. But I think we are in the forefront and we ought to take the bull by the horns. We ought to see to it some way or another the people at this meeting should express an opinion.

MR. EVANS: Let's vote.

MR. WEGNER: Everybody knows the issue. Everyone invited here knows the issue.

MR. BENSON: Okay. How many are in favor of a first-to-file system?

MR. KLITZMAN: Wait a minute. Just hold off a second. Bob, you've got to state it this way, I think, that who's in favor of first-to-file system provided it has certain bells and whistles. For example, if it doesn't have right of prior user, I would be opposed to it.

MR. DUNNER: Why don't you take two votes, one with prior user and one without.

MR. BENSON: How many in favor a first-to-file system, period? There are five not voting. Twenty-two to five. We don't know if they're abstaining or not. How many oppose? Seven oppose.

MR. DUNNER: The next one is in favor of first to file only if there's a prior user.

MR. BENSON: Okay, how many are in favor of that?

MR. THOMPSON: How many of us who didn't vote the first time would vote the second time with the prior user?

MR. DUNNER: Take a vote, how many are in favor of it if you had prior user and then you may get a larger vote than your twenty-two.

MR. BENSON: Prior user was split. So, what are we down to three votes now.

MR. DUNNER: There's got to be some people here who would only be in favor if it if there's prior user. It'd be nice to know how many people there are.

MR. BENSON: All right, let's state it that way. How many would be in favor of the first to file only if it had a prior user provision?

MR. BROOK: Now you've got some guys voting who voted against it.

MR. BENSON: But it's interesting. It's interesting. It's only the guys who voted against it the first round that are voting for this.

MR. BROOK: That's right.

MR. THOMPSON: That's exactly right.

MR. MANBECK: How many are in favor of a first-to-file system with a prior user in it? Okay, Dick, let's make sure I understand you. You're willing to take the prior user?

MR. WITTE: I just only put it half up, but I'll put it all the way up.

MR. BENSON: Al, you're getting a count on the vote?

MR. TRAMPOSCH: It's between twenty-three and twenty-five.

MR. BENSON: Tom just voted, so add one more. Is there any other question that anybody feels that they would like placed to it so that we get a clarification?

MR. MANBECK: I would like to know how many are in favor of first to file with a prior user if harmonization were not involved at all.

MR. BENSON: Does anybody else have a question?

MR. THOMPSON: Who's just flatly opposed to it on any and all basis?

MR. BENSON: All right, I think there were four people who voted against the first to file on all basis. Bob Rines has just raised another question. What Bob is asking is how many people would be in favor of a first-to-file system which had provisions in it similar to what Bill Thompson proposed.

MR. FRYER: My preference is for a modified first to invent as the initial change.

MR. WEGNER: I think what you mean is should we have first to file with an internal priority one year system. I think that's the question. Do we favor having a one year internal priority system tacked on to first to file, which they all do in Europe and Japan.

MR. ARMITAGE: My only question is, because I don't want to ever be associated with this proposal again, that when we talk about an internal priority system, are we talking about one which is limited to applications or limited to extrinsic documents not before the Patent Office; i.e. such that you can prove up a conception.

MR. RINES: Applications.

MR. ARMITAGE: Just applications, okay.
MR. BENSON: Fine. The more information we get the better off we are.
MR. THOMPSON: Bob, there was a poll by the IRI, The Industrial Research Institute.
MR. BENSON: I think he's got that. Bob Armitage has all these polls.
MR. FIELD: I just have a question: How do you get an informed vote out of users who don't understand the issues? The issues discussed here are difficult enough for me to understand. I don't see how to get a user vote that means anything.
MR. BENSON: Well, I have a feeling that in some corporations the executives have some little inkling of how much their spending and what benefits they're getting out of the system.
MR. GHOLZ: Your company.

## "EIGHTEEN MONTH PUBLICATION"

MR. BENSON: Next is a very, very interesting subject on publications and Bob Armitage is going to introduce it in an unbiased way.
MR. ARMITAGE: Let me make one initial comment. For each of these topics there have been two papers, one pro and one con. There's only one paper, however, on this subject in your materials, so I'd like you to turn to page 76 and at the top of the page where it says, "Eighteen Month Publication, The Overpowering Pros," change that to read "Eighteen Month Publication, A Balanced Viewpoint." This is a subject that probably won't take the rest of the afternoon, because, in my view, it's probably the least complex, least complicated, most overrated subject that we'll deal with. The question is simply, "Is it a better patent system for U.S. inventors if instead of keeping applications pending in secrecy for years and sometimes decades, do we, as a matter of law, open them to public inspection and provide copies at eighteen months from the original priority date?" This means that foreign-origin applications would be published approximately six months after they're filed in the U.S., while domestic applications would presumably be eighteen months after their original patent application filing date. Now, why do this? Every industrialized country in the world, does it. On page 76 there are a list of reasons why they do it. Probably the most important overriding principle is that applicants can know what they're doing in making investment decisions, because they know what all the prior art is, they know what all the potentially interfering applications are, and they can promptly and with certainty make appropriate business investment decisions. The PTO under our current secrecy rules, about half the time, or even a little more than half the time, sets up interferences the wrong way.

Instead of issuing the patent to the senior party and making the junior party applicant swear behind the senior filing date, they issue the patent to the junior party. Clearly the PTO, by its Rule 56 disclosure rules and other means has let us know that they need help examining patent applications. Probably the most effective and cost effective tool for doing that would be giving us critical information so we could cite it back to them. A final important reason is that the Japanese Patent Office publishes in the Japanese language every bit of current American technology in electronics and biotechnology and every other field that's of international competitive significance. It's all sitting there at eighteen months in Japanese. Now, not all of us read Japanese, and not all the time is the technology available in English from an EPO publication. What a wonderful way for us to provide our own inventors with foreign sources of technology in English in a prompt manner than to publish it at eighteen months and make it available here in English. Now, as I survey the discussion on these issues, it appears that there are two factors that are said to mitigate against an eighteen month publication system. One is, it's going to cost some money. Now there are various estimates as to how much money it's going to cost. The PTO quotes figures of tens of millions of dollars. I'd ask you to maybe consider two or three points. One is that far poorer countries than ours manage to afford a publication system and users pay for it. The second point I would make is that we're on the verge, I hope, of an electronic revolution in the PTO, which will give us what the Japanese already have in the way of electronic filing, which by the PTO's own estimates has the potential of reducing the cost of publication by upwards of 90%. In other words, 90% of the PTO's current estimate, as I listen to their arguments, is tied up in typesetting costs, which could be eliminated. Now, what's the second reason not to go ahead with eighteen month publication? Well, it's the so-called "trade secret option" that would be eliminated once an application is published. Who takes advantage of this option? It's clearly limited to domestic inventors who don't file foreign applications, who manage to both commercialize an invention and keep the invention secret, who don't ever publish or otherwise publicly disclose the invention, whose patent applications don't issue in eighteen months, and who eventually, when their patent applications are finished with the examination process, either find that their applications are unpatentable or not sufficiently patentable so that they wish to have a patent issue. My first query would be, "How many people are we talking about?" This group is basically limited to process inventors, because trade secrets do not protect products once

they are put on the market and have published technical specifications. The trade secret option is basically limited to process inventions of such limited significance that don't merit foreign filing. In my view the best thing we could do with this concern against publication is ignore it. It must be de minimis. Now, to the extent it's not de minimis the alternatives that have presented themselves so far include the so-called "Benson solution." Bob Benson referred earlier to his AIPLA committee on patent law reform. AIPLA has proposed the simple expedient of an accelerated examination procedure that, for people who meet all the criteria that I outlined above, would simply guarantee that examination would be finished in eighteen months. And, given the fact that there are only a very small number of these people, and the PTO could charge them for this service, presumably the overall impact on the patent system would be negligible. So, I suggest that any completely objective and balanced view of this subject could lead only to one conclusion. This is something we should have done years ago. We're repetitively shooting ourselves in the feet, one after the other, by not doing it and getting it done now. Any more objective comments you'd like?

MR. BENSON: Okay, there has to be people here who have other views.

MR. GHOLZ: Don Banner's the only one in the U.S. and he's gone.

MR. BENSON: Would you like to give his views?

MR. GHOLZ: I've heard his views several times. His view is it's too expensive. The U.S. is going broke. We can't afford it, and I agree with Bob Armitage that that argument is not persuasive. I'm in favor of the change just for the reasons that Bob has outlined.

MR. FRYER: You are asking for people that have a sensitivity to the automatic publication issue and would not be willing to make the tradeoff. I am one of them at this point. I agree with the accelerated prosecution compromise that the AIPLA has proposed. I hope the Patent and Trademark Office is willing to commit to this plan. But on the basic principle of whether disclosure should be made before you know whether there is protectable subject matter, I think the answer should be no. I am not impressed by the arguments that assume only a small number of people might be affected, whether it is on first to invent or trade secret publication. There may only be a few people, percentagewise, that actually use these rights, but all of us might need them. We have them available to us should we need a prior invention date or to retain a trade secret. They are our safety nets. You may find yourself in a position where you want to make use of these rights, or maybe you will not need them. It just depends on the market and the product, and so many other things.

But, in principal all of us need the guarantee that we have the right to withdraw an application after we learn what claim will be allowed. It is a very important part of our patent system and we should protect that right. But in fairness to those that are in support of publication, I think we can protect that interest by providing an internal system whereby publication can be controlled by the applicant at some extra expense. Publication should not be automatic and outside the control of the inventor. I believe that there are a number of other people who feel this way.

MR. FIELD: If I hadn't been here this morning I might've agreed. I probably would have, but, after the discussion of 102(g) and the concern about people making investments in plants and so on without knowing what art might issue after they get the plant three-quarters of the way complete, I'm persuaded. Why do you propose waiting eighteen months?

MR. ARMITAGE: Because I'm a nice guy.

MR. FIELD: If you're going to do it, why not just go ahead? Why wait eighteen months?

MR. ARMITAGE: There is an answer as to why wait eighteen months. You've got to wait twelve months anyway to sort of get the Convention year over with. Then you've got to wait a little bit longer for the Patent Office to kind of gear up to figure out what's come in and what needs to be published. And probably the most important reason for it to be eighteen and only eighteen is that this is the system everybody else has and it works fairly well. It's quick enough so that you get the information out that benefits everybody. Publication may hurt a few, but secrecy hurts everybody. It's also long enough so that a patent office can between twelve and eighteen months conduct a search or a search and examination and provide a search report in time for the applicant to pull back if he doesn't want the application published. So, it's really the compromise, I think, that Bill is seeking in most cases, because in most cases you get a pretty good assessment, if the PTO is doing its job right, at about eighteen months of whether this thing should be able to be published or whether it should be pulled back as a trade secret.

MR. WEGNER: A little bit of a background where eighteen months came from. It goes back to 1964 in Holland. The Dutch wanted to have a publication and they had to wait out the Paris Convention year and they needed some reasonable time after that Paris Convention year for putting their things into publication form. The U.S. President's Commission strongly endorsed eighteen month publication back in 1966. It was an earlier technology era and they picked eighteen

months, and then Germany in their 1967 legislation, effective in 1968, followed that practice. Japan, three years later, did the same in part persuaded by the U.S. report. So, that's where it came from. Now, I think it's very important to see this eighteen month publication in the context of the international arena. As to Bill Fryer's position, I don't want to give the American applicant the idea he should have forever to decide whether to keep the invention as a trade secret or not. I want to put pressure on that American inventor to make a decision as soon as possible. I want him to face the question, is this really important or not, because I want that American inventor to make the decision in time for Paris Convention filings. If we talk about American competitiveness, we're doing nothing for the American system if we put incentives into the system to delay decisions beyond the twelve month period. What good is it for American competitiveness if we get American patents and Americans don't get counterparts in Europe and Japan. So, that's why I want to put pressure on the decision making process at twelve months. Then you have six months beyond that until eighteen months until the publication.

The other interaction with the international matters and the other changes we've been talking about, recall this morning we talked about eliminating secret prior art for Section 103 purposes, 102(e), 103. If you don't have a publication at eighteen months, that's a major, major change, because applications can pend for many years before grant. What you're doing now if you add eighteen month publication, you're making a very narrow eighteen month window for the novelty only effect. So, in that eighteen month window you have a novelty defeating effect only, but after eighteen months it's an obviousness effect, so you minimize the impact of going to the abolition of secret prior art by having an eighteen month publication. And, above all, the thing which seems ludicrous to me is stifling disclosure. If we believe, as Don Banner said as his first point, in the patent system, we want to disseminate information. If we believe dissemination of scientific information is important, there's nothing more important than getting the information to our scientists in eighteen months in English. Even American inventions are kept secret at home while they're translated into Japanese and published in Tokyo, published in Munich in German. So, if we believe that dissemination of information is important, we've got to give the information to our research community the same time as the Japanese and Germans give information to their research community. To hold it off for a year or so later, it's stale information. Improvements in inventions have already been made by the Japanese and the Germans based on the informa-

tion they got from the eighteen month publication in their own country. So, if there's one compelling reason why we need eighteen month publication, that, in my opinion, is it.

MR. DUFFEY: I may be restating things that have been said before, but we have talked about the need to give certainty to U.S. business. Well, I know what my clients and even smaller clients need is certainty. And this publication mechanism is so critical to predictability. And I just want to add one more comment. I feel that we need to move this way, to eighteen month publication, quite apart from harmonization. I think the U.S. interests are strong enough where publication ought to stand on its own.

MR. RINES: Again we witness the concern for the public and we forget the concern for the individual, who may not be an individual in a corporation, but who certainly is as an independent inventor. Why does the independent inventor file patent applications? Because he thinks he's going to have a contract with his government that in return for this public disclosure, he's going to get a quid pro quo. If something happens and that contract is not fulfilled, this has been a cruel hoax. Now, I don't feel strongly about it one way or another, because I've become very, very convinced that the U.S. patent system and the world patent systems have excluded a large class of the benefactors of this world the way they're now postured. As one who represents them, I have to find ways to live within a much more hostile system than it ever has been for the independent inventor. But I think that you are going to have an emotional thing here if you want to take away all of the elements that were inherent in the concept of an individual making a contract with his government, because you're taking exclusive concern for the interest of the public in giving technological information.

MR. MELLER: I am basically in favor of publication, but since I teach international patent law in this institution, I have lead many debates with my students on this very point of the fairness of publication without the guaranteed reward. But one of the matters that I believe Bob Rines just mentioned is the contract, and to say one thing more, many foreign patent laws are, indeed, based upon the contractual principle. We have a constitutional right that we give inventors, and this has been brought out in some of these discussions as being a guarantee that this inventor's rights will not be published until he has some idea that he will get a reward. Now, this may all seem a little bit old fashioned to even consider this and Hal quite clearly pointed out that back in 1963 when the Dutch started the whole ball rolling that it was done for the purposes of offsetting the disadvan-

tages of deferred examination. Nobody ever thought of in those days of such noble thoughts that this was for the advancement of industry. This theorem is basically something the Japanese have come up with in the 1970's. So, while I, from my pragmatic standpoint as a practitioner, say, yes, this is something we probably have to subscribe to and there's no ifs and buts about it, because that's the way everything in the world is going; nonetheless, if I look at it from the absolute fairness to the inventor's standpoint, then I have a real problem. Now, one more thing, and that is something that I believe Commissioner Manbeck has raised maybe a year or so ago, was that this is going to be a considerable administrative problem for the Patent Office in having to publish everything and then republish a second time. And, so there are these kinds of pragmatic considerations also that we will have to deal with. So, once again, while I'm not against the concept, because I believe in progress, but yet I don't think we can just willy-nilly go and do this and maybe twenty-four months makes a lot of sense, or else some kind of a built in guarantee that there will be at least one office action before the inventor agrees to publication.

MR. BENSON: What you're proposing, Bob, is an eighteen month publication with the right to the inventor to prevent his application from being published until he has received an examination and reached that point where he can make a decision relative to keeping his invention a trade secret. A couple of people have spoken to this point, were talking to publication per se, rather than the AIPLA publication proposal, which adds this safeguard in for the independent inventor. I think we ought to be talking about the AIPLA proposal.

MR. MELLER: I'm glad that you mentioned that, Bob, because that is something that I can subscribe to. It's more than the broader idea, but yet I find myself as I said before in this philosophical box, of saying, yes, we have to do it, but how can we do it, and I think that is one way of doing it, because I have a small number of entrepreneurial inventors, and every time I explain to them that if they place an aplication on file, their inventions are going to be disclosed. They don't always know how to take that.

MR. WYATT: I'm not opposed to eighteen months particularly with Bob's idea of allowing individual inventors to maybe extend it beyond that time. But there's another side of this I haven't heard anyone mention. It's saying, we have to do it. In the U.S. our applications have to be published. But we have the best mode requirement. When you get a U.S. application, it has to describe to a person skilled in the art how to do it. If it doesn't do that, it's invalid. I think many of these foreign disclosures I see are sometimes

fundamentally inoperative. They don't disclose the best mode. They aren't teaching anyone in the art how to do it, but yet they get a patent on it, and the patent is enforceable. We have the best mode requirement. Many foreign publications really are not a disclosure to one's skill in the art as to how to do it... so there's some unfairness in our disclosing early and others not having to, but I think this is a worthwhile compromise.

MR. MACKEY: It seems that the publication should be held up long enough so you have a first office action before publication, and the applicant has the opportunity to withdraw before publication if it decides not to go forward. I have not heard discussed this afternoon the opportunity for, particularly the small entrepreneur, the small operation, to enjoy some recompense if its invention is copied before the grant of the patent. What I'm characterizing is some opportunity for compensation for use during the period from publication to grant of the patent.

MR. BENSON: Between publication and grant?

MR. MACKEY: Right.

MR. BENSON: The interim right thing. Bob will be very happy to explain that provision. . . .

MR. MACKEY: I understand the interim right provision, but I think it's an essential provision to have, and I wonder why this proposal has been trotted out without that provision.

MR. ARMITAGE: There is a reason for the trot, and it was the narrowness of the agenda item. Had we also been talking about twenty year patent term from filing, then it would, I think, be essential to talk about this, because it's part and parcel of making sure the patentee gets his full recompense. However, it's a little more complex if you dissociate the term issue because if it's a seventeen year term from grant, you are, after that publication, when it's granted, going to give him seventeen full years of term.

MR. MACKEY: You may have lost your market by then.

MR. ARMITAGE: Well, not if you go to a twenty year term from filing. In fact, the precise way in which AIPLA proposed this issue was just that package. The current patent term is subject to abuse. An equivalent term of twenty years from filing, in most cases, would serve the interests of inventors, and an essential component of that is the notion of pre-grant, post-publication recovery of some form of damages.

MR. BENSON: I put this subject on the agenda in a general context for the benefit of the Commissioner, and not in the context that the package was submitted to the AIPLA Board. What was submitted to AIPLA is something that ought to be enacted whether or not we have harmonization.

MR. THOMPSON: I basically was going to raise the point that Len did, but I had another refinement that I think you ought to be aware of that is in the treaty, and that is that the treaty, in addition, gives you the opportunity to request early publication. This goes back to Rines' point that conceptionally, then, and I think this might be important for the small man and might be important for rapidly obsoleting technology, perhaps electronics and that sort of thing, that one could in theory file their application and if they were not trade secret sensitive, ask for immediate publication, and whatever the lag time of the office for doing that, let's say it's a month, within a month after filing one could conceptually have provisional rights. That is, the small inventor, I think, now has a real right to negotiate with, and I think it's something that has some variations for a lot of different sectors of our society that our present system doesn't have and speaks to those people. So, you can have very, very early rights under this scenario and that is the way the treaty proposes it at this point in time.

MR. BENSON: The reason behind that is that at the time that our AIPLA committee was deliberating that proposal, GATT was going full force and everybody was expecting that the twenty year term might be forced on us regardless of harmonization.

MR. GHOLZ: I'd like to comment on the contract argument, which I think is very circular. First, a recent Judge Newman opinion involving requests for re-examination, and the argument that if you pay your $1,850 or whatever it is now, that the Patent Office has to follow its own rules. The Court held the Patent Office doesn't have to follow its own rules, it's not a contract, it's merely payment of a user fee.

Moreover, even if you feel that it is in the nature of a contract, it's a contract that's defined ultimately by the Patent Office regulations, and if the Patent Office regulations say that what you get for payment of your filing fee is ultimately an examination, and a risk that the specification may be published before you get the examination, then that's the terms of the contract. You may not think that that should be the terms of the contract, but it is not inherent, not constitutionally mandated, not mandated by any public policy that this government would inherently have to follow, that the terms of the contract are that there could not be publication until after examination. That's simply something that has to be decided, and if there is a strongly felt interest that parties should have the option of being able to withdraw from publication before the examination, we can provide for it. But, you can't simply say it's a contract, therefore we inherently have to get our examination before it's published. That's a choice.

MR. RINES: The contract I was speaking about goes back now a long, long time in the interpretation of what a patent is and not the contract with the Patent Office. I'm talking about the courts' rationale of a patent from the very earliest of times stemming from Great Britain, and not the terms of the Constitution.

MR. GHOLZ: That's rhetoric. It's nothing serious.

MR. BRUNET: I just want to make two points. First, I would assume that everybody would agree that publication would also entail laying open of the entire file for inspection, both everything that happened up to the date of publication and everything that would go on subsequently. I don't think there's any controversy, but I just wanted to make sure that point was known.

The second point that comes to mind is inadvertent publication by the Patent Office. Let's assume that you're given up to seventeen months from the date of filing within which to say "I abandon my application," and you abandon your application within the allotted time, and then due to administrative problems in the Patent Office, your patent application inadvertently gets published. Well, that's an irretrievable loss. It's gone. I mean, once it's published, it's published and you have no more trade secret then. It would seem to me there ought to be some equitable provision or some provision in equity that would permit you, within a certain length of time, to at least reinstate your patent application and try to get something out of it. It would seem that there should be some kind of. . . .

MR. GHOLZ: Personally.

MR. BRUNET: I think you'd do better getting your patent application reinstated.

MR. WEBSTER: I think publication is a good idea for all the reasons that Bob advanced and especially the one that Hal emphasized. The unfortunate part of this is the cost now of participating in the patent system, through no fault of Harry's, but you've got the fees going up 70%. It is enormously expensive. . . to participate in the U.S. patent system right now. And, one of the things we're going to lose is the wide publication of much more technology. Politically you can't do anything about it in Washington, I suppose, but it's a very serious basic problem, and I don't know quite how to address it. I don't know what you're doing, Harry, to work on this.

MR. MANBECK: Well, I've decided that every attorney who's in favor of it, as those in this room, will contribute $100 out of his own personal funds for each case. Then we'll have the money to publish and there won't be any problem and the clients and the small inventors won't be mad and we won't have to raise fees. And we all won't have

to hide our heads in the sand thinking that the Patent Office can do things without money. Thank you, Slim.

MR. WEBSTER: Well, it may be that it's a wrong notion to have the entire system supported just by the user. I don't know whether it is political feasible to change that or not. Certainly that's not. . . .

MR. MANBECK: That is something that the users of the system have to make their voice known on. That's all I can say.

MR. WEBSTER: I would remind the group of an observation that Professor Porter made recently. It was in the *New York Times* talking about the competitive systems between the U.S. and Japan, and he noted that the frenzied innovative activity in Japan is taking place without rigorous enforcement of the intellectual property system as compared to the U.S. Part of that may be because of the very free publication Japan has, which further encourages more innovation and so forth, but Japan's been very successful innovating without such a harsh enforcement of the intellectual property system.

MR. WYATT: Yeah, but the narrow claims that you can get in the Japanese patent almost prohibit you from bringing a suit on them.

MR. WEBSTER: No question that's a real problem.

MR. WYATT: And that's a cultural thing.

MR. SHAW: I've been sitting here wondering not only with respect to this discussion right now, but also earlier, have there been any discussions with respect to the continuation practice and the continuation in-part practice, which are somewhat unique to this country and which I see as being like the dinosaurs — and not too far in the future with all these changes. Have there been discussions with respect to that practice?

MR. BENSON: Yes, but let's put that off until we get through with publication.

MR. SHAW: No, I mean with respect to the things we're talking about here, because that's going to impact on the continuation practice.

MR. TEGTMEYER: I think he's referring to what happens in publication when there's a continuation case filed.

MR. ARMITAGE: Well, it's true under current law now that if you're filing a CIP to change the scope of what you're claiming, you've got a year after your original publication, and if your original publication is at eighteen months, 30 months is a bar. So, for those people who otherwise keep their inventions as secrets, they do lose the rights to file certain kinds of CIPs after 30 months. Now, presumably for straight continuation and divisional applications, there's no change, although after eighteen months those are open and pre-

sumably there would be at least a publication of claim should the claims change. It's also conceivable that the Patent Office would have other administrative expedients, like, for continuations making Rule 62 the exclusive way to do them so you didn't have a proliferation of file wrappers where you don't need them. But I think these are matters for Harry in the implementation phase, really.

MR. DUNNER: I'd just like to ask a question of Harry. I think the arguments made by Bob are not only overpowering but overwhelming, and for me there is no question this is the way we should go if it can practicably be done. What I'd like to know is, in addition to the contribution of $100 per application for each of the people here, is there a realistic possibility that in the near future either we'll have a system to reduce the cost 90%, which is what Bob said, or that there will be some other system which would permit this to be done either through a realistic increase in fees which would be palatable, or some other way, or are we just spinning our wheels?

MR. MANBECK: The way to decreased printing costs is a system which we're starting to work on where each patent application will go on the computer when it comes into the office and will stay in the computer throughout its life. In other words, amendments will be made there, and it will be printed off the computer. Now, the estimate, and this may be unduly optimistic, is that printing off the computer will take $20 million out of the present $28 to $30 million worth of printing costs for issued patents. In other words, it now costs us some $30 million a year to print 100,000 patents or a little more. If that's right and our costs come down to where it's only $100 a patent, perhaps $20 million savings can be applied to printing applications. I would say that. So, there's that possibility, but there is no free lunch and printing off the computer probably five years away. Until that time it would be prohibitively expensive, in my opinion, to print all applications. We would have to go to the laying open technique. The estimates when we said we would be willing in the treaty to agree to twenty-four months, and remember this is based on convention dates, not on filing dates, were that we would be laying open some $90,000 a year and we estimated the cost of that to us to be some $8,000 to $9,000.

MR. RINES: Million?

MR. MANBECK: Million, yes, I'm sorry. I am sorry. If we go to eighteen months publication, that means we would have to lay substantially everything open, although we do issue some before eighteen months, and the cost would be considerably higher, maybe $15 million. So, it is not an inconsequential sum we're talking about. To put it in

context, the budget of the Patent Office this year is $351 million. We won't spend that much, we'll probably be down to about $330 million to $335 million, but you're talking another 5% on the budget, and unless somebody can convince the Congress that the taxpayers probably should pay for it, the only place it's going to come from is user fees. I don't know whether the ship which has sailed can be routed in another way or not. But the only way it's going to happen is through, what I would call, a determined campaign by the users.

MR. WEGNER: What has been brought up by Bob Rines is very important concerning internal priority. There are many complicated issues which have to be considered together. Forget harmonization. Looking at *unilateral* changes, you don't just delete secret prior art. You don't just go to first to file. You have to think of the whole package, something that's put together as an integral whole. Now, with specific reference to publications, assuming it costs $30 million to publish at eighteen months, we have to face the critical choice. Would we rather spend $30 million to publish at eighteen months and then cut back an even larger sum by permitting more of a phased examination to permit those applicants who want an immediate examination to ask for it, and those who don't to wait maybe a couple of years. The cost is terrible. According to Joe DeGrandi's paper of January 15 to the Harmonization Committee, there were 1,100 examiners in 1981. There are 1,700 or so now. By 1995, according to the DeGrandi projections, including supervisory examiners, there'll be over 3,000. Do we really want to go in that direction? That's a critical choice, which we should answer. Do we want to spend $300 million in the next few years on this an automation system designed to give integrity for the files in the Patent Office for patentability searches when only 20% of the published patents and patent applications in the world come out first in the U.S.? In other words, 80% of the published patent applications and patents that come out first on any invention, come out first in Europe or Japan, principally Japan. So, if we're looking at critical choices, and if we're looking at the system from American competitiveness, it's of overwhelming importance to me that we publish the state of the art the same day that it's published in Tokyo and Munich and London and Geneva. A primary aspect of the patent system is dissemination of information. It is untenable that we handcuff our inventors, say to them, wait a year, it's still going to be interesting, wait until twenty-four months, wait six months, a year, whatever else, just wait another year, while the Japanese, Germans and British have got the latest technology in their home patent offices at eighteen months. It doesn't make any

sense at all. So, you've got to look, thirty million is a lot of money, yes, it is, but if we're going to have to make critical choices, this is one choice we have to spend some money on. Cut somewhere else. Furthermore, the $30 million could be sliced to $3 million if we use a simpler publication form.

MR. MELLER: It seems to me that one possible way of cutting down on the cost of publication and considering the wide dissemination and easy opportunity for communications, is to only publish those applications which have to be translated into English from the priority document. In other words, if some other country, like a European application, is in English in the first place, then you may not need to do this. And this, I think, would cut PTO costs down. I don't know any exact numbers; but I would guess probably 20%. Maybe 25% of the pending cases that you need to publish. Now, I've heard this proposal broader in which it was said that any foreign originated application which is published, should be excluded from this publication, but I think the problem with that is that it's in a foreign language. It has to be in a language that we can understand in this country, but if it is in the English language and considering the availability of these publications in English, I think this would be a way of saving some monies.

MR. FRYER: Going back to the search report and the evaluation by the applicant before the publication occurs, to determine whether the patent should issue, I would just like to make the record clear. Article 16 of the patent harmonization treaty proposal has a requirement for a mandatory search report. It has to be completed within twenty-four months. It is not going to help out the inventor who has to file and make the decision whether to publish. It is not mandatory to provided this report before publication. Therefore, that provision will not solve the inventor's problem.

MR. THOMPSON: Well, I think the basic thing and I think maybe there's a lot of agreement on this is that there ought to be early publication. And I think that is very vital for reasons that have been mentioned, but also, you know, we have some very unpleasant surprises when the very, what I call the one-lifetime-too-late patents, come out like the laser patent and you've been in business for years and you all of a sudden discover this. Now, the other thing that happens when that scenario takes place is that there were a whole series of improvement patents in the meantime of which people have invested their money in to get these patents and which they didn't take into account those long belated patents. So, there's a problem there. It seems to me that we have kind of agreement here. The Commis-

sioner's got a proposal or has proposed the twenty-four month. That could be viewed as a transition thing until we have electronic means for printing. I was looking at the figure you gave for laying open the $9 million and just expressing that as a cost per case, assuming our volume of 174,000, which was what was filed last year, and it comes out to $51.72 a case. Now, it seems to me. . . .

MR. MANBECK: No, Bill, going to twenty-four months we're only going to publish about half. The only ones we're going to publish really are the convention cases from abroad. Almost every case first filed in the U.S. will be issued by that time.

MR. THOMPSON: But, whatever the speed is, you're going to charge the increment uniformly across. . . .

MR. MANBECK: It's, yeah, it will be, but as per case it will be double that. I mean, the actual cost per case to publish.

MR. THOMPSON: I'm just talking about. . . .

MR. MANBECK: You're talking about the fee.

MR. THOMPSON: What you need to carry it is another 50 bucks per case.

MR. MANBECK: Yeah, yeah.

MR. THOMPSON: And all I'm saying is that considering all the cases that we now invest in pointlessly because we don't know about the prior art, that seems to me to be of good value, just plain good value. If I was paying an extra $50 and I felt that meant that I could see the art that's out there during the probable prosecution period of my case, I think that's a good buy. Now, hopefully we would think of that as a transitional thing and then when we got to the electronic filing stage where all you do is push the print button whenever you want a printing, whether it's at eighteen months, twenty-four months, at the grant, or the reissue or the re-examination or whatever it is, and you get the latest version of it, then perhaps it doesn't even cost that much. I don't know. But, at any rate, I would just simply argue that it's a damn good buy, and I know fees are going up for reasons that I can't see the value quite as tangibly as I can in this case.

MR. TEGTMEYER: Just a quick note in connection with this subject. I support the eighteen month publication with the qualifications that have been talked about. I think it also ties in to a little different aspect of what Hal was talking about in connection with automation, and that is, the information that gets published needs to get out whether it's to find out what rights your competitors are getting or whether it's to find out what's happening in the technology somewhere, and that ties in very strongly to seeing that automation works properly and makes that information available to you as a practical matter.

MR. BRUNET: Of all the advantages of publication that I have heard here, none of them are for the benefit of the person whose application is being published. And, therefore, it seems rather unfair for that person to pay for his own publication. If the publication is for the benefit of the public as a whole, there should be some other way of financing this than the person whose application is being published. It's not for his benefit, it's for the benefit of the public.

MR. THOMPSON: Well, that's not true. The provisional rights are for his benefit.

MR. BRUNET: That's something separate.

MR. MERGES: That last point is very well taken, but, of course, it applies to almost all the argument about user fees. The patent system really wasn't set up to be a self-sustaining profit center in the government. There's all kinds of, what the economists would call, positive externalities. The idea of saddling the applicant with the costs of the benefits of the system, making the applicant pay for the benefits of the system, I think would've surprised Thomas Jefferson and the other founders. The idea that he was going to keep a time sheet while he reviewed the cases on the review board and the original patent act; the idea that they were going to have to make the system self-sustaining; I think this would've struck them as ridiculous. The whole point was, sure, the public takes a little bit of a sacrifice. The public takes a... but it's in exchange for really significant long term benefits. I mean, it's a classic case of focusing on the short term, it seems to me. I think it's very sad. Unfortunately, we are going to, obviously, have to live with it. I think in this particular case it's probably. . . .

MR. RINES: Why do we have to live with it?

MR. MERGES: Unless we can mobilize the resources of small inventors, Congress is going to say, why are you guys special? Everything else is going on a user fee basis. It's going to take a massive mobilization. Maybe we don't have to live with it, but if I had to bet. . . .

MR. RINES: . . . let's get going.

MR. MERGES: I just finished writing a long letter to Hughes about this very same point. So, I'm getting going.

MR. WEGNER: Why do we have to live with it? It's our own collective fault, and I'm not meaning the people in this room. The people in this room have come all the way to New Hampshire and have made a time investment, a significant time investment, but for every person in this room there are 500 people in industry who are sitting on their duffs looking at quarterly profits not paying a bit of attention to the system. When we had our Bicentennial, you couldn't have

roused up a half a dozen corporate people without begging them to come. Where were we?

Where are we? So, if there's a problem, it's collectively our fault. What can we do about it? We can get organized, but how to do it, that's the question. It's corporate America that's got to get organized. Corporate America is listened to, the individual inventor is listened to. It's not the private attorneys. If people are not interested in the system, we deserve what we get.

MR. THOMPSON: May I make a comment on this. I haven't been in the Patent and Trademark Office for many years, have rather strong feelings on the question of fees and budget, and I completely agree that the taxpayer and the public ought to pay part of the bill. There's no question about that. But, in regard to Bob Merges' comments about Thomas Jefferson would never have thought about a 100% recovery, Thomas Jefferson would never have thought about income taxes or graduated income taxes or whatever else we have going right now, either, and as a very practical matter, if you do convince the Congress, if the Bar convinces the Congress that the taxpayer or the public ought to pay a part of the bill, what's going to suffer is the budget of the Patent and Trademark Office. Because you don't come up every year with budget deficits as they've been running for eons, now, and expect the Congress to look over and see people who are getting a benefit and to give sympathy to the fact that they should get all the budget money they need and users shouldn't pay for the bill. As a practical matter, it's not going to work because either if you get part of the bill paid by the taxpayer, the Patent and Trademark Office won't get its budget money that it needs, and if you do give it that, you've got to also fight to make sure that it's going to be able to keep all the money that is paid in fees and use it, and I'd put the energy of the Bar and my own energy into seeing that that happens rather than trying to fight the inevitable.

MR. MANBECK: May I add one more thing? I don't know how Thomas Jefferson would've felt, but I know it wouldn't have bothered Woodrow Wilson, because for at least the first 40 years of this century, the Patent Office was self-supporting from the fees it got. I don't know about back in the last century. I just don't have the data.

MR. FIELD: I guess what got us off on this was the publication cost. I'm publishing a journal and using computers, and I'm just sort of curious as to what extent the cost is a reflection of present personnel. Is it a matter of displacing those personnel? Current technology must be a lot cheaper.

MR. TEGTMEYER: Ninety percent of the money goes to a contractor outside the government who does the keyboarding.

MR. MANBECK: Yes, if you actually print rather than lay open, you got to key, you can read some of them, you know, with a scanner, but a lot of them you're going to have to key in. You're going to have to proof them. Every patent's proofed; did you know that? Despite all the errors we have, every patent is proofed. Well, you are a very fortunate man if you can spell all the words that are in the Patent Office. You know, oh, well, never mind.

MR. BENSON: Commissioner, before I let Armitage sum up, do you have some comments?

MR. MANBECK: The treaty at present is eighteen months.

MR. BENSON: Yeah, but with our exceptions, would it apply?

MR. MANBECK: No, your exceptions would not apply, and I doubt very much if they could be sold into the treaty, but I don't know. And I just simply do not see how, until we get the modern technology that we can do a first class printing job, whether it's eighteen months or twenty-four months, with the technology we have today. In five years we could do a first class printing job rather cheaply. At that point, I don't want to say it wouldn't be, but it might not be an overbearing burden to us. But right now, even at twenty-four months, it's going to drive our costs up. I mean, significantly. It's just a fact.

MR. THOMPSON: Bob, there's an error here, because the treaty text does refer to twenty-four months, the latest treaty text provides for that.

MR. BENSON: I was just referring to the exceptions that we propose in there so that it's not an absolute 100% guaranteed publication at eighteen months, that there's a possibility that it would not happen at that time.

MR. JORDA: I'd like to have a clarification. Harry, you seem to be talking that you're presently not able to do it, but technology may be available within five years, but it's my impression that before the treaty gets negotiated, gets passed, gets ratified, gets implemented, with the possibility of transition periods, we are past that period of five years as it is. We are between five to ten years later.

MR. MANBECK: If we have the money during the next five years to go forward and do this.

MR. ARMITAGE: I want to sum up and possibly do a little more. The discussion on cost, I think, is only interesting. I don't think it's determinative of this issue by any means, because balanced against the cost are the benefits. I'd like to make a couple of suggestions. One, we're talking about a PTO that two years from now wants to spend $550 million. When we're talking about publication costs, no one needs the Cadillac of publications, fully typeset. What's really needed

is simply access to the technology. So we're really talking about publication costs that may be about $11 million, maybe a few million dollars more. In other words, 2% of that total PTO budget will be devoted to publication. Now, as to the $11 million I've been involved in some patent litigation where, if you really have a knockdown drag out fight, and you're going to district court, and maybe you're going to the ITC, and you've got patent interferences going on at the same time, you'll throw down $11 million in one lawsuit on each side. So, the total cost of publication, I think, has to be put in that context. The second is that we're forgetting that this information is of value to people who will have access to it and they will be willing to pay for it. Now, what are they willing to pay for a copy of a published application? Don Banner's not here, but if he were here, he might tell you how much he charges per hour. He would also tell you that if it cost him $100 to get a copy of a patent application for him to review, that's only a few minutes of his time. A few minutes of his time. So, I have confidence that the PTO can recover a substantial part of the cost of publication through fees assessed against people seeking copies. The answer is, they probably could cover $10 million easily. Charge $100 a copy. They're certainly going to sell one copy to somebody who's going to put it up in a database. Harry, it's a profit center, if you're only willing to take the risk. Now, the second thing is. . . .

MR. MANBECK: Tell you what, Bob, I'll probably only be Commissioner a short time, you come in and take the risk, all right?

MR. ARMITAGE: The second thing is, who's the chief beneficiary of the patent system? It's not the people who file patent applications. They shouldn't have to pay for it. It's not the people who get the patents. They shouldn't have to pay for it. It's the people who exploit the patents and have valuable patent rights. Why, in this country, don't we do it? All our friends outside the U.S. do, and that is charge substantial annual maintenance fees geared to the length of time your invention has commercial value and raise a large portion of our revenue from those fees. If you're looking for creative ways to find $10 million or $20 million or $30 million, there are ways to do it. Now, a couple other points that will be more in the way of a summary. We heard some talk from Bob Rines about the contract theory and the possibility of there being a cruel hoax because you might not get a patent after your publication has taken place because it turns out to be unpatentable. Well, those of us who read carefully the contract we get when we do get a patent realize that it's heavily footnoted. One of the footnotes to that contract says something to the

effect that we have in our statute 35 U.S.C. 102(e). While we attempted to fully examine your patent application and determine if you're really entitled to a patent, we really can't do that yet because we keep everything in secret and we don't issue patents in order. And, therefore, you may or may not have a patent when all is said and done. I think we forget that the cruel hoax we have right now is keeping everything in secret and not finally and certainly determining validity. We talk a lot about the disadvantage to someone whose application is published, but we forget that there are only a very few people who are disadvantaged by publication, whereas everyone is disadvantaged by secrecy. Every person who files an application, including all those small inventors, are terribly disadvantaged by the fact that they can't get a complete examination with any degree of certainty. We had a little bit of discussion about whether eighteen months is enough time. As Hal says, it has to be twelve months because you can't publish a foreign-origin application until it gets to the PTO, and that accounts for the reason why 45% of all of our applications coming in at one year require the one year period. And we talked a little bit about the possibility of twenty-four month publication. For the reasons, I think, set forth in the paper, twenty-four months is a little late to be of optimal value. One important reason is you'll get less in revenue if, instead of buying it from the U.S. Patent Office at eighteen months, I have to go hunt around in Europe and Japan, see if it's there. If it is there I'll buy it from them. It's a great way to help the trade deficit to publish at eighteen rather than twenty-four months. It's a great way to help the PTO fund itself. One final comment maybe deserves a little bit of annotation. Mike Meller is in a philosophical box, he tells us, because the origins of this publication system were an expedient for countries going to a deferred examination system needing to do something while things sat around for seven years. I think, though, if you go back to the 1960's, the lackadaisical era of the 1960's, when in certain technologies, biotechnology, for example, over a five year period, nothing much happened. Things moved slowly. Electronics, as fast moving as electronics were in the sixties, it took years, two years, three years, for computers to go through a generation. We're now talking about the 1990's when revolutions take place in a shorter time span than eighteen months. What's happened is, from the sixties to the nineties, we could wait for the PTO in the sixties to process patent applications in an orderly way, in a way that you can't do in the nineties. It really is no longer a philosophical box. If publication hadn't been invented for the wrong reason in the sixties, it probably

would have been invented for the right reason by the mid-eighties. In conclusion I would just say that there's some real merits to eighteen month publication. There are real merits as a stand alone issue regardless of whether you believe that the AIPLA initiative is needed or not, but if you couple the real merits as a stand alone issue, outside of harmonization, with the possibility that at least some form of administrative remedy by way of accelerated examination would be available for that minuscule number of people who would be affected by the loss of trade secret rights, then I submit that any balanced view, any completely objective view, would lead you to want to get this done immediately.

## "RULE 56 – DUTY OF CANDOR"

MR. BENSON: We have a little bit of time. Harry agreed to stay on for a few minutes, and, Harry, you've got 35 patent attorneys you can ask any questions you'd like and they will respond.

MR. MANBECK: Number one, I won't take 35 minutes, but number two, let me raise one point. Another subject of interest to many members of the Bar is Patent Office Rule 56. We have been continuing to work on that to see if there's some way that the rule could be changed to make it more palatable to many members of the Bar in that a revised rule might reduce the number of unwarranted charges of inequitable conduct in litigation. The Patent Office has, of course, been urged by many, well, not many, by a number of practitioners to go to the "but for" rule. We don't feel we can do that. We've actually talked to a few judges in the court and some of them said even if you do, we aren't. And, we have tried working with some people in the Bar representing not organizations but themselves, to see if something could be done. We've received advice from a number of people who are seated here in the room. I won't name them but you know who you are and we do appreciate your help. And, I can't say we're ready to publish a rule, but just to give you our thinking, and I don't even have the latest version with me, let me just read something which is close to where we are now, and then if anybody wants to comment, I'd be more than pleased to have it. First of all, we are thinking of a rule which is much less emotional than the present rule. The rule would start out with the words, "a patent by its very nature is affected with the public interest and, therefore, individuals seeking a patent have a duty of candor and good faith in their dealings with the Office. The public interest is best served and effective ex parte patent examination occurs only when at the time an application is being examined the Office is aware of and

evaluates the teaching of all information having a bearing on patentability. Accordingly, individuals seeking a patent should take due care to make sure that all such information known to them, that is, known to have a bearing on patentability, is considered by the examiner assigned to the examination of their application. Information is deemed to have a bearing on patentability if, one. . . " well, first of all, it's not here in this version I have, but there's a sentence that says it's noncumulative. ". . . it creates by itself or in combination with other information a prima facie case of unpatentability, or, two, it supports a position of unpatentability taken by the examiner, which the applicant disputes, or it is inconsistent with the position in support of patentability on which the applicant relies. Or, three, it teaches a claimed feature or features of the invention and is more relevant to the claimed invention as a whole than information already made of record or being made of record in the application." Then we go on to other sections of the rule, making it easier to submit information later in the game; it may cost you some money to do it, we're considering providing that we'll even pull the thing back out of issue if you want to submit information. If it's gone that far, you wouldn't be able to do so in your present application, but we'd pull it back so you could file a new one. It also, well, it's intended to, there's some other revisions which are not in here which worked with one individual here in the room and another New York counsel that week, to make it clear that the Office, at least, is satisfied, if the examiner has the information no matter how it got there. In other words, no matter if it got to the examiner. . . whether or not the attorneys cited it, the Office is not going to be mad. Now, if you got a situation like *A.B. Dick* of deliberate withholding and all that, you know, I can't guarantee what the court's going to do, but at least as far as the Office is concerned, we're saying that meets our needs, which it does. We are not out to punish attorneys, although we are presently considering disciplining an attorney where, at least on the face of an opinion, it's a clear court opinion, there was a clear, deliberate failure to submit information, but he will have his day in court. I don't get involved in that here, that's the job of the Committee on Enrollment and Discipline. So, this is where we stand. We're not ready to publish. We're still waiting for comments from a number of people. The thing I read from here is a comment from a well-known New York lawyer and some of his associates, who say, do not abandon the reasonable examiner standard, because there's a lot of decisional law built up on that and if you're scrapping that you'll cause more uncertainty in the courts, et cetera. He could be right. But, we are, I think,

prepared to make a change if there is some sort of reasonable support for something along the lines I just read. So, if anybody wants to comment, I'd be glad to have them.

MR. RINES: Can I ask a question?

MR. MANBECK: Sure.

MR. RINES: Taking the fact that Bill Thompson's looking at statistics with regard to interferences, is this a real problem? Does the Patent Office need a rule?

MR. MANBECK: Yes, the Patent Office needs a rule so that people understand the need to submit pertinent prior art; so there's no question for all applicants both pro se applicants and those represented by counsel. I get two kinds of letters. One kind of letter says, oh, there's only a few people in the Bar who would ever think of not submitting information, and I get other letters that say, I know some cheats out there and you need a strong rule. You may think I don't get that second kind of letter, but I do, and, yes, I feel we need a rule. Remember, I didn't put in the present rule. That rule was established way back and it's survived through a lot of commissioners and was never changed. So, I have to answer, Bob, yes, I think we do need one.

MR. WEGNER: Well, you talk about Rule 56. When we got an AIPLA committee together as a result of *A.B. Dick*, there are several fronts that were approached. One of them was a proposal for a rule change that was more out of trying to take advantage of every opportunity to challenge a very bad practice. Fortunately, the battle was won in another forum, *Kingsdown* and in *Scienter*. We set a standard we all can live with, and that makes any change in Rule 56 only secondary.

What you haven't focused on, which you alluded to, is Rules 97, 98 and 99. And here's where I sharply disagree, as you will see from the comments I made prior to your Administration. I've stayed out of this during your Administration, but, since you've raised the subject, I think it's important to look at Rules 97, 98, and 99 in context of the things we've been talking about today, an eighteen month publication with the other aspects of the Benson Committee proposal.

Why is it that it is so expensive for a small or large entity to get a patent? What we need for the small inventor is to get him a patent application on file, let him spend some money writing a good patent application. Then that small inventor, he may want an immediate action, but if he doesn't, he may want to spend his time looking for a licensee. He shouldn't be coerced into this mill of forced, meat grinder compact prosecution and churning. The evil, the strongest evil that we have that creates the biggest problem in the early phases is Rules 97 and 98. In other words, not only do you have to pay to

get the case on file, but then within three months after that you've got to get the prior art to the examiner. You've got to dig it out, analyze it, as this is a darn serious matter. We've got all these fraud cases to show that. And then, low and behold, we're getting ready to file abroad at twelve months, we've done another little search and we find, here's another piece of prior art. Whoops, a Supplemental Information Disclosure Statement! Another few hundred or a few thousand dollars, whatever it costs. Then we get the European search at eighteen months. Whoops, now we've got a good search. More prior art. Maybe we're under final rejection. Are we going to have to file a continuation now? Whose fault was it anyway that this art wasn't found?

It's the examiner's primary responsibility to search the case, and what offends me is the use of the tool of fraud. You *baaaad* attorneys. Hundreds of fraud investigations. When did you shoot your wife last and all that kind of stuff, all as a search tool. I was up in the office of the then Deputy Commissioner several years ago, and one Group Director said, well, "Fraud is our search tool." How dare the examiner say it's a "search tool." For their failure to find prior art they're going to punish applicants. This coercive tool has got to stop. I agree with the duty of disclosure. I agree with diligently bringing out the prior art, but it should be timed to when you need to have the examination. And if we're not going to have small entities, we're going to have something good for *all* entities. What are *all* entities going to do? It's equally bad for a big entity as a small entity, and we shouldn't discriminate against inventors whether big or small. But the one thing we can do is to get the Benson Committee proposal passed, we can get phased examination in so if you need a patent application granted you can take it up for examination, otherwise put it off, and above all, get rid of Rules 97, 98 and 99. Then we don't have to worry about whether we're paying for small entity fees. We'll save more money in the prosecution costs.

MR. ARMITAGE: I promised myself today I'd be more outrageous than Hal no matter what Hal did, but now it's too late and I'm too tired. I think that one can't underestimate the importance of what Harry has done in pulling back Rule 57. I should say, in keeping it pulled back. As I think well motivated as the Bar was, and it should be stated that parts of the Bar are still as motivated to pursue a Rule 57 alternative, it would've been an embarrassment to us all by the manner in which it would have been resoundingly rejected by the courts. The duty of disclosure isn't a PTO-made rule, it's a judge-made rule. The judges on the Federal Circuit have indicated that the duty of

materiality is a very substantial one. The Patent Office is clearly entitled to know anything the applicant knows that really affects patentability. I think what we avoided in not going ahead with Rule 57 was a disaster. I think the legitimate question for the Bar, and it's a very narrow question, are we content with the current standard of materiality and whatever certainty it brings? In my view it doesn't really bring that much certainty, because, basically, anything appears to be material. Nothing appears to be immaterial, at least in the context of someone litigating against a patent. Alternatively, would we be better served if we more carefully spelled out, more carefully spelled out in terms which could be understood by a patent attorney, what it is that needs to be disclosed. Does the prima facie patentability standard help do it? Do the other features of the rule, as Harry has proposed it, do it? A lot of work in AIPLA and elsewhere has been devoted to that narrow issue, is there something better? Admittedly, the something better is not a major step. Admittedly, it's an open question. But I think we're deluding ourselves to think that the alternative is a resurrection of Rule 57, not only because it's over Harry's dead body, but also it would be a very, very brief resurrection, in my view.

MR. SHAW: I agree with the previous speaker with respect to Rule 57. I marked down here, "known to have a bearing." Is that what you said.

MR. MANBECK: I think. I said "material bearing." To have a bearing and then define what bearing is.

MR. SHAW: The other thing is certainly it's an improvement to take out the "reasonable examiner." It seems to me that what you said is pretty much what the Federal Circuit has been saying on this subject. I didn't hear anything about intentional.

MR. MANBECK: It says, information known to have a bearing.

MR. SHAW: I would tend to think that what you have there is what the courts have been saying, especially recently.

MR. FIELD: Rule 56 was there for a long time and not used. It came out of some Supreme Court cases based on antitrust law. It seems to me it's one thing for a court to find a patent invalid and an entirely different thing to have the PTO itself involved. I'm not sure why the PTO's involved at all.

MR. MANBECK: The PTO is interested in issuing valid patents. The only way it can issue valid patents is if it has the pertinent prior art in front of it. In my opinion, those who allow patents to issue knowing that there's better prior art available than the examiner has in

front of him are doing not only the system as whole a disservice, they're doing their clients a disservice; and the purpose of the rule is to point out that that information should be submitted.

MR. FIELD: Well, it's one thing to ask for the information and another thing to impose a remedy within the PTO.

MR. MANBECK: We're not in that business anymore. That's currently discontinued on a Commissioner's notice, and the function will be totally gone under the contemplated rule.

MR. TEGTMEYER: Two comments. One on prima facie and the comment you brought from a New York attorney. I think it's better than the present definition, but I think if it could be explained somehow in a way that fits in with whatever the judges you've talked to say might be acceptable to them, I think that would be a good answer.

MR. MANBECK: Yes, we would define in the comments on the rule what we mean by prima facie case. Absolutely.

MR. TEGTMEYER: Secondly, I think it might be useful to build into the rule itself the absence of the need to cite redundant art.

MR. MANBECK: I did not read it, but it's there.

MR. THOMPSON: I wanted to start out with a clarification. We've had all these debates since then, but, basically I think you were saying that we're talking about art known to the applicant or his representative, but you don't have any evidence of what he knows and what he doesn't know. So, how are you dealing with this subjective test, Harry? I'm still struggling with your test in that regard.

MR. MANBECK: No one will ever know what the applicant or his attorney knows until they examine his files. What we're trying to say is there are a lot of files in any attorney's office. Certainly a lot in any large law firm and a lot in any corporation. A particular attorney in the corporation or in the law firm, may have a reference available to him, but he may not know anything about it. So what we're trying to say is he has to know of the reference and that it bears on patentability. In other words, if he can show he didn't know the reference was there or if he can show he didn't recognize its relevance to the claimed invention, he hasn't violated the rule. But whether he actually knew, that's for the courts not us. We're just trying to say, if you know it, let us have it. Nothing more.

MR. TRAMPOSCH: Just on that same issue, are you saying that they knew about the reference and the reference had a bearing or that they knew that the reference had a bearing, because there's a difference between those.

MR. MANBECK: Submit information, if it isn't clear, it's got to be a reference known to them and known to have a bearing on patentability.

MR. TRAMPOSCH: Because that seems to introduce an element of intent.

MR. MANBECK: Yes, well, that's what we're trying to do.

MR. MELLER: I am very intrigued with what you mentioned, Harry, with being able to get searches in at a late date. I find in my PCT practice that quite a number of people are taking advantage of early search, filing well before the priority date anniversary in order to get a European search which can be in hand before the U.S. patent issues. Also, I see it in reverse, when it comes in from abroad that there's this tremendous duress, if it's a foreign case, of having in hand any kind of prior art until it's, let's say, close to eighteen months. So with an average of eighteen months to issue, the best prior art references can't come in. Now, if there's a mechanism which can be provided, and I suggested this to Don Quigg two or three years ago, this would be very useful. That some prior art can be provided so you can postpone for a period of three months or something; or at least be able to submit that prior art after the notice of allowance... has been issued and not have to battle the examiner would be terrific... so that you can get that art in. It will save tremendous amounts of money, because then you don't have to rely on remedial steps such as go for a reissue or re-examination. And, this happens more often than one might think.

MR. MANBECK: "An information disclosure statement shall be entitled to consideration by the Office if filed after the mailing date of a notice of allowance, but before payment of the issue fee provided the statement is accompanied by a certification as specified by Paragraph e (that says you didn't know about the art before that, in other words, you just got it) a petition requesting consideration of the information disclosure and a petition fee." (Why a petition fee?) Because it's more work for us because it comes in late.

MR. WEGNER: But it's your fault for not finding the prior art, Harry.

MR. MANBECK: Oh, it's always our fault.

MR. WEGNER: No, it's the examiner's requirement.

MR. MANBECK: I'm trying to help you, Hal, I'm not trying to hurt you.

MR. FRYER: From my point of view, I think this proposal is a very fine step forward. While we do not have the text in front of us, it sounds like a good explanation of what is involved. The only thing I would like to suggest is that you could make clearer, in view of *A.B. Dick*, the fact that the order of when the reference is found is not important, as long as it is found before the patent issues. I suggest you work that principle into the specific language of your rule. That is the trap of *A.B. Dick*.

MR. MANBECK: I think it's in there. If it isn't, it's intended to be in there. I am not reading. . . .

MR. TEGTMEYER: The draft that I saw previously and what the conversation led to now in terms of my understanding may be slightly different. The rule as I understood it when I read an earlier draft did not purport to set a standard on intent, but merely the requirement or duty on the applicant to distinguish between the two. The court said there must be an intent to deceive in *Kingsdown*, and this doesn't address that directly as I understand it. One's before the fact. One's after the fact. The before the fact is that if you know about it, it assumes that you have it in front of you, that you know its prima facie effect and so forth and intent is not in question whereas after the fact you may have evidence that there was knowledge about it, but then you have to prove intent to deceive.

MR. MANBECK: Yes.

MR. FIELD: I'm still bothered by the PTO having a rule it's not enforcing itself, one that might be enforced in the context of infringement litigation. Is that an accurate statement?

MR. MANBECK: Please say it again. I don't understand. I really don't.

MR. FIELD: Rule 56 is not being enforced within the PTO, right?

MR. MANBECK: How is Rule 56 being enforced? Well, there was recently a case that came down where the Court of Appeals, like the District Court, held that an attorney had deliberately failed to submit a publication which he knew about, and which, in fact, he even drafted his specification using that publication, all right. Now, this may be a violation of the duty of. . . to the Patent Office.

MR. FIELD: I don't think there's any question about it.

MR. MANBECK: Well, I don't judge it at this point, but the Office of Enrollment and Discipline is looking at that case. It goes from them to, I forget the exact name for it, but it's a review board within the Office, which carefully reviews the recommendation of the people in the Office of Enrollment and Discipline. If that committee agrees that action should be taken, the Office of Enrollment and Discipline will initiate a proceeding. There would then be an investigation and there could be, as happened in a couple of cases involving false certificates of mailing, a trial before an administrative law judge. But there is not now, and there is not going to be a so-called fraud squad as there was in the Office for a number of years.

MR. FIELD: I'm still left with the question of what Rule 56 accomplishes.

MR. MANBECK: What 56 says to any attorney quite clearly is that the Patent Office needs your cooperation and you have a duty to

cooperate in getting art to us if it is better than that which we have, and has a bearing on patentability, so that we don't issue invalid patents for want of that art.

MR. FIELD: It's information.

MR. MANBECK: Yes.

MR. RINES: I want to take the opportunity to address some of you, in the context of what I think Tom Field is saying, who feel there doesn't need to be a Rule 56. If you're a lawyer, you've taken oaths. You're supposed to be of a certain trustworthy character; and it seems to me that a Rule 56 or anything else of this sort does not take that into account, number one. Number two, I think we're in an era now where we may even see the loss of a right to practice when you lose a case; because your opinion about materiality of a particular reference turns up not to be what the court says. We're not far from having this interpreted as a negligence kind of a situation. All of the fun and all of the trust of the practice of law, so far as I'm concerned, in the patent field, is rapidly disappearing unless the Bar gets a hold of itself very quickly. I know the patent lawyers representing independent inventors, small businesses and universities are trustworthy. And I don't think we need to have a court or an agency remind us of that.

MR. BENSON: Very well said. We skipped the break, so according to my watch we are ten minutes over. I want to thank all of you for coming. All of you have made a real contribution. I think our time was well spent. I enjoyed the discussion and learned a lot from all of you.