FOURTH BIENNIAL PATENT SYSTEM MAJOR PROBLEMS CONFERENCE SATURDAY, MAY 22, 1993

INTRODUCTION

BY KARL F. JORDA

On May 22, 1993 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 fourth 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 private and corporate patent bars.

The conference was chaired by Robert Benson, chairman of FPLC's Advisory Committee on Intellectual Property, and formerly President of Bancroft Corporation, Chief Patent Counsel of Allis Chalmers, President of the American Intellectual Property Association and Chairman of the IP Section of the American Bar Association. The 1993 conference featured such topical subjects as Abolition of Jury Trials in Patent Cases; New Specialized Patent Court in England; Prior User Rights; PTO as Independent Government Corporation.

The 1991 conference covered 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 systems.

ATTENDEES:

Robert A. Armitage
Upjohn Company
Kalamazoo, MI
Washington, DC

Norman L. Balmer
Union Carbide Chemicals
& Plastics
Danbury, CT

Heinz Bardehle
Bardehle, Pagenberg, Dost,
Altenburg, Frohwitter,
Geissler & Partner
Munich, Germany

Robert B. Benson
Bancroft Corporation
Waukesha, WI

Erwin F. Berrier, Jr.
General Electric Company
Fairfield, CT

Dr. Robert Bishop
Belltronics, Inc.
Newton, MA

Christopher Blank
Franklin Pierce Law Center
Concord, NH

David E. Brook
Hamilton, Brook, Smith &
Reynolds
Lexington, MA

William J. Brunet
Fitzpatrick, Cella, Harper
& Scinto
New York, NY

Frank S. Chow
Buchanan Ingersoll
Princeton, NJ

Robert G. Crooks
Durham, NH

Donald R. Dunner
Finnegan, Henderson,
Farabow, Garrett & Dunner
Washington, DC

Larry W. Evans
Willian, Brinks, Olds,
Hofer, Gilson & Lione
Chicago, IL

Rochelle Ferber
Franklin Pierce Law Center
Concord, NH

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

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

Steven J. Goldstein
Proctor & Gamble Company
Cincinnati, OH

Gary L. Griswold
3M Company
St. Paul, MN

Francis Gurry
Director-Adviser — WIPO
Geneva, Switzerland

William O. Hennessey
Franklin Pierce Law Center
Concord, NH

Karl F. Jorda
Franklin Pierce Law Center
Concord, NH

Dr. Walter Juda
Lexington, MA

Maurice H. Klitzman
Arlington, VA

Judge Alan D. Lourie
US CAFC
Washington, DC

Leonard B. Mackey
Davis, Hoxie, Faithfull & Hapgood
New York, NY

William J. Murphy
Franklin Pierce Law Center
Concord, NH

Ronald E. Myrick
Fish & Richardson
Boston, MA

John B. Pegram
Davis, Hoxie, Faithfull & Hapgood
York, NY

B. R. Pravel
Pravel, Hewitt, Kimball & Krieger
Houston, TX

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

Gary A. Samuels
W. L. Gore & Associates
Newark, DE

Sue Shaper
Pravel, Hewitt, Kimball & Krieger
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Sylvie A. Strobel
Max-Planck Institute
Munich, Germany

William S. Thompson
Caterpillar, Inc.
Peoria, IL

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

Herbert W. Wamsley
Intellectual Property Owners, Inc.
Washington, DC

Ogden H. Webster
Eastman Kodak Company
Rochester, NY

Harold C. Wegner
Director, Intellectual Property
George Washington University
Washington, DC

Richard C. Witte
Morgan & Finnegan
Cincinnati, OH

Alan Young '94
Franklin Pierce Law Center
Concord, NH

The purpose of the conference was to elicit opinions of people knowledgeable about patent systems 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, without prepared speeches.

The attendees were also given, prior to the conference, the following background materials:

1. **Abolition of Jury Trials in Patent Cases**
   a. The Wall Street Journal — Can Juries Do Justice to Complex Suits?, p. 1
   b. Alan W. Young — Jury Trials in Patent Cases (Draft Paper), p. 3
   c. *California Computer Products et al v. IBM* — Defendant's Memorandum in Support of Its Motion to Strike the Jury, p. 29
   d. *California Computer Products et al v. IBM* — Plaintiff's Memorandum in Opposition to IBM's Motion to Strike the Jury, p. 50
   e. Hugh H. Bownes — Should Trial by Jury be Eliminated in Complex Cases?, p. 60
2. **New Specialized patent Court in England**
   a. Judge Peter Ford — Mid-Winter Meeting Luncheon Speech, AIPLA Bulletin January-February-March 1993, p. 67
   b. John Peram — Draft Resolution and Report Proposing Parallel Patent Jurisdiction in the U.S. Court of International Trade, p. 72
3. **Prior User Rights**
   a. Rochelle Ferber, et al — Prior User Rights in a Harmonized U.S. First-to-File Patent Law System, p. 77
   b. Harold G. Wegner — Prior User Rights Chapter from his New Book on Patent Harmonization, p. 120
   c. Robert A. Armitage — "Prior User" Rights Under a "First-to-File" System, p. 135
   d. Robert L. Rohrback — Prior User Rights, p. 144
4. **PTO as Independent Government Corporation**
   a. IPO — Considerations in Establishing the patent and Trademark Office as a Government Corporation, (see separate document)
   b. Coalition for a Patent and Trademark Office Government Corporation — Patent and Trademark Office Administrative Reform Act of 1993 — a Draft Bill, p. 172
   c. AIPLA — Establishing the Patent and Trademark Office as a Government Corporation, p. 194
5. Additional Background Materials:
   Re: Jury Trials
   Martin J. Adelman — Patents and the Seventh Amendment

   Re: Prior User Rights
   Heinz Bardehle — Should prior user rights be protected?
   The European Experience

TRANSCRIPT

Saturday, May 22, 1993

(9:00 a.m.)

MR. BENSON: We want to get going. A few people will be coming in later. They'll just kind of walk in. I want to introduce Bob Viles who is the President of the Franklin Pierce Law Center. He has a few comments to direct to all of you.

"WELCOME"

MR. VILES: Thank you, Bob. I want formally to welcome you to the Fourth Biennial Patent System Major Problems Conference. These conferences were started by Homer Blair, and it's Homer Blair who brought to the Law School both Bob Benson and his own successor, Karl Jorda, who are responsible for this Conference. Those of you who know me know I don't know much about patents. Hence, I am not going to stay for the Conference or meddle in your affairs here today. I simply wanted to come down from Concord to greet you and especially to say how appreciative we are at the Law Center of the support that many of you have provided for the school. I suppose one of the broadest forms of support has come from providing our MIP students in Bill Hennessey's program with internships in the summer. I also have appreciated all the advice that I've received from people around the table.

Right now at school we are in the throws of renovating and expanding our building. I looked down at my shoes this morning and realized they were covered with dust from that project. As of some time in June, we will have a home for our intellectual property programs on the top floor of the existing building. So, the next time you are at Franklin Pierce Law Center in Concord you will see a physical embodiment, if you will, of our program as well as a place for the faculty and students to interact. We're also going to have a mini-conference center in the new building addition. There's one feature of the addition that we really want to tell you about. But that would be stealing Bob Benson's thunder, and he will tell you about it later today. So, I wish you success in making this as successful and useful a conference as the preceding three Patent Systems Major Problems

Conferences. I'll turn this back over to Bob and to Bob Rines, the Chairman of the School.

MR. BENSON: Thanks Bob. Before I turn this over to Bob Rines, I just want to mention a few facts. Bob is the dreamer who started Franklin Pierce Law Center about 20 years ago. In that time, we have grown to about 400 students full time. We now are the largest producer of lawyers for New Hampshire of any school in the country. There are more people practicing law in New Hampshire that are Franklin Pierce graduates than any other school. Bob started this with the idea, among others, of merging science and technology with the law. Of our last entering class, over 35 percent of the incoming students have a degree in science or engineering. Twenty-five percent or more of our students specialized in intellectual property law. So, Bob, in your 20 years, you have accomplished a great deal and I hope that we are going to continue to grow to fulfill all of your dreams. Bob?

"INTRODUCTION TO CONFERENCE"

MR. RINES: Thank you very much, Bob. Thank you all for coming. It's with pride, but a little bit of trepidation, that I look at the State of New Hampshire and see the trend happening that a substantial number of our law school graduates, comparatively speaking, are among the new judges going on the State Bench and the new President of the New Hampshire Bar including the first woman lawyer with the Vice-President also a graduate of the Law Center. This, of course, is a source of pride. I had hoped, however, that we would be more of a national law school. And, of course, in the patent and intellectual property field, that's precisely what we are. But the responsibility of taking over the State of New Hampshire so to speak, is an awesome one. And I think, Bob, that while we're trying to stay small, the name of the game is quality. And I think one thing that law schools generally, quite evident from the Congress, are perhaps not paying enough attention to, is the caliber, the morality, the sense of ethics that candidates to be lawyers should have. I don't think it's enough that you're not a crook. So, we have a lot of work to do, I believe, to make high quality lawyers from people who will respond to the needs of today's society, which isn't necessarily to lop litigants' heads off, but to solve problems. I would like to cite an example for our law students and others who are here. If we are to survive as a nation and if we are to get our fair share of the world's markets, we must obviously have a system where the lawyers are representing potential deals as well as their clients. And that, perhaps, is the final dream that I have had for Franklin Pierce Law Center. Yes, we've

achieved some level of competence. Our intellectual law journal and research activities leave a lot to be desired. I was talking with Hal this morning about getting closer to George Washington and others to make these things substantive. But many people, including some among you, have been very responsive to our belief, which we share with Tom Arnold, though with some differences, that for many of the disputes and potential disputes in our area, we should be solving them otherwise rather than in the courtroom. So, I think some of you know that this fall we will be launching a mediation institute, an international one. Presently, we're calling it ACCORD, A Center for Conflict Obviation and Resolution of Disputes. And we have great interest really on the conflict obviation part. At the Law Center, for some five years now, we have been engaged in mediation programs, not in intellectual property, but in the small claims area, the domestic relations area; and the success is absolutely mind boggling. The contentment of the parties is something that is a message that they're giving to us lawyers. There are other ways than win and lose. So, we're sticking to our last. ACCORD will only be for intellectual property and related technological disputes. We're starting mediation training this fall. We're going to be very careful whom we train. It will not be lawyers exclusively. It will be professors, engineers, scientists and technical business people and we will establish a list of potential mediators. But our philosophy is very different, Tom Arnold was on our founding committee, as is Federal Court of Appeals Judge Pauline Newman, retiring Chief Judge Shane Devine of our local Federal bench, and Judge William Batchelder from our State Supreme Court. Already in the State of New Hampshire, if you file a lawsuit, any kind of a lawsuit, you may get a nice piece of paper from the Court saying, "Fine. I recognize it, but you have no standing here until you try mediation, arbitration or other means of settlement and report back why it didn't work." And our concept is to try to develop that expertise and that family of trained, neutral people who could be available to try to orient those who think they might be getting into a problem, rather than proceeding after people have become polarized. We're delighted that Bob Shaw has been able to receive from a good number of our PTC corporations the promise to try mediation. You know, maybe it won't be our life-blood patent that we would entrust to this, but we'll try the concept. Bob and I just returned from Japan, Korea and Taiwan where our alumni from the MIP program have been our catalysts and where now the Japan Patent Association and its organization, PIPA, want to collaborate with us and have ACCORD implement PIPA conciliation so that Polly

Newman's dream can actually take place. So, there's international interest in doing this. We certainly want to call on you for ideas and for support. This is a true invention, the way we want to do it. We have no fixed rules of mediation. That's just the way we want it. We want to help the parties solve their own problems. So, that's the end of the dream, Bob. If we can pull this off, I think we will have been of service, not just to the United States, but to the world. That really is in the context of the Franklin Pierce Law Center. Thank you all for coming.

MR. BENSON: That's the end of your dream for this year. I'd like to call on Karl Jorda to make a couple remarks. Karl really is the guy, together with his staff, who organized this meeting and he has a few announcements relative to the rest of the program.

MR. JORDA: Thank you, Bob. Good morning everybody. Just a couple of housekeeping items. There is some literature out on the table in the reception area that will support in writing and as tangible evidence of what Bob Benson, Bob Viles and Bob Rines have talked about. In particular, there is a very recently published Intellectual Property Bulletin describing all of the efforts in the intellectual property field of Franklin Pierce. There are some flyers about upcoming programs, a recent issue of IDEA and brochures about the Master of Intellectual Property Program. If you don't have that, you might pick it up and read it at your leisure, perhaps on the plane back. As far as lunch is concerned, we will break according to the schedule at noon, give or take a few minutes, depending on where we stand with the program and the progress we have made. There will be a buffet luncheon set up in the back here and that will make it possible to have lunch within one hour. Any one of you who is going to be here tonight, and not rush away after this conference, please let us know, perhaps by giving your name to the reception staff outside here. We will have a dinner party tonight for those of you who are here at the Bedford Village Inn which I understand is a very nice place and not too far from here. So, please put down your names. We could assemble in the lobby of this hotel at 6:30. Thank you.

MR. BENSON: Thank you, Karl, and thanks for all the work you and your staff have done to put this meeting together. I want to thank each and everyone of you for coming out here to New Hampshire for this conference. I would like to start by going around the room and have each one of you introduce yourself, where you're from and a little bit about yourself. We'll start with Ron Myrick.

MR. MYRICK: I'm Ron Myrick. I'm local, basically, at least if you consider Massachusetts, south of the border, local, Boston. I'm with the firm of Fish & Richardson and formerly of Digital Equipment.

MR. WITTE: Dick Witte. I'm from Cincinnati, Ohio. I'm counsel with Morgan & Finnegan and formerly with Proctor & Gamble and this is my fourth conference.

MR. YOUNG: My name is Alan Young. I am currently a student at Franklin Pierce Law Center and I am working with the firm of Young & Thompson in Arlington, Virginia.

MR. GURRY: Good morning. Francis Gurry from WIPO, Geneva, Switzerland.

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

MR. WEGNER: I'm Hal Wegner with George Washington. And as of April 7th, Director of the Dean Dinwoody Center for Intellectual Property Studies and Freedom of Expression.

MR. BALMER: Norm Balmer, Union Carbide Corporation.

MR. GHOLZ: Chico Gholz, Oblon, Spivak, McClellan, Maier & Neustadt, Arlington, Virginia.

MR. BARDEHLE: My name is Heinz Bardehle. I am a patent attorney living in Munich. I was involved to some extent in the development of the harmonization treaty as a member of the German Delegation.

MR. CHOW: My name is Frank Chow. I'm with the firm Buchanan Ingersoll, Princeton, New Jersey.

MS. SHAPER: Sue Shaper with Pravel, Hewitt, Kimball & Kreiger in Houston, Texas.

MR. WAMSLEY: Herb Wamsley, Executive Director of Intellectual Property Owners Association in Washington.

MR. RINES: Bob Rines.

JUDGE LOURIE: I'm Alan Lourie, Judge on the Court of Appeals for the Federal Circuit. And before I was on the Court, I was with Smith, Kline & Beckman for many years.

MR. BENSON: I'm Bob Benson from Bancroft Corporation in Waukesha, Wisconsin. I'm also a member of the Executive Board of the Franklin Pierce Law Center.

MR. JORDA: I'm Karl Jorda, faculty of Franklin Pierce Law Center.

MR. MACKEY: I'm Len Mackey with the firm of Davis, Hoxie, Faithfull & Hapgood, and formerly with ITT Corporation.

MR. BROOK: Good morning. I'm David Brook with the law firm of Hamilton, Brook, Smith & Reynolds in Lexington, Massachusetts.

MR. CROOKS: I'm Bob Crooks, a sole practitioner in Durham, New Hampshire.

MR. EVANS: I'm Larry Evans and continuing the trend around the table, after 23 years with BP America and BP Chemicals, I'm now with Willian, Brinks, Olds, Hofer, Gilson and Lione in Chicago.

MR. PRAVEL: I'm Bill Pravel with Pravel, Hewitt, Kimball & Krieger in Houston.

MR. JUDA: I'm Walter Juda, not a lawyer, but a chemist. I started two "patent-based" companies.

MR. BRUNET: I'm Bill Brunet from New York with Fitzpatrick, Cella, Harper & Scinto.

MR. WEBSTER: I'm Slim Webster from the Eastman Kodak Company.

MS. FERBER: I'm Rochelle Ferber. I'm a 1993 Franklin Pierce graduate and have been a patent agent for the past four years. I have a sole patent practice.

MR. ARMITAGE: I'm Bob Armitage. I'm with the Upjohn Company in Kalamozoo, Michigan.

MR. FIELD: Tom Field, Franklin Pierce Law Center.

MR. GRISWOLD: Gary Griswold, 3M, St. Paul.

MR. PEGRAM: John Pegram, Davis, Hoxie, Faithfull & Hapgood, New York City.

MR. THOMPSON: Bill Thompson with Caterpillar and still with Caterpillar, Peoria, Illinois.

MR. SAMUELS: I'm Gary Samuels. I'm with W.L. Gore & Associates in Newark, Delaware.

MR. BERRIER: I'm Bud Berrier, G.E., Fairfield, Connecticut.

MR. DUNNER: I'm Don Dunner, Finnegan, Henderson, et al. Washington, D.C.

MR. KLITZMAN: I'm Maury Klitzman, a sole practitioner in Bethesda, Maryland.

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

MS. STROBEL: Sylvie Strobel. Research Fellow at the Max-Planck Institute for Foreign and International Patent, Copyright and Competition Law in Munich, Germany.

MR. GOLDSTEIN: I'm Steve Goldstein. I'm with the Patent Division of Proctor & Gamble in Cincinnati.

MR. BENSON: Well, thank you all. You can see that we have a wide variety of people with different interests. You were specifically sought out and invited to this program because of your interest in the subject matter and your expertise relative to the subjects which are being discussed. The format of the program is that each subject will be introduced by one or two speakers. Then, we will have individual comments from any and all of you who are here. The first subject, is the jury trial issue. It's a hot issue. It's not going to be resolved easily. Alan Young from Franklin Pierce has done some research on jury trials. Alan will start off the program discussing what he has found and some of his recommendations. Al.

"ABOLITION OF JURY TRIALS IN PATENT CASES"

MR. YOUNG: Good morning. As was said, the first topic for discussion this morning is the abolition of jury trials in patent cases. Professor Shaw, the Director of the PTC Research Foundation at Franklin Pierce, originally asked me to begin the research on this topic. By way of introductory remarks, I will outline some of the issues and questions that have arisen during the course of my research. These issues may be approached from several different directions, the first of which is a historical inquiry and speculation regarding the original intent of the authors of the Seventh Amendment. A question related to the intent issue is whether a complexity exemption may be read into the language of the Seventh Amendment. Incidentally, Federal Courts have shown a remarkable reluctance to find such an exception in the language of the Seventh Amendment. To begin such a historical inquiry there are a few avenues of approach that may be taken. The first of which is an analysis of the practices of the English Chancellor in Eighteen Century England vis-a-vis jury trial in patent cases. Another is an analysis of the jury trial practices in the colonies prior to the adoption of the Seventh Amendment. Many scholarly papers were published on the topic in the 1980's. My research thus far has led me to believe that this historical approach, which consists in attempts to divine what the English Chancellor would have done with a contemporary patent trial in 1791, is necessarily a highly speculative and dubious process. Other questions that bear on the topic of the abolition of jury trials in patent cases is whether the juries are actually able to understand the complex technical, business, and legal questions that are posed to them during the course of today's litigations. This is a difficult determination. The readings I have made tend to suggest that the arguments pro and con on this topic are mostly supported by anecdotal evidence as can be seen on page 1 of your handout, the Wall Street Journal article. A related question is: Should we consider, or even attempt to quantify the "practical limitations and abilities" of today's juries with respect to their ability to decide complex issues? Another topic that I have found during the course of my research is whether in fact trying complex cases before a jury constitutes a denial of due process under the Fifth Amendment, and whether a decision made by a jury with only superficial, or actually no understanding of the underlying issues is in fact a valid decision, one that has been reached after the right process. Other issues include whether actually having jury trials in patent cases is a cost effective method of resolving disputes. Of direct relevance to the cost effectiveness issue is the length of time needed

to educate the jury regarding the engineering, business and legal issues particular to each case. Protracted trials create the danger that the jury finally assembled through the jury selection process will not actually represent a fair cross-section of the community. The make-up of the jury obviously has a profound effect on whether they are able to understand the issues presented to them and make a fair decision thereon. Assuming that attempts to restrict the use of jury trials in patent cases fail, that they are in fact here to stay, what can be done to improve them? Many proposals have been advanced, such as for example, allowing the jurors to question the expert witnesses and ask the judge questions, and, generally allowing jurors to take a more active part in the litigation process. Another is to precharge the jury, thus delineating and familiarizing them beforehand with the complex technical and legal issues. Other strategies include splitting up cases that have become large and unwieldy due to the liberal joinder procedures of the Federal Rules, and trying each issue separately before proceeding to the next. Still other strategies include employing masters to explain complex technology to the jurors and the use of specialized juries. The answer to many of these questions depends upon whether we believe that jury trials in patent cases are actually an effective method of deciding complex issues, and one that is in fact worth preserving. Thank you very much.

MR. JORDA: I had a call from Bill Keefauver, as well as from Dave Lowin who is on the Advisory Council for Intellectual Property. They attended a program in California a couple of weeks ago. At the program, a presentation was made on patents and the Seventh Amendment by Martin Adelman of Wayne State University Law School and they asked me to be sure to invite Professor Adelman to our Conference. Unfortunately, Professor Adelman was not able to come, but he sent me, and I received it only yesterday, the paper you have in front of you. It was copied yesterday. I asked one of our very recent graduates, Charles Gregg since obviously you haven't had a chance to read it yet, he read it last night, abstracted it, and he's prepared to give us a very short synopsis of what Professor Adelman has to say on this subject and which he will also cover at the Federal Circuit Conference on June 18. He entitles his paper, Tentative Draft, but it's pretty final. Charlie.

MR. GREGG: Thank you, Professor Jorda. My name is Charlie Gregg. This is on, as Professor Jorda said, patents and the Seventh Amendment by Professor Adelman. As an introduction, Professor Adelman's paper is in response to the Advisory Commission on patent laws, the recommendation of public debate concerning the appropriate use of

juries in patent litigation. He believes judges are better trained and have better tools for the decision making than do juries. Judges do not have the time pressure that comes from being locked in a jury room until they reach a decision. He agrees with the Advisory Commission that if the current trend of decisions being a "little more than a throw of the dice, interest in using the patent system will rapidly wane." The focus of his paper is on damage control.

He traces use of common law (and use of courts of law) to settle patent matters to the statute of monopoly, section 2, although by the middle of the 19th Century, courts of equity became the predominant courts for enforcement of patents.

In the United States, he concludes the Supreme Court has preserved only the core of the Seventh Amendment, as well as jury control devices, such as directed verdicts and new trials. The jury should decide historical facts but not apply law to those facts.

In patent validity trials, the most important issue is your anticipation and obviousness. The common law tried novelty courts. . . cases before juries in 1791, but not obviousness. In *Newell Companies v. Kennery Manufacturing*, the majority of the CAFC argued that obviousness was a matter of law and therefore subject to the full and independent review of the court. He dismisses Judge Newman's dissent based on the Seventh Amendment by stating, that there is no right to a jury trial on issues of law in 1791. Obviousness is a standard and there is no basis to assume judges allowing juries to decide what standards met in 1791 in the common law courts. He mentions having Congress pass a law having the PTO, the Patent Trademark Office, decide complex questions of fact. This is not ideal, but a great improvement over having juries make those type of decisions.

Claims construction in literal entrenchment cases is as important as anticipation and obviousness is in patent validity cases. Using the argument that claims construction is analogous to legal determinations in 1791, juries can be used to determine literal infringement. However, in determining literal infringement, the claims must be interpreted, as well as the specifications. Giving all this responsibility to a jury would add a further element of rationality to the administration of the patent systems. Judges with their training are far more competent than juries to make these determinations.

Equitable determinations are for the court and the CAFC has agreed. There isn't any disagreement on that.

Professor Adelman presents the detailed argument that reasonable royalties is an equitable remedy and therefore it should be determined by the court.

Penalty damage decisions were clearly per the court of the law in 1791. However, in line with the Seventh Amendment, the amount can be decided by the court. The jury will still decide willfulness.

There is a "complexity exception", as was explained earlier, for deciding that an issue is too complex. In 1791, equity courts could intervene and enjoin an action at law that was too complicated to be decided by the jury. However, the Supreme Court hasn't made any comment on this as yet.

To quote from his conclusion, "To sum up, all is not lost for those who believe that both the public and the Bar in the long run would benefit from a rational method for resolving patent disputes. In this endeavor, the civil jury probably has no role. Nevertheless, we are left with the dead hand of the drafters of the Seventh Amendment. Where the case is equitable, it is because a cause of action for infringement is equitable or because a patentee did not request a legal remedy, the problem of a civil jury goes away. Where the case is legal, many defenses are classified properly as equitable and at least to them there is no role for the jury".

Even as to the legal issues, the role of juries can be minimized by only giving the juries the responsibilities for determining historical facts by preserving unto themselves law application. Moreover, unless the jury's feeling for community standards would be helpful, courts should classify standards at issues of law. Where the federal circuit receives problems of juries on any particular issue, the court is free to label the appropriate standard as one of law. Finally, the federal circuit can act to ensure that general critics add into the death span of history by insisting on detailed instructions on specific questions or verdicts. Hence, damage control is possible."

MR. BENSON: Thank you. Okay. The floor is open. Who wants to start? Okay, Bob Armitage first.

MR. ARMITAGE: First of all, it seems to me we're not going to change the Constitution. So, whatever we do, we will be obliged to do it in the existing constitutional framework. Second, it seems to me that this would be a much easier question to solve if we could say that juries could never understand patent cases and judges could always understand patent cases. With all due deference to the member of the judiciary with us, that proposition ain't necessarily so. We're dealing in an area where sometimes juries can understand complex cases and sometimes judges can't. No one can make an absolute statement, therefore, about where patent cases must go all the time to assure they will be comprehended. Because of the constitutional requirement that there be a jury trial where there can be a jury trial, the most

we can hope for with a complexity exception is an argument every time a jury trial is denied, as to whether or not the constitutional mandate is being met. So, it seems to me that the complexity exception in and of itself is not too helpful. I also read with interest the due process argument. It seems to me that the due process argument doesn't go to whether the jury can handle the trial if it's complex, but rather how a complex case should be tried to a jury. In other words, what is it that needs to be done to that case if the Constitution requires it to be tried before a jury that it can be? Does it need to be broken into pieces? Do the jurors need extra audiovisual or other tools to help them decide the case? Should they decide it in small pieces, one issue at a time, et cetera, et cetera? One thing that wasn't mentioned that intrigued me greatly about Mr. Young's paper, was that perhaps the patent right has elements of a public right, such that we could assign patent validity and infringement issues to an administrative or quasi-administrative forum. Perhaps, for example, rather than assigning these issues to the Patent Office, where some of us may have our doubts as to whether that's a suitable role for the Patent Office to play, we could assign them to the ITC. This would have a couple of advantages. It might solve some of the objections in the GATT panel report. The ITC could decide under its 18-month rule all patent cases, presumably without injury to the Seventh Amendment. Otherwise, I have scratched my head a lot and thought a lot about this and decided that it's too late to call another constitutional convention. It's probably too difficult to get two-thirds or three quarters of anybody in this country to agree on anything anymore.

MR. FIELD: I've spent some time thinking about this, too. The biggest problem I have is the common law limitation in the Seventh Amendment. It strikes me that a statutory right is not a common law right. I'm not sure there is a Seventh Amendment right in patent cases, but we have it in the statute, 35 U.S.C. §284 par. 2, and I don't foresee that it's going to come out of the statute. I'm convinced to a moral certainty that any patentee with a weak case is not going to be willing to give it up.

MR. GHOLZ: My name is Chico Gholz. If we break complicated cases up into itty bitty little fragments that conceivably a jury might understand, number one, I don't think the jury will understand even itty bitty little fragments and, number two, we will be bound to get inconsistent results, which are enraging to the parties and make the whole judicial system look idiotic. A major reason for our current rules about joinder is to avoid that kind of inconsistent results, and more or less those rules work. Whether you like the overall results or not,

they are less likely to be inconsistent, internally inconsistent at least, if you do try the fragments all together.

I disagree with Bob Armitage about starting with the premise that there's no way that the Constitution can be amended or at least it is impossible to get the Constitution amended. I think we ought to think about that. We're not the only branch of the Bar that has this problem. Every branch of the Bar that has complicated cases, which is probably every branch of the Bar, has the same problem. It is possible to get fundamentally reform. The Brits did it. Other people have done it. I think we ought to be aiming in that direction, because all the other solutions that we've talked about are exceedingly unlikely to work. In fact, they are even less likely to work than getting the Constitution amended.

To begin with, the thought of trying to do away with jury verdicts that are, he wins and he loses, I think is a loser. The federal rules provide that the judges have the opportunity to call for such verdicts, a lot of judges like them, and I don't see that the Federal Circuit is going to be able to tell judges that they can't use general verdicts. They can certainly say, as they've been saying for ten years now, that they wish the judges wouldn't use general verdicts. Well, I wish I were richer than I am, I wish I could fly to the moon, and I wish a lot of things, but they're not going to happen. It seems to me that if we're going to make any progress in this area, that ultimately it has to require Constitutional amendment.

MR. DUNNER: Don Dunner. I would like to start by just dealing with the issue of whether or not jury trials in patent cases are a good thing to have, the point that Bob mentioned just briefly. I read an article last night by Judge Bownes in the workbook that we have. His thesis is that it's a little presumptuous for us to say that juries can't find the facts as well as judges. In his experience that's not true: they're quite capable of doing that deed and doing it well. I must admit that I think that having jury trials in patent cases is an invitation to disaster. I have been involved as an expert witness in at least five jury cases. I've tried two jury cases myself, one of which lasted three and a half months. I am privy, as other of you may be, to some statistics in Delaware. The last fourteen patent jury cases tried in the District of Delaware, all resulted in holdings in favor of the patent owner except for one, which was a hung jury, and that does not bode well for the system. I don't think jurors by and large are capable doing the job nearly as well as judges. While the quality of district court judges is spotty, there are a lot of very good judges at that level. I, therefore, think we're a lot better off having judges decide the issues.

Moreover, the standpoint of appeal, it's much easier to correct mistakes when you have a bench trial, not only because of the lighter appellate burden but because bench trials typically generate comprehensive opinions which can be analyzed by an appellate court. I think that the goal of eliminating jury trials in patent cases is in my view very laudable. I also note in Judge Bownes' article that we are the only nation that still uses a jury system in civil cases, including the old mother country from which our system came which no longer uses it except in, I believe, libel cases. But I agree with Bob, I disagree with Chico, that it is not likely that we're going to be able to change the Constitution, and it is problematical as to whether or not we're going to succeed in getting a complexity exception engrafted onto the Seventh Amendment. So, what do we do? Aside from all the little things that we've mentioned, I would be interested at some point in hearing Judge Lourie's comments on this to the extent he can comment on it. I think the Federal Circuit can play a vital role in this whole process. There were some early cases, one of which was the *Structural Rubber* case, in which Judge Nies opined at some great length as to what the district courts should do. And, in fact, that case sounded like the court was mandating that the district courts require that juries provide answers to special interrogatories and not make the ultimate decision on obviousness, and a lot of other things. Judge Michel recently gave a speech, which has gotten wide circulation, in which he sort of crystal-balled what might happen in the future and he talked about the Federal Circuit mandating that the district court do a number of these things in patent cases. When Judge Markey was Chief Judge on the court, he was a leader of the thought that patents should not be out of the mainstream of what happens in the district courts. But I'm not sure that patent cases don't require some special treatment that the Federal Circuit is in a position to give them. And if the Federal Circuit mandated that the district court do certain things, perhaps take the ultimate obviousness question away from the jury, which is the biggest problem in jury cases, and leave that for the judge, we would be infinitely better off. There are tons of things we can do in that area short of trying to amend the Constitution, which I would be in favor of if I thought it could happen. Perhaps, we could do these things on parallel paths. But I certainly don't think that should be our primary effort. I think the Federal Circuit may well be the answer to the problem.

MR. SHAW: I don't disagree with that — anything that has been said so far. I would like to throw out just another little issue here. We're

dealing in 1993, after we have had the Court of Appeals for the Federal Circuit since 1982, but some of us go back a little bit beyond 1982. And one can ask: Why did these jury trials come into existence in the first place? The fact of the matter is they came into existence because plaintiff/patentee didn't get a Fifth Amendment proper trial prior to 1982 and a patentee had practically zero likelihood of ever prevailing in some of the courts at that time. I think that some could look back now and say that as of that time period that there was no equal protection under the law — that the Fifth Amendment right was not accorded by the courts — and the likelihood that we can slip back into that situation is still there. So, I think that we should be very wary. Jury cases, of course, are clumsy. At the very least, they're clumsy. Patent cases in any situation are clumsy. Jury cases are worse than the others, probably. But the fact of the matter is that a patentee did not have his rights protected in the United States court system in 1952, in 1962 and in 1972. We didn't have jury trials back in the 50's or the 60's. We have them now because that was the only way that a patentee could get a favorable decision. I think that we should not be too fast to change things without understanding where we came from. Thank you.

MR. PRAVEL: Bill Pravel. I come biased and in favor of jury trials, having been involved in quite a few, both as the attorney and as the expert. I know where Don Dunner is coming from, from the standpoint of being concerned about the jury verdicts being more favorable to the patentee than to the accused or the defendant. But on the other hand, in my view, a jury quite often is just as capable of understanding the fact issues as the judge. Obviously, a judge is more skilled in analytical analysis and in handling the legal issues, which he does through jury instructions and rulings during the trial. But most of the fact issues are not within the expertise of the judge anyway. And quite often, if you're lucky at least, you get some people on the jury who have some technical background. And in my experience, and I think a lot of the judges that I've talked to say they find that the jury comes up with the right decision. Maybe you could say, "Well, because there's so many cases that come up with the validity issue in favor of the patentee, that that indicates there's something wrong with the system." But I think when you analyze it with the presumption of validity, that the jury is instructed on and the situation, which naturally favors the patentee anyway, having come from an issue of patent that's been through the prosecution and has all the history, I don't think it's a lack of understanding on the part of the jury, I think that the deck in some way is stacked in favor of the patentee

and probably rightly so. I think there are some areas where we could improve the system in terms of letting the jury ask questions to be sure that they do understand with the opportunity of the judge to respond. I was in one trial where the judge allowed the jury to ask questions. And one of the questions that came up was: Does the defendant have a patent? Obviously, the implication being that if the defendant had a patent, he couldn't be infringing, which had to be clarified by the judge and also the attorneys of course worked hard to make sure that that jury understood the law. But from the standpoint of that part, I think it can be improved with some control obviously by the judge and with instructions by the court. Also, I think that one of the main problems we have in jury trials is with judges who do not manage the case — they just let the case kind of float along until they get to the jury instructions at the end. And the time to control the case is during the pretrial. That's the part of the case where the judge can eliminate issues that should not be before the jury and make sure that the case is ready for trial. So, I think that we have a better system with juries. We have a cross section of the country. They understand a lot more than we give them credit for in my opinion. Thank you.

MR. WEGNER: Hal Wegner. A couple years ago I was agreeing with Chico and now I find that I disagree with you, Chico. With respect to the Constitution, we'll have a constitutional amendment about the same time we solve the Bosnia crises. With respect to a mandate from the Federal Circuit, of course the Federal Circuit can and should give a mandate to the district courts. On validity, I would agree with Bob Armitage's idea that we should consider the International Trade Commission as one possible forum for taking validity out of the general courts. There could also be some administrative body born out of the Board of Appeals. I'm not saying that is correct. But it is clear first that we need an administrative body to deal with the public interest of the patent validity. And what that administrative body is, let's be creative and find the best administrative body. Second, it is clearly constitutional to do so as said in several cases by the Federal Circuit, including the Joy technology case that Marty Adelman wrote about. Fourth, equity area, the *Tarragon* case that many of us read with interest earlier this year that Marty Adelman cites extensively, makes it clear that equity issues can be decided by the court without a jury, particularly with the doctrine of equivalence. I think if we can take the novelty and obviousness determinations into an administrative body, we've solved a major problem; and then in the infringement area, if we can take the doctrine of equivalents away

from the jury, we've solved an equally big problem. Finally, I think in a Conference such as this, we can only scratch the surface. I would hope that people would go home with renewed vigor to think of ways to solve the various problems. I encourage everyone to attend the Federal Judicial Conference which will be the second go-around of a conference, repeating a conference that featured not only Marty Adelman, but also Judge Mayer of the Federal Circuit, or Shell Cooper Dreyfus and Professor Herb Schwartz that we had at George Washington last year. I also invite you all on September 29th to another round of this same equity topic at George Washington. There's room for everyone to attend. Thank you.

MR. GOLDSTEIN: Steve Goldstein. I'm a firm believer, like Judge Markey, that patents should not be separated out of the legal mainstream. Patents are just one aspect of the civil law and juries decide plenty of complex civil matters right now. So, the issue isn't patent, versus non-patent, it's complex versus non-complex litigation. And it seems to me that if you're going to try to come up with a jury rule on that basis, then you have the inevitable problem of where you're going to draw the line — what's complex and what's not complex. You'll end up with the problem Bob spoke of — every patent case ends up focusing on the complex/non-complex issue, to the detriment of the real substantive issues. This doesn't seem to me to be a terribly constructive way of dealing with the problem.

We've all seen some strange jury verdicts in patent cases, but we've seen some strange bench verdicts as well. I'm thinking of a very recent case, which happened to be a Canadian case, on fairly simple technology, where the judge literally threw up his hands and in the published decision said, "I'm going to give you a decision, but I'll tell you right now, I don't understand the technology." If you're looking at patents versus non-patent cases, complex versus non-complex, the key difference between the two is that patent cases tend to have technological issues. And it doesn't strike me that judges are inherently more qualified to deal with those issues than are jurors. I would generally rather have a juror who tinkers with their car on the weekends decide my mechanical patent case than a judge who has a Ph.D. in philosophy and no mechanical aptitude.

What it really comes down to, I think, is the role of the patent attorney as a teacher. The patent attorney must explain the invention in a way that a judge or a jury can understand. It seems to me that what the Canadian judge I just described was really saying is, "Well, the patent attorneys didn't do as good a job as they could have done in explaining the key technology."

To me, there is no real basis for saying the judge is better able to decide patent issues than a jury. I agree with Hal Wegner that the key here is to very carefully control the jury process. The judge needs to take careful control of it, defining the factual issues that need to be dealt with and separating them from the legal issues. The CAFC needs to continue to draw very clear distinctions which patent issues are factual and which are legal. Through that, I think, you'll minimize problems as best as you can with patent jury verdicts.

MR. EVANS: Larry Evans. At the risk of repeating what some of my colleagues at the table have said I'd like to go on record as seeing nothing wrong with jury trials in patent cases in an inherent way. I think that juries are as well equipped as judges, if the cases are well presented by the attorneys on either side to decide a case. I suppose I was guilty of looking through the materials to finally find a paper written by someone whose opinion was the same as mine, but I was impressed by Judge Bownes' paper, which has been referred to earlier. One section was particularly impressive to me; that was at the end of the paper, when he said, "By what criteria shall a judge decide that a case is too complex for a jury to understand? If the judge can understand the issues, he should, with the help of the attorneys, be able to explain them to a jury. If he can't understand the issues, does it necessarily follow that the jurors are as stupid as he is?" I think a lot is said in that statement. I know he was trying to end the paper with some humor, but I think a lot is said there. The fact that a jury applies the presumption of validity standard more strictly than a judge is not a problem for me. I think that some of our litigators are used to the experience that they had prior to 1982 in which the presumption of validity was not applied by the courts; in fact, it was almost a presumption of invalidity. Juries have turned that around. A patent is now presumed valid. And whenever you're trying to defeat a patent in court, you have a rather large hurdle to overcome. I see nothing wrong with that.

MR. WITTE: Dick Witte. I would just like to state that I am opposed to jury trials. I would like to add my own view of another aspect of this. It comes from a little jury experience. We've had two jury trials. We won one and we lost one. We've had other cases where we almost went to a jury trial. We've gone through the exercise of using surrogate juries or the focus group interviews, where you get a chance to preview how your case is going to be understood by a surrogate jury. Post-trial interviews revealed what went on in the jury room. In addition to the complexity factor, which is technically oriented, I think that juries are much more susceptible than our judges to being

influenced by irrelevant issues. These are issues not directed toward the merits of infringement or validity, such as the large corporation and the small corporation syndrome, just as an example. Juries are also more susceptible to being influenced by demagoguery by lawyers, particularly that dwell on such issues as the horrors of injunctive relief or the bad aspects of patent as a monopoly. These are the kind of things that I think a judge is much less susceptible to be influenced by than are juries. Also, desperate infringers' lawyers commonly misstate the law. Using Bill Pravel's example, what if that juror hadn't asked about the defendant's patent question and the decision had gone off on a misunderstanding of law. In patent cases where the law is intertwined with the facts, it is much more settled. And I agree with Don Dunner's comment that the written decision of the judge is a great leveler; whereas with the jury decision, you may not know how it was arrived at or if you do find out from post-trial interviews, it's too late.

MR. THOMPSON: Bill Thompson. The main issue, it seems to me, on the trials that we've been experienced with, is the lack of ability of the court, be it jury or bench, to understand hard complex technology. We have in our own shop certain areas that we describe as hard technology and we describe other areas as not so hard. For example, our hydraulic circuitry area is considered hard technology. We have a machine with a bucket and a stick and hydraulic drives on different tracks and a backhoe on the other end and that sort of thing. We program all this with various software. We have circuitry that in a hydraulic sense probably makes some TV circuits look mild in comparison. There really is no way for most average juries, whether they be garage tinkerers or not, or judges that we normally draw, to really understand that with comprehension. We also describe transmission as hard technology. We have transmissions that have ten speeds, forward, six in reverse and gear, then in and out under all sorts of exotic conditions. Somebody has to be able to cut through that technology. We have a lot of easy technology that I think judges and average juries can understand. But when we get to the hard ones, and even when we get to some borderline ones, it seems to me the people who are pressing the patents on us, are engaging in a lottery game. They are bringing very, very poorly conceived suits with the thought that it is somehow going to make it through the system or breed a very large settlement award because of the complexity factor. In fact, they're right. We do settle at amounts that blow my mind in the historical sense. I think the key or the important thing to me is to bring the level of the judicial system up to be able to compre-

hensibly understand the subject matter that's involved, whether that be in a jury context or the bench trial context. Now, perhaps, and I throw this question back to those who might have done more research than I on the Seventh Amendment and the due process clause, but it seems to me in the absence of this, we do have a real serious due process question. But the question is, it seems to me: Can we enhance the jury system by ensuring that qualified people are sitting on that, maybe an expert jury system, if you will, that people on that jury are capable of understanding the subject matter on which they have to make a decision or if we're going to the bench trial, can we have the judge be able to augment his deficiencies in that subject matter by a court appointed expert or somebody that can supply that missing link. It seems to me that failure to do this under either mechanism is simply to allow the system to be discredited. Thank you.

MR. SAMUELS: Gary Samuels. I agree with Bill that we do have a severe due process problem, but I don't believe that education of the jury is the answer, so, I am not in favor of jury trials in patent cases. People have talked today, virtually everyone has talked, about the complexity of patent cases. Some have talked about equitable considerations. So, I think the question is: How do we apply these two items to exempt patent cases from jury trials? It seems to me we have a choice of doing it on a case-by-case basis, which will lead to many varying decisions and certainly appeals in almost every instance, or we can do it by a per se rule, which does not entirely appeal to me under the present system that involves using the district courts. I'm in favor of Bob Armitage's statement that we should consider a specialized court for patent cases such as the CIT as outlined in the pamphlet materials.

MR. MACKEY: To me, the jury provides as good an opportunity for a fair decision as a judge. This is based on anecdotal evidence and anecdotal experience. I have not ever tried a case, but I've certainly been a customer for those that were trying cases, and I've been rather happily surprised that the jury has provided as good a result as a judge and often is no more difficult to educate than a judge. I do feel, however, that for a jury system to work well, it needs to be well controlled by the judge and probably some of the practices and procedures with respect to juries could be improved to assure that the jurors have before them all of the pertinent parts of the trial transcript and the evidence that has been introduced. Sometimes courts tend to limit the amount of information that the jury can take into the jury room with them. That certainly doesn't help at arriving at a well-reasoned decision. Thank you.

MR. BARDEHLE: Heinz Bardehle. Ladies and gentlemen, I do not dare to give you any advice to the serious problem to handle your cases before the judge on a bench trial or before a jury. My intervention was initiated by Mr. Goldstein's opinion about the capability of judges to appreciate very quickly the technical problems which are automatically always involved in any patent case. I may give you to that an experience from Europe, and in particular, from my own country, from Germany. You may know that in Germany we have courts in the level of the district courts, which are related only to patents, they handle exclusively patent cases, sometimes also trademark cases, and in the appeal level we have also courts which exclusively handle patent cases. And even in the Supreme Court, we have one special senate which handles only patent cases. In this court, judges from the lower courts are elected. They are selected from the lower courts. And the result is that particularly in the Supreme Court, there are extremely well experienced judges with a long time of experience. It is for me, as a technician very impressive how quickly experienced judges, pure jurists are in the position to catch very quickly the technical core of a patent in relation to the prior part. It seems to me difficult to give all that necessary teaching to a jury. I admit that it is possible. I have learned in a mock trial of AIPLA in Florida which was really brilliant that it is possible with, of course, great effort and time to convince the jury and to teach a jury, bring them to a good decision, but the time factor has also to be taken into consideration. It may require weeks to teach a jury and to convince the jury. And this time factor I think plays also an important role. You can do the same with experienced judges in one morning, in one day or in a few days in the trial. So, I think one should also take into consideration the time factor on this aspect. I agree with Mr. Goldstein that we should not underestimate the capability of judges. Thank you.

MR. GRISWOLD: By the way, thank you Chico, for reminding me that most business people think that the system we have for resolving these disputes is terrible. Terrible in the sense that you never get the answer. It takes too long. So, coming from that proposition, I think we should spend our energy on figuring out a way to get the answer within a short time frame, like one year. If the answer is negative, then you get on with business and do it a different way if you're the defendant. So, I think people should spend their energy on taking care of the time factor. And as far as juries are concerned, I don't think the Intellectual Property Bar is strong enough to get rid of jury trials. It gets into the heart of the law in many other areas. We're just not

going to be able to do that. So, I don't think we ought to spend a lot of energy trying to do that. I think we ought to spend our energy on compressing the time to get to a jury and get the answer. On the other hand, I think it's kind of crazy with the amount of money and time that is spent on dealing with juries and the attitudes that some have relative to juries. The question that is put to us by others frequently is... Can I get to a jury? Not whether they have a good case or not, but can they get to a jury? This means that they don't really care whether they have a good case or not. It's a question of whether they can get to the jury and be persuasive there. Another thing that bothers me is what Dick Witte mentioned. If you were from some other planet and watched people spending thousands of dollars working on jury research, trying to figure out how to convince non-technical people that they have the best case, you would say does this make a lot of sense? That's troublesome to me. On the other hand, I just don't think practically we're going to get rid of jury trials, so I wouldn't spend my energy there. I think we ought to spend our energy on figuring out a way to get an answer within a year using some kind of court system that does allow for jury trials, and this CIT possibility is one.

MR. BALMER: Norm Balmer. Gary, you just said mostly what I was going to say. From a corporate perspective, getting a decision quickly is almost as important, sometimes more important than what the ultimate decision is. People would not go into jury trials if there were not a strategic advantage. They're not going to spend the money. There's a case that is in a book recently published about Clarence Darrow. He was on trial for tampering with a jury. He paid off a few jurors. He went to the jury in his trial and admitted it. He said, "Yeah, I did it, but the other side did too." They acquitted him. The point is, perhaps, legally that was not the right answer, but perhaps from a public policy standpoint, the correct answer was derived. When we talk about jury trials, we talk about imperfections in the system. Yes, there will be imperfections. But on the other hand, if we take a look at the broader picture, maybe there are some policy benefits that our jury trial system does provide. What we do have.... I'm picking up on what Bill Pravel said earlier. We do have a system where there are checks and balances within the jury trial system. There are things that the judge can do to render jury trials viable. In my view, any system no matter how well intended, unless it is administered and implemented correctly, is going to produce erratic, unintended and undesirable results. And I think within the hands of the judicial branch we have the tools that are necessary to handle patent trials in with juries. Thank you.

MR. WAMSLEY: I don't think the Seventh Amendment can be changed, but I do think there are big problems with jury trials and with judges. The problem with juries is that we don't have jury members who have scientific and technological backgrounds. And at the trial level, we don't have judges with scientific and technological backgrounds. We shouldn't be too cautious in our thinking about what kinds of new statutory schemes are within the Constitution. Some of the earlier speakers endorsed the idea of a specialized court. We ought to develop a specialized court with exclusive jurisdiction over all patent cases at the trial level. That court ought to be set up in a way that would encourage the President to appoint judges who have a scientific or technical background. Let's also look at the constitutionality of a statute that would require juries in patent cases to have scientific or technical backgrounds. I'm sure it is difficult to empanel juries made up of people who have degrees in science or technology, but I believe it could be done in a large metropolitan area.

MR. PEGRAM: Comments on the jury coming up with the right answer remind me of the story of the dancing dog. Remember that story? What we remark about is the fact that the dog is capable of dancing. We did not say that the dog is the best dancer in the world. Our surprise that the dog dances or our surprise that the jury can come up with more or less the same results as a non-specialist judge is what we remark upon.

The real issue that we have to confront is one that I have fought myself for more than 20 years, and that is of the possibility of going to using some form of specialist court rather than non-specialist decision makers. The issue of the costs that we get into in the present non-specialist system is something that we'll be talking about in connection with the Patents County Court segment of today's program.

I personally have been very satisfied with the results as an attorney for both plaintiffs and defendants in jury trials and I want to leap to the defense of the Delaware Federal Court and the Delaware juries. I think that they are pretty good and fair. I think the Delaware federal judges, because of their frequent experience with patent cases, do a very fine job. If you flip a coin a 100 times, it is quite easy to have it come up the same way 14 times in a row. At trials, attorneys often drop the ball. In patent litigation, they fail to make and preserve objections. And I think that is a particular problem for defense attorneys and that leads to a bad result sometimes for their clients.

Since most cases are settled and not tried, I suggest one of the key issues is predictability. Because jury trial results are less predictable, and perhaps jury trials that lead to more pro-patentee decisions, the

availability of jury trials may lead to more litigation on weak claims. I certainly have seen a number of cases that I refer to as "visions of sugar plums" cases.

I believe there is a problem particularly with our jury system and I'm not sure how to address it. Some of the papers have suggested that we can divide issues and separately present them. I find that is very difficult in the jury context and I believe that the availability of a jury trial may prevent us from doing that. For example, I have been in two litigations where the parties are able to judge themselves what the likelihood of success is and probably aren't that far apart, but the big difference is the damages questions. Is it going to go on the value of the component or the value of the whole system? It would be nice if we could find some way to get that kind of issue decided. But I believe with a jury system, we can't isolate that out. We also have a lack of practical way to take interlocutory appeals, to have legal questions definitively decided. That's something that the Judicial Conference is now addressing.

Finally, I would like to say something on a subject that you've heard me speak and wrote about before. I differ with Professor Adelman's conclusion in the paper that was handed out this morning — that a jury trial of the fact of willfulness is required because of an analogy to punitive damages in tort cases. In the case of punitive damages in tort cases, the jury is given the issue of determining should there by punitive damages and how much. In the patent context, the issue of increased damages is by statute given to the judge and I submit that places it outside of the common law area of the Seventh Amendment. I raise the specter that giving the jury the issue of willfulness raises terrible problems with the privilege of attorney opinions and work product which were noted but not resolved in the *Quantum* against *Tandom* case.

MR. RINES: Looking around, I don't know if I'm a dinosaur here. I do remember when Alexander Holtzoff, who became a federal judge in the District of Columbia as a result of his sterling work in creating the Federal Rules of Civil Procedure, which allegedly abolished the distinction between equity and law, and whom I knew when I was a student at Georgetown, swore me in. He said, "I know you're going to be practicing patent law. So, I'm going to assign you two criminal cases, to defend two people here. It may be the only experience you get, but I think it will be good experience for you. And don't forget, you're going to ask for a jury, not like patents." And that's the era I was brought up in. I am an experienced trial lawyer, though not of recent years, in the patent field. I never even thought of a jury.

I have been brought up to think that patent cases were primarily on the equity side. When I went up from Washington to take the Massachusetts Bar, we had separate courts, equity courts and law courts in the state courts. And, so, in my early patent litigation practice, under my father's tutelage, it was always our job to educate the judge. But as Bob Shaw says, being a plaintiff's attorney and being primarily in the electronics field, and suffering from the image that patents in the hands of large corporations apparently evidenced in the minds of judges, be they Republican or Democratic appointees, it was almost impossible to sustain a patent in that era — the 50's, 60's, 70's and up to the early 80's. When Judge Markey did his tour, I know we talked about what should be done and what we were going to do to try to help him and not an idea of a technical trial court. Nothing was wrong with these trial judges. They're no worse in patent cases than anywhere else, if they want to stretch their minds, if they're not hostile, and if they're not biased. And our judiciary was hostile and biased against the patent system from the 50's to the 80's. And that frustration gave rise to many a plaintiff's patent lawyers at least, going to the jury as the only way of possibly sustaining the patent. I remember in the Southern District of New York, when I was a Houdini and sustained the first patent in about 15 years. What a great job this was, as if every patent tried for years in the Southern District was really invalid. The Court of Appeals, however, promptly did away with it. So, I think we have to do what Bob Shaw says. You've got to look at where we've come from, and why we relatively recently went to juries in patent cases in the United States. And point number two, who are we to decide what a jury's going to do? Hey, we patent lawyers didn't invent juries. Juries are being used every day. The litigation we do is paltry compared to what general trial lawyers are doing with juries every single day, and what do they want? They want just what came from this side of the room. I just want to get something in the record and then I'll take care of persuading the jury. They're not looking for answers. Is the patent valid? Is it infringed? They're looking at the whole picture of what they would like to have sensible people say. Hey, this guy should win and he's going to win. This has even happened to me before judges in equity without a jury. I remember Judge Ford here in the Federal District Court of Massachusetts when we were trying the basic quartz crystal oscillator patents. He indicated he knew how he was going to call it. He said to me, "What's the difference? What's the claim language difference between this piece of prior art and yours? What is there in the claim that makes it different?" And I gave him a couple of

words, "aha"; that's all he needed for the whole trial. He made up his mind what he was going to do. So, we're not going to have a special patent game before juries. If you want juries, play the game; that is, you're going to have to persuade juries. I remember several years ago a junior law student of mine, later became a law partner, who was eight months pregnant and she was supposed to handle a contract trial before a jury in Massachusetts. She was leery about doing it in her condition, so I went down and handled the case before the jury. No patents — a contract. And when I summed up to the jury, I didn't even talk about the case. Of course, we won it. And, Heinz, I want to take you aside later on and tell you about my experiences with these specialized courts of yours in Germany, and your worrying about a trial before a jury that takes six months. I'm worried about your specialized courts getting through the darn thing in six years. But everybody's saying court, court, court, court. For goodness sake, listen to what I told you when I welcomed you. Mediation. Solve your own darn problems. No more litigation except in extreme cases. No more constitutional amendments. The name of the game is business. Represent your clients and find a way of solving the problems and try to do it in a way that doesn't run rough shod over the legal rights of people. And there's more than legal rights involved in the real world. There's all kinds of equitable considerations, and practical considerations, and maybe mediation is not suited for everything. Perhaps that last ditch patent of yours, if you don't want any competition on it and you want to use it for exclusive purposes, maybe mediation isn't right for it. The whole world is trying to say to us lawyers, look at mediation; and there you can have the real competent people you can trust; you make your own rules; you make your own deals; there's still a lot of room for creative lawyers. No, we won't get one-third of a $100 million verdict, but maybe that's the contribution we should make to society.

DR. JUDA: Bob said almost all that I was going to say. I want to emphasize one element: He stressed psychology. Judges are human, so are juries. My own experience has been at the hand of a politically prejudiced judge. He decided the case (in South Africa) against me, facts be damned. The easiest part, I think, is to get a competent jury on a technical subject matter and it is not easy to find a competent judge. I think it is crucial that, as a patentee and not as a lawyer, that you have the feeling psychologically that the system is fair and, especially, that you are not there for the benefit of the legal system, but that the system is there for your benefit. I think that if you eliminate the jury trial, you put yet another nail in the coffin against

the little inventor.

MR. WEBSTER: Webster. I think we make our conclusions about these things from specific experiences. I should mention that I'm from Kodak and about ten years ago I followed with more than passing interest a bench trial that took place here in Boston involving a few patents. What I would do is challenge you,... if you're convinced that you're going to get a better shake on the facts in a bench trial than in a jury trial... to take a look at the patents and some of the findings of fact by the judge. See if you think that's very much better than a jury would have done. I think the facts were mauled much worse than a jury probably would have done. So think long and hard before you just say you're going to get a much better decision on technical facts in a bench trial than in a jury trial. That case was tried in '82 and the decision came out in 1985.

MS. SHAPER: Sue Shaper. I wanted to suggest from my standpoint that the... what seems to be the practical, doable and constitutional solution that would improve the system today would have two points — one, using Don Dunner's comments earlier to remove from the jury the right to render general verdicts and limit them to special interrogatories on the facts. I say this not because I think the jury renders a poor equitable decision but because I support a nation ruled by law. Otherwise, you're going to... you have a system where you're ruled by general equitable decision of your peers under whatever specialized equitable facts and circumstances exist in each situation. I support a nation ruled by law. Secondarily, I believe that the jury should be presided over by a specialized trial court, qualified to preside over jury trials.

MR. KLITZMAN: Yes. I want to address the question as to whether decisions by jurors are as good as those by judges. I'm aware of a number of judges that clearly have demonstrated not only an understanding of the technology but the patent law as well as compared to jurors who have demonstrated a lack of capability to understand the technology and patent law. Explaining to jurors is one thing. Whether they understand is an entirely different matter. For example, I am aware of decisions by Judge Wolin in New Jersey, Judge Murray Schwartz in the Third Circuit, Judge Cohen in the Eastern District of Michigan, Judge Shadur of the Northern District of Illinois, where they have demonstrated an understanding of the technology and law involved. I'm not aware of any juror that can come close to that kind of in-depth knowledge and capability. So I don't agree that you can equate the decisions of judges with jurors, mostly jurors are subject to cosmetic factors and don't understand the technology. You can't

go behind jurors' yes or no answers. Jurors don't ask questions during the trial like judges are prone to do. Attorneys don't know if their explanations were understood by the jurors. I'll give you an experience, I sat in on one case in the Federal Circuit and the judges were asking the attorneys the question, what did the jury have in mind when they answered yes or no? Nobody could answer the question. Now if a defendant is going to be put out of business, they ought to know why, and it really is terrible to come away with a jury decision that puts you out of business and you don't know why, and you can't explain it to your client. I think one of the worse things is that a yes/no decision from a jury is not much help. When you get a decision from a judge at least he must give reasons for his conclusion. You can address the issues and can understand what's going on. With regard to jury verdicts, and if a judge makes a mistake, it can be corrected. You know what you're appealing. That can't be readily done with a jury. I think it's terrible when you get into the Federal Circuit and everybody is asking the question well, what did the jury have in mind when they answered yes or no. Nobody knows. I think there has to be some improvement in the jury verdict to make sure they didn't make a mistake.

Now, I'm in favor of the Federal Circuit doing more. They can do more. They can eliminate dichotomies in the law. For example, there's a recent case, *In Re Klein*, I believe where Judge Rich found that an appeal from the patent office is a question of law and, therefore, the court can address the issue of obviousness *de novo*. I don't understand why an appeal from a jury verdict is not *de novo*, and its verdict must be overcome by the substantial evidence rule. When you impose that on 103 defendants, you don't have much of a chance of the court looking at the obviousness question at all as a question of law. I think it was Judge Michel who said that the most difficult burden of proof to overcome is a jury verdict because of the substantial evidence rule. On appeal, the substantial evidence rule pretty much wipes out 103. In most instances, you don't get to 103. So I think there's something that can be done by the Federal Circuit by correcting some of the dichotomies in the law. I don't see why an appeal on obviousness is *de novo* from the patent office, but it is not *de novo* on appeal from a jury trial. In my opinion, both appeals should be *de novo* because obviousness is a question of law.

MR. MYRICK: Ron Myrick. Just a few things We haven't talked for a moment about the constitutionality issue. I want to concur that I don't believe the constitutional change approach is going to work at all. I think the political capital cost would be huge and I don't believe

the effort capable of being successfully mounted. But I also don't inherently... distrust the jury system. Don, Sue and various others have talked about better ways to manage the jury process and I think that's a significant area that we should very much more explore before we even consider a constitutional amendment to get rid of it. Some have mentioned the specialized court and I like that idea, however, I have a concern that the specialized court is still very much something that's being experimented with. We've seen a specialized court in the UK, the high court there that has specialized judges at least for patents and they have done a pretty good job, but there is a new experiment we'll be talking about here later today, the Patents County Court. The jury's very much out on that one even to this day. If you look at the appellate record of the Patents County Court, it's been relatively questionable. Why that's happening, we don't know. Perhaps we'll talk about that later on, but it may be that while the speed element is something we all want, at the same time, it's causing some issues in that Patents County Court which are perhaps resulting in this large number of reversals. I heard it's like nine to zero in sustaining the judge when it's gone to the Court of Appeal.

I heard someone say something about court-appointed experts. In a recent U.S. copyright case, a very complex case re technology, a court-appointed expert was used extensively, so much so that the case has been roundly criticized as having had the court-appointed expert take over the responsibilities of the district judge. In fact, "captured" was the term that's been used in regard to this particular case. The expert is said to have "captured" the district judge and made all the decisions effectively. If that's true, and I don't know whether it is or not true, I just report it, it is concerning because clearly most technical experts come to a case with a certain flavor of their own. Technical people also have biases and it's conceivable that those biases could come out.

In regard to the issue of selecting a technical jury, I just had the privilege of sitting as a juryman two weeks ago and the interesting part of the process which came home to me was that we went through sixty people in trying to find just enough people to sit on one panel. Of course, I sat down for about thirty seconds and they ran me off, but we went through at least sixty people. Now those people were drawn broadly from the whole area of Middlesex County in Massachusetts, but can you imagine how difficult it would be to get technical people filtered out of that whole group of folks and then select just technical people. Also, technology is not monolithic. It's not monopolar. It's not colorless. It's got as many colors and flavors

as you can imagine and you would have to go the next step and pick not only technical people, but technical people with relevant technology. That's just not the solution that I think has a great deal of likelihood of happening. Thank you very much.

MR. BRUNET: Judging by the amount of votes each way in this room, I don't think there could ever be the necessary two-thirds majority in the Government to change the constitution, so I would imagine that the Seventh Amendment is not going to be changed. I was thinking about the desire of several people for a quick and definite verdict. I think that if you want a quick verdict, the thing you must do is to consider alternative dispute resolution, whether it's arbitration or mediation. The court system is the last resort and is inherently a slow means of dispute resolution. It certainly will not be speeded up with a jury. It seems to me that what we have to do is to see what can be done about improving the jury system. I think that preferably guidelines should come from the Federal Circuit as to what the district court judges should do in instructing their juries and in requiring special verdicts. If you can't get a satisfactory resolution in that way, then it seems to me that we ought to consider amending the Federal Rules. In any event we're going to have to get by under the Seventh Amendment and somehow improve the jury system.

MR. JORDA: We would have loved to have Paul Janicke here from the Intellectual Property Law Institute of the University of Houston Law Center. Unfortunately, he couldn't make it. He's somewhere in Greece or on vacation, but he sent us a letter and I think we should get it into the record because it's quite relevant and quite interesting. This is what he wrote. [QUOTE.] I do have something to say about the topic of abolition of jury trials in patent cases. Perhaps you would find a time to state my views to the conference.

They are as follows: "It is very unwielding, and perhaps unnecessary to approach the perceived problem of bad results from juries in patent cases, by seeking in effect to amend the Constitution. That is really what would have to be done to "abolish" patent jury trials. The case law, and many years of practice, are too ingrained to now say that the Seventh Amendment does not provide for jury trial in patent cases where damages are sought.

A better approach, in my view, is to sort out which factual issues are properly for the jury, and which factual issues are for the judge in equity. The courts have unfortunately spent nearly all their energies in the last ten years delineating "law" from "facts", and have virtually ignored the more potent dichotomy: law versus equity. The very explicit dictum in the Federal Circuit's recent Paragon

Podiatry decision, that the facts underlying in — equitable conduct are to be found in by the judge, has already been followed by at least one district court. (*See Gentex Corporation versus Donnelly Corporation*, 45 PTCJ 478-79 (W.D. Mich. (1993).

I believe the law-equity distinction will be paramount in future analysis of the jury trial "problem". For example, the next fact-finding committed to the judge is likely to be on the equitable doctrine of equivalents and its analogous claim-interpretation doctrine the so-called "112(6) equivalents".

A third area for the judge, in my view, although less likely to be perceived soon is obviousness. The "factual inquiries" mandated by *Graham* are really not the kinds of historical facts traditionally found by juries, although there is some arguable similarity to negligence and other conclusory-type jury "findings". The factual inquiries are far closer, historically, to the factual analyses done in Chancery, in support of the Chancellor's use of judicial discretion. In other words, there is more of a weighed discretion going on than fact-finding in the traditional sense. Hence, this too should be given to the judge, because the function is so akin to equitable discretion and judgment. (The law — fact distinction doesn't help at all here!)

Finally, I predict that once the jury's function is properly circumscribed under established and traditional principles of law and equity, there will be no further need to worry about "abolishing" jury trials in patent cases. The typical patent case involves few, if any, "fact" issues of the historical event type. Once the claims are properly interpreted and the interpretation expressed in words by the judge — usually there won't be much left to the "question" of infringement. Similarly, in the course of determining obviousness the judge will seldom encounter a question of historical fact on which he needs the jury's help. Likewise, once the judge announces the chosen methodology of assessing reasonable totality, there won't be much for the jury to do in most cases. For example, if the methodology is to set the royalty at one-third of the profit, or one-half of the cost savings, the role for jurors to then complete the calculation by finding what was the saving or profit — a proper historical fact-finding function — will be real, but hardly critical.

Sorry I can't be with you to debate these points further. [END QUOTE]

MR. BENSON: Okay, thank you, Karl. I'm going to let Alan Lourie wrap this up, but also I'm going to ask him to make a comment about a recent report that some district courts are going to defer all jury trials in civil cases for a period of one year.

JUDGE LOURIE: Alan Lourie. I will wrap up only in the sense of apparently being the last speaker, not in the sense of summarizing everything that has been said. I've been listening, observing, counting and it's a tie. I have to tell Steve Goldstein that I majored in chemistry at Harvard and I knew some physics majors. Question one, why are we talking about this? We've heard lots of anecdotal comments. Don Dunner reported on an informal survey in Delaware. I'd like to see someone do a serious study to determine whether the results of jury trials in patents are truly different over a long period of time, ten years, five years, compared with bench trials, and secondly, I'd like to know whether our rate of reversal versus affirmance is different historically between jury and bench trials. Certainly our standard of review is more difficult, and especially if we don't have special verdicts and interrogatories, we don't know what the jury really did consider. So I think it would be interesting to have some data. If there were data, there might be more basis for change. The other point I'd like to make is that I've heard lots of suggestions about what our courts should do. Well, you know, we're not a legislature. We decide cases and we review decisions from trial courts based on issues decided below and issues raised before us on appeal. We really can't rove around, although sometimes we're tempted to, to speak about issues not raised in a particular case, and when one of us tries to do it, others object, so I think you should raise these issues. If you don't think you should have a jury, move to strike the jury. If you want special verdicts and interrogatories and you don't get them, object. Raise them as issues on appeal before us. I can't tell you what the results will be. As you know, we have a fair amount of precedent from the early days of the court and panels are supposed to follow the precedents of prior panels. So panels these days don't necessarily have a lot of freedom with respect to the issues that we're talking about, which means going en banc. Right now we need six votes to do that. If when we have a full court, we will need seven votes to go en banc. We do it two or three times a year roughly and it's hard to do, to get a majority of the court to consider an issue to be sufficiently important and resolve to go en banc. But sometimes it happens and even if we don't, as we have learned this week, sometimes the Supreme Court will take an issue and reverse us. So I think it's important that the Bar raise issues, raise them at the trial level and raise them at the appellate level. I can tell you that there are a variety of views on our court just as there are here and I wouldn't try to predict what the answer would be when a particular issue arises. I do like Bob Rines' idea of mediation. I really think a lot of

cases can be settled. Of course, a lot of cases shouldn't even be brought. Concerning Bob Benson's question, yes, the federal judiciary has had its funds cut back, we're worried about funds for our third law clerk. Perhaps it's more important to fund jurors and defense counsel, and the judiciary ran out of money and the word went out that district courts should not schedule jury trials after May. There's a supplemental appropriation in the works and Congress, I think, will act on it, but when, I'm not sure. Let me point out a couple of more things. I think a lot of district judges like jury trials and Maury mentioned several names and pointed out that some of them do an outstanding job. I've talked to a number of district judges who've said you have to take charge, you have to get the right jury. All these suggestions that I'm hearing around the table are used by the judges who claim that the system works well. So I think maybe that's the most ready area for progress. But raise issues before us in the right case and we'll have a look at them.

MR. BENSON: Okay, thanks, Alan. Just as a matter of curiosity, I'd like to take a vote. If you had your choice would you do away with jury trials in patent cases or not? How many would do away with them? And how many would keep it? Okay, it's close. Its 17 yes and 14 no.

MR. GRISWOLD: I voted in favor of doing away with jury trials, but that was hypothetical, you see. The question is, how many people really think we can get rid of them. That's the real question.... If you asked how many would keep them or think you can't get rid of them, then I'd have to vote that way. I just wanted to clarify my vote.

MR. BENSON: Well, I was going to take a bunch of votes. One of the things that I would ask is how many here think that there ought to be some modifications in the jury system in patent cases? How many would vote in favor of that?

SPEAKER: What was the number on the first vote?

MR. BENSON: The vote was 17 to keep juries and 14 to do away with them. What I was thinking of, Gary, some people say we can't do away with jury trials in patent cases, but there ought to be some changes. We ought to be more specific with questions to the jury, we ought... carefully limit what the jury can do which I throw into the big category of modification of the system. The reason I brought this business up about the funding of the courts is the jury system is a tremendous economic burden on society. Not only does it cost a lot of money, but people have to give up their jobs for three weeks or in some cases three months. Is it really good for society to have that kind of a system for civil cases. How many people think the system

ought to be modified? How many like the system the way it is?

MR. RINES: How many of you would actually consider trying mediation in some cases that come before you?

MR. GRISWOLD: And Bob, one other question. I would wonder how many people really think that we could get rid of juries in patent cases.

MR. BENSON: Completely?

MR. GRISWOLD: Yeah. Considered to be too technical or too complex or something like that. How many people really believe that we can in some manner or another get rid of juries in patent cases?

MR. BENSON: And you want to segregate that from the complex technology type of things that apply to cases other than patent cases. Is that what you want? Ask your question the way you want it asked and we'll take a vote on it.

MR. GRISWOLD: Here is a better way to say it. How many people believe that we can remove juries from patent cases constitutionally?

SPEAKER: Before you do that, you know, you can say that about any question, nothing ventured, nothing gained. If you've got a ten percent chance of doing it, is it worthwhile trying? I mean. . . so I don't know if you can answer the question completely.

MR. GRISWOLD: I'd like to modify it. Those who feel competent to answer the constitutional question, or constitutional scholars, how many of you feel that juries can be deleted in patent cases?

MR. PEGRAM: Let's go back. How many people think that we can do away with juries in patent cases? How many think we can do it?

SPEAKER: Practically or legally?

MR. BENSON: Either.

SPEAKER: Legally.

SPEAKER: I'll go for legal.

"NEW SPECIALIZED PATENT COURT IN ENGLAND"

MR. PEGRAM: There are materials in the handout, which you should all have, which include the User Guide of the Patents County Court. Material published at pages 67 through 78 of your book includes the remarks that Judge Ford of the Patents County Court made in January of this year at the AIPLA meeting and a proposal that I made for a patent jurisdiction in the Court of International Trade.

My disclaimer today is that all that I know on the subject of the Patents County Court is based on what I've read and what I've heard. In England and Wales, there has been a traditional Patents Court which is a part of the High Court. Designated judges of that court spend all or part of their time on patent cases. They are barristers

drawn from the patent bar. In the High Court, you are represented by a barrister, frequently by a senior and a junior barrister who do the speaking, a solicitor who does all the legal papers and you usually have a patent agent as well, who handles the technical matters. One of my colleagues, an American house counsel for a company, says that the problem with that is "pointing around the triangle" where each one says oh, this is the other one's responsibility.

In the High Court and the Patents Court, there is discovery in the sense of a request prepared by the solicitors that essentially says, "please provide all documents relevant to the subject to the issues raised by the pleadings." There also is a little used Patent Office tribunal, but nobody uses it.

The Patents County Court was recently established, as Judge Ford describes it, as a small claimants' court, not a small claims court. It is administratively attached to a County Court. However, the Patents County Court is not a court of limited jurisdiction either as to the amount of money or as to the region of jurisdiction. It covers all of England and Wales. There are four principal features of that court. First of all, the right of audience is given to barristers, solicitors, patent agents or any combination. Second, there are particularized pleadings. You do not have the same kind of notice pleadings that we would expect in the United States, but rather you have to get very particular. This thing infringes and this is how it infringes. Third, there is a session with the judge fairly early on called the "Preliminary Consideration" which really zeroes in what you're going to do. Fourth, discovery in the Patents County Court is only by permission on a showing of need.

The Patents County Court is designed to have a fast track and a fast trial. The direct testimony at trial is usually in writing, with oral cross-examination. Almost all the trials are completed in less than three days. The court has no criminal docket, so that it does not have the problems that are engendered in our country's district courts, by the Speedy Trial Act. There is inability to transfer cases to and from the High Court patent division. However, the use of a patent agent or solicitor without a barrister is a generally accepted reason for transfer of a case to the Patents County Court and that has been approved by the High Court. In theory at least, complex cases would be transferred to the High Court.

There is one full time judge, Peter Ford, a barrister. He's an ex-founding member of the EPO Boards of Appeal. There are provisions for assistant judges of the court and various procedures for other persons either judges or appointed barristers, for example may handle

accounting as the other might right in the British system.

I want to give a highly qualitative and incomplete comment on some of the results of the Patents County Court. I won't cover everything. Ron Myrick has mentioned some earlier. Not everyone's happy. Half the people lose, half the people win just as in other cases and, therefore, I guess you might expect not everyone's happy. There appear to have been considerable savings but not as much as some people had hoped. Mainly the savings probably are through the reduction in duplication of efforts and simply the fact that it's all over sooner. However, the time savings are not quite so great as might be expected. The criticisms that I have heard are that the court has a tendency to be pro-patent, that perhaps it has been a bit hesitant and not as quick to rule as might have been hoped. I have the impression that the criticisms are mainly from solicitors. Perhaps they are more sensitive to the reduction in their traditional work that has occurred in the new court. I don't have the exact statistics but I have the impression that the Charted Patent Agents are perhaps handling forty or fifty % of the cases and doing the work that the solicitors might have expected to do before. Defendants, I believe, are coming closer to having the old full teams, but I haven't really pursued that.

I would like to talk for a moment or two if I may, about the Court of International Trade proposal. It flows from four ideas: one is a desire, that I believe is fairly broadly shared in this country, to have patent cases decided by Article III judges. The Court of International Trade is made up of Article III judges. Most of the judges, if not all of them in that court have experience in district courts, because they can get switched in and out of there, and they have jury experience. That court has a national jurisdiction. It may sit anywhere in the country. The second source of this proposal is the Patent County Court example as a specialized court and the idea that, if desired, the Court of International Trade might develop some specialized rules for patent cases. It has no criminal jurisdiction to interfere with a fast track arrangement. As I noted in my paper, district judges on average have too little experience in patent cases. There's a very high cost of instruction. Roughly 100 patent cases, roughly 600 district judges, therefore, an average one case per district judge in the United States gets to trial in patent cases in five years. I suggest that means that all of the clients are spending a great deal of money in educating these judges as to current patent law. The third source of the CIT proposal was a proposal made by trade representative Carla Hill some time back in attempting to deal with the Section 337 issues under GATT. She proposed a division of the Court of International Trade in the

District of Columbia. Under my proposal, that is not necessary. The CIT can sit anywhere and I have, going on the fourth point, no intention of suggesting either a new court or new costs. I think in our present environment, for us to suggest a new court or a new division of a court, or anything that would increase the costs, would be unwise and unacceptable. Everything now is in place in the Court of International Trade. Under my proposal it would be an option and, therefore, an experiment. If it is successful and there is a need to expand the Court of International Trade, there would be an offset, because the increased capacity is that court would take work away from the district courts and presumably handle it in a more efficient manner. Finally, if it works, people will use it. If it doesn't work, it won't be used and there's no loss.

MR. BENSON: Thank you, John. Larry, you wanted to say something.

MR. EVANS: Right. Larry Evans. I want to start off by saying that I generally support John's suggestion of a specialized court in the ITC. The purpose of my remarks is not to oppose John's proposal, but rather to put into a more accurate context the record and the attitude toward the Patents County Court in England. In my previous incarnation, I was with a corporation and we had a mother corporation in England. The head of the patent group in our mother corporation was certainly not a solicitor nor a barrister. He was interested in timely and cost efficient administration of justice in patent cases, and I can recall at several meetings that we had of our patent groups that he was an enthusiastic supporter of the *concept* of the Patents County Court. Norm Balmer and Gary Griswold mentioned in our previous discussion about timely administration of justice. We want to know the answer quickly rather than after four or five years. But now my counterpart describes the Patents County Court as a "worthwhile experiment that has failed." We heard Ron Myrick mention that the scoreboard on appeals from the Patents County Court is nine to zero. I didn't know there was as many as nine, but I do know of three appeals all of which were reversed on different grounds. One was reversed because the Patents County Court had allowed only one expert, and the Court of Appeals says this was error because the case was very complex. To limit each side to only one expert was inappropriate. They also said (in dictum) that perhaps the Patent County Court is not equipped to handle complex cases; in fact, the decision of whether or not to shift cases from the high court to Patents County Court or vice versa tends to have complexity built into the reasons. Another decision concerned an obviousness holding by the Patents County Court which was reversed. It was said by the high court that

the Patent County Court had relied on embodiments, not claims. It's been said by commentators on that decision that the Patents County Court was "too European." I don't know what that means. Unfortunately, Heinz Bardehle is not in the room. He could describe what "too European" means. The third appeal was one in which a finding of infringement was reversed. The point I'm making is that, in those three cases there is no trend represented that the court is pro-patent or anti-patent. All were reversed on different grounds. Some reversed a finding of patentability and some reversed a finding of infringement. Another reason behind the establishment of the Patents County Court was speed, efficiency, ability of a small claimant to have... to fight a giant on equal grounds. The case of *Pavel v. Sony* involved an individual inventor who had invented and had a patent on a small hand-held radio device with earphones. The inventor decided to take on Sony thinking the Patents County Court provided an opportunity to take on a giant. He had a competent patent attorney (not a solicitor or barrister). Sony decided to fight his case with a team of solicitors, barristers and patent attorneys. The trial lasted 95 hours (that is, about a month). Sony spent more than $4 million. Pavel spent more than $1 million, and Pavel lost. A lot of commentators on that case say that Pavel wouldn't have spent any more had he gone to High Court. The barrister might have charged more, but the barrister might have been a little more efficient in handling the case. In any event, it seems that, on all grounds, this worthwhile experiment in England hasn't been successful. It's going to be very difficult for corporations such as those whom we represent to go into Patents County Court when there's such an uncertainty about how their case will be handled on appeal.

MR. SAMUELS: Gary Samuels. I think all this points out perhaps is that the losers are going to appeal. There's an excellent chance they will be reversed. Now why is this? I think because in this instance it is that the sole judge, the sitting judge, really has no one of equal experience or expertise to confer with and while I came out earlier in favor of a specialized court, I do think there should be several sitting judges on the same case simply so they can get the broader range of experience by kicking around the issues in private before they make their decision and in my view the fact that the county court has one sole judge is probably the biggest failing.

MR. DUNNER: Don Dunner. I'd like to talk a little about the Court of International Trade proposal about which I have the gravest of reservations. My inclination is very strongly against it. I would like to think I have an open mind, but I think it has real problems. For

starters, there is in the United States an enormous hostility to specialized courts. It took over 100 years to get a Court of Appeals for the Federal Circuit and the only reason that we have a Court of Appeals for the Federal Circuit is that there was a confluence of problems coming from fifteen different directions. We were having an innovation crisis and there was great concern about the situation in the United States. Somebody came up with the absolutely imaginative proposal, which the CIT proposal parallels in some respects, of taking two existing courts, so we wouldn't have to have new courts, in an existing courthouse, so we wouldn't have to have a new courthouse and merging them in a single court. They eliminated the specialized court problem by having this new court assigned other types of jurisdiction, and we also had the right people in leadership positions in the Bar Associations at the right time who were favorable to it. Everything came together at the right time and the Federal Circuit resulted. So the question you might ask is: well, why shouldn't the same things happen for this proposed new Court of International Trade? Well, the answer is I don't think the need is the same. The need at the time of the Federal Circuit's formation was that we had terrible disarray in the Circuit Courts. We had no single court at the apex providing uniformity to the other courts and we had disparate approaches in different circuits to patent problems. We had some circuits which didn't recognize the validity of patents such as the 8th Circuit and we had other circuits which were much more hospitable. The end result was we had the need and we had the solution to overcome this tremendous hostility. We don't have the same situation at the lower court level. We have a court which is, in fact, providing uniformity. By every standard, the Federal Circuit has been successful in creating uniformity in what's happening below. And so I don't think the need is there. While there are some bad judges at the lower level, there are a lot of terrific judges at the lower level, and they can get corrected if they go awry. Using the Court of International Trade concerns me, since I don't think that that court will get the variety of cases which I think is important to most people who are concerned about parochialism, who are concerned about a court going in one direction or another. And, I just don't think the need is there. I think the district courts by and large are doing pretty well and I don't think we have a need for that kind of approach. As a result, I think it is doomed to failure because I think the bar in general is going to be hostile to it.

MR. BALMER: Norm Balmer. I just want to add two more comments here. First, any alternative jurisdiction is going to raise some forum

shopping which is always a problem and second the parties do, in fact, have to agree that they want to have a more expeditious resolution of dispute for the alternative system to work well. I think Mr. Rines has an excellent idea. There are private organizations, there are ways disputes can be resolved. I really don't see that mandatory ADR is necessary. To the extent that the courts in New Hampshire as well as in other states are forcing the parties to look at mediation and other alternative dispute resolution techniques, that's perhaps a much more effective route. Thank you.

MR. GOLDSTEIN: Steve Goldstein. I assume that the key focus of this portion of discussion is on what, if any, learnings from the Patent County Court model we can apply to the American patent/legal system. In that regard, the Patent County Court raises two issues. One we spoke about a little bit earlier this morning; that is, the use of judges having expertise in the patent area, and the other is the use of a streamlined procedure in patent cases. The expertise issue is interesting to consider. I personally have a bit of a problem in taking patents out of the legal mainstream, but perhaps an experimental court, as John was describing, is worth a look to see in real terms how important the expertise factor is. I think it would be very difficult for a judge to develop broad ranging technical expertise, but patent legal expertise could be a plus.

The procedural aspects of the Patent County Court seem to me to be very critical and that goes back to a comment Gary Griswold made earlier this morning. Our clients all want to win, but if they're going to lose they want to know that sooner rather than later. Prompt resolution of all civil disputes, including patent litigation, is critical. The procedural aspects used in the Patent County Court, such as the specific pleadings, early involvement of the judge to define issues, early trial date, and close control of discovery are the kinds of things that ought to be looked at to see what we can utilize in our trial court procedure to help speed up the resolution of cases. In fact, similar measures were considered by the Presidential Advisory Commission last year.

MS. SHAPER: Sue Shaper. I support specialized patent trial court. I believe contrary to Don Dunner's comments that it would be well received. I think the proper analogy, however, is not the Court of International Trade, the CIT, but the bankruptcy court system. These are magistrate judges. I think it is a specialized court system. I think it has been well received. It is criticized. There is a desire to improve it. I don't see anyone saying do away with the bankruptcy court system, send it back to the district court judges. Bankruptcy law is

highly specialized like patent law, it's a good analogy, the judges sit in each district, it is mandatory. There is no alternative, so it does not involve forum shopping, other than the usual venue shopping. The judges know the law, the judges will say in court, "counselor don't tell me the law". They become highly proficient in managing the case, managing discovery and managing the attorneys in bringing the issues to a timely conclusion to the extent that they can. I think it's been a successful system and it could be tried in the patent situation.

MR. BENSON: Francis, I'm going to put you on the spot. I know that WIPO advises developing countries on legal systems, statutes, etc., etc. Have you drawn any conclusion about this country court experiment in Great Britain? Are you recommending it in any way?

MR. GURRY: Thank you, Bob. Perhaps if I may make two comments. The first comment is a purely formal one and it is that, if a decision is taken to have a specialized court, is it a good idea to call it a Court of International Trade? Now, I know it doesn't deal with the substance of the issue, but we all know that in recent years executive policy has, in the area of intellectual property and in the patent area, has increasingly been enforced as a matter of international trade. We are not dealing here with executive policy and in the area of executive policy, of course, it's recognized by everyone that each government has the right to promote the interests of its own enterprises and its own industry as much as possible. Here we are dealing with the question of the administration of patent justice, and is it a good perception to create that the administration of the laws that are established for patent justice is effected—the umbrella of a court of international trade. Now as far as the substance of the issue is concerned, I think that I would tend to agree with the point that's been made by a number of the observers this morning which is that a specialized court has the advantage of creating amongst its members a specialization in intellectual property law or in patent law. But I'm not sure that it has the advantage, which is sometimes put forward, of creating a specialty in or offering specialized services in the technology concerned because, as Ron Myrick said earlier this morning, technology is not monolithic. When most patent examiners in the mechanical area wouldn't be at all comfortable with examining in the biotechnology area, one can't expect to have a great advantage in technology by putting technically trained judges on a specialized court. As far as the developing countries are concerned and our policy, what the policy of WIPO might be in that area, it's a little early for many of them and, of course, one covers a broad spectrum of different social and economical systems in the develop-

ing countries of which there are some 150 in the world. It's a little early in many of them to be thinking of a specialized court in the intellectual property area. In order to promote that what we have been trying to promote is training in intellectual property law amongst the members of the judiciary who haven't had a great deal of access to intellectual property law, either as a matter of theory or as a matter of practice.

MR. GHOLZ: Chico Gholz. I am generally very favorably disposed to John's proposal, at least to the extent that I am in favor of a specialized judiciary. The question though that arises immediately is how specialized it needs to be. I don't think simply giving patent jurisdiction to the current judiciary at the CIT would be very helpful. I think for the idea to work, we would need judges that have a technical background.

I agree that it is totally unrealistic to think that one could get enough judges on such a court to have a decent match between a specific judge's specific technical background and the specific issue being decided by that judge. But the analogy at the Board of Patent Appeals and Interferences, I think, is a fair one. You get a rough correspondence between the technical background of the board members and the case you're trying to the board members. In the interference context, there are nine examiners-in-chief who do interferences, and they break them up broadly into chemical, biotech, electrical, and mechanical. You don't get any very detailed correspondence. The chemical guys — that includes a lady actually — currently all have backgrounds in photographic chemistry, so if you're doing a chemical case that's far afield from there, they're not going to have a specific background that's on point, but at least they're chemists and at least they're people who are trained in dealing with technical issues. That kind of rough correspondence I think is an enormous leg up in comparison to trying a case to a district court judge whose undergraduate degree is in Medieval English Literature or Political Science or the like.

But to get good judges with solid technical backgrounds to go on to the CIT, I think ultimately we are going to have to face another very difficult political problem, and that is paying judges enough. The current pay rate for judges is a disgrace, and it has fallen over the decades — I see agreement down there from one of the members of the judiciary — the ratio of what judges make to what lawyers practicing before them make has changed enormously over the last two generations, to the detriment of the judges.

We also have to take into account that patent attorneys by and large

are very well remunerated. We make more money than most specialists, certainly more money than the bankruptcy judges do on the average. It's going to be exceedingly tough to get good judges on that court given that we, and I assume Don Dunner's firm and other law firms represented around the table here, pay good associates more than judges make. You can perhaps get good junior people to be judges for a few years because it's a good thing to have on their resume. Jim Davis comes to mind. But it's tough to get people to make a career — the people that we would want — to make a career on that court at the pay scales that are currently available for any Article III judges, let alone a magistrate judge such as the bankruptcy judges are. Thank you.

MR. THOMPSON: Bill Thompson. I start with the premise that we do have this very serious problem which I think borders on denial of due process, certainly in the complex technological case, and while I see some perhaps problems and limitations in John's suggestion of a CIT, I'm all for giving it a whirl because I think we do need to do something. We can't simply reject every proposal that comes along because we're liable to wait a long time to hear the perfect one, probably forever. The idea of setting it up as having concurrent or optional jurisdiction overcomes a lot of procedural difficulties that we discussed in being able to set it up. On the other hand, I also see in that aspect a weakness. The weakness is, and it's the same one incidentally that I see in mediation and alternative dispute, and that is that we really have to have two willing parties to go into these optional methods of resolving disputes and that's not the kind of cases that we're seeing, quite frankly. We're seeing cases where people are playing the lottery, they're bringing poor cases, supported by contingent fee arrangements so they have no financial investment in the litigation and they have some remote possibility of hitting the jackpot. Those people are not interested in the right result. They're not interested in going to mediation if that means that we can get a sensible solution. They're not interested in going to, in this case, to a more expert court where the possibility of fogging one through is going to be reduced, so we're still going to have what I think is being bred by the very high damage award environment that we're in today and that is this lottery aspect. This court I think could contribute to that area. To the extent the judges would build up expertise and let's assume that part of the proposal would be that they would be available to sit with district courts, if so invited, they might be able to pass around the processing expertise that they develop in keeping these cases from wandering into the irrelevant and dawdling over

a long period of time. If they are not able to effectively do that because the case is spread over a long period of time, perhaps they could at least be teaching judges, somewhat like Judge Ford who goes out and talks about the methodology used. So at least there could be a core of expert knowledge that could be looked to. Finally I think that while an optional court would present some difficulties in getting some of the people who are asserting patents before that court, it would help a bit because at least it would not be viewed quite as suspiciously as mediation. The other side would not think I'm trying to move it into some environment favorable to me. It would be viewed more as an objective body and I think I would have an easier time talking some of the opposing parties into that kind of a mechanism. I wouldn't always succeed certainly, but it would be an angle. Thank you.

MR. MYRICK: Ron Myrick. Just a couple of points. Not totally to dismiss the Patents County Court issues that may have already passed of this discussion, but I would like to say something more since I brought it up originally. I did have a chance to interview a person about a week and a half ago who's used it a lot and it was from him that I learned this nine-zero number. He believed it was correct. He's brought four cases there himself.

Just quickly summarizing what I just said then. I talked with a chap who uses the court a lot, Patents County Court, and he's used it four times. In every instance, he was satisfied with the result. Whether he won or lost, he thought it was a proper result. It was from him that I learned the nine-zero number, so I don't know that it's totally accurate, but he's a reliable source. I asked him whether or not he would still recommend the Patents County Court to his clients and he said, yes. He said in a case that is not terribly complex, he would, but on a terribly complex case he would not, so I just throw that out to set the record a little bit straighter since I brought the question.

The point though is that the Court is an experiment and it's an experiment we can watch and I hope learn something from, but we're doing a lot of experimenting in this country right now. This is a time of judicial experimentation that's relatively unparalleled for at least quite a long time. We've got the Civil Justice Reform Act going on right now which more than 34 courts have implemented. All of them will implement before the end of '94. They're experimenting with many of the things we've talked about, many of the things that are being employed in the Patents County Court, such as control of discovery. Discovery in the U.K. is limited and the Patents County Court is even more limited. Many of the district courts, particularly

the Northern District of Ohio, Judge Lambrose, are imposing ADR upon the persons who come before them under the authority, they believe — whether it's correct or not, I don't know — but under the authority of the Civil Justice Reform Act and some of us saw at the AIPLA mid-winter meeting, Judge Lambrose had no concern at all about imposing what was a summary jury trial upon the parties in front of him saying that he had that authority. Certainly if he can do that, he can, I suspect, do mediation as well.

Also the early involvement of the judiciary is a specific element of many of the plans of the CJRA. Tracking is another one where the courts specify, tracks down which various cases go based upon their complexity and in some instances they limit the number of days of trial and so on based upon the track used. In most instances, I suspect patent cases are on the heavy duty track, but nevertheless that experiment is going on. Most importantly, I think, there is a program already in place and funded, in which the Rand Corporation is studying the results of what comes from the CJRA and in five years they'll write a report and say whether or not it was worth doing.

At the same time the Federal Rules of Civil Procedure are being changed in a rather substantial way and that has already passed the Supreme Court, and it goes into law unless the Congress does something before December.

So we've got a lot of experiments going on right now. I think that cuts two ways. It could be an easy thing, then, to get another experiment going re the Court of International Trade which by the way, I'd like to see. I don't see any problem, if it is indeed considered an experiment and it has an appropriate evaluation program at the end of it, very much the way that the CJRA does with a given time frame say five years, and if it works fine, if it doesn't we'll scrap it. It seems there's little harm in that and a great deal could be learned. Thank you very much.

MR. BROOK: I like John's proposal very much because I like creative thinking in this area and although I'm generally in favor of keeping juries and jury trials and continuing litigation in our district courts, it does bother me quite a bit when judges show clearly in decisions that they don't understand technology. There was one case — I do a lot of work in biotechnology and there was one case in which the judge was referring to a monocolonial antibodies rather than monoclonal. That bothers me quite a bit. It also bothers me quite a bit when I hear stories that a litigant can't really present his best defenses to a patent infringement suit because the jury isn't capable of understanding it. I did take Don Dunner's comments about the

biased against specialized courts seriously and I think so seriously that it's probably not realistic to think that we can get such a proposal passed. It seems to me in listening to a lot of the comments around the table today, particularly starting with Bob Armitage, that one of the big problems in patent litigation is that you can't get a decision quickly and that, for sure, is true. It seems to be getting worse from what Bob Benson said about under funding of district courts and judges are now saying that there won't be any jury trials for the next period of time, whatever it is. I think we can't hope to compete in the patent area with criminal defendants who have the Sixth Amendment in their favor as they rightly should have and also the Speedy Trials Act, but it seems to me that there's no reason why we couldn't work towards encouraging Congress to amend the patent law and add a speedy patents adjudication act and maybe, in fact, expand that beyond patents to all civil cases. I don't think it's out of the question to feel that if you can't get a timely decision that, in fact, justice delayed is justice denied and if the U.S. Government grants you a patent, but there's no effective way to enforce it in a timely fashion, that's an abridgement of the Fifth Amendment. It also sounds like patentees are about to lose their Seventh Amendment right to a jury trial from what Bob Benson has said and I think we all know the ITC, it's been alluded to today, can decide a case in eighteen months. In fact, the statute says a year unless it's made a more complicated case and I think that actually forces on judges, although there's no juries there, but it does force on judges the implementation of procedures that would cure a lot of the ills people have talked about today. Judges really have to take control of district court trials, particularly jury trials, and if it were mandated that they had to decide these things within a year or within eighteen months or whatever the period would be, I think you'd find that they just would have to do it and they would automatically do it and a lot of the discovery abuses would be more properly controlled and a lot of the questions that were put to the jury would be more properly controlled. I think a simple amendment to the patent law, in terms of the time in which we were entitled to a decision, could go a long way here.

MR. WEGNER: Two general areas. Again, I think it's fine to look around this room and we can get a fair consensus of what patent attorneys in industry think, but I think we have to look broader in two respects. First, internationally. It's very fine to see the isolated instance of the community patents... the British courts experiment, but this is a new experiment. What's happened in Germany? What's happened in France? What's happened in Japan? These are major countries,

very pro-industry countries. There are specialized chambers. There's one model that should be looked at. The staffing of those courts by patent office officials that are rotated in and out should be looked at, not necessarily followed. The Dusseldorf solution in Germany, the fact that there are limited numbers of courts in Germany that have patent jurisdiction. You have a court of general jurisdiction that has a heavy enough docket of patent cases that I consider the Dusseldorf Court, the best patent trial court in the world. I'm not saying we should adopt the German or French or Japanese or British or other solutions, but we should look at these experiments and we're not doing that. Secondly, what about Schricker, Beier, Moufang, Cornish, Merges, Rebecca Eisenberg and the other leading scholars in the pure academic world? We don't hear about them here. What do they have to say? We will never, never change the Constitution in any event, but we will never, ever change the U.S. law without getting a broader participation. What do the Wall Street lawyers think, what do the corporate presidents think, those who are not involved in patents? So I think we have to take a broader perspective of these points. Now, with respect to Bob Armitage's proposal on the International Trade Court, I think what we're looking at here is a court that we may want to phase out of existence, it's got a budget and we're looking at a mode that we've had from the Federal Circuit peeking over existing court structures. Before we get to taking over a court structure, we should look at all the different models and I think Sue Shaper had a very good point about looking at the Bankruptcy Court model. We should look at that model, look at all the various models and then look at what we can do. Indeed we must look at what we can do from a budgetary standpoint. We have the ITC. They have a budget. There's also the Court of Federal Trade sitting on the part of the second and the whole third, the fifth, sixth and seventh floors in a very beautiful building on Madison Place. Why can't we then create an administrative court in that structure, either combined with or somehow using the combined budgets of these various courts, but I think we're still at the beginning of looking at things and I think before we try to focus on specific solutions, we should first investigate all the various options that are open. Thank you.

MR. BENSON: Thanks, Hal. I'm going to let Judge Lourie sum up. John, unless you have some specific things that you would like to comment on.

MR. PEGRAM: No. I just appreciate everybody's comments. I believe that we've moved it forward by opening it up in this way. The proposal that I put forward was intended to have taken into account some of

these experiences in other countries and it was intended as something that would be very pragmatic and doable. It was not necessarily the best idea that I, or others whom I've talked with have come up with; but it was something that we could do in a short time frame if the government were inclined to do it. As Ron Myrick said, try it out for several years and it either works or it doesn't.

JUDGE LOURIE: Of course, I have no opinion on the question. It's interesting. I appreciate Chico's solicitation about salaries, about which I won't disagree, but I will disagree to the point of saying that it is such a privilege to sit on the Federal Circuit that the salary issue disappears and I would think if there were such a trial court with a selection of patent people, the same thing might occur. Don Dunner's no doubt correct that the prevailing view in this country is very much opposed to specialized courts and judges. There obviously was a crisis and need for the creation of our court and it probably wouldn't have happened unless we were able to encompass a wide variety of subject matter. You sort of split on the question of jury trials this morning. I don't believe bankruptcy judges conduct jury trials.

MS. SHAPER: I think they probably can.

JUDGE LOURIE: They can? Okay, that's interesting. I doubt, but I'm not sure that the Court of International Trade conducts jury trials. Maybe I'm wrong on that, but in any event you're really biting off two things there. Until Mr. Murphy's comment I hadn't heard anyone mention what would have seemed to me to be perhaps the biggest reason to look for an alternative and that is the primacy of criminal trials in the district courts and I wonder — obviously you're about to close this and so you don't want a lot of comments — I'd be interested in informal comments on whether there really is a difficulty in getting trial time in the district courts. Short of a real documented problem though, I would think you'd have a tough time in changing the system. Thank you.

[LUNCH — 12:10 P.M.]

"PRIOR USER RIGHTS"

MR. BENSON: All right, we are now into the question of prior user rights. This is an interesting subject and one of the reasons that it's on the agenda is that when I testified before Congress about a year ago, maybe a little more than a year ago the question of prior user rights came up over and over again. None of us at the hearing had a great deal of experience with prior user rights. So I volunteered on behalf of Franklin Pierce to have a study made to find out what

prior user rights really are and what kind of experience other countries have had with prior user rights laws. It turned out that this ended up being two projects. Sylvie Strobel did a study relative to prior user rights in Europe and Rochelle Ferber ended up being the lead person here in Franklin Pierce doing the research relative to such rights in U.S. law. So introducing this subject we're going to have Sylvie make her presentation, first and then Rochelle will make hers. Heinz Bardehle also gave us a paper and we're going to let him make a presentation, giving his experience from a German practitioner's point of view, then we're going to open it up for discussion. Sylvie?

MS. STROBEL: Thank you. Now since the time is a bit short to give a comprehensive survey of the topic, I'm going to assume that you are familiar with the most basic arguments which have been very aptly put by Mr. Armitage and Mr. Wegner and I see that Heinz Bardehle has also made a contribution and I will leave the more substantive issues up to him. What I'd like to do is just address a few salient points about prior user rights in principle, which I think have perhaps not been emphasized enough in this country and I'm going to give this a bit of a comparative spin. Apart from the obvious differences stemming from first to invent as opposed to first to file, there are fundamental differences in the manner in which the novelty requirements are framed in Europe and in this country. These differences are very relevant because there's a fundamental link between the novelty requirement and the principle of prior user rights and I think this hasn't been perhaps emphasized enough here. In Europe, the novelty test is objective. To negate novelty of prior use must constitute an enabling disclosure. In the U.S. the rules on whether prior use invalidates or not are arguably more complex and may at times involve an assessment of whether a prior use has deliberately and successfully been kept secret as well as whether it's conferred a benefit upon the public. This involves assessment of subjective elements like intent. In Europe, the mechanism is such that if a prior user right does not invalidate, it gives rise to prior user rights. So this, of course, provides a state with increased flexibility in the definition of the novelty requirement because this requirement is no longer the first line of defense which protects prior users and their competing interests. A good example of this interaction was provided by Britain when it harmonized its law with the rest of Europe in 1977 upon joining the European Patent Convention and here I'm speaking of harmonization of the novelty requirement in particular. Prior secret use was a ground of invalidity under Section

32 of the 1949 Patents Act in Britain and under the new system, such a use no longer invalidates, but it gives rise to prior user rights. So, of course, the issue of whether you want to relax your novelty requirements in that manner is a policy issue which is outside the scope of this discussion, but this explains, I think, why in Europe prior user rights have never been considered to be an intolerable encroachment on the scope of the patentee's rights simply because many of the patents effected by such rights are patents which would have been invalid under a more stringent concept of novelty and I think the tack was that instead of throwing open the market to all third parties, it was preferable to leave the patentee with perhaps not exclusive rights but a sheltered market where arguably there may not be market failure because the third parties that can claim prior user rights more often than not will have their own R&D costs to recoup, their own acquisition costs or licensing costs. Okay, as Heinz Bardehle points out in his paper, there's no consensus on either the scope or the conditions of the right in Europe and every country of the UPC defines these things in very slightly different ways, but there's no question that prior user rights are unanimously recognized in principle as being just and desirable in a first-to-file system. I'm sure you're all familiar with the arguments that are used to justify them, the argument of efficiency that the right prevents the destruction of existing investment which is in the public interest, not just in the interest of the prior user and also from the fairness point of view, they give a measure of protection to the vested interest of those who have learned nothing from the disclosure of the invention in the patent application. One of the side effects of this consensus is that the Europeans have never really explored the impact of these rights on the patent system in perhaps the searching way that the Americans have done in this country and, in particular, there, I think, is a lot less concern about the impact of these rights on the incentive function of the patent. One reason is that, I think, partly is that the approach to the incentive function of the patent system is different in Europe. The subjective assessment of the trade secret prior user's intent and behavior, which one finds in American patent literature, is conspicuously absent from discussions on this topic in Europe. The exploitation of the trade secret by a prior user is not stigmatized as socially reprehensible behavior in continental Europe. Trade secret protection is construed as a legitimate form of protection, which the user chooses at his own risk. However, there's a limit to what he forgoes in choosing this protection, i.e., he may forego his right to exclusivity, but he shouldn't be foregoing his right to use. So elements

which have been deemed to be very important here such as whether the invention exploited as a trade secret was patentable or not or the issue of whether the prior user had doubts about the invention's patentability or whether the prior user had any intent to patent, are simply in Europe not considered to be relevant factors in deciding this issue. In contrast, in the United States, the discussion of this topic is focused on the compatibility of these rights with the constitutional purpose and the main issue obviously because of the class of inventions which are most effected by these rights appears to be whether prior user rights effects the patent's incentive to disclose which is, of course, reasonable. However, I'd like to put to you that the promotion of the progress of science in the useful arts encompasses also incentive to engage in the costly process of R&D in the first place and you could argue intuitively that prior user rights might produce significant effects at this earlier stage and ask whether the knowledge that one will not be precluded from using the outcome of unpatented but successful research results basically creates a perceived reduction in the level of risk in undertaking R&D projects, but I have no conclusions to formulate. I would just like to raise the issue and perhaps let you respond to it. In particular, in reading the paper by Mr. Rohrback in the documents that have been handed out, he's not alone in this. He seems to consider that patentees are one group of interest and prior users are another group of interest and basically I would like to put to you that perhaps these people are all part of one and the same interest group which is participants in the ongoing process of research and development. So in that sense if you oppose prior user rights, you're basically assuming that you're always going to be a winner in the race to the Patent Office. Of course, these comments are in the first-to-file perspective, and basically I suggest that this may not always be true and that the interest of a single participant will change with respect to this issue on a case-by-case basis.

I'd like to address now the issue of the dearth of litigation in jurisdictions which have these rights and this has led to a double-barreled assumption in this country that either these clauses are unimportant because the situations where the right arises are so few or maybe alternatively the clauses don't work because they fail to significantly effect the defense of alleged prior users in infringement suits. I'd like to suggest that the lack of litigation is not necessarily indicative of the importance of this legal institution within a patent system. Litigation, after all, reflects the pathology of commercial and legal relations and it's probable, but the most important effect of these rights are to redefine the bargaining positions of the respective parties, so

intuitively one can also perhaps suggest that the most important effect of the existence of these rights is to promote the conclusion of mutually advantageous licensing agreements resulting in less infringement litigation and furthermore, I would argue that a well worded, well conceived clause would not promote litigation and, therefore, a lack of litigation could be seen perhaps or be interpreted perhaps as a sign of success of these clauses.

My next point has to do with the policy issue of how you would define your rights and in this respect there has been, in several countries, the argument that you want to protect the patentee against undue encroachment and, therefore, if you were to have such rights, you would want to define them in an extremely narrow way. Now addressing that issue, there are three levels at which you can control the intrusion of these rights on the scope of the patent monopoly and these are the conditions of acquisition of the right, the scope of the right itself and, of course, the restrictions on transferability and once again I'd like to suggest that it's perhaps better to exercise maximum control at the entry level, control a very high burden of proof, very stringent conditions of admissibility to the right, and then when the right is acquired, then perhaps give a scope which is perhaps less restrictive than what is advocated by these people, I mentioned earlier. Of course, you would want to couple that with adequate restrictions on the transfer of the right and this is preferable to having laxer acquisition requirements and then basically hamstringing the prior user right after the fact. One of the problems with this second method is that if you impose either restrictions on act shifting or quantitative restrictions or qualitative restrictions, first of all, they're very difficult to determine on a case-by-case basis and second of all, they're very difficult to monitor as well. In Europe, the attitude is that the rights are geared to allow the prior user to remain competitive in the market although the scope of the prior user right varies from one country to another and the rationale behind this is that if the prior user right is going to be progressively rendered useless because the prior user can't adapt to minor modifications or can't adapt his production to the demands of the market, then if the right is going to progressively become obsolete, there's no point in granting it in the first place. And finally, I would like to end on this point that was made very cogently by both Mr. Armitage and Mr. Wegner, that these rights would be in the interest of American inventors because they have to put up with their patents being subject to these rights in other countries and, therefore, it makes eminent sense to make sure that foreign patentees in this country respect the priorities

or rights of American inventors.

MS. FERBER: Rochelle Ferber. I would like at first to focus your attention to two aspects of the draft paper presented in the course materials for today. First, I'd like to mention the title of the draft, Prior User Rights in a Harmonized U.S. First-to-File Patent Law System. There was an assumption made before approaching this paper that a first-to-file system was already adopted. We did not consider the benefits or the drawbacks of adopting a first-to-file system. We merely considered where prior user rights should be implemented and if so, with what restrictions, particularly the restrictions that Sylvie Strobel has so eloquently phrased. Secondly, I'd like to mention the perspective that we took in approaching this project. We did not look across the ocean to the experience of others. We took a very introspective approach. We wanted to see how such a system would function in the United States given our own idiosyncrasies. We looked at our interference practice, a practice that many people in the Bar would like to see completely and utterly demolished. Of course, there are others who believe that finding the first and true inventor is the most important part of our system. We also considered the intervening rights associated with reissue. This particularly seemed to us to be an equitable response to a patentee's claim of exclusivity. I'd like to continue with an anecdote. After having penned this draft, I had the privilege of speaking with one of our MIP students and in trying to explain to a patent attorney from Korea why all of our patent applications are filed in the name of the inventor and going back and forth trying to explain why it's not the applicant as he knew it, that those were our assignees, it occurred to me finally the purpose of this paper and I explained to him that our perspective is a very individual perspective. We're not looking specifically at the rights or responsibilities of just corporations but of individuals, that is a very basic fundamental principle upon which this country was based. So I went and I met with some independent inventors and they have some legitimate concerns in my view. They're concerned that a prior user right is going to protect those who manufacture and not those who are going to license or seek venture capital. It was also raised that universities who do not manufacture will also have great difficulties functioning under a prior user right system. These are not addressed in our draft and I would very much appreciate, I would invite, I would indeed encourage all of you if you would debate specifically the independent inventors and universities of our country so that we may complete our draft and submit it to the appropriate people. Thank you.

MR. BARDEHLE: Heinz Bardehle. I cannot materially contribute very much to the excellent submission of Mrs. Strobel, but I would like just to mention some points which came to my mind taking into consideration the long debates which we had in the diplomatic conference on the harmonization treaty and before on the committee of experts. First of all I would like to state that in Europe and in other countries where we have prior users rights we live very well with that. We would not give it up. That's our opinion after a very long experience with prior users rights. Secondly, it is, for me imaginable that a first-to-file system can also live without prior users rights. It is not true that prior users right is indispensable for the system first-to-file. It is, of course, not necessary in first to invent, we all know that. If in a first-to-file system the legislature would decide not to have prior users rights one would have to take into consideration whether investment which was made by an independent person before the filing date of a patent application, should be completely in vain or whether there should be some reason to maintain that investment which was made in good faith. Here I would like to read that what I have mentioned in my short paper in the first paragraph. The justification for prior users rights is based on the consideration of fairness and equity. This should prevent that investment in the use of an invention which was made before the priority date of a corresponding patent be in vain if the patent owner could enforce his patent against the prior user. The prior users right in Europe is based on certain criteria so that at least serious preparations for later commercial are necessary. That is a condition because use leads very often to public use and then destroys novelty. So what we normally have to demonstrate is serious preparation for use. The same is mentioned in the harmonization treaty which states that any person who before the filing date or where priority is claimed before the priority date of the application and within the territory of the contracting state concerned has made effective and serious preparations for using for commercial purposes the invention referred to has a prior users right. That is more or less the condition which we also have in my country. In France, the conditions are not so strong. Personal possession for the prior users right is sufficient. But this is not so important to me. In my view a country, if it turns its system from first-to-invent to first-to-file should also at the same time adopt prior users rights. According to my experience I would say it is advisable in order to avoid the loss of reasonable investment which was made before the priority date of a corresponding patent application to avoid that this investment is in vain, if that investment was made in good

faith. If on the other hand the decision would be, we don't like prior users rights because that undermines the position of the patentee, that is what I heard very often one can take that point of view. You avoid one serious problem which we discussed at length on various occasions; namely, the problem of derivation, within the grace period. The harmonization treaty includes a grace period and what we want is to have international grace period. What happens in that case if a third party seeing the publication of an invention by an inventor considering that as an interesting subject matter and free prior art because it was published and takes the advantage of copying that what is published. It may be that the publisher could have just before the publication filed the patent application or filed the patent application later under the grace period, under which that party derivates subject matter which is in the later patent application. What happens with the rights of that person who has the rights on the publication of the inventor. If the inventor takes advantage of the grace period, that derivation can take place with preparation for use before the filing date of the patent application of the inventor. This is a typical case of derivation in good faith in my view because the third party can take it that there is prior art perhaps open to everybody and in the public domain, why not copy it. Would that derivation lead to a right of prior use, yes or no? I know that in this country you consider that it really isn't. Bill Thompson, with whom I discussed this problem is clearly against derivation and I have full understanding for that point of view. You avoid all that under the condition if you have a grace period without rights of prior use. You can believe me that, now taking into consideration the circle of the countries being interested in harmonization that there would be some criticism from outside that Americans wouldn't adopt prior users rights but I would say, so what. This is up to the country adhering to the treaty. As it stands now it leaves it open. You may, avoiding that problem of derivation, better live without prior users rights, but personally I believe that after a certain time when you live under first-to-file you will realize that there are cases where the denial of giving the prior user a right for continuing what that party has done is an injustice because he did that in good faith before the priority date of the patent application, he invested something for later real use, invested possibly a lot of money and all that would be in vain, if there would be no right of prior use. This is the decision which one has to make. This or that. Is it acceptable or not. If you say, okay, the man who files first has the rights, no right of prior use, that is a clear decision, one can live with that. The problem is that you ignore then all those who

invested earlier. One can take the point of view not to accept rights of prior use because the party which invested earlier could have also filed at an early stage a patent application. Too bad for him that he did not do that so that it is his fault. So there is no need to cover him for his fault not to file as early as possible a patent application because then it becomes more or less a first-to-invent system, one who first invents goes immediately or very soon to the Patent Office. He is normally also the first filer. In conclusion, I would say since there is so much reluctance here in this country to adopt something which you do not know or about which you are in a way frightened, so that you may just better live without prior users rights. Thank you.

MR. BENSON: Thank you. It's wide open now. Okay, Chico.

MR. GHOLZ: I'll start off by saying that I am in favor of prior user rights. Indeed, the arguments that I hear in favor of prior user rights suggest to me a broader or more extensive prior user right than is proposed in the drafts that are before us. The principal argument seems to be the social dysfunctionality of blind-siding a company that has in good faith invested a significant sum of money in bringing an invention close to commercialization, or at least commercialization in a non-disclosing sort of fashion.

Well, the way it's been proposed, those defined activities have to take place before the a patentee's earliest filing date including priority. Yet you have exactly the same arguments, it seems to me, when those defined activities take place before the patent issues — or, if we go to harmonization in a situation where the application is published after eighteen months, if those defined activities take place prior to publication. People get blind-sided right now when the patent issues.

A number of years ago a case came up to the Federal Circuit, *Bott v. Four Star*, in which the appellant was arguing for a kind of continuing rights similar to those that we have in reissues in that situation before a patent issues. Well, our continuing rights that are in the reissue statute now and the re-examination statute were originally judicially created. They were not Congress created rights, they were judicially created rights which later got into the statute. The appellant in *Bott v. Four Star* argued that the court should do the same sort of thing, should create rights of continuing use so that a party that in good faith has invested money in commercializing an invention before the issuance of the U.S. patent shouldn't be blind-sided by the issuance of the U.S. patent.

The appellant, I forget whether it was Bott or Four Star, but whichever company made that argument, lost in that case. But now

we're talking about amending the statute. The courts refused to extend rights of continuing use judicially in this situation, but now we're talking about amending the statute.

I wonder whether we shouldn't talk about prior user rights that would be keyed, not to defined activities prior to the filing date or priority date of the patentee, but to the defined activities prior to the publication date of the patentee, whether that's the issue date or eighteen month publication date. One of the materials that we were given to read — I think it was Hal's, I'm not certain — indicated that such a change would be contrary to the Paris Convention. I would like to know why that would be contrary to the Paris Convention and why the United States couldn't simply adopt a prior user right keyed to the patentee's publication date.

DR. BISHOP: Let me introduce myself. My name's Bob Bishop, president of Beltronics, Inc., a research-oriented development company. The company was started thirteen years ago. We develop very high speed automated inspection equipment and transfer technology to industry. We deal with companies such as IBM, Honeywell, and Japanese-based Nikon, which involves discussing the inner-workings of our machines. I feel, that if we change to a harmonized first-to-file system, everyone will lose. Large companies will lose, the entrepreneur will lose, and the university will lose. I base this decision on some very specific incidents involving the transfer of our technology. Two incidents in the U.S. and one with Nikon in Japan. Three years ago IBM came to us and asked us if we could supply them with an inspection machine for a special type of semi-conductor. Internally, they had looked at the problem, and to solve it themselves would cost $4-5 million. For Beltronics this involved working closely with IBM. IBM realized we had an adaptable thinking machine that could be taught to look through a microscope and think like a person to make dynamic decisions. They felt that this technology could be applied to look at their semi-conductor chips. We worked with them hand in hand and after 14 months delivered a machine. To develop such a machine there had to be a very solid understanding of our technology by the other company. I don't know if I want to call it transfer yet, but we worked with them, they saw our technology and they brought their parts in, before their legal people became involved to sign non-disclosure agreements. Now, what I'm seeing and have seen, and I think we've all seen in the past five years is that with the decrease in manufacturing here in the U.S. it's becoming harder, for large companies, to afford the cost of doing pure research. As a result they're welcoming our company with open arms. Our company

is made up of entrepreneurs. We take a different approach. It may not be the four million dollar approach, it's the half million dollar approach to solving a problem; or it isn't the hundred thousand dollar approach, but the ten thousand dollar approach.

Another very interesting experience happened with Nikon to which we licensed technology a few years ago for the fabrication of a circuit board inspection machine. Let me describe how this started. We had manufactured a few machines for Honeywell. We needed a certain lens and I called one of the key people at Nikon who referred me to the person in charge of their American operations. He was very interested in what we needed it for and the conversation evolved. He said, "In a way we're almost a competitor of yours because Nikon is developing a circuit board inspection machine". I described the highlights of what we had. Shortly thereafter he flew in his key R&D people. I had to expose my technology. As they worked on the machine, they saw how it ran, and shortly thereafter a disclosure agreement and eventually a technology transfer agreement was signed.

One of the interesting aspects of this whole transaction occurred in the closing of the deal in Japan. We were having dinner with the CEO of the company and the conversation drifted into differences in educational systems between Japan and the U.S. He commented "I hope you continue to work with us because you think differently. Japan is structured so that the average education is high, but people are taught to think the same. We don't have a large variation, we don't have the lows on the totem pole, we don't have the extreme highs. We don't have the individual entrepreneurs. We have to think as a group and as a result people that think differently are almost discouraged in their system. It's not set up like the U.S. where the individual is pushed to shine in the universities, but it's these individuals that come up with the new ideas.

From my point of view, if I'm going to go to a company and supply them with technology, I don't want to worry if this person or this company is going to steal my idea. The other thing that's important is sometimes the final product that's invented, the real novelty doesn't always come out at the beginning. We start working on an approach to a problem, we develop the concept. We alter the algorithms, and finally come up with the final product.

With the harmonized system, beside being paranoid if anyone's going to steal my technology, beside taking away the advantages for the entrepreneur, I am now going to be filing patents every minute and spending more of my resources filing patents than developing

technology. Recently I read an article discussing how the most prosperous companies in the U.S., are small companies such as ours that produce very high technology equipment. And I feel that my concerns represent those of these companies. I sincerely think that switching to a new first-to-file system would hurt everyone involved. Thank you.

MR. WITTE: I just wanted to mention that when the Advisory Commission was on the subject of prior user rights, I was and am still against prior user rights, but I voted for the provision in the Advisory Commission's report. I did this even though I continue to disagree with much of the logic of the proponents of prior user rights, their arguments on the equitable considerations involved in prior user rights and also much of the speculation on what would happen in the absence of prior user rights if we move to first-to-file. I voted for the prior user rights provision for two reasons: one is that a number of persons whose opinion I respect greatly said that they would support a change to first-to-file only if it was accompanied by prior user rights and I concluded that I dislike first-to-invent more than I dislike prior user rights. The second reason is, as finally adopted in the advisory commission after long and careful and very good debate, the prior user rights are defined in a, I think, a very proper and reasonable way, the scope and the conditions and the rest. For these two reasons, I have compromised and I'm pulling back in my opposition to prior user rights, although I would have preferred that there be royalties for prior users who could prove their rights and I would have preferred that the preparation aspect of prior user rights was limited even more than it is. For example, to give prior user rights to people who are making preparations to use a product invention to me is very troublesome.

MR. THOMPSON: Bill Thompson. I'm not sure that I followed our entrepreneur's arguments because it seems to me that we have exactly the same problem under the present system today and I know any time that our company gets involved to have somebody else do some of its research and development work we have contracts up front which not only protect the data, but define the rights between the parties. So we have a clear understanding as we go forward. I wouldn't expect that would change under a first-to-file system. I think maybe the key to the answer though as to whether we would be getting into a system that would stimulate more filing centers on this question of whether there is a prior user right associated with the first-to-file system. Most of the discussions that I've read, that I've heard and the readings and the materials seem to me to deal artificially with

the question. They seem to assume that we are either dealing with something that is patentable on the one hand, or something that is a trade secret on the other. That's not my perspective. There's another category. It's a category that I call trivia that has not yet been disclosed and it's the big category. We have over a half a million parts in our parts inventory. If we had piece part drawings on all of those, they would go to the ceiling. We'd probably have to move to the center of the room to stack them up there. If we counted those things that we classically treated as trade secrets, we'd have a few heat treating processes, maybe rubber compositions and maybe ten or fifteen things that we actually treat as trade secrets in the sense of alerting people to the importance of the secrecy, setting up the mechanism so that casual visitors are not allowed through there and things of that nature. It's a very small stack certainly by comparison and we file something like a 100, 150 patent applications a year so comparatively speaking that's a very small stack. All of this other stuff is simply things that can be determined by reverse engineering of our products and we will say they're trade secrets as long as somebody hasn't done that, but really—they're not. Now, the question is are we going to create a system where we run the risk that all of those people that are interacting closely with us, if they do the filing, can preempt us? What is going to be our behavior as a result of that? Either we might decide to file more frequently and begin to flood and overload the system or we might place more restrictions on how we deal with other people and how we let them in the door through this development and research process. I don't think we want to do either of those things. I think we want to have a system in which the doors are open for developers, but under a discipline where people define at the beginning what their rights are. We don't want to run this perilous journey and we don't want to flood the patent system with trivia. I think the prior user right is the key to that response because it's really the Magna Carte for the right not to file on this trivia, just as 102(g) today is the Magna Carte for the right not to file. I don't think we should just look over our shoulder at our pre-existing interference practice or intervening rights or the systems that we have in this country. It seems to me to be arrogant to reject the experience in Europe and elsewhere who have both the first-to-file and the prior user right. If we cut that cord, what we are in effect doing is creating a system without antecedent. Obviously, there are very minor countries that don't have the prior user right, but we are a major country with major development and we are creating a system without antecedent in the major country industrial world. I think we should only do that with

very, very great cause for concern. Thank you.

DR. JUDA: I want to ask the simple question from the public view point. What is better? Who needs more protection? The large company who can afford to file patent applications no matter what they cost, or the individual inventor who has to prove it and sell his invention? Who creates the jobs? Today IBM, GM and the likes let thousands of people go; to the contrary most jobs that have been created in the last 30 years came from inventions by small entities and individual inventors.

The principle of prior user rights puts again the shoe on the wrong foot. It should be the other way around in the Western world. We should protect the first inventor who then can give rights to use the invention to a company that is honestly investing in its commercialization. That is the procedure in our economy which will create jobs.

When you look around the world right now, what has been happening? Back in the forties I started a company, IONICS, bringing to it a basic U.S. patent — IONICS has grown to a big company. Even at that time (in the forties) I couldn't have done the same in Europe. Practically nobody in Europe had a chance to be an entrepreneur under the cartel system's principle of "first-to-file". Look at it from the view point of the economy of the Western world and where the jobs are generated. Protect the entrepreneurship and see to it that the big companies respect intellectual property, not abuse it.

MR. BALMER: First let me clarify something. Large corporations do not have infinite patent budgets. I'm going to pose some questions. First, I think, we're the wrong group to even look at the policy issue of prior user rights. The real issue is what is the desired societal benefit and that's one for economists. I don't pretend to be an economist. We're trading off interests in the patent system. What's the target out there for society, what's the societal benefit? If we're going to have a patent system, there are certainly elements of it which say the inventor needs to be protected. That's a fundamental that we have abided by. But also we have a tremendous desire to have innovation within the United States and maintain our standard of living. Prior user rights pose a very complex topic and clearly some of us have gut feels and that's probably what we're going to hear around the table. Secondly, and rather repeating a lot that has been said, I'd like to switch to my next topic. We have had a *de facto* prior user right here in the United States. What happens is that the court decisions get perturbed in order to promote some equity. For example, a company can be doing something in a black box in the bowels of

a manufacturing facility, nobody knows about it. But there are cases we're saying because you had school children walk through that factory, that was a public use and, therefore, not only gave the prior user right to that individual, but also defeated the patent for the individual who went so far as to put it out in the public domain. That doesn't seem to be fair. Now, I also ask, in the study of the European experience, to really look into the difference in procedures and I don't mean legal procedures but procedures and interaction between the companies. Prior user right discussions are very often handled in a very closed clique of people and there's an understanding that this one's yours, the next one's mine. Now, what would happen in Europe if that system broke down? One has to consider the legal environment. Bringing a suit in France or many other countries against someone who is practicing in secret a process and to try to catch the infringement, can be very, very troublesome. In the United States, we have a totally different capability through our discovery procedures. It's going to be very difficult to compare, I believe the European experience with what we would exist in the United States. I'm not saying that that's a negative with respect to prior user rights. I'm just saying that's something that we've go to take a look at. We should look at what is the objective of that system overall, what do we want in 1993, what do we want in the year 2000. And somebody has got to take a look at it from the public policy standpoint. Thank you.

MR. KLITZMAN: Maury Klitzman. In prior versions of the treaty reference was made to prior user rights. Although it was voluntary for the various countries, they spelled out what the prior user rights were if a country adopted them. In the last version they took out what those prior user rights would be if a country adopted prior user rights. So if this last version were adopted in this country, legislation could be passed going from no prior user right, to a very weak prior user right, or to a strong prior user right. In my experience in dealing with legislation in Congress, when a great deal of opposition surfaces, there's a tendency for the congressmen to compromise. The chances are great that you may come out with something a lot worse than what you thought you were going to get. You may very well wish you didn't start it in the first place and I'm afraid with what has been done so far in the treaty when prior user rights are not spelled out. I don't have a comfortable feeling with what kind of prior user rights we're going to end up with in the United States Congress if we go to a first-to-file system. Legislation is likely to end up with a poor prior user right because of the opposition in Congress. I would be

opposed to a prior user right unless it's a strong one because a weak one is of no practical value. So I would support a first-to-file system if the details of a strong prior user right were required in the treaty ahead of time so you know what you're getting into. I would be opposed to a first-to-file system if stronger user rights are not spelled out in the treaty.

MR. DUNNER: Don Dunner. I would like to say first that there's been some considerable discussion today on the subject not of prior user rights, but whether we should have a first-to-file system, and I really think we could spend three days on first-to-file. It seems to me that I recall an earlier conference at Franklin Pierce when we did discuss that. So I will not, and I don't think we should be addressing our comments to whether there should be a first-to-file system.

MR. BENSON: Thank you.

MR. DUNNER: Assuming there is a first-to-file system, the question is should we have a prior user right and, if so, what should it be. Dick Witte almost to the word expressed my own experience with the Advisory Commission. I started out very hostile to the prior user concept, basically because of the notion that I felt that a patent right should not be depreciated by people coming in and taking pieces away and basically devaluing that right. I was hit by comments from people who I respect, including Bill Thompson, Karl Jorda and a lot of other people, who wondered how a guy who, using their words, could be bright at times yet was so dumb on this issue. I thought about it quite a bit and while I don't know that I have come to the point where I embrace in and of itself the concept of prior user rights, like Dick Witte I came to the conclusion that without prior user rights there would be no first-to-file. I feel that first-to-file is something we not only should have, but that would be highly advantageous to the U.S. system, not only in the United States, but the United States as part of the world system. Given that fact, and reading cogent analyses such as Hal Wegner and Bob Armitage have generated, I think there's enough to be said for prior user rights in the context of it being a *sine qua non* to first-to-file that I am prepared to endorse it and did endorse it in the Advisory Commission, but on condition, the condition being that the prior user right granted should be the least right we could give and still get people to support first-to-file. This means a minimalist approach to prior user rights, and that includes two conditions which I think I should stress. One is that the Commission report expressly states that where the totality of circumstances makes it appropriate, the court should have authority to assess appropriate and reasonable royalties in favor of the patentee or to expand the

right to assure that justice is done. In short, an equitable approach should be imposed by the courts to apply to specific situations. It doesn't mean royalties in every case, it means royalties where appropriate or expansion of the rights where appropriate. Secondly, it not only would preclude derivation, but would require the prior user to independently develop that process. If, in fact, he didn't independently develop it, he or she's not entitled to the right. And so with those caveats and for the reason that I feel it's necessary to get first-to-file through, I support reluctantly, but nevertheless support prior user rights.

MR. GOLDSTEIN: Steve Goldstein. Just a brief comment to second what Norm Balmer and Don Dunner have said. I think that we can see from the rest of the world's experience that you can have a prior user system and the system survives and seems to work. We can also see from what we've done so far in the U.S. that you can have a non-prior user rights system and things seem to function well. One point that's been made this afternoon is that if you don't have prior user rights and you have someone who's invested a lot of money in technology and someone comes along later with a patent on that same technology all this investment is down the drain. Well, prior user rights have their problems, too. Prior user rights decrease in some way the value of the patent since prior users may have rights to practice under it. So either way someone is going to be affected. I think there's enough policy all the way around that you can basically justify either side of the prior user rights issue. To me, the bottom line ought to be U.S. economic policy and the effect a prior user system would have on it. If we could have a good strong economic analysis to show that prior user rights would make a difference one way or the other, that would be a very important, a very critical factor. Also, prior user rights could be a very important chip in patent harmonization negotiations. Those to me are the kinds of issues that are critical in reaching a final decision on whether to include prior user rights in U.S. patent law. Thank you.

MR. WEGNER: First I would like to identify myself very much with the remarks of Sylvie Strobel and Norm Balmer, in particular. Several brief points. With respect to Mr. Klitzman's remarks that we don't know what it will be and so on, yes, we do. We're not really worried about a new treaty provision. Any treaty provision in the WIPO context is an Article 19 treaty provision under the Paris Convention. In other words, it's subservient, must be within the scope of the Paris Convention. Article 4(b) of the Paris Convention completely outlines the scope of what you can have in a prior user right, so I think we

don't have that concern. I also do share Mr. Klitzman's concern that when you legislate, you don't know what's going to happen, but that's not on the table. We're going to have legislation and we have to address this issue. The game is going to be played in Congress and we can't run away from it. With respect to the authority for denying a prior user right keyed to the publication date, it is explicitly clear from the orange book, which you have a copy of, page 123, section 1135, which quotes Article 4(b) of the Paris Convention. It makes it explicitly clear that the prior user right has to be keyed from the date prior to the priority date. Rights in the interval cannot give rise to rights of possession. Reverting back to what Mr. Balmer pointed out, this is the wrong forum to consider prior user rights. International and domestic scholars, particularly the economists, have got to get involved in this. Finally, I thought I was going to agree with Don Dunner again and I started to jump for joy that I was going to agree with him when he talked about a minimalist approach. I do agree with the second point that Don has on the prior user right being limited by the subject matter having been independently derived, if not by the inventor, by someone else and there'd be no derivation. Perhaps I would favor as much limitation as necessary to cut it back, but I would not subscribe to the point of determination of royalties. I want an absolute legal defense. If you're going to have a prior right, it should be clear and it should be firm. The final point I have, this has become a political football. The universities have come out very strongly against prior user right. I think the burden is upon the people that want the prior user right to come forward to explain why it's so important, why it's more than a Magna Carta for trivial inventions. Unless that can be done, I think the baggage carried by the fight with the universities, if the people proposing that we should have a prior user right can't convince the universities, I don't think it's worth fighting for. Thank you.

MR. GRISWOLD: Bob, could I ask you, you have a good memory. What is the language in the bill that the AIPLA submitted to Congress that defines what the prior user rights are?

MR. ARMITAGE: It simply gave the right of prior use to someone before the priority date, either put the invention in commercial use or made substantial preparations therefore. It had also in it a requirement for good faith that was relatively undefined.

MR. BENSON: But wasn't it limited to exactly what the guy was doing on the day that the application was filed and that it was not a license to incorporate what turned up in a later patent?

MR. ARMITAGE: Not in express language, no.

MR. BENSON: Okay. I just wanted to let everybody know what we're talking about when we're talking about prior user rights.

MR. ARMITAGE: Last night I had a dream. I was hiking in the mountains and what to my eyes should appear but Moses carrying two huge stone tablets down from a mountain. I asked Moses, what are they? So he sat them down so I could read them. They began "Title 35, United States Code". I said Moses, this isn't the way it happened. He replied, I know I was given a choice. I could have taken these tiny little tablets that had Ten Commandments on them that sounded like absolutely no fun at all or these big ones. I decided no matter how heavy these were, these were what I wanted. Moses and I had a long talk. I finally convinced him to throw these tablets away, go back up the mountain and, of course, the rest is history. But to me the moral of this story is simply that Title 35, United States Code, is not Divinely inspired, it's not what came down from some mountain. I also am not a believer in the need for a philosophical purity in the patent law. I think rather that Title 35, United States Code, ought to be a very practical pragmatic document. To me, it's a very practical pragmatic question: Is this country better off if we go to a first-to-file system with or without some sort of prior user rights? Now, having posed that as my question, I have to say that among all the issues in harmonization, this ranks on my list as being one of the most unimportant and unexciting. If we didn't have prior user rights, we could have a perfectly fine patent system. If we did have prior user rights, we could have a perfectly fine patent system. I say that because it's not a everyday occurrence. For most people representing even very large companies around this table, prior user rights will not even be an every decade encounter. So if it's not all that important and it's not Divinely inspired, we ought to be able as grownups to come to some kind of resolution of this issue. There are a spectrum of possibilities here. One of the questions that was posed to us is what are we going to do about independent inventors and what are we going to do about universities. First of all, should an independent inventor, who has no intention of creating a manufacturing facility, be able to acquire some value out of prior user rights? Some foreign systems don't require that a prior user have begun a manufacturing endeavor. The French system merely requires possession of the invention. We could, for example, have a special provision in our law that recognizes possession for persons who, at the time of the filing of the patent application, have not assigned their inventions or made them subject to an obligation to assign, to be enough. What about universities? Again, let's be utterly pragmatic. Universities don't engage in trade

secret and know-how licensing. They don't do it because they don't have trade secrets. They don't have trade secrets because they're not involved in a trade or business. They don't have know-how licensing because in the main, they're not allowed to keep and maintain know-how as know-how. Most university charters that I'm familiar with require universities to put information in the public domain. So what they're looking at is the possible diminution in their patent rights by prior user rights. We can look at interference statistics to realize that only a small percentage of the few declared interferences involved universities. Hence, the probability in the next century of universities suffering at the hands of a prior user is probably less than fifty/fifty. In other words, it shouldn't be a problem for them. So what I would suggest is that we go forward with this debate with utter pragmatism, deciding what's best for the country. This book we have before us is filled with arguments on both sides and there simply has to be a solution that's a fair political compromise for all involved.

MR. BRUNET: I'm not going to speak in parables, but to a certain degree I do agree with Bob Armitage in that maybe prior user right questions are not so important; but if they're not so important, then why have them. It's interesting that prior user rights debates seem to have occurred only in the context of first-to-file and yet the same problems that people are discussing that seem to require them to have first-to-file prior user rights also existed to some extent in the first-to-invent system. Patents will issue many years after other companies have invested money in promoting and selling products and they may have to stop when a patent issues under our current system. So I don't see that there's much basic difference between whether you have prior user rights in a first-to-invent system or in a first-to-file system. Basically what it comes down to is the dichotomy or the clash between trade secrets and patents. The Supreme Court has spoken on this and said that states may legislate in the area of trade secrets but that didn't say that trade secrets have to be superior or even equal to patents. It seems to me that where you have patents clashing with trade secrets patents should prevail. This is because patents serve to promote the progress of science and the useful arts as set forth in the Constitution. Trade secrets do not.

MR. GRISWOLD: It's no secret I'm in favor of prior user rights. I think there are a lot of reasons to be in favor of them. I think they may be part of a first-to-file system and I believe that we do have some solace today in 102(g), but I believe it would be nice to have a prior user rights statute like is proposed in the AIIPLA proposed bill today. What bothers me with this whole debate is that it tends to resolve

itself frequently into a small company or university versus a large company discussion. I'm from a large company, but I don't think that's the real issue. We have a lot of reasons to have prior user rights. One of them is to make sure that we maintain the jobs that we do have in the U.S. We have a situation where when people are making decisions on where they put a manufacturing facility, which does use trade secrets, they can decide to locate that plant in the U.S. or they can locate it somewhere else. Multinationals have that as well as other companies have that opportunity. If you have a trade secret process and that country has a prior user right and you have the option, it's more likely you'll put that plant in that country. Another problem that I have with this is that as you know, the treaty will probably not have anything on prior user rights because Article 20 will be deleted. I'm in favor of having it be included and having it be specific. Maury, I do agree with you on that. We don't agree on a number of things, but we do agree on that. I think it will be deleted and the reason observation is that it's a domestic issue. The way I look at that is if a country decides to shoot itself in the foot, and to not provide prior user rights, then they'll be allowed to do so. We have a situation where 45% of patents that are granted in the U.S. are owned by foreign companies or entities. Those companies will, if we don't have a prior user right, be able to preclude us from operating in the U.S. whereas the reverse is not true in respect to their countries. So I think mutuality is a key issue. Relative to this business of legal versus equitable right, Don, as you know I'm in favor of legal right and that's because if you have an equitable right, that means that you are going to be forced to bring forward the issue to the patent holder, disclose your operation to the patent holder because businessmen need to have certainty as to what their costs of doing business are. They have to go to the patent holder and liquidate the amount. Also with a small company who has developed the prior user right, they would need to, if they were going to, for example, sell their company, get that right liquidated prior to the sale of their company, otherwise the perspective purchaser would not buy it. You have to know what the cost of doing business is. And those are just some of the reasons that I'm in favor of it being a legal versus an equitable right. As to independent invention, I think that there should be no derivation, absolutely no derivation, that's contrary to the way we operate here, but independent invention means defining what was independent and whether it was an independent invention and that gets into definition of was it an invention. So it seems to me if there's no derivation, that's the crucial question. It's not whether there's

some independent invention we have to describe. That's why on the commission I certainly was in favor of no derivation and in favor of a legal defense as opposed to an equitable right. That's enough for now.

MR. GURRY: Francis Gurry. May I just say one word about this issue in the context of the harmonization treaty. The harmonization treaty on this issue seeks to address two questions — the first is whether prior user rights ought to be required: that is, whether the treaty ought to require states that sign on to it to provide prior user rights and the general view, I think it's fair to say, that is being reached on that in negotiations so far, is no. It should not so require, and this because prior user rights exist for the benefit of the enterprises and industry of each contracting state and, therefore, should be dealt with by that state itself. Now the second question that it does seek to address is that, if the treaty should not require prior user rights, then should it limit the circumstances in which any of the contracting states may allow prior user rights. Given that, as Hal Wegner has said, Article 4(b) of the Paris Convention presently reserves to the domestic legislation of each state the right to make provision in respect of prior rights, the treaty could go one step further and limit the circumstances in which prior user rights may be granted. In that respect, the conditions that it does lay down are that it states that prior user rights are not required, but if you do grant them, then you have to conform to certain conditions. Those conditions are that they can only be acquired in good faith where the use has been in good faith, where it's occurred geographically within the territory of the office granting the right, and where it's either a use or effective and serious preparations for use. As Gary Griswold has said, as far as the International Bureau of WIPO is concerned, the latest approach that we have recommended to that last question is that the treaty shouldn't even go this far. It should just leave it to each state, leave the situation as it is, so the result would be that there would be total freedom to provide for the sort of circumstances in which prior rights may be acquired and total freedom for each state to provide the scope of the prior user right that may be acquired. Thank you.

MR. SAMUELS: Let me, before I get started, just finish up one thing that Gary Griswold had touched on and that's 102(g). He's right, we do have prior user rights to the extent that 102(g) applies, but I would rather give one party a limited prior user right than to lose my patent as is the present situation. Another comment he made; I like the idea that foreign-based companies could not shut down U.S. manufacturing operations. So I am basically in favor of prior user rights, but like

Dick Witte, I have a problem with prior user rights on products to be sold. I have no problem on true prior user rights; namely, process rights and I notice that in all of the texts I've seen, there is no definition of prior user rights as such and I worry about what might happen in the U.S. I think as Maury pointed out, with respect to intervening rights in reissue cases, the statute is specific, that one does have the right to sell. If there's some question about this at this point, I would like to see prior user rights distinguished in such a way that they do not include prior vendor rights, unless, of course, perhaps there is a royalty attached as I think Don Dunner had mentioned. I don't believe there will be an increase in filings. I think a true prior user, if the process is important enough, will have protected himself already. He will have published perhaps in disguise or he certainly will have gotten an opinion on invalidity or an opinion which will teach him how to get around the patent. So I think by and large what we're talking about here, if my definitions are correct, is what I think has been alluded to in the past as nit inventions, ones that are really not worth filing on, but which under prior user rights will still allow the first inventor to practice his invention as opposed to the second inventor patentee.

MR. PEGRAM: John Pegram. Three thoughts — first of all, in the policy area it seems to me that there's been some talk about the superior public interest in the patent, but I submit that if someone comes along at a later date with a patent on a process, for example, and there has been a prior continuing use of that process, making products which are being sold in the United States market, that in a sense that patent is taking away something, really the first inventor's idea which has been in use in the United States market place. I submit that as a policy matter, it's not such a bad thing to permit that prior use to continue. Second of all, assuming that there is first-to-file, I believe that the very arguments that small business may make against first-to-file should cause them to rush to support the prior user right because the same small business that feels that it has trouble filing promptly on inventions, or that may be using ideas which did not rise to the level that were economical for them to file on and perhaps were not significant enough to file on, they are the very people who would be protected by a prior user right. So that leaves us with the universities and the individual inventors. Certainly they have a sympathetic claim: namely, prior user right doesn't do me any good, I don't "use". However, I believe there is one area that they should recognize and give very serious consideration to. It is something that all of us have to give consideration to today. It is something that we're

all being told in business. That is that the customer comes first. Here the customer of that university and the customer of those individual inventors are, in fact, business. If business sees a need in the balance for prior user rights, then I believe that the universities and the individual inventors ought to give second thought to the subject in view of the desires of their customers.

MR. PRAVEL: I've been listening to all of the various comments because primarily I have struggled with the issue myself tying to figure out which way I really would like to see it go if I were the one making the decision. I probably at this point would have to say that the compromise position that the Advisory Commission came up with is probably where I would end up because I can see the basic proposition that you really are to some extent discouraging some people at least from not using the patent system when you have prior user rights. Obviously if you have to deal with the patent system without prior user rights, you're encouraged to use the patent system. On the other hand, in the market place, people who are commercializing inventions are very valuable to the economy. So there is an equitable consideration there that has to be dealt with and as difficult as it is, I think the only solution is to have the compromise that the Advisory Commission has come up with and I think that the important thing now for us is to settle on something like that and go forward because we certainly, at least in my view, should not let that be the tail that wags the dog and causes us to lose the first-to-file system. Thank you.

MR. RINES: I must say I recognize I'm in a den of "enemies" and the thought has always occurred to me, are you all stupid and I'm the one that's brilliant? I kind of have a feeling that might be it and I'll tell you why. You people are not putting yourself in the entrepreneurial position. You're the umpteenth generation in the large companies. You're not the fellow that started your company, and it seems to me that you're singularly unable to put yourself in the shoes of the original inventor that started your company and ask the question where would he be if he didn't have the exclusive rights to his patent, and if he wasn't able to rely on his dates of actual invention to defeat people who came in and contested it. Now I'm only one person. I have been in on the development and the starting probably of more electronics companies in the Northeast than any man alive, spawned out of Harvard, out of MIT and in this peculiar area of New England. Consider, for example, EG&G where Professor Edgerton was represented first by my father. He would have had no company under a first-to-file system. City Service, GE and Sylvania and others jumped in when he announced electronic flash photography

and filed their own applications. Both Beranek and Newman (BBN) — the same thing. I asked Dr. Juda of Prototech and my former young student from MIT who's president of Beltronics, Dr. Bishop, to come here because they couldn't believe there were such people in the patent bar who don't know where the seed corn comes from in the United States of America. First-to-file has existed in the world always. Where's their record that can compare with the United States, which gave the entrepreneur the opportunity to develop the invention before jumping into the Patent Office? Brighter lawyers than you and I, perhaps, fought to give two years, then limited to one year, of public use to develop an invention before filing. Find out what the market is before you jump to the Patent Office. We have a record in the United States of what that system has done. Show me that record in Europe. They're my friends, but I don't want to wear their uniform. They're not the United States of America. The next thing I can't understand is how you can possibly sit there and say I don't give a damn for the exclusive rights of a patent. If that's true, Article I, Section 8 of the Constitution and the whole history of that provision was not made for you large corporations of today. It was made for Dr. Juda. It was made for Dr. Bishop. It was made for the people that founded your company. It has nothing to do with pieces of paper and red seals and bureaucratic nonsense that you're working on. Its philosophy was to encourage people to start businesses. It was innovation, not invention and patents and that's why our forefathers knew you needed the exclusive rights. You're saying to us, you giant corporations, that in 1993 you don't give a damn about the exclusive rights. Just give me the prior user free license. You don't need a patent system. But I want to tell you something, that the seed corn of this country that is involved in starting companies, the people who are really making the jobs and the people who make it possible for many of you to later do what a large corporations can do so well — which isn't breakthrough invention. Your genius is to take what these seed corn people do and make it real. And, my friends, what good is the prior user right that we're talking about today to someone who is entrepreneuring or whose business is licensing his patent — licensing the exclusive rights? What evil would prior user wreak. You're missing the whole point at the end of this table when you say, gee, universities... the university gets its money from licensing technology and usually in this day and age, by exclusive licenses. How are you going to do that if outsiders have these free compulsory licenses called prior user rights because they can show that even if the university gets the patent, they had started on this and should have a free ride despite the patent. You

talk about the little fellow and the little business. Do you know how the little business starts? Do you know we have to have people that put in venture capital? Do you know the first questions they ask — Is it patented? Who's going to compete with us? So what does it mean, the prior user right? Yes, Mr. Venture Capitalist, we're going to get a patent, but, of course, any darn company out here that can show, they thought about it, they put a little money in, they're going to be given a free right to compete. How will we ever start a company? Now I'm not saying that first-to-file might not be the greatest thing for the bureaucratic convenience of the large corporations of this country who presently have to follow these rules in the rest of the world. I've yet, however, to have anybody tell me one real benefit and why the devil it's good for the United States as a whole. One reason. I have never heard it, and I'll shut up in a minute and listen to you. But I do want to tell you that what you are doing is going to tend to dry up the historic brilliant record of this country in terms of the seed corn of America — our independent and small, new company inventors — prodigious sweeps that do not really exist anywhere else in the world at least to the degree in the United States. You say that, but you don't have my experience, sir.

MR. EVANS: I'm not sure I want to be the next person to talk. Larry Evans. A point of clarification and I hope we can dispense with the usual rules in order for Heinz Bardehle to answer just one question. Is it not fact that in Europe one of the reasons there are no "prior user rights" decisions is that this is an argument that often results in a negotiated settlement, even a license rather than a case that goes before some judicial authority?

MR. BENSON: If that was a direct question, we will allow him to answer.

MR. BARDEHLE: As I understand your question correctly, you wish for me to know whether problems or cases of rights or prior use are solved by licensing, for instance, is that correct.

MR. EVANS: Yes.

MR. BARDEHLE: First of all, I would like to say that I follow Bob Armitage's experience. Cases of rights or prior use are very seldom. They are not... our daily business. When they happen, they are normally solved by settlement in that way that the patentee has to agree because of convincing proof that there is an existing right of prior use. That's all. If the right of prior use is denied then the patentee enforces his patent against the alleged prior user, the prior user has the burden of proof before the court to demonstrate that he has the right of prior use. In order to avoid lengthy litigation it may

happen that both parties come together and agree on a small license. This happens, but this is not our daily practice. Our right of prior use has not at all led to the experience that people abstain to go to the Patent Office. However, in cases which have been mentioned by Bill Thompson, for instance companies may have a stock of spare parts on which they do not intend to file on any small item a patent application. They may rely on their prior users rights and that's important, that they have a stock of rights which exists and cannot be destroyed by a patent. But this has never led to the conclusion that companies or inventors who have made an invention and see a commercial value that they would abstain to go to the Patent Office. They file their patent applications as in this country. Thank you.

MR. EVANS: I would like to add that — I thank you very much for that — in support of what Bob Rines said, I think we ought to be very careful "we don't throw the baby out with the bath water in amending the patent law. Having given it a lot of thought I think that the first-to-file system with early publication also necessarily must consider the rights of the prior user.

MR. WAMSLEY: I'd like to expand a bit on a point that was alluded to earlier about the interests of universities and independent inventors in prior user rights and whether prior user rights do anything for those groups. We can't talk about prior user rights in isolation. We agreed that we're not going to debate first-to-file, and I'm not going to debate it. In looking at the benefits of prior user rights however, you have to look at the benefits to universities and independent inventors of having a harmonized first-to-file system that will provide worldwide patent protection at lower cost and with greater legal certainty. Especially for universities and independent inventors who come up with pioneer inventions, it's more important today, with increased international trade, to have protection worldwide at an affordable cost and to have the greater legal certainty provided by that kind of protection. Universities and independent inventors need to look at prior user rights as one logical building block in an improved patent system.

MS. SHAPER: Sue Shaper. I support a first-to-file system and I'm either undecided or indifferent to prior user rights, or at least I thought I was, but I would like to say the comments of William Brunet or exactly what was in my mind and that is were you the proverbial visitor from Mars trying to view this objectively. It seems to me prior user rights would make a lot more sense in a first-to-invent system than in a first-to-file system, yet we've gotten along this far, I tell myself, without any overwhelming problems and why do I say that?

Because if you have the person who invents but is really slow to commercialize and bring it to file and yet someone else comes along and subsequently invents and commercializes it, they lose their rights when the first invention is finally filed in patent issues. It also seems to me that the Robert Bishops of the world should oppose prior user rights because if they are a little bit brighter and a little bit quicker, then — but only say twelve months brighter and twelve months quicker than the IBM's and the AT&T's — then they're going to be the first-to-invent and the first-to-file, but before that eighteen months come, Don, if AT&T or IBM or someone else is going to come along and have made enough steps to get at least prior user rights on them, so that if they want exclusive patents, it would seem to me that they should oppose atleast prior user rights.

MR. JORDA: Let me try to put a different perspective to this. It appears to me we are making a mountain out of a molehill for many reasons, but two in particular. First of all, in the past ten years at CIBA-GEIGY, where they file yearly almost 1,000 patent applications, there were only three instances where prior user rights issues came up. The incidence of prior user disputes or issues arising is much, much, much less than interferences. Why? In order to get into an interference and prevail in an interference, all you have to prove is, among others, reduction to practice. The burden of proof with respect to prior user rights issues is much, much higher because you have to prove something way beyond reduction to practice and that is actual commercial use or preparation for commercial use. That's a much higher standard. Consequently, while the incidence of interferences is very, very low as we all know — and much lower for junior-party victories — the incidence of prior user rights is even less. Only three times in the past ten years has it come up in a big transnational company like CIBA-GEIGY and in two cases they prevailed while in one they did not. It was all settled amicably. Now how is it handled? They do what we are doing in this country when we settle interference. They get together and "compare proofs". These are our prior use dates and they predate your patent filing. The party with the stronger case prevails. Most of our interferences are settled in a similar way. We compare proofs and settle them amicably.

A second reason why, in my view, we really needn't get excited about this, is that we have a prior-user-rights system, as somebody intimated already, as a *de facto* matter now under our system. And incidentally I am on record by way of JPTOS publications and others that even in a first-to-invent system a prior-user-right system makes eminent sense. This is very important because *de jure* we have a

totally unsettled situation. It is not true, though often assumed, that a patentee can enjoin a prior inventor of the same invention who kept it a trade secret. The reason I'm saying we have a *de facto* prior-user-rights system is because there's no case on the law books, where it happened that a patentee, in fact, was able to enjoin or otherwise stop a first inventor/prior user from practicing the invention. It doesn't happen and it's unlikely to happen because no patentee when he/she is not a *bona fide* first inventor, is going to put his or her patent on the block. And by the way, if it were to happen, this would be, in the words of Jim Gambrel, Bill Pravel's former partner, who has written extensively on the issue way back, an unconstitutional taking without due process of somebody's invention, of somebody's property. Why is it an unconstitutional taking? Because the patent system is not superior to our trade secret system. We have an integrated intellectual property system. They are on the same level. The *Kewanee* case clearly held that the two systems are fully equivalent. Even with respect to clearly patentable inventions, the *Kewanee* court said that one has a perfect right to keep one's invention as a trade secret. We don't have to go to the patent route. Trade secrets, Professor Kayton is supposed to have said recently, are the cesspool of the patent system. That's of course, absolute nonsense. They are fully equivalent and the Supreme Court has so held. In fact, according to Justice Marshall's concurring opinion he was persuaded that "Congress, in enacting the patent laws, intended merely to offer inventors a limited monopoly in exchange for disclosure of their invention, . . . [rather than] to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions." Furthermore, trade secrets and patents dovetail, as the Supreme Court recognized in the *Bonito Boats* decision. Trade secrets and patents go hand in hand indeed and it is particularly in the context of trade secrets that prior user rights are an important factor, an important consideration. Thank you.

DR. BISHOP: I'd like to elaborate on what Mr. Goldstein and Mr. Samuels said. The key question is what is going to spur greater economic growth both for the large company, and for the small company. If you're an inventor, would you invest $100,000 of your money if another company because of prior use could say: We have been developing a similar concept, we didn't reduce it to practice yet but we filed prior to you. This larger company, because they have a larger marketing force, could then get it to market first. These issues are going to be natural concerns for any investor and we must provide a patent system that's going to help that investor have a very good

and warm feeling about investing into new technology and businesses.

MR. MACKEY: I have really three comments I'd like to make. One I heartily endorse the comments that Karl Jorda just advanced with regard to the whole question of prior user. Secondly, the experience of my former employer in Germany would bear out Heinz Bardehle's comment that it's a rare problem, that is rarely does a problem arise with respect to prior user rights. Lastly, at least in the industry in which I work primarily, the instances, over a very long period of years, of any prior user rights issues is very close to zero. Thank you.

DR. JUDA: Just to speak to the issue of the prior user, the suggestion is that the prior user has the right to the patent with the proviso that he pays back any bona fide investment of the second with interest, e.g., for a period of three years.

MR. BENSON: That's your proposal?

DR. JUDA: Yes.

MR. BENSON: Okay, Bill?

MR. THOMPSON: Yes, I just simply wanted us to recall before we got through with this topic that one of the proposals that was suggested with the implementing legislation was that we have an internal priority filing or a provisional filing which I think is a partial answer to the concern of Dr. Bishop in the sense that this is a very low, quick threshold, low-cost, access to the patent system through this provisional filing right. I visualize that the fee might be $150 versus the $1,000 or more for a filing fee today and that the application is really just the essence of the description without all the professional work that goes in it. It's a very stripped down version and this was intended, this was suggested by the commission and it was also incorporated in the proposed legislation since it was intended to be an assist for the small entrepreneur to secure his rights. One of the advantages of doing so in this way over and above any filing that we do today under our present system is that you secure a priority for international purposes. You don't squander those international rights. We see the small entrepreneur today almost immediately when the product is introduced, facing foreign competition. Those foreign rights are very much more important to the start-up company today than they were in decades past. So that is a partial response. It's not like the system was unfeeling in terms of the rights of the different members or the different sizes of companies that are in our industry. I think one of its geniuses is that it is multifaceted for all sizes of enterprises and that, in fact, should be the way the system is. We shouldn't be saying that a new system is inherently going to create winners and losers among the varying using public and I don't think

it's conceived that way. Thank you.

MR. SHAW: I have a question. I have a question about that. I harped in my classes about the claims defining the invention until we got sick of hearing it. But the fact of the matter is, by our law that's the way that it is and I wonder about this... I think that's what Hal Wegner called the brown bag type patent application or maybe not, at one of our meetings here two or three years ago. But whatever, what do you get protection for by filing one of these applications? You do not have a claim in there, so you haven't defined the invention. You're getting protection for the disclosure? I guess I'm asking you.

MR. THOMPSON: I would question your premise because today, of course, we can file on a patent application and claim some part of the disclosure and not other parts. We can later then file a continuation and claim the part we didn't claim the first time around, so that we can, in fact, come in with the late claiming. I don't see the situation in the case of the provisional and the ultimate filing being essentially different than that.

MR. BENSON: I only gave him 38 seconds because this whole business of provisional application is really not prior user rights. Bob Armitage?

MR. ARMITAGE: Bob Rines caused me to look at my own corporate history and reflect on what would be said today if we had invited William Erastis Upjohn to come here and talk to us about the patent system. He started the Upjohn Company by getting a patent on an apparatus for making a "friable pill". It was an innovative way to make a pill that disintegrated so it could be absorbed once it was digested. He moved his family from Hastings, Michigan to Kalamazoo, Michigan to set up a little plant to make friable pills. I think if Mr. Upjohn were here today, he would say that he was grateful there was no patent interference on his invention because frankly he probably couldn't have afforded any more than he did afford in moving his family and getting together enough to start a business. I'm sure there were no venture capitalists in Kalamazoo, Michigan back in the 1880's. He'd have said he was grateful his patent issued promptly and that his first year in business he made a very small profit. He probably also would have said on the issue of prior user rights that if someone else had also made the same invention that he, after putting all his life savings into building this tiny little plant to make friable pills, would be very grateful, even if he didn't get a patent and couldn't monopolize the market, that as a prior user he could at least stay in the market and make a few pills and earn his investment back. So I think from the standpoint of someone who did risk

his fortune to start a company, he'd be very grateful. Now Dr. Upjohn's great invention turned out to be a passing piece of technology. Within five to ten years that invention had gone by the boards. There were other companies who had better ways, frankly of making pills that would do to the same thing. By that time, Dr. Upjohn had gone into other technology himself. Again, this short technology life span demonstrates today he would have been very grateful that he hadn't been involved in a patent interference. As we all know, if he had been, it could have taken more than five years, perhaps even ten years to get a patent issued. More than the lifetime of many inventions, including the friable pill. So I'd say there are some of us here who haven't forgotten their seed corn. In fact, in Upjohn's patent law department is a model of the original apparatus that Dr. Upjohn patented together with a framed copy of the patent that he obtained in 1886. Indeed, there are many of us around this table from big companies that started from small seed corn that were very lucky to have germinated. In fact, luck is just the word. Very lucky the seed corn wasn't demolished by a patent system that claims to protect the first inventor, but often frankly is so difficult, obscure and complicated to use that first inventors lose their life savings instead, or providing the foundation of a multibillion dollar company in Upjohn's case.

MR. WEGNER: I'd like to return to the question that Dr. Bishop posed and the fact pattern that he posed. You have a small company that has its own patent position and then finds out that there's a big company that has a prior conception but not a reduction to practice. This would be called scenario A. If, in fact, there's no reduction to practice, there's been no possession under anybody's definition, then there'd be no prior user right, but now let's go one step further and assume that he had, the big company, reduced the invention to practice. Well, then what happens now, Dr. Bishop, is if the prior big bad company has not abandoned, suppressed, or concealed this prior use, you've lost your whole patent. It's invalid, so neither scenario works out well for you in opposition to the prior user right.

MR. BENSON: Herb Wamsley probably knows more about the possibility and the advantages of converting the United States Patent Office to a government corporation than anybody in the world and so while you've still got a complete full audience, Herb, take over.

"PTO As Independent Government Corporation"

MR. WAMSLEY: I don't know if there's any way to make this as exciting as prior user rights, but I'll take a shot at it. I want to assure Judge

Lourie and Francis Gurry from the World Intellectual Property Organization that I am not proposing to reform their branches of government. The judiciary and international organizations function much more effectively than the executive branch of the United States government. The PTO as an independent government corporation — this is an idea that's been around for a while. This is not as much a legal topic as it is public administration. It has to do with reinventing the Patent and Trademark Office. It is a proposal to reform the administrative machinery and the management structure of the PTO. The concept is to change the PTO into an organization that operates more like your company or law firm. I believe most of you would agree that companies and law firms function more effectively than the PTO. The proposal would give the PTO statutory authority similar to that of government entities called government corporations, which include the Tennessee Valley Authority, the Federal Deposit Insurance Corporation, and Federal Prison Industries. Many of these agencies are not subject to all the regular rules of the federal civil service system. There is no existing government, on the other hand, that is a perfect model for the PTO. The PTO has a unique set of problems. We're talking about inventing a new structure for the Patent and Trademark Office.

MR. RINES: Not like the Post Office.

MR. WAMSLEY: People always bring up the Post Office. The Post Office is not a good example of a government corporation. It is in a labor management straight-jacket and has a lot of bureaucracy. You have three items in the handouts: (1) a draft bill which shows one possible set of amendments to Title 35; (2) a very good report by the American Intellectual Property Law Association; and (3) a report by the National Academy of Public Administration. The National Academy report concludes that the Patent and Trademark Office is suited for government corporation status because it's self-sustaining from fees and it has to vary the amount of work it does depending on market forces. For those kind of government entities, sometimes the U.S. Congress has been willing to make some exceptions to the regular rules.

Why are people taking about doing this? Two surveys by the AIPLA have shown deficiencies in the quality of patent examination and clerical services. Many people are concerned about sharply rising fees in the last few years. Under current law the Patent and Trademark Office lacks ability to make large capital expenditures for automation and new buildings without paying for it up front with a massive increase in fees. Finally, I think it's fair to say that many people perceive a general lack of responsiveness of the PTO to its customers

and the general public.

Now, I will mention a few of the features in the draft bill. The draft bill would remove the Patent and Trademark Office from the Department of Commerce and make it an independent agency. One obvious benefit of that would be to remove several layers of review and unnecessary employees. This particular draft bill sets by statute the annual compensation of the U.S. Commissioner of Patents and Trademarks at $300,000 a year, and the compensation for the Deputy at $200,000 a year. It provides for appointment of the Commissioner and the Deputy for six year terms by the President of the United States, removable for cause. It also provides some authority for paying higher government salaries than the regular schedule for certain employees of the office. The bill would remove the PTO from under the General Services Administration and give the PTO authority to manage its office space and build new buildings. The bill removes some of the controls of OMB over the PTO and gives the PTO greater flexibility to contract for services. There are many functions of the PTO that could be contracted out. In some cases the savings from contracting for services could be substantial. The bill also authorizes the PTO to establish its own personnel system. It gives the PTO substantially more flexibility in hiring and firing employees. The present bill, however, would not permit negotiation over wages, and would not allow strikes by employees. The Patent and Trademark Office would be able to issue bonds to the extent of a few $100. This borrowing authority could be used to pay for the capital expenditures of automation, now costing about a $100 a year. The automation program primarily will be of benefit in the future, but users of PTO services are paying for it now. The PTO also could borrow to build buildings and could borrow to restructure the patent fee system. Many people think the front end fees in the United States — the filing and issue fees — are too high. In other countries more of the money is raised from maintenance fees. If you want to convert to that kind of system, however, you have to come up with some cash, because you're going to have a temporary revenue shortfall if you lower the front end fees and raise the back end fees. The bill would enable the PTO to cover the revenue shortfall with borrowed money.

Finally, the bill provides for an eighteen member Patent and Trademark Office Management Advisory Board with members appointed by the President of the United States for six year terms. This board would have a significantly stronger voice than any government advisory committee I know. It would have its own staff. It would set its own agenda. It would make annual reports to the Congress

and the President. It would have access to information that's not available to the public today concerning budget plans and the like. The Management Advisory Committee would not be a board of directors. It would not have authority to hire or fire the Commissioner.

During this conference you ought to talk about the concept of reinventing... restructuring the Patent and Trademark Office. Is it a worthwhile concept? Can the executive branch of the government be improved or is it hopeless? If it's not hopeless, then how should it be structured? Based on your experience with law firms and companies, what is it that makes your organization more efficient than the Patent and Trademark Office?

In Washington the climate is more favorable for government reform now than it has been in my memory. An advisor to President Clinton, David Osborne, wrote a book called *Reinventing Government.* It was on the best seller lists for a while. David Osborne is now advising Vice President Gore. They're studying possibilities for major improvements in government. If someone can tell them how best to improve the Patent and Trademark Office, maybe they'll do it.

MR. MACKEY: I believe I understood in skimming through some of the materials on this proposal and in speaking with Herb Wamsley earlier this afternoon that in my view, one of the great concerns with this proposal is that it is not at all clear that a new corporation can set up a system that will not carry with it all of the personnel problems that the Patent Office is now facing, both from the point of view of unions and the point of view of flexibility in handling employment and employees. The second comment that occurs to me is this: That I, for the first time, focused on the attractiveness of this proposal for the Clinton Administration in that it provides a vehicle for off-balance sheet borrowing, which reduces the fees, which is an attractive thing. But it also permits more off-balance sheet borrowing by the Administration through the vehicle of borrowing by the individual corporation. I question that this is desirable. Thank you.

MR. ARMITAGE: No matter how skeptical one might be about this proposal, it cannot conceivably make the situation we now face any worse and that alone may be its greatest merit. Currently, the Patent Office pays all of its own expenses out of its fee income. The Patent Office and the people who support the Patent Office in the Congress and in the user community, are so unable to lobby effectively that we now don't even keep all the money we raise in fees. Some of our patent fees go back to help reduce the federal deficit. We also know that there is no way anyone in this room can affect what the Commissioner decides to do on many of the major policy initiatives

in the office. Herb Wamsley, Dick Witte and I had a chance to talk to Harry Manbeck the last time major increases in patent fees were proposed. Harry gave us the full documentation for these fee increases that went to the U.S. Congress. It was a couple hundred pages of text and numbers, actually mostly numbers. When you carefully analyzed everything that the Patent Office gave to the Congress, you came to only one conclusion: no matter what the Patent Office faced, it would cost more. If assumed applications filing rates went down, the Patent Office became less efficient and, therefore, had to charge more per application. If application filing rates went up, the incremental costs went up even more and the Patent Office needed to charge higher fees. It was the most unbelievable, inscrutable document you can imagine and yet, this is the only document that Congress saw and this is the only document anyone in the user community was able to see. We know that the $400 million automation program, or now $500 million automation program if you count this fiscal year's expenditures, has not been handled in a way that anyone in business would consider to be economically justified, cost effective, even rational. We know that the Patent Office's own cost justification figures suggest that they're doing this program exactly and precisely backward. In other words, they are first doing the things that they believe will cause no gains in productivity and, in fact, may cause retrograde decreases in productivity. Only now, only as we speak, only during this fiscal year, are they beginning to spend a few million dollars a year on that part of the program that they project will yield all the financial return to the Office. Yet, over the last two years when this issue was raised with the Commissioner, the Commissioner has simply said this is the way we're going to do automation, something that no president of a company could ever take to his board of directors and survive a single board meeting. I can only conclude that, even if government corporation status is not a panacea, things couldn't possibly be any worse in terms of Patent Office management, fiscal and otherwise, than they are now.

MR. GRISWOLD: Yeah, well, the thing that makes most companies and law firms work is their customers. If they don't do a good job the customers walk and go somewhere else because they have alternatives. So a vision of harmonization is to have a cost effective, uniform, predictable and forgiving global patent procurement system responding to the full spectrum of inventors and patent owners. That means that if we get the same set of rules, eventually the prices will go down, we'll give full faith and credit to the operations of other patent offices and we can have most of the work done in one place.

That's the long term and already we're doing some of that. That's the kind of thing Dr. Bishop wants, an inexpensive system to work under so you can get global patent protection easily and predictably. But in the near term, I think we have to have something that does somehow correspond to the needs of the customers and perhaps the government corporation is the way to do it with the eighteen person board, having enough pay for the Commissioner to put somebody in there that would respond to $300 thousand. Without heavy input from an advisory group and a true willingness to listen to the customers, without having the opportunity that we all have in business to have customers go somewhere else, we're going to continue to have the same problems we have now.

MS. SHAPER: Sue Shaper. I think the goal of reorganizing the management of the PTO so it's more efficient, cost effective and fiscally responsible, that's God, mother and country. Who could be against that? And then we have a plan, but here in the plan I've picked up two points. One point of it is borrowing and deficit financing and I sit there and say, is that fiscally responsible? And another point is adding another layer of management, an eighteen member board and then staff and I say, is that cost effective? And what strikes me is that we're not management specialists. We don't pretend to be economists and we shouldn't pretend to be management specialists and in between or in addition to taking the goal and adopting a plan, this needs to be reviewed by management consultants to find out. . . I can't imagine any operation the size of the PTO, any private corporation, daring this sort of radical reorganization without calling in some third party consultants to tell them whether their plan looks like it's going to work or not and if it's not, to perhaps propose some alternatives. That was my thought.

MR. WEGNER: First, and again I will say that I want to keep an open mind on this. I'm not in any advocacy mode and I think the papers you've provided and the management consultant reports you provided are very helpful and useful. Some of the questions that I have — first, we look at the Patent Office and you think of converting the Patent Office into the U.S. Postal Patent Service or whatever, with Cliff Claven as Commissioner. Are we taking the entire Patent Office, need we take the entire Patent Office? The automation mess, search operation, do we need to have this in a government patent office? So historically, it was necessary to have search files. It was necessary to have examiners do searches. Question: With electronic availability of patent files, can't inventors search themselves? Can't independent entrepreneurs, bonded entrepreneurs search? Can't we carve off a

huge chunk of the Patent Office and spin it off like a bad investment? Secondly, and Gary Griswold pointed to what I have testified to as patent work sharing treaty, let's have one examination for global protection. Can't we carve out and eliminate examination of foreign based applications through a common treaty and where will that leave us? As a side comment, it sounds like we've had some bad leadership in the Patent Office. Well, I'd rather have the present system where the President can fire the Commissioner, than to have a system where the postal board or patent board can't fire the Commissioner and the third area is the needs of the customers, need be stressed. The customers will be patentees and patent applicants and I am pro-patent, but not in every case necessarily pro-patentee. We need a reliable patent system and that doesn't always mean helping the patentee. There has to be some balance. What happens when we have the staff, this board has the staff, is it going to lobby Congress, are we creating a monster, a self-effectuating monster? Fourth, will this fly with the present administration? There are discussions about creating a patent, trademark and copyright office. I'm not saying I favor that either, but what will the reaction of the present administration be, how firmly fixed are the goals of the new Assistant Secretary? I don't know. I'm not privy to those goals. I will say that Mr. Lehman is a politically very savvy person. Maybe he'll have a little better chance in dealing with Congress. I don't know the answer to that, but I'd like to leave that open. So those are some general questions I have and want to put on the table. Thank you.

MR. BRUNET: Bill Brunet. I just wanted to mention that a few years ago I had been thinking of the idea of separating the search and the examination functions in a manner similar to what is being done in Europe. I was told, and I forget by whom, but somebody from Europe said that as a matter of fact the Europeans are thinking now that that is a very inefficient system; and they want to combine the search and examination. I had thought possibly you could go into the Patent Office with a search and the Patent Office would just perform the quasi-judicial function of conducting an examination; and the investigative function of conducting the search could be done on the outside. I guess in theory it sounds fine but I've heard that that's not a workable process.

MR. BENSON: When all of these electronic experts and computer experts get through with the system, you're going to be able to input your invention in the computer and then punch search and it's going to come back and tell you whether or not you can get a patent.

MR. SHAW: I have a question on this. Are we talking about requiring

the applicant to have a search made?

MR. BENSON: I don't think anybody was really addressing that.

MR. SHAW: I thought that that's what Brunet was saying.

MR. BENSON: Okay. You were talking about that?

MR. BRUNET: Yeah. To elaborate just for twenty seconds more, I think you should be given the option of either having the bonded searcher provide the search or a foreign searcher and coupled to all of this, of course, you'd have to have a strong re-examination or opposition system at the end.

MR. BENSON: For the important patents.

MR. BRUNET: Absolutely.

MR. GHOLZ: Under Rule 56, probably, right?

MR. PRAVEL: It just occurred to me that for the record, we at least ought to state that the American Bar Association Patent, Trademark, Copyright Section and now the Intellectual Property Law section, has voted in favor of resolution approving the corporation set-up, so I think that ought to be made part the of record. I know the AIPLA has a similar policy.

MR. ARMITAGE: Yes, I was assuming when I finished my comments the first time that I would get to do the affirmative case later on. Can I have a few more moments?

MR. BENSON: Sure.

MR. ARMITAGE: AIPLA obviously supports strongly all of the concepts that Herb outlined in the legislation. We will never, with the existing structure of the Patent Office, have a Commissioner who will get on top of the bureaucracy long enough to undertake institutional changes needed within the Patent Office. Given the mechanics of the way the Patent Office is organized and operated, I just think it is not in the cards. History bears that out. We've had Commissioners with short tenures and long tenures, you can use whatever example you want, but we know the current system just has not worked. We also know that we will never have quality examination in the Patent Office unless we decrease the turnover of examiners and improve the way they're trained and motivated and the way they're supervised. We simply don't have the flexibility to get into the guts of the examining corps and make the examiner's life better, given the way the priorities of the patent office are now set. If you think about the revolution in the average law office over the last decade, we have faxes, voice mail, computers on every desk and electronic mail. What do patent examiners have and what's happened to their officers over the last decade? It isn't as though relative to the business world they've kept up. Relative to the business world, they've gotten behind

and they're going to get farther and farther behind because they don't have a management structure that is responsive to what I consider to be real world strategic planning. If you go talk to examiners about their careers and their lives in the Patent Office, you find not a lot of people who are excited about being a patent examiner, encouraged about their future within the Office. Obviously a lot of them aren't staying around. You simply can't run an examination system without paying much more attention to people. How are you going to do this unless you do something really dramatic to the Patent Office and how many options are there for doing something really dramatic with the Patent Office? I'll go back to what I said initially — we don't have too much to lose. The Patent Office isn't getting better. The Patent Office isn't even, in many respects, treading water.

MR. THOMPSON: I was simply dreaming here, but I wanted to respond with that dream to a part of Bob's question. It struck me that there is perhaps one other option that we ought to be thinking of. As we give birth to the North American Free Trade Association which is generally conceded to be just the starting point in this hemisphere, a new opportunity is presented. That is, both the past administration and the present administration are working on linkages to include the rest of the South American countries at some more distant time in that kind of arrangement. We could be thinking about a regional office of the type that exists in Europe with the Western Hemisphere and my thought would be that like in Europe that it be an office in competition with the present office. I think that competition over there has made both offices... has benefited both the EPO and the German Patent Office as more user oriented offices and we're on the verge of having that kind of rationale. So perhaps there is another option that we should put on the table.

MR. BENSON: Bill, because about fifteen years ago I was on somewhat of Hal Wegner's kick and I said that eventually there's only going to be three patent offices in the world — the Russians, the Europeans and the Americans and I said that there's absolutely no economic justification for the Canadians to maintain a patent office because more than 90% of the patent applications that are filed in Canada are also filed in the United States. But I agree with you, the time will come with the increased capability of searching. The Europeans have already demonstrated this. The Europeans had, thirteen or fourteen examining offices twenty years ago? And what do you have now, one?

MR. BARDEHLE: The total we have in Europe, six or seven for the Germans, the Austrians and four Scandinavian patent offices.

MR. BENSON: But they don't really do a lot of searching.

MR. BARDEHLE: No, they don't do very much. The Scandinavians just rely on that what the other patent offices have already done, that's true. There is, a certain competition between the European and the German offices and this has a very positive aspect on both patent offices and this does not necessarily mean that they grant patents on everything. Sometimes they say so but that is not true because we have the second instance, the opposition in any case, so I think the competition has a stimulating effect for both patent offices, and we are happy that this is so because we fear if, for instance, the German Patent Office would disappear, and with it this competition effect, we would fear that some particular not very pleasant stipulations in the Rules of the European Patent Convention would be used more strictly against the applicant. There's a famous Rule 86/3 which stipulates that... after the second office action, the applicant is only permitted to amend his claims a second time with the consent of the examiner. This is used not in the examination division so much but in the appeal level to some extent with a very disastrous effect because in opposition cases it leads automatically to the capital punishment of granted patents in which there would be still some patentable matter. The existing competition avoids definitely a too rigid use of that stipulation. So this is also an aspect of commercialization of the Patent Office. Another piece of information for you that might be interesting: The President of the EPO wishes to combine search and examination. That is a so-called "BEST—program", bringing examination and search together. I'm strictly against it because the examiner who did not make the search is more likely to have an objective view than the examiner who has made the search. It might be different in this country. I don't know. The President thinks that this would reduce the workload. I think that it's not quite true because search has to be made, examination has to be made and after the search is made and the first office action is done, there might be a need for a second office action. Then the examiner has to make a study of the application again because he cannot remember everything that he has done one year ago. So I think there is not very much reduction, but the serious consequence could be that the separate search is the basis for time sharing between examining patent offices. If different searching authorities could exchange the searches, it would be also an advantage for your Patent Office where search and examination is done together. The examiner could take over searches from other searching authorities. That's why we also are in favor of maintaining the separation of search and examination.

MR. BENSON: Are we talking about the PTO as a corporation?
SPEAKER: I was going to respond to Bill's comment.
SPEAKER: How many of you agree with Herb and Bob who said, in effect, we ought to give her a go and try to set up and see whether or not we can't improve the system? How many agree? Okay, how many disagree? One, two, three, okay. That's four? Okay, four.
MR. SHAW: I just would suggest that IDEA cannot count hands.
MR. BENSON: What I'd like to do is just go around the room, and ask, "What's the most serious problem facing the patent system today?"
SPEAKER: The inability to do a really competent search.
SPEAKER: I think it's an ever present problem. The quality of searching is decreasing and the quality of examination is decreasing.
MR. WAMSLEY: The greatest problem facing the patent system today is the low quality and poor services and lack of responsiveness of the U.S. Patent and Trademark Office. You took the vote before I got to close, I did want to say that you can't attribute the problems of the PTO to bad management or bad people. The PTO has good people caught in a bad system. You may want to revolutionize what the Patent and Trademark Office is charged by law with doing. There were some good comments about that here today. Whatever kind of patent system you're going to have, however, you've got to have effective administration and management in the PTO. Competition in the PTO is one of the keys. The government corporation proposal would inject some competition. I think the proposal addresses the biggest problem facing the patent system in the United States today.
MR. BENSON: Is it a better system if you do what Hal and some of these other people suggested and make it a regional system?
MR. WAMSLEY: That's a different topic?
MR. BENSON: Okay. Sue?
MS. SHAPER: You said the patent system, I said cost and enforcement.
MR. BARDEHLE: Would you please repeat that question.
MR. BENSON: The question is simply what's the biggest problem in the United States patent system today.
MR. BARDEHLE: It's difficult for me to say as a foreigner here, but I have the feeling at least when I go into the Patent Office there are, with all due respect, there are too many people who move too slowly.
MR. BALMER: I agree with Chico. It's going to be the burgeoning prior art and there will be an inability to conduct prior art searches which are comprehensive.
MR. BENSON: You mean computerized searching isn't going to solve it.
MR. BALMER: You get little bites of information in computer searching. It's just like a presidential campaign. You make the decision on bites

of information, not on the entire picture.

MR. WEGNER: In one word, it's personnel, the examining corps, the morale is poor, there's high turnover, legal training is virtually non-existent. We could go on and on and I do have to say in response to Mr. Wamsley that the managers are responsible for some of the problems and I won't go into that right now, but if you'd like I could add about twenty pages single spaced to the record.

MR. HENNESSEY: Information management and the related question of increasing the quality of examination.

MR. BENSON: Francis, do you have an opinion?

MR. GURRY: Thank you, Bob. Yes, I'd like to express a personal opinion and one from an international perspective rather than addressing the U.S. system. I think the major problem is backlogs, backlogs of accumulated, unexamined applications. The problem that is causing for acquiring rights and the need that that raises to be able to assess the way in which there can be some rationalization of the search and examination process. To an extent, we can expect this problem to be aggravated in the future because the number of countries that are in existence increases almost daily; that is to say, there are now 185 member states of the United Nations, whereas there was a 150 merely two years ago and all of these independent states or a lot of them are taking the view that they have to have their own system, which is quite understandable, but they have to do their own examination, their own search and examination on respective applications. Some of these countries have a population of three million people in which skilled personnel is a scarce resource. Are they all going to set up independent search and examination systems, and how do we deal with that? The approach that we are taking certainly from WIPO is to recommend that they do not do substantive examination, that they grant titles and that they rely on the results that are coming out of other examining offices. And just perhaps one final comment to make — of course, it's easy to say rationalization of search and examination, but to put it into practice is a very difficult thing. We floated a proposal about two years ago for an idea of a super search under the PCT; that is a search that would cost more to obtain but it would be given the applicant the result of a search jointly sanctioned by the USPTO, the JPO and the EPO. The problems that were raised in the course of the discussions, the few discussions that did take place on that proposal, indicated that this is really a difficult area in which to start to achieve some agreement. Thank you.

MR. WITTE: I agree with Sue. I think the greatest problem is enforcement, but I'd go farther than just cost. It's the difficulty of enforce-

ment. It does cost a lot, but you still have the Rule 56 problems, the best mode problems, and other problems that make it tough to enforce. I also agree with the quality thing, but to me that's secondary because if you have the resources, an applicant can make his own searches and make sure that he has a good record, but that isn't available to everybody.

DR. BISHOP: Probably the inability to execute an accurate search. I'm appalled when I read the status of the automated patent system, that it is where it is today. I think that may be indeed part of the reason why we're not running or can't produce an accurate search in the amount of time I'd expect one could. Maybe we should bid on a contract to update it.

MR. GOLDSTEIN: I would say the biggest problem in the Patent Office right now is that its driving force (i.e. quality of output and short pendency times) is contrary to the needs of its customers (i.e. strong defensible patents). It's a system which exults quantity over quality of work done.

MR. SHAW: I agree with many of the comments that have been made and I think the unevenness of the performance of the Patent Office is a problem and one of the things that happens in Europe that does happen in the United States, but not frequently enough, I think, is that the examiners there tend to work with the applicants at some point to try to get what the applicant deserves in a particular patent and I think that it's less adversarial in many respects and I think it would be helpful and useful to have more of that kind of thing in the United States.

MR. THOMPSON: Bill Thompson. Well, I agree with a lot of the points that have been made. I would simply choose to emphasize the need for international coherence consistent with what has been the real development of a global marketplace since World War II. We have fragmented rights, we have the prior art problems, we are approaching virtually a tower of Babel as more countries become industrially active and create ideas in different languages. Perhaps right at the top of that list is the language problem, which we somehow have to get our arms around at some point. Heinz is a far better spokesman on that issue than I am because he has a better pedestal. But if we were sitting here today trying to propose a system of fragmenting our system to 50 states or one for each judicial circuit, we'd say what a stupid idea that is. It's exactly contrary to where the market is going, but here we sit today with the market having become transnational, not only for large players but for small ones. We see the biotechs are instantly involved with development in Japan and

England and Germany and the consumer electronic center of gravity has really moved to Japan and many start-ups in those areas. Everybody is aware and everybody is poking into every market. I think Milton Freidman said anybody can make anything any place from any base and sell it anywhere and that's the market we're in today. Thank you.

MR. PEGRAM: I would put a number of these comments together under an umbrella of what I would say is an issue of predictability. We have a problem with predictability, both in terms of what do you have when you get the patent — because of the searching problems — and being able to get your arms around the whole data, and also from the side of litigation. On the litigation side, I would mention two things — one is just simply the immense cost that becomes involved, both for patent owners and for people who become defendants. That has led us into some litigations which are simply brought for the purpose of harassment. Furthermore, I believe contrary to some of the comments that we should not necessarily have more mediation and more arbitration. Ninety to 95% of our cases are being settled. That involves some form of mediation or go-between. I'm going to suggest to you an unusual thing. Maybe that's too high, because in order to be able to settle our cases we need to have the decision-making by the courts on the important issues. At this time, sometimes, when we have important issues, we can't afford to get them before the court and have the court decide them; therefore, we are not getting the precedents that help us resolve some of these issues ourselves.

MR. GRISWOLD: I spend a lot of energy worrying about enforcement and the cost and the timeliness of that, I think probably the most important thing from an overall business point of view is attaining this vision that I talked about earlier and that relates to this cost effective, uniform, predictable and forgiving global patent procurement system that responds to all sorts of inventors. We don't have that and I think we really need to have that to get the benefit and the level of invention we need because we do have a global environment. The competitors come from all over the world and you can't isolate yourself in the United States. You have to think globally. I think that's what we really need to put our energy on. If you have that, you'd probably get a lot of help on the other end, on the enforcement side.

MR. FIELD: I'll mention something that's been bothering me since the fees went up: The little guys, the small inventors. The prices go higher and higher and higher, and these guys are being squeezed out of the market. It seems to me, although I'm not sure that this is squarely

within the "patent system", that they need better mechanisms for evaluating what they have and evaluating how much protection it merits.

If you've got something that is worth a half a million dollars, $15,000 to protect it is a good investment. The little guy frequently has absolutely no idea of what it's worth or any place to get such information (For example, see my booklet for independent inventors, "So You Have an Idea" (1992)).

MR. ARMITAGE: I think the biggest problem with the U.S. patent system today is that it disadvantages the small entity inventors in this country by virtue of the inherent complexity of U.S. patent law, coupled with the pervasive secrecy of the examination process, with the result that we're unnecessarily burdening innovation in this country with cost and uncertainties that shouldn't be there. Clearly what we need is to see our way to a patent system whose virtues are its simplicity, its certainty, its inexpensiveness and its promptness. Frankly the only way I see that happening, the only and maybe last great hope for that happening in our professional lifetimes, may well be the patent harmonization process.

MR. BRUNET: Bill Brunet. I echo the sentiments of the others who have said that expense is the biggest problem. I think it is both in obtaining patents and enforcing patents and defending against patents which are asserted against you. That's the easy one to identify. The other problem in my mind is that of claim interpretation. It's difficult to advise your client whether or not your client's product is going to be held to be an infringement or not. This is because we do not have a well defined or well developed doctrine of equivalents.

MR. PRAVEL: Bill Pravel. I think Bill Brunet and I are on the same wavelength here. One of the things that I've noticed is that particularly with the smaller companies and the individual inventors that I've worked with for many years, they are shocked when it comes to the cost of filing foreign patent applications. Most of them accept the fees and costs for filing a U.S. application as being relatively reasonable and compared to the cost of filing the foreign applications that correspond to the U.S. cases, there's no difference... I mean, no comparison. I meant, the costs are astronomical for filing foreign applications. That's one of the reasons that in my experience, the harmonization at least provides the opportunity at some point in time perhaps to have that cost reduced. So that's why I have primarily favored it and I think that the experience also runs true with respect to corporations, even big corporations. I mean, the cost is just prohibitive when you have all this duplicative work that you have to

do for the same invention to get worldwide protection and that's really what the companies want, individual small companies, individual smaller companies, and it's becoming more and more of a factor, little companies that come to us and say well, I have a possibility of some customers over in Russia. Well, my goodness, they're thinking when they have to pay $5,000, we'll say, for a U.S. application, that that's exorbitant to them. When you tell them well, maybe you're in the hundred thousand dollar number when you start talking about foreign patents, they just say forget it. So if we're going to provide the opportunity for worldwide type of protection, somehow or other we have to get that cost to the point where it is within the reach of some of these smaller companies and individuals. Thank you.

MR. EVANS: I can't disagree with anything that's been said. I would like to add that in the licensing area — as most of you know I'm involved in the Licensing Executives Society International. In this area the main thing that we look for is predictability, security, evenness of enforcement. These things seem to be lacking in one way or another in the patent system today, particularly in the U.S. The time, cost and complexity of litigation in the U.S. is, to me, the biggest problem. In licensing, certainty and timing are essential. As John Pegram points out, I think all these things are tied together. I'd like to see improvements in the overall system which would lead to more predictability and more stability in the U.S. patent system.

MR. CROOKS: Bob Crooks. Bob Armitage said it much better, but my principal concerns are the day-to-day concerns of dealing with the Patent and Trademark Office. My experience is that the examiners simply refuse to do their job. In the first place, you can't get any meaningful examination until after you pay two filing fees and even then you just get a bunch of form paragraphs printed out that are meaningless. It's very difficult to get the examiners to focus on what is actually claimed and apply a reference in a way consistent with the rather clear decisions of the Court of Appeals for the Federal Circuit. They refuse to do it, and taking an appeal is not generally a feasible remedy for most clients in this part of the country where the costs and the delays are just not acceptable.

MR. BROOK: I certainly agree with all the comments around the table about the problems in litigation, but in terms of the most fundamental problem in the U.S. patent system and how it could be improved, in my viewpoint, we ought to start with any way we can think of to always demand that we get consistent, high-quality examination and I don't think we get high quality or consistent in many instances. Now, it seems to me before we have that, we're not really doing what

the U.S. patent law, which is an examination system, demands and what we've set up a huge government bureaucracy to do. My observations on why it's true that we don't get a consistent, high-quality examination are that first of all it's a multi-faceted problem. You can't pin it on one reason. It certainly has a lot to do with the training of patent examiners. It certainly has a lot to do with how long they stay in the Patent Office so that they can get training. It has a lot to do with their inability to search and find the best prior art. My own impression of most patent examiners in the U.S. is that if they have the best prior art, if you put it before them, they will do a reasonable job more times than not, but more times than not they don't have the best prior art before them and I wouldn't be opposed personally to doing whatever we could, including making applicants for patents get some sort of search at a competent searching organization. I guess lastly it does have to do to some extent with just the person involved.

MR. MACKEY: Len Mackey. I have no reason to disagree with just about everything that has been said already. I think that I would highlight the predictability of patent protection, not only in this country, but worldwide in terms of trying to deal with a patent property and deal with your clients. Subsets of that which have already been mentioned are quality of the patent that is granted, the adequacy of the search facilities and the ability to do a good search job, the cost and difficulty of enforcement if you come to that, and certainly a fact that I alluded to earlier with respect to the U.S. Patent Office. I think it has a horrendous personnel problem. I'm not at all clear that this body can do much about it.

MR. JORDA: Did you notice how the speeches got longer and longer as we went around the table? Mine should be the longest, shouldn't it? The biggest problem in my mind facing the patent system is that we have a horse-and-buggy patent system. It goes back at least a 150 years when inventions were simple gadgets and there was no chemistry much less biotechnology and no electrical science, much less electronics and computer science, etc., etc. We ought to bring it into the twenty-first century. We should simplify it. We should modernize it. We need to internationalize it and if we do all that, we are going to improve the Patent and Trademark Office and its operations. No question about it. A few years ago at a John Marshall Program, I presented my vision of what an ideal, perfect, modern patent system should be like. The fact is that our patent system served us well, no doubt about it. It was part of the infrastructure of the country from the very beginning and this is the way it should be. It is ironic that

many developing countries as well as countries emerging from Communism, are legislating nowadays modern patent systems. If we did have a twenty-first century type patent system, all of the ills, deficiencies and problems that were mentioned around the table would be solved or reduced. As regards the problem of escalating expenses, which Bob Crooks alluded to, one used to be able to prosecute a case after final rejection. Now after final rejection one doesn't have that choice anymore. One has to refile and pay a second filing fee. In other words, the PTO are not only squeezing very, very high filing fees out of applicants, but they multiply them. They force one into filing continuation upon continuation to conclude prosecution. So there are a lot of general and specific problems.

"CLOSING"

MR. BENSON: I thank all of you. I think that it's too bad Alan Lourie left, as I sat here and listened and I thought if I had asked the same question ten years ago, almost everyone of you would have said that the lack of predictability of what the courts of appeals are going to do in a patent case and there's no uniformity in decisions so you can't make any judgments on the law and only one of you even hinted that that was still a problem. So I think at least in one area, with the Court of Appeals for the Federal Circuit, we have made some progress and brought some uniformity to the law. Okay, we still have a few minutes. Is there any other subject that you'd like to toss out for the group to talk about? Hal?

MR. WEGNER: Just one thing of a structural nature. I think that Franklin Pierce is really to be congratulated for having this kind of forum and I'm excited about your new facilities and I hope that you will be able to increase the frequency of doing things, that we'll be able to bring in several schools together to have combined force in things and it's a tremendous structural vehicle that you have at Franklin Pierce and I can tell you that the national trend in law schools is where do we find students and to have the courage and money to build as you're doing is really remarkable and I want to congratulate you on that.

MR. BENSON: Thank you. We were baiting you a little bit, you see. One of the things that we discussed at our advisory committee is whether this particular program, which is held every other year, should be held every year if there is sufficient interest, so that's one of the reasons I went around the table to find out if there was interest. Anybody else? Heinz?

MR. BARDEHLE: Heinz Bardehle. Thank you Bob. Bill Thompson gave

me the incentive to raise one point here again. I think our international patent system is running in a way with features with which no company could really survive. First, the multiplication of the same work, that has already been said. One patent office does the same that the other one has already done. Second, the obligation to use a greater number of languages. We are used to it and we are obliged to do that. Nor can we avoid that and this refers to that what Bill Pravel has said, the enormous expenses in foreign filing, for all of us, not only for the Americans. First, would you be prepared in the near future to accept the grant of a patent in the European Patent Office or even of the Japanese Patent Office as a granted patent in this country, with possibly the condition that each granted patent coming from an examining patent office from abroad, would go through a possible, opposition for clarification, whether that's really a valid patent for that country or not. Would you accept that? And this is an open question that's now more and more debated also in Europe because we think that our patent offices cannot cope with their work. Wouldn't it be better to accept reasonable examination from other patent offices? Would we and you be prepared to accept that? Second point, the language problem. Of course, it's easier for me than you to propose English as the only language which is used throughout the world. If an English speaking country submits that question, it looks very selfish, of course. This has to come from other sources. But I believe you can very much contribute to that. An example: we expect that in Europe we will have within our community soon possibly the Turks, the Hungarians, the Czechs, and possibly also the Finns, all speaking very complicated languages which are only spoken in their particular country. Would it be acceptable as the community patent stands now that all these languages would be obligatory for getting a community patent? That would, of course, kill the community patent from the very beginning and shows the nonsense in that system. What can we do in order to at least within the transition period convince all members of the major member states of the Paris Convention to accept patent applications first at least in one language and that is, of course, English. I believe that your Patent Office can also contribute something within the trilateral corporation because as far as I know within that trilateral corporation the working language is, of course, not Japanese but English, so this is a fact. Of course, I am not so fluent as you, in your mother tongue, but nevertheless we can learn that and many people learn that. I would like to give you another example. I represent a Swiss company and that Swiss company has introduced the obligation that every paper which has to be established, a report

or whatever it may be, has to be written in English. This happens in the German speaking part of Switzerland. They use for their written internal documentation English because they know that goes abroad. So this is already a contribution, an acknowledgement of that need. What can we do to promote for foreign filings at least as a first step the use of one language, that's English. It may be that in an immediate stage, translation would have to follow to some extent. If you don't do the first step, you can never do the second step to use English also in prosecution. That is not new. We spoke about that, Bill, you remember in China when the new Patent Office building was inaugurated. We have to make an effort from all sides to use at least for foreign filings one language and that's English. Now, what can we do? I cannot give you a solution, but again just put it on the table and hope that it will find very much support. Thank you.

MR. BENSON: I'll answer your second question and let somebody else answer your first one. As far as using English as the universal language, we accept. Now, the first question, is anybody willing to accept the results of the European patent examination and automatically make it a U.S. patent without any further examination in the U.S.? You stirred them up, see. Bill first.

MR. THOMPSON: Yes, as matter of fact I made a proposal like that once that we each recognize in the trilateral region each others patent as a provisional right; that is, without examination except all of them being subject whatever our safety net is on re-examination or opposition or that sort of thing. One of the points that I made in this connection is that for the most part we recognize patents in this area without real scrutiny anyway; that is, if somebody has a patent that gives us a problem and it gives us a problem in Europe and gives us a problem in the United States or Japan, wherever it gives us a problem, we come to terms with that collection of patents. We end up in negotiation, throwing in all the counterparts anyway, without independent scrutiny at that point in time. So we really recognize one hardcore right that somebody presents to us. When they find that we're at the end of their muzzle on that one and have to do something, why, of course, then we want a complete solution worldwide and we do it without secondary scrutiny.

MR. BENSON: I'm going to tell you a story and I don't know whether Heinz is bating me or not. He's probably the only guy in the room who's older than I am, but in 1967 I was invited to a meeting at the Commerce Department and Ed Brenner was then the Commissioner of Patents and Jerry O'Brien... Assistant Commissioner of Patents.... And they invited a lot of corporate patent counsel to a

meeting in Washington. They proposed a new worldwide patent system having only two or three offices in the world, that would examine patent applications. Upon completion of the examination the applicant would receive a Certificate of Patentability to any of the other countries that he had designated and give it to them with the appropriate translations and that country would issue a patent. That proposal went over like a lead balloon, but out of it came the Patent Cooperation Treaty and the European Patent Office.

MS. SHAPER: I might have a concern about giving the presumption of validity to a Japanese... to every Japanese patent.

MR. BENSON: But would you do it... if you had the opportunity to... re-examine the patent in the PTO on the basis of new prior art?

MS. SHAPER: You're saying utilize the patent office re-examination process...

MR. BENSON: Yeah, for those patents that rise to that level of importance, yeah.

MS. SHAPER: I think you might well do that, that's right, and is that cost-effective in the long run?

MR. BENSON: Probably very cost-effective.

MR. WEGNER: There are a lot of modifications that have to be made in principle, we can agree. Some of the modifications would be an examiner exchange where you'd have twenty or thirty examiners exchanged back and forth. You would absolutely need a tough opposition system that would have no presumption of validity at the end of the proceedings and a few other changes.

MR. BENSON: You really have to have better access to prior art.

MR. WEGNER: Well, you need a nine-month opposition system in the first instance so you have time to evaluate, you have time to weed out. After all, if you have too many oppositions, you've defeated the whole purpose of it.

MR. BENSON: Yeah, and you know I'm opposed to oppositions. I think we're better off to... wait until the... patent becomes important.

MR. WEGNER: We'll call it re-examination, but I've got a whole chapter in my book on it and I'm getting good response for this parallel proposal.

MR. BENSON: I really appreciate all of you coming.

"ADJOURNMENT"

(4:45 P.M.)