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FEDERAL TRADE COMMISSION

PATENT REFORM WORKSHOP

APRIL 16, 2004

BANCROFT HOTEL, BERKELEY, CALIFORNIA

For The Record, Inc.  
Waldorf, Maryland  
(301) 870-8025

## L I T I G A T I O N P A N E L

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4 MS. SAMUELSON: I am Pam Samuelson. I am one  
5 of the Directors of the Berkeley Center for Law and  
6 Technology and I have the great good fortune of being the  
7 moderator for this panel on litigation issues. If we had  
8 taken two days to have a conference, I think we would  
9 probably have one session on presumption of validity, one  
10 session on subjective factors that are often very  
11 important in litigation, and possibly one session on  
12 experimental use, and one session on discovery issues and  
13 so forth, but we decided that, for purposes of having a  
14 one-day program, we were going to kind of throw them all  
15 into one litigation panel. So this will be a little bit  
16 more of a potpourri than the previous two sessions, but I  
17 think nevertheless will both deal with some of the issues  
18 that the FTC has raised about the presumption of  
19 validity, which obviously has gotten a lot of people's  
20 attention, but also will cover some of the issues in the  
21 National Academy Report because subjective factors were  
22 both discussed in the FTC report and also to some degree  
23 in the National Academy Report that is coming out on  
24 Monday. So we will have a chance, I think, to sort of  
25 visit quite a few issues in the course of this panel. So

1 I would love to give wonderful biographies of all our  
2 speakers, but they all have websites, so I will simply  
3 say this is a great group and I am looking forward to  
4 hearing from them, and first we will start with Mark  
5 Janis who will be talking about presumption of validity  
6 issues.

7 MR. JANIS: Thank you, Pam. Thank you for the  
8 invitation to come here, and I will try my best to reduce  
9 these remarks to just a few sound bites because no one  
10 wants to be late for lunch, I know. And I apologize if  
11 it is too fragmentary, and I will use the usual  
12 Academic's excuse -- there will be a paper and you can  
13 read the paper -- and that will be very coherent, I  
14 promise you.

15 I keep hearing all this talk lately about  
16 trolls and at first I thought, "I do not need to pay any  
17 attention to this, I am from Iowa, right, we have no  
18 trolls there." Then I began hearing that these were  
19 actually patent trolls. That got me interested and here  
20 is what I read in the transcript of a Congressional  
21 Hearings testimony within the last few months. "Patent  
22 trolls are Patent System bottom feeders who buy  
23 improvidently granted patents," if you know what those  
24 are, "...from distressed companies for the sole purpose  
25 of suing legitimate businesses." And this brings us to

1 the topic at hand because these patent trolls, according  
2 to the testimony, have the presumption of validity on  
3 their side and, so, clearly, they must be stopped. This  
4 is where the FTC comes in. It is our Federal Government  
5 here to either save us or at least here to study the  
6 matter very very thoroughly. And it should be studied  
7 very thoroughly because this is a serious matter, not  
8 just a fairy tale matter at all, this patent validity  
9 litigation and patent validity disputes. What I would  
10 like to do with my little bit of sound bite time here is  
11 to think about two functions that the presumption of  
12 validity might perform, and then I want to argue that the  
13 FTC's proposal to reduce the standard to preponderance  
14 for overcoming the presumption of validity might overlook  
15 the first function. And as to the second, I doubt that I  
16 will have time, but I have got a few things to say about  
17 that, as well, as to the second there are arguments that  
18 are a little more plausible.

19 Let me tell you what I mean by two functions  
20 that the presumption might perform. Here is what the  
21 Supreme Court has to say on the matter, not as to the  
22 presumption of patent validity, but as to presumptions  
23 more generally. They might sort of do two things, 1)  
24 indicate the relative importance that society should  
25 attach to the ultimate decision. I want to call that the

1 "Expressive Function;" 2) allocate the risk of error  
2 usually as between the litigants, and I want to call that  
3 the "Instrumental Function." And it is ordinary to talk  
4 about the presumption and especially the presumption of  
5 patent validity, I think, in terms of the Instrumental  
6 Function, the second way. And I think that is what you  
7 find in the FTC Report and, in fact, that is what you  
8 find in the literature - a lot of the literature - about  
9 presumptions.

10 So, for example, in a criminal case the State  
11 should bear the risk of error, and so we have a strong  
12 presumption of validity, beyond a reasonable doubt  
13 standard for overcoming it. Civil case for damages -  
14 parties should bear the risk of error equally, hence we  
15 have a preponderance standard. And we can build on this  
16 - and to have a nice neat menu of options like picking  
17 the wine for dinner where we have ordinary civil case, or  
18 we have a criminal case, or we have some kind of case in  
19 between that gets a clear and convincing standard. And  
20 the FTC Report, I think, makes plausible arguments in  
21 this regard. It says the patentee should not enjoy the  
22 benefit of a strong - if I can use that term - strong  
23 presumption of validity because we have concerns about  
24 the quality of patents, so therefore the patentee should  
25 be made to bear a little bit more of the risk of error,

1 to put it in those kind of terms. The FTC also says, and  
2 I think this is important, that the clear and convincing  
3 standard might facilitate anti-competitive uses of  
4 patents. And that is interesting because it shows us  
5 that there are obviously - and we have heard about it  
6 already today - third party effects to be concerned about  
7 here are not just a matter in patent cases of allocating  
8 the risk of error between the two private litigants,  
9 third parties have interests as well. Maybe that would  
10 lead us to think that the clear and convincing standard  
11 would be inappropriate. And those proposals are fine,  
12 but I want to turn back to the first function, the  
13 Expressive Function of the presumption of validity, and  
14 make a few comments about that. First of all, what do I  
15 mean by the Expressive Function, exactly? There is a  
16 couple of things that one could mean. One is that a rule  
17 is expressive in the sense that it is purely symbolic, it  
18 is not designed to accomplish anything except make a  
19 statement, even if it is never enforced. That would be  
20 one way to think about it, I suppose, you know, I would  
21 rule on flag burning or something like that, even if you  
22 never expect it to be enforced, the fact that it makes a  
23 statement is significant. Another example or another  
24 variety is a rule at least whose main significance is as  
25 of a statement of aspirations, or a statement of

1 principals, and even if it is designed to accomplish  
2 something, we do not necessarily expect to find very  
3 sharply incentives and disincentives, nor do we expect  
4 that we have real precise control over the level of  
5 enforcement, it seems to me that is another way to think  
6 about a rule that is expressive.

7 Let me suggest a few insights that we might  
8 gain from looking at the presumption of patent validity  
9 from this perspective, as a statement, as a symbol. One,  
10 the fact that we have a presumption of validity might be  
11 as significant, or more significant, than the precise  
12 verbal formulation that we use for the standard of  
13 evidence for overcoming the presumption; second, while it  
14 is easy enough to manipulate the words of that, the  
15 precise verbal formulation, the words of the standard, it  
16 might be very different and a very subtle exercise to  
17 manage the message, the overlying message that is  
18 embedded in this presumption of validity, and then,  
19 thirdly, manipulating the words without paying attention  
20 to the message, the overlying message, might lead to some  
21 real surprises. Ironically, it might lead to changing  
22 nothing, while changing everything. And what do I mean  
23 by that? Well, you know, suppose you change to a  
24 preponderance standard? Is it really going to make a  
25 difference -- really going to make a difference - in the

1 outcome of judicial decisions? Or will judges go on and  
2 do the same thing they did before and change the words?  
3 I mean, I think there is at least some question about  
4 that. So that is the changing nothing part. Yet, on the  
5 other hand, the other actors in the system, at least in  
6 the short term, might perceive that the overall message  
7 has changed dramatically. Patents are less secure, the  
8 Patent System deserves less respect, and so forth, and  
9 the consequences that flow from that. So it might be  
10 counter-productive at the end of the day. Oh, three  
11 minutes left, I am going great. So let me just explore  
12 that a little bit by getting down to cases. First, early  
13 Federal Circuit cases dealing with the adoption of the  
14 clear and convincing standard. If you think about this,  
15 before the creation of the Federal Circuit, most courts  
16 already used the clear and convincing standard for  
17 overcoming the presumption of validity, a vast majority  
18 of them did, yet the overlying message was that the  
19 Patent System was in distress, that the presumption was  
20 meaningless. There is a disconnect between the words  
21 that we use and the overlying message. Now, to be  
22 certain, some courts were also holding that the  
23 presumption of validity did not apply to newly introduced  
24 prior art, that certainly contributed to the message.  
25 After the creation of the Federal Circuit, the Federal

1 Circuit adopts the clear and convincing standard. You  
2 could look at the words and say, "Well, that is hardly a  
3 watershed event, there already was the clear and  
4 convincing standard." The Federal Circuit also spoke to  
5 this issue about newly discovered prior art and they  
6 said, "Well, the presumption still applies, but yet it  
7 may be a little easier to overcome the presumption." You  
8 could look at that and say, "That is really no change  
9 from the law before," yet if you look carefully at the  
10 tone of these cases, and if you combine that with other  
11 things that were happening in the Patent System at the  
12 time, it is very clear that the message had changed. And  
13 we see this in the FTC Report today and probably all of  
14 us would say the Federal Circuit has strengthened the  
15 presumption of validity and this has changed the message.  
16 Now, one minute left, so current cases - this can work  
17 the other way, that the words can stay the same and the  
18 message can change. Look at the Rochester case where the  
19 court says a patent can prove its own invalidity, and do  
20 so clearly and convincingly. The words can stay the  
21 same, but the message there is a little bit different.  
22 Look also at trademark cases - I clearly do not have time  
23 to talk about those - trademark cases where the  
24 preponderance standard is used. Take a look at a case  
25 called Burke-Parsons-Bowlby, it is an older - it is a 6<sup>th</sup>

1 Circuit 1989 case and you get a little bit of a scary  
2 view as to the use of a preponderance standard for  
3 overcoming the presumption of validity, very difficult to  
4 figure out what is going on there. Bottom line here -  
5 yes - I have got time for a bottom line, okay, 1)  
6 changing the words of the standard might not make a lot  
7 of difference in case outcomes. At the same time, the  
8 over-arching message that the presumption of validity  
9 sends in the Patent System is a very potent indicator of  
10 the overall health of the system, and I worry a little  
11 bit that by choosing the presumption of validity as a  
12 point of policy reform, the FTC might not have chosen  
13 wisely. They may create more of an adversarial tone than  
14 I think they ever intended to do. Now, other comments  
15 will have to wait. So thank you very much.

16 MS. SAMUELSON: Our second presenter will be  
17 Arti Rai.

18 MS. RAI: And I, too, will try to speak  
19 quickly and get everyone out for lunch at the appropriate  
20 time. I am going to focus on the presumption of validity  
21 as well, although perhaps I will take a little more  
22 sanguine view of what the FTC has done than Mark did. In  
23 talking about this recommendation I will also end up  
24 within ten minutes looking a little bit at the FTC's  
25 recommendations on the non-obviousness standard and on

1 opposition proceedings, believe it or not. So bear with  
2 me.

3 In my view, I think the FTC has actually made  
4 some very interesting recommendations with respect to all  
5 three issues -- the presumption of validity, non-  
6 obviousness, and opposition proceedings - and they can be  
7 viewed as a coherent whole from a procedural perspective  
8 rather than a substantive perspective -- and I will  
9 explain what I mean by how they can be viewed as a  
10 coherent whole -- but the basic insight is that I think  
11 they can all be understood by looking at the comparative  
12 competence of the various institutional actors within the  
13 Patent System. And those of you who have read my work  
14 know I love to talk about institutional competence, so  
15 you will hear a little bit more about this today. So  
16 with some caveats that I will talk about more towards the  
17 end, it seems to me that, in the context of the ordinary  
18 patent that is issued, there is good reason to set the  
19 presumptionability at a little bit of a lower level than  
20 it is currently set. Now, Mark has made some interesting  
21 points about what will be the actual impact of the FTC's  
22 proposed change, and I think that is actually very  
23 interesting to consider empirically in the context of all  
24 sorts of different areas of law where presumptions matter  
25 and people have done empirical work, and I think we

1 should continue to do that in this area as well. But for  
2 all of the reasons that the FTC and many many others have  
3 pointed to, perhaps Mark Lemley most eloquently of all,  
4 ranging from burdens of proof, to incentive structure, to  
5 workload, to the ex parte nature of the proceeding, a  
6 patent examiner's decision to issue a patent should  
7 probably not be the last word on its validity. And this  
8 is true, I would argue, even despite the fact that a  
9 patent examiner is probably the person in the Patent  
10 System, at least the legal actor in the Patent System,  
11 that is closest to being the all important PHOSITA. Even  
12 despite that fact, I think that patents that are issued  
13 are not necessarily - one should not necessarily give  
14 much deference in the context of issued patents, which  
15 brings me to my next point. In contrast, when the patent  
16 examiner denies a patent, I think there is some reason to  
17 give weight to his or her status as a quasi-PHOSITA,  
18 which is particularly true in biotech, for example, where  
19 the patent examiners are fairly well-steeped in the  
20 technology. And, to put it mildly, none of the various  
21 institutional pressures that cause the issued patents to  
22 be somewhat problematic come into play in the context of  
23 denials. In fact, if anything, all the institutional  
24 pressures run against denials. So how does this all  
25 relate to the FTC's recommendations in the context of

1 non-obviousness and opposition proceedings? Well, I  
2 would interpret the FTC's discussion of the non-  
3 obviousness requirement as having been prompted by  
4 decisions by the Federal Circuit that reviewed the patent  
5 examiner's denial of a patent and simply refused to defer  
6 to the factual knowledge of the patent examiner in those  
7 context. I would argue and have argued that the Federal  
8 Circuit should in many circumstances, if not most  
9 circumstances, defer to a PTO fact finding in the context  
10 of a denial. And there is particularly good reasons for  
11 showing this kind of deference when we are talking about  
12 a PTO's determination that a particular combination is  
13 obvious because, for all the reasons that were discussed  
14 in the first panel, a PTO examiner is likely to be the  
15 person closest to the PHOSITA in terms of thinking of  
16 combinations of references. So in the denial context,  
17 there is good reason to show deference, and in the  
18 issuance context, less reason to show deference. To use  
19 the words made popular by Condoleeza Rice recently, we  
20 should have an asymmetric response to the PTO's actions.  
21 Unfortunately from the perspective of institutional  
22 competence, thus far the asymmetric response has been  
23 precisely backwards. We have tended to show more  
24 deference because of this high presumption of validity to  
25 the PTO's actions in the context of an issuance, rather

1 than the context of a denial. So my view is that the  
2 FTC's recommendations in the context of non-obviousness  
3 and opposition proceedings, particularly non-obviousness  
4 and then also its recommendations in the context of the  
5 presumption of validity are leading us towards asymmetric  
6 response in the right direction, more deference in the  
7 context of denials, and less deference in the context of  
8 issuances.

9 Well, what about opposition proceedings? I did  
10 mention I would talk about those. And what about the  
11 presumption of validity to attach in those contexts?  
12 Well, here I think the FTC has been pretty careful, as  
13 well. If you look carefully at the recommendations, we  
14 have said that the decision of the PTO in the context of  
15 an opposition proceeding should be reviewed deferentially  
16 always, whether the PTO ultimately decides to grant or to  
17 reject, and I think that is absolutely right as an  
18 institutional matter because if a patent has been looked  
19 at from a comprehensive adversarial perspective in the  
20 context of an opposition proceeding, there should be  
21 deference, not only on the fact finding, but on the legal  
22 conclusions as well. And for what it is worth, for those  
23 of you who remember your administrative law, this is  
24 perfectly in keeping with the way that the Supreme Court  
25 has administered the Chevron deference standard most

1 recently in the Mead case. So we would also nicely bring  
2 patent law into conformity with administrative law, which  
3 it often is not in conformity with.

4 I do have one small issue with respect to the  
5 FTC's recommendations, well, perhaps not such a small  
6 issue, but it is an issue that I must admit I also do not  
7 have a good answer to, and that is the following: so we  
8 put in place robust opposition proceedings and there is  
9 lots of deference in the context of those opposition  
10 proceedings, not so much deference in the context of an  
11 issuance and a fair amount of deference in the context of  
12 denial. What happens if a patent goes through the system  
13 and just happens not to be challenged in an opposition  
14 proceeding, and therefore falls into the pile of patents  
15 that are subject to a thin presumption of validity? And  
16 what if the reason for its not being challenged was that  
17 it was simply a very solid patent? Should it be put into  
18 the same pile as all those patents that are subject to  
19 the thin presumption of validity because we think the  
20 patent issuances are somewhat suspect? I do think that  
21 is a problem, but as a practical matter it may be less  
22 acute a problem than one might think at the outset. For  
23 the most part, I would imagine, although of course we are  
24 all speculating here since we do not have anything  
25 remotely comparable to an opposition proceeding, on the

1 other hand, the European experience does tend to suggest  
2 this as well, I would imagine that the most important  
3 patents would, in fact, be the subject of an opposition  
4 proceeding, no matter how solid they were, that is, that  
5 there would be some piece of prior art that somebody  
6 would want to at least try to run by the Patent  
7 Examination procedure in the context of the opposition  
8 proceeding with respect to really important patents. So  
9 for those who are concerned, particularly in the biotech  
10 industry which I study, you know - I spend a lot of time  
11 studying - for those who are concerned, you know, what  
12 will happen if we have a lower presumption of validity  
13 for most patents, particularly for Biotech where the  
14 patents really matter, or Pharma where patents really  
15 matter, well, I would suspect that most of those patents  
16 would go through an opposition proceeding, and thus be  
17 subject to a very high presumption of validity. But that  
18 is a problem and one that is important to think about.  
19 One way of tweaking the FTC's recommendations a little  
20 bit, perhaps, so as to not render the thin presumption of  
21 validity entirely meaningless would be perhaps to have a  
22 higher presumption of validity even in those contexts  
23 where the patent has not gone through an opposition  
24 proceeding for situations where there is no new prior art  
25 presented, so as long as the litigant does not present

1 any new prior art, you are subject to a very - the  
2 patentee still enjoys a fairly high presumption of  
3 validity. So that is one way of tweaking the FTC's  
4 recommendations a little bit. But I am out of - oh, no,  
5 I have one minute left, okay.

6 So, that is my view of how the recommendations  
7 with respect to presumption of validity, Non-obviousness,  
8 and Opposition all cohere from an institutional  
9 competence standpoint with the slight tweak that we may  
10 not want to take the presumption of validity too far down  
11 for your ordinary run-of-the-mill issued patent because  
12 it may not have been subject to an opposition proceeding  
13 because it just happened to be very good. Thank you.

14 MS. SAMUELSON: Thank you. Lynn Pasahow is  
15 going to give us some commentary.

16 MR. PASAHOW: Well, from a non-academic point  
17 of view, but rather that of someone who litigates  
18 patents, I was asked to give my impressions of this, and  
19 these impressions come from trying software and biotech  
20 and internet patents to judges and juries, but more from  
21 going to focus groups that we often have before our jury  
22 trials where we put on a mini trial and then watch the  
23 jurors talk about these things behind one of my glass  
24 mirrors. And my first reaction to the FTC proposal is  
25 gratitude because, in my experience, the presumption of

1 validity causes clients who are thinking of challenging  
2 patents not to do that or who are thinking of not taking  
3 licenses to take licenses. And I think doing away with  
4 the presumption is one of the few proposals that  
5 government agencies are making today that is going to  
6 have the impact of increasing litigation and I am  
7 surprised that one of our agencies is pursuing that goal.  
8 But my other reaction is mystification because the  
9 question in my mind is this - I think that the  
10 presumption, to the extent it does anything in  
11 litigation, and that is something I'll come back to - but  
12 if it does anything, it limits the discretion of the  
13 jury, it puts the jury into a tighter box and controls  
14 them more. And so what we're doing is we're saying that  
15 the Patent and Trademark Office has some problems with  
16 its competence, and instead we are going to transfer the  
17 decision making more to the unbridled discretion of a  
18 bunch of jurors. Now, for these jurors, think of the  
19 places that are popular for patent cases and think about  
20 why. Today one of the most popular patent courts is the  
21 Eastern District of Texas, the town of Marshall, Texas,  
22 not a technology center. And without a lot of cynicism,  
23 I promise you, people go there to get the least educated  
24 jury panels possible. The question is not whether the  
25 jurors have modern science competence in whatever field

1 they are examining patents, they have none. The question  
2 is not whether they are going to spend 25 hours studying  
3 the art and the patent, they are going to sit there and  
4 watch the lawyers do their show, and we have found in  
5 almost every trial that we have looked at, and we have  
6 looked at not only the ones we have done, but some that  
7 other firms have tried, and in no case has any juror ever  
8 read the patent front to back. No juror has read a patent  
9 front to back. So what we are doing is we are taking the  
10 PTO discretion and turning it over to these jurors in a  
11 situation where they do not have the tools to do much.  
12 Now, the Federal Circuit tells us that the decision  
13 making by this jury is absolute, almost entirely. We are  
14 not going to give them a clear and convincing standard  
15 presumption, we are going to assume what they did was  
16 right, unless there is absolutely no basis on which they  
17 could have decided what they decided. That is the  
18 standard on appeal. So once the jury comes back and says  
19 "this patent is valid," the only issue is is there any  
20 evidence from the disputed experts on which they could  
21 have relied. And taking it one step further, the Federal  
22 Circuit told us in the Bio-technology v. Genentech case  
23 that it does not matter that two national academy members  
24 have debated a highly esoteric, cutting edge issue with  
25 science as to which experts disagree, and that the jury

1       could not possibly have made a reasoned decision. That  
2       does not matter in the slightest. The experts put on  
3       their testimony, the jury comes back with a verdict, and  
4       that is the end of it. The Federal Circuit will then  
5       accept that decision on the patent and that will be the  
6       decision that determines the fate of the validity of that  
7       patent. Given that that is the likely effect of doing  
8       away with the presumption of validity in most cases, I am  
9       perplexed. Now, of course others will point out, "Well,  
10      judges try patent cases too." And that is true. And  
11      some judges study patent law, and some judges even have  
12      scientific training. Perhaps more importantly, judges  
13      have the time and the incentive, they can read the  
14      patents, they can hire technical experts that are  
15      independent court experts, so they can have the tools to  
16      do this right. A couple of points about judges, though.  
17      All judges are not as interested in patent law or as  
18      knowledgeable about it as the judges that are going to  
19      appear before you, who are going to appear before the  
20      Federal Trade Commission hearings. There are judges out  
21      there who actually hate to hear patent cases and try and  
22      spend as little time on them as possible. But the second  
23      and maybe more important issue is, under our system,  
24      either side can demand a jury trial. And the problem  
25      here is one that we, the trial bar, created. In the mid-

1 1980's we started trying some very complex technology  
2 cases to juries for the first time. Up until then, judge  
3 trials, in patent cases, at least, cases about real  
4 patents and real technologies dominated. But we started  
5 trying some of these cases to juries and what we found,  
6 of course, and we found it in these pre-trial focus  
7 groups, is that one side or the other in almost every  
8 case enjoys a huge bias to a jury. And because we now  
9 know that, we will test that somewhere along the way and  
10 that party in any significant case is probably going to  
11 demand a jury trial and stick to it. And, again, that  
12 jury may well be the jury in the Eastern District of  
13 Texas. It seems to me that the efforts for fixing the  
14 Patent System would be much better spent on trying to  
15 improve the PTO processes as the Commission also  
16 suggests, and if we do fix the PTO processes, I do not  
17 understand why we would not want the presumption to  
18 continue.

19 Now, finally, just on the question of does the  
20 instruction really matter, I have some question about  
21 that based on my experience. The lawyer's argument about  
22 how patents come about and what we are permitted to tell  
23 the jury by the judge, in my experience, matters a whole  
24 lot more than what the judge tells the jury in a very  
25 short instruction what the presumption of validity might

1 be. So it would take a whole lot more than just changing  
2 the instruction to have any impact. There is now a  
3 videotape that was prepared by the Federal Judicial  
4 Center that describes how the patent works. I know it  
5 has been tested by different firms and I am not even sure  
6 we are getting consistent results, but at least what we  
7 have seen is that it strongly reinforces the presumption  
8 of validity of the patent. It shows patent examiners  
9 wearing suits and working on patents, and at least the  
10 impression that mock jurors give us back is, "Yeah, it  
11 looks like a good system. It causes us to believe  
12 patents must be valid if they go through that system."  
13 It seems to me that if someone in the government wanted  
14 to change the jury view of what patents are and what  
15 impact that you have on their deliberations, one of the  
16 first things to do would be to make that a more balanced  
17 videotape. And then the other thing is, judges have a  
18 lot of discretion in what kind of instruction they give.  
19 Some judges give an instruction that tells the jury that  
20 the facts have to be clear and convincing to show that  
21 the patent is invalid, and you have to have a strong  
22 belief in your mind that it is right, maybe a moral  
23 certitude is a word that is in some of the ancient  
24 instructions. Here in the Northern District of  
25 California, most judges use a standard instruction that

1 the court has worked its way through which simply tells  
2 jurors that, in order to find the patent valid, they have  
3 to be convinced that it is highly improbable that it is  
4 invalid. It seems to me that a patent that has gone  
5 through a Patent and Trademark Office procedure and has  
6 had someone, who is skilled in the science and knows  
7 patent law, judge this as an invention which should be an  
8 issued patent, ought to at least have that impact on the  
9 juror. They ought to be convinced that it is highly  
10 probable that the government made a mistake. And then,  
11 to close, the really most compelling thing we find about  
12 patent validity in our jury research before trials is a  
13 lot of our citizens believe that when the Government does  
14 something, it is probably right. This varies from  
15 geography to geography. Here in the Northern District of  
16 California, you can actually invalidate patents a whole  
17 lot easier than most other places. The Eastern District  
18 of Texas, not surprisingly given what I have told you, is  
19 one of the places where the jurors almost never think the  
20 government makes mistakes in its patent issues, and  
21 another court, and maybe one of the most important ones  
22 given all the trials there, is the District of Delaware  
23 and there, as well, the jurors almost always validate  
24 patents because they have this underlying glee in the  
25 correctness of government action.

1 MS. SAMUELSON: So, Ed, did you want -

2 MR. REINES: Yeah, let me address this a  
3 little bit. First of all, Professor Janis referred to  
4 the fact that people have used the term "trolls" and  
5 other terms such as that regarding people in the Patent  
6 System. As someone who has litigated a defamation action  
7 based on the use of various and sundry terms such as  
8 that, I advise that the word "troll" is probably safer  
9 than "patent terrorist." So if you are going to use  
10 terms like that, or your client is going to use terms  
11 like that, there is better and worse for defamation  
12 purposes, I have had the pleasure of learning. The  
13 comments I want to make, first of all, on the presumption  
14 of validity is it is important analytically to de-couple  
15 the presumption of validity from the standard of proof  
16 because they are two different things and they raise  
17 different issues. The Standard of proof, I think, in  
18 terms of jury decision-making is critical, it is the one  
19 thing the jurors grasp. Obviously, they will be swayed  
20 by a host of additional considerations, but when they  
21 hear preponderance vs. clear and convincing vs.  
22 reasonable doubt, those are things that they take  
23 seriously in my experience. And so it is one thing to  
24 change that. Now, there is a trend away from even  
25 informing the jury in terms of the judge of the fact of

1 the presumption of validity. I mean, the patent exists,  
2 so in that sense it is there, it is valid, so that is the  
3 start point. But it is important to appreciate from a  
4 litigation perspective that judges are increasingly  
5 declining to inform the jury that there is a presumption  
6 of validity. Judge Shrum did that in the Eastern  
7 District of California recently and in a relatively  
8 important case that came out just about a week and a half  
9 ago in the Chiron case, Judge Rader's panel affirmed that  
10 decision not to give a jury instruction or presumption of  
11 validity over objection and appeal, and so now there is  
12 Federal Circuit - a perimeter on that, as well as model  
13 jury instructions in this district and others that do not  
14 have that. So if the jury never learns about the  
15 presumption of validity, at least from the judge, whether  
16 it exists or not, is less important because I think  
17 judges are used to the fact that presumptions are  
18 procedural vehicles, not substantive evidence, and they  
19 are capable of making the assessments of what weight  
20 should be given. So from a reform perspective, I think I  
21 am less concerned about the presumption of validity for  
22 those reasons, the trend away from even informing the  
23 jury of that as part of the instructions, and also the  
24 fact that judges are, I think, capable of handling that  
25 fact. Also from the reform perspective on the standard

1 of proof, which from my perspective is where the action  
2 is, I think reform efforts should focus on the  
3 differentiation between different issues. There is a  
4 tendency to focus on prior art as the main area, and that  
5 is quite an important area. The areas that at least  
6 trouble me, personally, on the standard of proof are  
7 areas where, as a practical matter, the Patent Office is  
8 not performing any examination. So all the issues that  
9 we are talking about about the quality of an examination,  
10 or discouragement of the PTO, or anything else, do not  
11 apply to things such as inventorship, typically. I mean,  
12 there can be disputes, but in general, the Applicant  
13 submits who the inventors are and that is it. I mean, if  
14 you have been through the ringer, you know that there is  
15 just not scrutiny on that. Best mode is another example.  
16 I have never in all the file histories I have looked at  
17 seen a Best Mode objection or, if I have, it has been in  
18 an anomalous case. So it is on those things where there  
19 is not really examination, certainly in any meaningful  
20 way, and yet there is an elevated clear and convincing  
21 standard. That seems to me to be wrong. When you move  
22 to prior art, it is a more complicated picture and I do  
23 not think they should be conflated. On the prior art, I  
24 think, there is one thing where there is a joined issue,  
25 an interference, a re-examine, or just a thorough

1 examiner doing the right job where it makes sense for it  
2 to be a higher standard, and there are situations where  
3 the prior art is never presented or, in the case of 102E  
4 prior art, maybe did not exist at the time of the  
5 examination, where the same level of proof should not be  
6 required. So I would propose decoupling the two and  
7 then, within the standard of proof issue, which to me is  
8 the more important in terms of reform efforts, having  
9 nuance to distinguishing the different elements. Thank  
10 you.

11 MS. SAMUELSON: Great, thanks. Now we will  
12 hear from Mark Lemley.

13 MR. LEMLEY: Okay, well, so let me start out  
14 with presumption of validity and then actually broaden it  
15 to some other issues that - there is a bunch of  
16 litigation reforms in the FTC Report we have not talked  
17 about yet. I think the FTC is exactly right on the  
18 presumption of validity, and here is why. The problem is  
19 that, for a variety of structural reasons, the PTO is  
20 simply not set up to make anything like a very strong  
21 determination one way or the other on the validity of a  
22 patent to which we ought to give it substantial deference  
23 in litigation. Why is that? Well, start with the fact  
24 that the applicant never has a burden of proving  
25 anything, right? The way the law is now interpreted, if

1 I decide to patent the wheel, my invention is that it  
2 shall be round, and the examiner does not come up with  
3 prior art - or it is the examiner's burden to come up  
4 with prior art, if they don't, I get the patent. Right?  
5 The presumption in the Patent Office is I get a patent.  
6 Then when we get out, the presumption is, "Well, that  
7 patent was examined by the PTO, and so it must be valid."  
8 But there is never a point at which I have affirmatively  
9 to show anything. Second, the PTO is over-worked. They  
10 get 350,000 applications a year. They devote 17 or 18  
11 hours total over the course of three years to your  
12 patent. That means reading your application, searching  
13 for prior art, reading the art that you submit, comparing  
14 it to the application, writing a rejection, reading the  
15 amendment and response you write to that objection,  
16 probably writing a second misnomer'd final rejection,  
17 dealing with a phone call in which you are persuaded by  
18 the applicant to change your mind and allow it, and  
19 writing the Notice of Allowance - all that, three years,  
20 17 or 18 hours. Now, maybe they do a wonderful job under  
21 that time constraint, I am willing to concede that, I do  
22 not think the problem is examiners are stupid, right?  
23 But I think the problem is, given the time constraints we  
24 have and the cost constraints we have, that cannot  
25 possibly be a full and searching examination of the kind

1 that you will get in litigation. The problem is worse  
2 because the way we have structured the examiner's  
3 incentive, you get rewarded only for the first office  
4 action and for finally disposing of the patent. You do  
5 not get rewarded more for disposing of a patent that  
6 cites 150 pieces of prior art and has 120 claims than a  
7 patent that cites two pieces of prior art and has three  
8 claims. As a result, those long complex patents, which  
9 are the very ones that turn out to get litigated at the  
10 end of the day, are likely to get less scrutiny per  
11 claim, less scrutiny per piece of prior art, because the  
12 examiner's incentive is not to focus on the complex ones,  
13 the examiner's incentive is to get as many applications  
14 out the door as possible. Right? Couple that with the  
15 fact that there is a very strong culture in the Patent  
16 Office that issuing patents, not denying patents, is the  
17 thing to do. When you look at the mission statement of  
18 the Patent Office, it is to help our customers get  
19 patents. That may be a very justifiable mission in lots  
20 of respects - patents are good things, but it is not  
21 something that inclines examiners to resolve the doubtful  
22 case by rejecting the patent application, and indeed they  
23 don't. Once you take continuations into account -  
24 continuations are another problem - you cannot ever  
25 finally reject a determined patent applicant. No matter

1       how many times the examiner says, "No, I do not wish you  
2       to have this patent," the applicant can always come back  
3       and ask again. You can wear down the examiner until the  
4       logical thing to do is issue the patent. And it turns  
5       out, as a result, when you take into account  
6       continuations, about 85 percent of all applications  
7       result in at least one patent at the end of the day.  
8       Now, is this a flaw in the PTO? Maybe. I actually tend  
9       to think not. I think, instead, the PTO is doing what it  
10      is supposed to be doing, it is doing a quick once-over.  
11      Right? It is doing a light screen of this huge number of  
12      applications to weed some of them out, to narrow some of  
13      them in scope to prevent people from claiming too much,  
14      and then it is properly leaving to the litigation process  
15      the real hard determination, the devoting of ten's of  
16      thousands of hours, to searching for prior art, to  
17      analyzing prior art, they are doing that validity. But  
18      we can't leave that determination to the court, on the  
19      one hand, and then, on the other hand, say, "Oh, but  
20      because we have had 17 hours of scrutiny in the PTO, we  
21      must give deference to that scrutiny." Now, Lynn says,  
22      "Wait a minute, if we do not allow - we do not give that  
23      deference - the result is going to be juries run amuck."  
24      Well, let me tell you a couple of things. First off, it  
25      is plaintiffs, it is patentees, not defendants, who are

1 going to Marshall, Texas, because they want the jury that  
2 does not have the technical background. They are going  
3 there because they know, and the empirical evidence bears  
4 out, juries are more likely to favor the Patent Office  
5 already, right? Because the jury says, "Wait a minute, I  
6 do not know anything about atomic layer deposition. The  
7 PTO has experts. They have already blessed this. I am  
8 inclined not to second-guess those experts at the PTO."  
9 If we reinforce that already existing inclination by  
10 telling them legally, "Let's have a strong presumption  
11 that what the PTO did is right," the likelihood is we are  
12 never going to get substantial numbers of jurors to take  
13 a serious look as the litigation system wants them to  
14 take a serious look at whether or not these patents are  
15 actually valid. Lynn then says, "Well, the Federal  
16 Circuit is going to defer too much to the jury." That  
17 is, I think, perhaps the first time I have heard anybody  
18 say that the problem with the Federal Circuit is  
19 excessive deference to what goes on in the District  
20 Court. They are in huge panels discussing the opposite,  
21 that the Federal Circuit intervenes too much. It seems  
22 to me that litigation, as Joe Farrell points out, is an  
23 imperfect system. But if anything, it is an imperfect  
24 system already biased in the patentee's favor. Why would  
25 we want to give a better bias, a stronger bias to it? I

1 do not know. So I think that what the FTC recommends on  
2 this issue is exactly right. At a minimum, even if you  
3 think this is too radical, either too radical to be  
4 adopted or too radical to be good policy, then we ought  
5 to take what Ed says to heart, right? At a minimum, on  
6 issues in which the Patent Office has not engaged in  
7 examination at all, either it is an inventorship issue or  
8 it is prior art that was not cited before the Patent  
9 Office, it seems absurd to give deference, clear and  
10 convincing evidence deference, to the PTO's determination  
11 because there was no determination. So the idea that it  
12 has got to be an across-the-board validity presumption  
13 seems even more silly than the standard as it currently  
14 exists.

15 Final point. We have not really talked at this  
16 conference about implementation, but it seems to me that  
17 the way this can be implemented is actually quite simple.  
18 If you go back and you read the statute, the statute says  
19 there is a presumption of validity. Of course, the  
20 statute also says in copyright cases and in trademark  
21 cases, there is a presumption of validity, and that  
22 presumption, as Ed points out, is decoupled from the  
23 standard of proof. In both of those cases, it is a  
24 presumption, but it is preponderance of the evidence. It  
25 does not take statutory reform to implement this

1 particular FTC proposal. All the Federal Circuit needs  
2 to do is say, "Wait a minute, maybe it does not make  
3 sense to be deferring quite as much as we already are."  
4 Alright, so much for presumption of validity.

5 A couple of much briefer notes on two other  
6 reform issues, one which I suspect no one else at the  
7 conference is going to talk about because it seems fairly  
8 obscure and non-controversial, is the Section 105  
9 relevancy statement, this was briefly mentioned this  
10 morning. Todd Dickinson says - one of the things he did  
11 is he got examiners the power to demand from applicants  
12 that they explain the relevance of particular pieces of  
13 prior art, and this seems to make sense from the  
14 examiner's perspective if you are inundated with large  
15 amounts of prior art. What I want to know is, what do I  
16 need to read. Right? Given my time limitations, what is  
17 it that is important to me? But I will tell you as a  
18 litigator, if you start as a practical matter requiring  
19 relevant statements in Section 105, I guarantee you that  
20 in every case I defend, I will get past summary judgment  
21 with an inequitable conduct defense. If you make  
22 somebody write down, "Here is what is important in this  
23 prior art reference," there will always be something that  
24 they left out, there will always be something that you  
25 can say, "Oh, they said it wrong, they misstated it,"

1 right? There will be a litigation bonanza for  
2 defendants. The only thing you can do if you are a  
3 prosecutor in response to that is over-disclose. "Here  
4 is each piece of prior art, you need a relevant statement  
5 for each piece of prior art. I am going to tell you  
6 everything is relevant. Here is why this paragraph is  
7 relevant, here is why this paragraph is relevant, here is  
8 why this paragraph is relevant." PTO's burden actually  
9 may end up being higher, not lower. So I think it is a  
10 good idea in the abstract, and if we focus only on the  
11 PTO, it makes perfect sense. I fear a little bit,  
12 though, the litigation consequences of doing that.

13           Alright, final point. The FTC suggests that  
14 we need to change the trigger of willfulness. Right now,  
15 I can be a willful infringer merely because I run across  
16 a patent. My engineer reads a patent, they are aware of  
17 the patent, they are doing something which we later  
18 determine infringes that patent, they are a willful  
19 infringer at least unless we start playing a rather  
20 remarkable game in which I go get an opinion letter of  
21 counsel that says, "Oh, no, it is okay to continue doing  
22 this." I agree to disclose that opinion letter of  
23 counsel in litigation, I therefore waive the attorney-  
24 client privilege - how far, no one seems to know, there  
25 are no less than eight different legal rules in District

1 Courts on how much the waiver extends, right? If I play  
2 this game, I am in serious trouble, and so a bunch of  
3 lawyers tell their clients, "Whatever you do, don't read  
4 patents, because if you read patents you get us stuck in  
5 this really sort of labyrinth and quite disturbing  
6 process." So what the FTC suggests, which it seems to me  
7 is exactly right, as a starting matter, is we ought not  
8 say that merely because an engineer read a patent, the  
9 company is willfully infringing that patent. Right? We  
10 ought to have a higher trigger. I think that is a good  
11 idea, I think it is a necessary reform, but I do not  
12 think it is a sufficient reform. There are substantially  
13 greater problems with the wilfulness game. I am still,  
14 whenever I get a letter, going to have to get my opinion  
15 of counsel, disclose my opinion of counsel, waive the  
16 attorney-client privilege, it distorts litigation advice,  
17 it distorts pre-litigation advice, it distorts your  
18 choice of counsel because you want your opinion counsel  
19 to be different than your litigation counsel, and so  
20 there are substantial problems with the wilfulness game  
21 that are not addressed here, but at least the FTC's  
22 report is a first step. Well, Mark Janis and Arti Rai  
23 both said they would talk quickly, and I think what they  
24 meant is that they would talk briefly. I actually did  
25 talk quickly, but I am done.

1 MS. SAMUELSON: Following up on the issue of  
2 subjective factors, Jim Pooley, I think, wants to say a  
3 few things.

4 MR. POOLEY: Thank you. Mark is always a hard  
5 act to follow and all I can promise is I won't say as  
6 many words. You know, first, on a point of personal  
7 privilege, because the issue of the video from the FJC  
8 came up -

9 MR. LEMLEY [presumed]: The Pooley Video.

10 MR. POOLEY: No. But I did write the script  
11 for that, and all I can say - I have since retired from  
12 that business and am now practicing law - all I can say  
13 is, you know, we received as many comments in the other  
14 direction of what Lynn brought up, and I take that as a  
15 signal that we probably did what we were supposed to. In  
16 fact, people on the other side of that debate complained  
17 about the narrator's comment that, you know, you may be  
18 wondering why you are here being asked to decide these  
19 validity questions. Well, in part, it is because  
20 mistakes sometimes are made, and while that is being  
21 said, you know, we cut to a scene of the over-worked  
22 patent examiner in her office with a stack of files this  
23 tall on her desk. And then that scene at the end where  
24 somebody pushes the cart through the file room when it  
25 looks like the final scene in Radars of the Lost Ark.

1       You know, we do try to get both sides in there. But,  
2       moving on to the issue at hand, I had the privilege for  
3       the last several years of working with my colleagues on  
4       the Committee of the National Academy project, and the  
5       basic thing that we were looking at when you boil it all  
6       down, with the benefit of a lot of academic interest and  
7       perspective, was why do we hear so much noise and concern  
8       about the Patent System? Where is the sand being thrown  
9       into the gears of the machine? And in large part, we  
10      found that it was in the enforcement system. And here I  
11      have to say I agree very much with Bob Blackburn on this  
12      point, you know, when you talk to our clients, the people  
13      who deal with this system, they will tell you the reason  
14      that they end up being so irritated about having to pay  
15      out large amounts of money for something that is not  
16      perceived by them to be of very much value intrinsically  
17      is because they are petrified of the uncertainty, the  
18      unpredictability of the outcome of the process, as well  
19      as its costs. So when it gets down to enforcement, we  
20      find, I think, some of the greatest impact of the choices  
21      that we make in designing the system on how it actually  
22      is implemented. And, in part, looking at the enforcement  
23      system, we run into the issues that Lynn mentioned about  
24      using juries for this process of considering validity  
25      questions and, of course, people from outside our

1       judicial system look at that as something sort of  
2       comically quaint until, of course, they are in front of a  
3       jury trying to argue invalidity against the presumption.  
4       Not being able to modify the Seventh Amendment, apart  
5       from perhaps suggesting a third way in the post-grant  
6       opposition process, one of the things we looked at and  
7       one of the areas of recommendations that you will see is,  
8       is this phase of litigation in which we deal with subject  
9       elements of the parties. And one of them, Mark just  
10      mentioned and that is the subjective - the state of mind  
11      of the alleged infringer, and it plays out in  
12      willfulness. And here again we find in looking at the  
13      question balancing the purpose of willfulness, which is  
14      supposed to provide some additional deterrents against  
15      infringement, in a way very very large transactional  
16      costs that involve getting opinions that may be worthless  
17      for any other purpose whatsoever, and give people a real  
18      cynical view of the system itself, the cost of litigating  
19      the problems around the scope of the waiver of the  
20      privilege, and for the clients who face this from the  
21      outset seeing their exposure tripled, potentially,  
22      against a standard that they really can't understand.  
23      And so it is no surprise, then, that you see companies  
24      instructing their engineers, "Do not read patents." And  
25      so when we are looking at cost-benefit analysis here of

1           that incremental benefit that we get in deterring  
2           infringement, we have to consider is it worth provoking a  
3           result that is 180 degrees from the constitutional  
4           mandate of using patents in order to inform the progress  
5           of science and the public knowledge. So willfulness is  
6           sort of an easy target in the panoply of subjective  
7           factors that we have to deal with in litigation. There  
8           were two others that you will see in the report that have  
9           to do with the state of mind of the patentee, one has  
10          already been referred to as "Best Mode," and although it  
11          does not come up that often, when it does it is a real  
12          side show - and an expensive one in terms of discovery,  
13          and one wonders what it actually gives us in terms of  
14          benefit over and above the other provisions of Section  
15          112 in motivating the parties to do a good job in  
16          describing their invention. We also, in that particular  
17          instance, run up against a substantial irritant and  
18          problem where international harmonization is concerned  
19          because, as in the area of First to File vs. First to  
20          Invent, we are the only jurisdiction in the world that  
21          employs Best Mode. And those who try outside of our  
22          country to harmonize their efforts with our system find  
23          this to be a very very puzzling difference.

24                   The last one of these is inequitable conduct,  
25          also referred to - I think Mark said if Section 105 were

1 really used very much, he would be able in cases where it  
2 was invoked successfully at the Patent Office to be able,  
3 in every one of those cases, to establish an inequitable  
4 conduct claim that would get past summary judgment, which  
5 is a little bit of an example of why this particular  
6 subjective element, although it is perhaps alleged less  
7 frequently these days and perhaps less of a practical  
8 problem because it is decided by judges rather than  
9 juries, nevertheless appears to be more of an  
10 inefficiency in the system, or cost in the system, than  
11 is justified. The additional burden on discovery, the  
12 additional burden on the plaintiff from having to  
13 consider whether it is counsel who might be participating  
14 as trial counsel, can actually take part in the  
15 litigation and trial of the case - all of those  
16 inefficiencies have to be weighed against what is  
17 probably a very very statistically improbable incremental  
18 assistance that you get in making the system work, from  
19 having this aspect available to the parties to litigating  
20 their cases. So one of the things that you will see in  
21 the report is that we have suggested that these elements  
22 which deal with state of mind either be eliminated or be  
23 substantially mitigated in a way that reduces their  
24 impact on the unpredictability and the cost of litigating  
25 disputes and patents.

1                   MR. REINES:     Could I pitch just one minute on  
2     that?  Just on willfulness, one thing to keep in mind is  
3     that in Federal Circuit right now is the Knorr-Bremsey  
4     case, which looks to be the palette from which they can  
5     re-write willfulness law altogether.  I know Congress  
6     right now is deliberating based on what I have heard from  
7     committees on some willfulness reform, and the FTC  
8     obviously is wading into those waters as well.  I would  
9     just suggest that all of those efforts wait to see the  
10    outcome of the Knorr case so that we can see what the  
11    Federal Circuit has done to cure that area, be clear what  
12    the law is in terms of getting some stable foundations  
13    from the Knorr case, and against that background can  
14    determine what, if any, reform is appropriate.  Thank  
15    you, Pam.

16                   MS. SAMUELSON:   Great.  Would any of the other  
17    panelists like to do commentary?  Shall I open it up?

18                   MR. LEMLEY:     Let me just - Jim maybe hobbled  
19    in this respect on how much he can say.  I was quite  
20    interested to hear that one of the recommendations was,  
21    as I understand it, either eliminate or put substantial  
22    constraints on the inequitable conduct defense.  Maybe  
23    understanding more about what the NAS proposal actually  
24    is would help in this respect.  I guess I am a little  
25    nervous about the effects of a rule that said there is no

1 inequitable conduct defense - not because I think the  
2 inequitable conduct is rampant today and, indeed, you  
3 know, there are lots of frivolous claims of inequitable  
4 conduct asserted, but because I fear what would happen if  
5 we sent a message that there was no punishment for lying  
6 or failing to disclose evidence to the Patent Office.  
7 And I wonder whether you guys have thought about that and  
8 what you might say about that.

9 MR. POOLEY: Well, no, indeed that issue is  
10 reflected in the report because it was a big part of our  
11 deliberations in every one of these cases, I think. We  
12 looked at what is the real objective, what is the goal of  
13 the particular element, and how central -- important is  
14 it. Can you get there by using other methods than this  
15 one, and what is the cost? So that analysis is in the  
16 report. And I do feel a little bit constrained about  
17 talking about the details of exactly what we have  
18 recommended because the thing was not here in time.

19 MS. SAMUELSON: So something to look forward  
20 to for Monday. Questions, comments? Yes, in the back.

21 MR.: [Audience -- off mike]

22 MS. SAMUELSON: Could you restate the  
23 question?

24 MR. PASAHOW: The question is does the  
25 presumption of validity affect the ability to get a

1 summary judgment in litigation. And for those of you who  
2 are not lawyers, summary judgment is a motion you make  
3 before trial and it is decided just upon written  
4 submissions of whatever the relevant evidence is. And  
5 technically, I think the answer is it shouldn't because  
6 the question for the summary judgment is, "is there any  
7 evidence on the other side?" And if there is any  
8 evidence, you are supposed to deny the summary judgment.  
9 It should not matter whether ultimately the question is,  
10 is that evidence going to be sufficient and meet a mere  
11 preponderance or a clear and convincing standard? In  
12 putting aside that theoretical issue, in my experience, I  
13 have not seen trial judges get held up on the issue of  
14 whether it is clear and convincing or preponderance for  
15 summary judgments. On the other hand, there is the aura  
16 that this presumption puts around patents that I think  
17 sometimes does impact judges, at least subjectively. In  
18 making that whole aura go away, it might impact things  
19 like summary judgment more than we can guess.

20 MS. SAMUELSON: Any other panelists want to -  
21 okay, in the back.

22 MR.: [Audience -- off mike]

23 MS. RAI: I can speak to that since I spent a  
24 lot of time -

25 MS. SAMUELSON: Could you repeat the question?

1 MS. RAI: Oh, sure. I take it that the burden  
2 of the question was, isn't it interesting that the  
3 Federal Circuit, at least with respect to some of its  
4 judges, has been trending towards a plain meaning,  
5 version, of claim construction so that there is not  
6 nearly as much need to look to the PHOSITA, for example,  
7 or to factual issues more generally. I think that this  
8 is part of the - I mean, I could speak at great length  
9 about why I think this is part of the Federal Circuit's  
10 desire because it feels like it is the most competent  
11 actor in the system to try to really control all aspects  
12 of the system, and it is not a crazy position to take for  
13 the Federal Circuit to believe that it is the most  
14 competent actor in the system, but I do think that that  
15 means that the PTO gets ignored to some extent. Now, the  
16 only way in which it does not get ignored, as I have  
17 indicated, is in the context of patent issuances and the  
18 clear and convincing evidence standard gives more  
19 deference to the PTO than perhaps was given by the  
20 predecessors to the Federal Circuit. But with that small  
21 exception, it seems to me that that is a sort of  
22 indication of the Federal Circuit's wanting to kind of  
23 root out factual issues altogether so as to have more  
24 control over the system.

25 MR. JANIS: I was just going to say I think

1 the question raises an interesting point about linkages  
2 between the presumption of validity and other issues, so,  
3 for example, I wonder suppose we did change the  
4 presumption of validity, making it apparently easier to  
5 invalidate patents? Would we get an equal and opposite  
6 reaction in scope doctrines? You know, we start  
7 construing claims to preserve their validity, really. We  
8 see other changes at the Federal Circuit that liberalize  
9 scope doctrines going back the opposite direction where  
10 they have been trending. So what would happen? Who  
11 knows? But I do think it is important to see a change to  
12 the presumption of validity might well cause a cascade in  
13 changes in other areas, we should not look at it in  
14 isolation, I don't think.

15 MR. LEMLEY: Going back to Mark, one of the  
16 things that has always struck me as remarkable about  
17 prosecution practice distinct from litigation practice is  
18 exactly how little claim construction seems to matter in  
19 the prosecution process. Right? I mean, we get to court  
20 and we fight over the meaning of words that you would not  
21 possibly think could have a disputed meaning, right? I  
22 mean, there are Federal Circuit decisions interpreting  
23 the terms "A" and "Or" and "To" and "When." But none of  
24 that seems really to happen in prosecution, right? And  
25 maybe it is just a function again of the time constraints

1 and how detailed the analysis is, but we seem to sort of  
2 skate through prosecution without substantial discussion  
3 about what the terms mean, and so there is a bit of a  
4 tabula rasa, right? The Federal Circuit's later change  
5 in how we will interpret those terms may not affect  
6 prosecution as much because it is just not being thought  
7 about as much in prosecution.

8 MS. RAI: Well, there is an obvious reason it  
9 is not thought about as much in prosecution. You think  
10 about those terms like "on" and "in" and all that only  
11 when you are confronted with an infringer who says that  
12 "on" and "in" and what have you do not take the infringer  
13 outside the scope of your claim, so -

14 MR. LEMLEY: You see it for validity too,  
15 although it is often an infringement driven doctrine.

16 MR. REINES: Just a couple comments. One is I  
17 think there is just a practical problem if you are going  
18 to attempt to run some sort of concordance between the  
19 law at the time of prosecution vs. at the time of  
20 enforcement, or District Court litigation. I mean, there  
21 are all kinds of areas in law that change all the time in  
22 radical ways, and so I think we have to be somewhat  
23 humble about our ability to bring that into sync, on the  
24 one hand. On the other hand, I think the point was  
25 addressed, actually, by Professor Lemley's comment that,

1 really, if you think about examination it is sort of a  
2 reasonably good once-over pass, and that that is not  
3 going to get into the level of going through the  
4 dictionary library and then to experts and what they  
5 understand this to mean. So I think that is addressed in  
6 the sense that we have to recognize that there is not  
7 full blown claim construction of the style of Texas  
8 Digital or anything else taking place during prosecution,  
9 in general. I think the way that the Patent Office  
10 attempts to address this, and others can address this in  
11 more detail, is through assuming the broadest general  
12 meaning of the claims, and maybe that rule needs to be  
13 given more vitality in order to address the practical  
14 reality that the Patent Office is not going to perform a  
15 full blown claim construction on every word in a 100  
16 claim application.

17 MS. SAMUELSON: Yes?

18 MS.: [Audience -- off mike]

19 MR. PASAHOW: Well, that is a good point, but

20 -

21 MS. SAMUELSON: Could you repeat the -

22 MR. PASAHOW: The point was that if courts  
23 gave deference to opposition proceeding statements about  
24 claim construction, that would eliminate some uncertainty  
25 - well, a lot of the uncertainty. It is a good point,

1 but often as you are talking about the validity of a  
2 patent, the issue of claim construction is less intense  
3 because everyone who is challenging the patent, and the  
4 examiner under the governing rules who is looking at it,  
5 simply assumes that the words have their broadest meaning  
6 - or the broadest meaning they could have to one skilled  
7 in the art. Often the examiner is that person, too. So  
8 the issue does not come up as to every word in the claim  
9 that is going to get litigated about when you start  
10 comparing it to a product. And whoever's product it is  
11 is trying to find some word that arguably doesn't apply.

12 MR. LEMLEY: It also may depend a little bit  
13 on the structure of your opposition proceeding, right?  
14 Is this a proceeding in which we are going to have  
15 Administrative Patent Judges write opinions giving the  
16 reason for rejecting a challenge, in which case they may  
17 be explaining why they think that the patent has a  
18 particular scope, and therefore avoids the prior art? Or  
19 are we going to fall back, in essence, on a Prosecution  
20 History Part II approach in which my representations in  
21 front of the Administrative Patent Judge may be binding  
22 or helpful in interpreting the meaning of the claim  
23 because I made them?

24 MS. SAMUELSON: Ron?

25 MR.: [Audience -- off mike]

1 MS. RAI: Although presumably, even if we were  
2 going to give full deference to whatever the opposition  
3 proceeding yielded with respect to constructions in  
4 particular context, if there was nothing said about other  
5 words, there would be no reason to give - there would be  
6 nothing to give deference to, just as there is nothing to  
7 give deference to with respect to the PTO's failure to  
8 examine particular issues like Best Mode, or what have  
9 you. So I am not sure it ends up being such a big issue  
10 because -

11 MR. [Audience -- off mike]

12 MS. RAI: Well, that is what I mean. And then  
13 those would have to be - I would assume that that would  
14 just be litigated de novo because there - well, probably  
15 to some extent de novo, anyway, because there would be no  
16 prior opposition proceeding holding on that question.

17 MR. LEMLEY: Well remember, of course, Markman  
18 is a question of law and under Cybor there is no  
19 deference even to District Court determinations of what a  
20 term means, so the likelihood that there will be  
21 deference to the Patent Office Administrative  
22 determination of what a claim means seems dubious to me,  
23 so only if you actually appealed the opposition to a  
24 Federal Circuit would you get a defined meaning of the  
25 claim term.

1 MS. RAI: Well, FTC recommends that, as a part  
2 of the opposition proceeding legislation, Congress  
3 mandate deference on questions of law -

4 MR. LEMLEY: Of - yeah.

5 MS. RAI: - even, yeah. So.

6 MS. SAMUELSON: Well, on that cheerful note,  
7 it is time for lunch. It is my understanding that lunch  
8 will be served in the back of the room and we will  
9 reconvene at 1:40 in order to hear Judge Whyte, but you  
10 have almost an hour to enjoy yourselves.

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MATTER                    Patent Reform Workshop

Date:                     April 16, 2004

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the FEDERAL TRADE COMMISSION to the best of my knowledge and belief.

DATED:    April 28, 2004

\_\_\_\_\_  
ADRIAN T. EDLER

certification of Proofreader

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation and format.

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DIANE QUADE