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O B V I O U S N E S S P A N E L

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MR. LEMLEY: If we could have the panelists for the Obviousness Panel come on up? We have a distinguished panel. We are going to hear from Professor Rochelle Dreyfuss at NYU; from Todd Dickinson who, for the next week or so, is at Howrey Simon Arnold White, and will then become IP counsel at General Electric; Professor John Barton at Stanford University; and, finally, from Ron Laurie at Inflection Point Strategy. Everybody is going to talk for a very brief period of time to enable us to have some conversations among the panel, and then some conversations with all of you.

MS. EISENBERG: Thank you very much. I am losing my voice which is a good enforcement to be brief in my opening remarks. I found this FTC report very interesting. I look forward very much to reading the National Academy's report. In wading through some of the testimony in the Powerpoint slides and all of the wonderful resources from the FTC study that were up on the web, I was struck by the widespread perception in various quarters that the non-obviousness standard has been falling, has been dropping, that it is not therefore doing the job that it had been doing in the past of separating out the wheat from the chaff, of

1 distinguishing those inventions that need the incentive
2 of a patent in order to be called forth from those that
3 are likely to be forthcoming in short order. In any
4 event, because they are the low-lying fruit in the
5 particular art, something that is within easy reach of
6 ordinary practitioners. And so I began reading through
7 the cases in chronological order and the picture that
8 emerged was of the sort of systematic marginalization
9 over time of the views of the person having ordinary
10 skill in the art to the point of irrelevance, really, in
11 recent decisions. This is very different than what you
12 would expect from looking at the language of the statute.
13 I apologize for having no Powerpoint slides, maybe you
14 can think back to Peter Munell's excellent slides
15 yesterday, and right now you see behind you the language
16 of the statute which says that "if a patent may not be
17 obtained, though the invention is not identically
18 disclosed or described," blah, blah, blah, "if the
19 differences between the subject matter sought to be
20 patented and the prior art are such that the subject
21 matter as a whole would have been obvious at the time the
22 invention was made to a person having ordinary skill in
23 the art." Now, reading that language, it sounds like the
24 person having ordinary skill in the art is the ultimate
25 determinant of what gets a patent. That is the person

1 whose judgment and perceptions should control. And that
2 makes sense, that is a sensible standard if the point of
3 the requirement is to distinguish those inventions that
4 are likely imminent with or without a patent from those
5 that are not. So it seems to call for an examination of
6 what the invention would have looked like at the time it
7 was made to the inventor's contemporary peers in the
8 technological community. But this poses, of course, a
9 couple of administrative difficulties in implementing
10 such a standard. First is the time frame, this is a
11 difficulty that has been much remarked upon by the
12 courts, particularly the Federal Circuit which is
13 constantly admonishing the examiners to avoid falling
14 into the hindsight trap. They are very aware of the
15 difficulty of telling today what would have been obvious,
16 you know, two years ago. The worry there, of course, is
17 that the standard will be set too high, that something
18 that seems obvious enough once we have it in hand, in
19 fact, was not obvious before that point. The second
20 difficulty, though, is the one that I am concerned with,
21 and one that has been ignored, which is how do you bring
22 to bear upon these determinations the perspective of a
23 person having ordinary skill in the art if the standard
24 is administered and reviewed by people who do not have
25 ordinary skill in the art? The Federal Circuit, again,

1 has been obsessed with the first difficulty, but has
2 virtually ignored the second difficulty. When it speaks
3 of the second difficulty, of the difficulty of discerning
4 the perspective of a person having ordinary skill in the
5 art, it conflates the two issues. It says the reason
6 that we look to the level of ordinary skill in the art is
7 to avoid hindsight, when in fact it is a really different
8 problem, and it is a problem that points in the other
9 direction. The worry with hindsight is that the bar will
10 be set too low, the worry with the difficulty of
11 implementing the ordinary skill level is that the bar -
12 excuse me, it is the opposite - the worry with hindsight
13 is the bar will be set too high, the worry with the
14 PHOSITA problem is that the bar will be set too low.

15 Now, the Supreme Court in its decision in
16 Graham v. John Deere listed level of skill as one of the
17 basic factual inquiries that needs to be determined en
18 route to evaluating the obviousness of the invention, but
19 the Supreme Court never actually used that standard in
20 any way, used that skill level in any way, in figuring
21 out whether the particular invention before it was
22 patentable, and that was true in other cases as well.
23 They would point to a level of skill as the statute
24 required them to do, as something you have got to
25 determine, but then once they determined that, they would

1 set it aside and they would look at the prior art and
2 they would do their own evaluation of whether the
3 differences between the prior art and the invention were
4 obvious or not. The lower courts have done the same
5 thing. They recite that they have refined level of
6 skill, they make findings sometimes. They will say, you
7 know, the ordinary practitioner is somebody with a
8 Bachelor's Degree in Mechanical Engineering and six years
9 of experience working on this or that, and then they do
10 nothing with it. Sometimes they forget to make those
11 findings and then, on appeal, the Federal Circuit will
12 say, "Well, this is harmless error." And as they have
13 applied the standard, it has got to be harmless error
14 because it is not doing any work. So instead they all
15 focus instead on the prior art references, the written
16 record of prior art, and what it reveals. The person
17 having ordinary skill in the art is consulted as a reader
18 of references, rather than as an evaluator of
19 obviousness. So they will refer to the skill level, to
20 the training, to discern what the reference would reveal,
21 but not to go beyond that and evaluate whether the
22 invention would have been obvious.

23 There are a number of reasons, I think, why
24 this has happened. First is what I call the "plotter
25 presumption," the presumption in the case law that the

1 person having ordinary skill in the art is unimaginative,
2 uncreative, is not an innovator, thinks along
3 conventional lines, and this was expressed most starkly
4 perhaps in a past issue they quote in the paper from
5 Judge Ritch in the case of Standard Oil vs. American
6 Cyanamid, where he says, "The statutory emphasis is on a
7 person of ordinary skill and one should not go about
8 determining obviousness under Section 103 by inquiring
9 into what patentees, i.e., inventors, would have known or
10 would likely have done faced with revelations of
11 references. A person of ordinary skill in the art is
12 also presumed to be one who thinks along the line of
13 conventional wisdom in the art and is not one who
14 undertakes to innovate whether by patient and often
15 expensive systematic research, or by extraordinary
16 insights, it makes no difference which." So he is
17 presuming, in other words, that the person having
18 ordinary skill in the art is somebody who falls beneath
19 the skill level of patentees. This is, I think, a deeply
20 flawed approach that cannot possibly be right. It seems
21 inconsistent with the statutory language and it seems to
22 be either circular or a downward spiral, more likely a
23 downward spiral because what happens is, if you exclude
24 patentees in determining what is the level of ordinary
25 skill, then you are constantly looking below that level

1 to figure out what ordinary skill is, but then the top of
2 that range, presumably, is patentable, right? And so
3 then you drop the level down further. You exclude the
4 most innovative of the plotters and, then, because they
5 become patentees, so we have kind of a race to the
6 bottom. It sort of inverts the relationship between the
7 person having ordinary skill in the art and the standard
8 of patentability. So rather than PHOSITA setting the
9 standard of patentability, we have the standard of
10 patentability setting a ceiling on the skill level that
11 we are willing to ascribe to PHOSITA. It is just
12 completely inverted. So that is one, I think,
13 fundamental problem is that, by presuming that PHOSITA
14 has no capacity to innovate, we have made anything that
15 is different from the prior art appear obvious. Second
16 move, I think, that has accelerated the marginalization
17 of PHOSITA has been the Federal Circuit taking a strong
18 position that the determination of non-obviousness, that
19 the ultimate determination of non-obviousness is a
20 question of law subject to plenary review, rather than a
21 question of fact. And, of course, it is a mixed question
22 of law and fact. The standard itself is a legal
23 question, but the application of that standard to the
24 facts of particular cases is something that involves - it
25 is essentially a case specific factual determination.

1 They do not see it that way. But if it were seen as a
2 factual determination, then you could consult some person
3 out in the field there to figure out what it means. If
4 it is a question of law, then the evaluator's judgment
5 does not matter and, in fact, PHOSITA is incapable of
6 determining questions of law. PHOSITA has no skill in
7 the art of law.

8 Another move has been the elevation of evidence
9 of secondary considerations or objective evidence that
10 the Federal Circuit calls it, evidence of how the
11 invention was received in the marketplace as bearing on
12 the question of obviousness. If you read the statutory
13 language, it talks only about the technological
14 evaluation of the evidence from the perspective of
15 technological workers of ordinary skill. The so-called
16 secondary evidence, or objective evidence, is all about
17 how customers receive the invention, how it was received
18 in the marketplace, which, again, makes the perspective
19 of customers more relevant than the perspective of
20 technologists.

21 Another move has been the - and all of these
22 were outlined again yesterday, I feel like I can refer to
23 them in summary fashion - the suggestion test for
24 combining the disclosures in references. If we go back -
25 how old is Winslow Tableau? If we go back something like

1 30 years -- '63 - 40 years, 41 years. We pictured the
2 person having ordinary skill in the arts sitting at his
3 bench surrounded by prior art references, able to cull
4 together these prior art references with ease in order to
5 innovate. Today, the Federal Circuit insists that there
6 be some sort of explicit showing of motivating suggestion
7 to make the combination. They have retreated somewhat
8 recently, say, allowing combination of references where
9 the nature of the problem seems to call for it. They
10 seem to be retreating somewhat from what for a time
11 seemed to be an ever-accelerating trend towards focus on
12 the written record of prior art in determinations of non-
13 obviousness. But, still, the focus is primarily on the
14 disclosures of the prior art, detailed reasoning, and
15 away from the judgment of PHOSITA. And I think this
16 focus on prior art obscures an important dimension that
17 PHOSITA brings to bear upon technological problems, which
18 is tacit knowledge, judgments, insights, the sort of
19 thing that is not articulated in prior art references,
20 things like a sense of whether the equipment is working
21 properly, for example, that somebody who is working in a
22 field would have an intuitive feeling for, but you are
23 not going to find that by looking in the text of prior
24 art references. So how to get this tacit knowledge of
25 ordinary practitioners into the system of evaluating

1 claimed inventions is a problem. We have examiners who
2 are skilled, well-trained people, and that is one
3 important source of information and it is a good reason
4 for the Federal Circuit to defer, in my view, to the
5 decisions made in the PTO about obviousness, much more so
6 than they have done. But the examiners are not current
7 practitioners; they are, at best, former practitioners
8 whose tacit knowledge is likely to be dated and
9 atrophying. Litigation experts in the particular patents
10 that matter most, who argue about the validity of a
11 patent, are another source of input, but they are
12 adversaries, hired guns. There is too much at stake by
13 that point. It is not the sort of process that is likely
14 to yield dispassionate technical appraisal of how an
15 invention looks to real practicing technologists. So it
16 would be better if we could figure out ways to allow the
17 PTO to consult with outside technological practitioners
18 in making determinations of obviousness, that would allow
19 them to document obviousness in circumstances where the
20 written record of prior art is an inadequate foil for
21 making that judgment. And there are certain
22 circumstances where there is particularly likely to be a
23 problem, like with the Patent System and into a
24 technology that previously was outside the Patent System,
25 like business methods, for example, where the written

1 record of prior art is a very inadequate source of
2 guidance as to what would have been obvious. Now, there
3 are some difficulties in trying to figure out how to do
4 this. Any agency that makes technological determinations
5 faces this problem and most of them have some sort of
6 mechanism for consulting the views of outside
7 technologists, they will have scientific advisory boards,
8 they will have peer review panels, they will have
9 something in place that will allow them to do that.
10 There are some challenges to bringing those kinds of
11 mechanisms to bear within the PTO.

12 First of all, there is the extraordinarily
13 broad range of technologies that the PTO addresses. You
14 cannot really have a standing scientific advisory board
15 that would advise PTO across the broad range of
16 inventions that come before it. The PTO makes many small
17 decisions, such as Mark pointed - was made so well by
18 Mark Lemley and his "Rationale Ignorance at the Patent
19 Office." The PTO makes many decisions, most of which are
20 of no consequence to anybody whatsoever, and occasionally
21 they make a really important decision. It is very
22 difficult to expend a lot of resources in getting all of
23 those determinations right up front, so you do not want
24 to have a really high cost system. If you get compared
25 to FDA or EPA, they make a lot of focused decisions where

1 there is a lot at stake, that is an easier context for
2 bringing in this outside expertise.

3 Confidentiality is another issue that would
4 stand as an obstacle. We have a statutory requirement of
5 confidentiality for pending patent applications, even
6 with 18-month publication you can opt out of that system
7 if you are not applying outside the U.S., and so that
8 would be something that would need to be addressed.
9 Conflict of interest is obviously a serious problem. If
10 you bring ordinary technology - ordinary practitioners
11 the relevant technology in an area where you are making
12 decisions in industrial technology, those people may
13 often be working for competitors of the patent applicant
14 and have a material conflict of interest in the judgment.
15 Some of these issues also plague journal peer review or
16 grant peer review, and I think there are ways of
17 addressing them and managing them. Okay.

18 MS. DREYFUSS: I just passed Becky something
19 that said "Stop." She is so good. Alright, well, we
20 want to thank Pam and Mark and the Berkeley Center for
21 allowing me to come here. I was a participant in a very
22 small way in the FTC Study and on the NAS Committee, and
23 it is nice to have an opportunity to get some things off
24 my chest. The first thing I wanted to talk about was
25 confusion, as was talked about at this panel, you see

1 there are really three issues on obviousness, and unless
2 you disaggregate them, people wind up talking past each
3 other. One issue is the way the PTO is implementing the
4 standard, and people talk about how, you know, the
5 teacher is doing a great job, the examiners are really
6 dedicated, well, you know, that is terrific and it could
7 be true, but if they are being told the wrong thing to
8 do, then their output is not going to be great. The
9 second thing is about the way the court is interpreting
10 the standard, and what we heard on that was, "Well, you
11 know, the Federal Circuit is still citing Graham against
12 John Deere, what could be wrong?" Well, you know, is
13 citing John Deere a great sign? It is close to half a
14 century old, too, that case, and if it lays out a rule
15 and a methodology that are not suited to modern research,
16 then I it is not going to work out very well. Third,
17 people talk about the standard itself and that is really
18 quite a different issue from the other two. So all three
19 issues, they need to be discussed separately.

20 Let me start with the PTO. I am an academic, I
21 am not the best person to evaluate its current
22 performance, but I will start with the assumption that it
23 is doing the best job under the circumstances, but that
24 is a big qualifier. And one issue is funding, and I take
25 Mark's point, rationale ignorance, as well, that there

1 are diminishing returns to increasing funding.
2 Nonetheless, I suspect that more funds would help. But,
3 as important, there is a question about the source of the
4 funds and this notion of user supported PTO. The
5 conflict you hear is about whether some funds should be
6 diverted. I think that is a total red herring. It seems
7 to me the rhetoric of user support is fine when you are
8 talking about Yosemite, and when you are thinking about,
9 you know, public parks. And if you want, you can think
10 about examiners as a core of park engineers because - or
11 park rangers, rather - because they are protecting the
12 public domain, but the analogy breaks down when you
13 consider the users. At Yosemite, it is the folks who
14 enjoy the public land, but at the PTO, the users are the
15 privatizers, the patent applicants. And I would like to
16 see this idea of user support dropped, in part because it
17 does not necessarily measure the amount of money that
18 would be rational to spend on examination, but mainly
19 because the rhetoric fuels this notion that the PTO is
20 there for the applicants and not for the public. And it
21 is also symptomatic of a bigger problem. Although park
22 rangers actually do see loggers from time to time,
23 examiners do not often see the people whose interest they
24 are protecting. And in that connection, I would like to
25 point out some side benefits of the opposition approach.

1 That is going to be talked about on a separate panel, and
2 the really key points, I am sure, will be touched upon
3 there, but there are a couple of side benefits that are
4 worth considering. The people who are arguing for the
5 public domain, they are not often seen in current
6 practice, as I said. And it would expose the Office to
7 the effect of its decisions on the public. It would also
8 do something else, and that is it would create a career
9 ladder that might help retain examiners who would
10 otherwise go off to practice, and there might even be a
11 ladder that would lead to a Federal Circuit appointment,
12 and that would bring to the Federal Circuit the PTO's
13 perspective on what its decisions do. And I think that
14 would be good too.

15 That brings me to my next concern, and that is
16 the Federal Circuit and how it interprets the standard of
17 obviousness. Now, I remember the days of Monday morning
18 quarter backing, when the invention was used as a road
19 map for anticipatory prior art, and in that context, I
20 can see why the court did much of what it did. Thomas
21 Edison's paper showed that inventiveness can be about
22 combining known art, and so requiring the examiner to
23 articulate why a person of ordinary skill would think of
24 combining is actually a good thing. As sciences mature,
25 the roots to making certain discoveries become known, but

1 sometimes without making it actually easier to accomplish
2 that result. And so the obvious to try doctrine is
3 important because it focuses the decision maker on how
4 many alternatives the inventor faces and his actual
5 chances of success. Unlike my colleagues, including the
6 one to my right here, I do see a potential for secondary
7 considerations. If they were seriously combined with a
8 nexus requirement, I think they would help focus the
9 Judge on whether the inventor was unique among folks in
10 his field. But I, too, see reason for concern - the
11 tacit knowledge problem Becky just talked about, the
12 obvious to try doctrine, it is fine to think about the
13 number of alternatives, but when deciding if a number is
14 a big number or a small number, the role that
15 instrumentation and automatic machinery now plays in
16 research really needs to be considered, and you do not
17 see that very much in the cases. And I also have to
18 agree with Becky that in many fields, the level of skill
19 in the art is not only not right, but not much thought
20 about. Perhaps we need a different perspective on
21 collaborative work. Some people have suggested the
22 PHOSITA, the team having ordinary skill in the art, and
23 we need factor in work that is done by instrumentation,
24 as I said. The court is still using the standards of In
25 Re Bell and In Re Devel cases that were decided - work

1 that was done decades ago, and John Duffey has alerted me
2 to a recent case on which the court introduced the
3 concept of nascent technology where a person of ordinary
4 skill in the art has little or no knowledge. That is
5 Chiron against Genentech. If nothing else, that is
6 likely to breed a lot of litigation on what nascent is.
7 So there is important work to be done in implementation.
8 And I like Becky's idea of using experts to flesh out
9 some of this, it is certainly an intriguing idea and well
10 worth considering, but I do have some skepticism. First,
11 who will these outsiders be? I have a hard time getting
12 my head around the idea of the expert on what is
13 ordinary. We could choose ordinary people in the art,
14 but how are we going to choose them, and once they are on
15 a panel of expert people, are they going to continue to
16 think that they are so ordinary? I think about my
17 colleagues and the elitist way in which they talk about
18 people at other law schools, endocrinologists, what do
19 they know? And I have a concern that this expert panel
20 might drive down this standard of what is considered
21 ordinary, rather than driving it up. Also some process
22 questions on how will these experts be utilized? Do you
23 have a standing panel of people? If people get called on
24 a lot of times, I think people tend to find it difficult
25 to serve under those circumstances. If it is an ad hoc

1 committee and one person serves only once, then there is
2 going to be learning curve issue, much like the one that
3 the PTO faces in training its examiners. I am especially
4 concerned because this approach has been tried and found
5 wanting in other adjudicatory contexts. For example, the
6 FDA has tried it on Boards of Safety and they did one on
7 the safety of Aspartame, the sweetener and, in somebody
8 else's words, I cannot remember who, it was a pig's
9 breakfast. It was hard to find people without any ties
10 to corporations, many people said that picking the
11 experts effectively picked the results, and scientists
12 showed themselves to have a rather poor understanding of
13 distinguishing between scientific questions and legal
14 questions. Now, since the FDA tried that, there is an
15 extensive literature now on court appointed experts and
16 how to choose them and how to train them, and maybe that
17 would actually be a useful place to start looking to
18 implement Becky's suggestion if it was thought to be a
19 good idea. I also think that experts at other points
20 would be good - the NAS report talks about the need to
21 help alert the PTO to emerging technologies so they can
22 start gathering the right literature and staffing the
23 office correctly. Experts might be very helpful on that.
24 And I will talk in one more minute about some other areas
25 where experts might help. But what I suspect is that the

1 true problem actually lies elsewhere. To my mind, it is
2 no accident that the Federal Circuit does not update the
3 level of skill in the art. I think it is happy with a
4 low level of skill in the art because it likes the result
5 of its being low, which is to say, in fact, that it likes
6 narrow patents.

7 Remember, the PHOSITA standard applies not only
8 to obviousness, but the Chiron case I talked about was
9 about what the PHOSITA knows for purposes of enablement.
10 And the less the ordinary artisan knows, the less she is
11 enabled, and the narrower the claim. And I think that is
12 where the Federal Circuit is really going - to a system
13 of narrower claims. It is clear in other areas too, the
14 written description cases, their own opinions in Festo
15 and Hilton Davis betrayed a certain interest in having
16 very narrow claims. Unfortunately, the court has not
17 actually explained why that is so, so it is hard to
18 evaluate why they want to do that. In part, I suspect
19 the court thinks that if a claim is narrow, it won't be
20 very dangerous, and that means that it won't matter so
21 much if it is not examined right, or the level of skill
22 and the art is not properly set. But I wonder if that is
23 really true. I think the court may well be following
24 itself. Narrow claims create lots of work for patent
25 lawyers, but what that actually means is high transaction

1 costs. Patent thickets are a problem that many people on
2 this panel have written about, they create difficult
3 entry barriers if you do not have a patent portfolio to
4 trade when assertions are made, then you are in real
5 trouble. The increased wear and tear on the Patent
6 Office because they exacerbate whatever problems there
7 are because people have to keep filing in order to
8 protect their investment. So I think it is actually
9 foolish to think that narrow patents are less dangerous.
10 Of course, in part, the Federal Circuit may also believe
11 that narrower patents correlate with better notice, but I
12 am skeptical about that too. If you have notice, you
13 need crisp edges to the claim, but what those crisp edges
14 contain, whether it is broad or narrow, that is not so
15 relevant to the question of notice.

16 Now, I highlight this issue not just to
17 criticize the Federal Circuit on narrowness, but also to
18 demonstrate another point about this concept of PHOSITA.
19 When the Court sets the level of skill to accomplish a
20 narrowing function, what it is doing is creating a
21 construct, a social construct to achieve a particular
22 goal. In this sense, PHOSITA is not a snapshot of
23 reality, it is not meant to be a fact-based historical
24 measure of inventiveness. As we see, it does not much
25 mirror what we know about invention, or inventors, or

1 artisans of ordinary skill in the art. It is a concept
2 that is constructed so that the system does what the
3 Court wants it to do. And if we think it is the wrong
4 standard, it is not because we know of specific patents
5 that should never have issued; rather, we think it is
6 wrong for systemic reasons, because systematically we
7 think there are too many patents, transaction costs are
8 too high, etc. And so at the end of the day what we
9 really need to think about is getting the system to
10 operate in a way that we want it to. We need to think
11 about obviousness for sure, but also the scope of claims
12 that best serves industrial and creative needs, the
13 distance between inventions on the innovation ladder.
14 Should the boundary of one invention touch on the
15 boundary of the next invention? Which is the way it
16 works right now. As we have it structured, PHOSITA is
17 key to all of those concerns, but do we really want the
18 same standard of PHOSITA for everything? Maybe we need
19 different standards in there. What should the standard
20 be for each thing for which PHOSITA is used. For that, a
21 panel of experts could be useful, but I would not use
22 them as retail adjudicators of particular cases, rather
23 wholesale in helping us to think about all the roles, the
24 non-obviousness and the knowledge of persons with
25 ordinary skill in the art, play in creating the system we

1 have, and in creating the system that our modern age and
2 new technologies of research actually require.

3 MR. DICKINSON: Thank you very much. Let me
4 join the others in certainly thanking Berkeley for
5 hosting today. As some of you know, I am getting ready
6 to move back to the East Coast, so I was packing up and,
7 actually, movers are at my house today. I was packing up
8 my office yesterday and I made sure that in the box that
9 went directly to my office I put my Berkeley Law and
10 Science Technology Journals there to make sure I had a
11 good set of references. I also want to thank my - as was
12 suggested I am going to go work for GE, and I want to
13 thank Ron Myrick who is here today, who was my
14 predecessor, for doing a great job there and leaving me
15 with a great legacy to build on. I often get cast as the
16 pragmatist, I guess, as a former Commissioner of the
17 Patent and Trademark Office in a lot of these panels.
18 Maybe the reality check or the - certainly with panels
19 with a lot of folks who are academics on it, bringing a
20 different point of view. What is interesting I said to
21 somebody else is that I end up sort of in the middle of
22 the road broadly speaking. I go this afternoon, for
23 example, to give a speech at the nano-biotech conference
24 in the city, and their principle concern is the PTO is
25 too tough on them, that they cannot get what they need

1 out of it, and that they do not spend the resources they
2 need. So there are interesting and robust debates about
3 what the Patent System in particular means today and how
4 we deal with it, and in the characterization of this
5 form, reform it, which is also interesting because
6 traditionally, I think, or at least the last couple major
7 times we had patent reform in this country, starting with
8 the '52 Act, and then the reforms in the 1980s around the
9 CFC, and most recently in the American Inventors
10 Protection Act, much of that reform was driven by the IP
11 community, the insiders, if you will. And a lot of the
12 discussion we are having here today, at the FTC, at the
13 NAS, the IPO panel on Monday in Washington is coming from
14 outsiders, are traditionally those who are outside the
15 system, so it is a very interesting and I think
16 appropriate debate. But, again, I am the pragmatist. As
17 we have sat here this hour, I am going to guess that the
18 Patent and Trademark Office will have allowed 100 more
19 patents. In the next hour they will allow another 100
20 patents, and after that they will allow another 100
21 patents. It is not a stream, it is a torrent, and it
22 keeps coming very rapidly. So a lot of what we have to
23 talk about and remember as we talk about the reforms or
24 the issues around obviousness or anything else, are the
25 fact that we are dealing with a very big process which is

1 hard to change, is susceptible to it, but that it has a
2 lot of aspects to it and a lot of nuance in it, and that
3 small changes can make big effects, have big effects, and
4 that a lot of unintended consequences certainly and
5 clearly can and sometimes does apply to the PTO.

6 Let me talk about - one of the things I have
7 talked about the FTC report a lot and testified before it
8 several times, and also was a participant in the NAS
9 report at certain places. One of the premises about the
10 FTC report is that there are questionable patents out
11 there, and that is actually the phrase that gets used. I
12 think that probably everyone would agree that there are
13 patents that have issued that should not have for one
14 reason or another, or that raised a concern of one sort
15 of another. But the challenge, I think, is that we have
16 not come to the place yet where we have really defined
17 what we mean here by questionable patents. And in so
18 doing, I would suggest we are not quite at the place yet
19 where we have the evidentiary back-up to justify,
20 certainly politically justify, frankly, going to the
21 policy makers and getting the kind of changes that are
22 suggested. And I think we need to continue to work there.
23 When we say questionable patents, do we mean the stick
24 patent that issued, or waiting-in-line-for-the-toilet-on-
25 the-airplane patent that issued, the ones which people

1 traditionally take a poke at because they sound odd or
2 ridiculous, or why did somebody spend the \$3,000 to get
3 it in the first place? Or do we mean patents like
4 genomic patents which are getting in the way - perceived
5 to be getting in the way of research or a business method
6 patent which maybe just offends somebody's sense of what
7 ought to be patentable in the first place. It is not
8 quite - I am not quite sure. The critique comes from a
9 lot of different aspects and a lot of different places,
10 and so I think we need to be a little more clear about
11 what we mean by questionable patents and why we should
12 reform a system in view of them. How many are there?
13 One of the issues we will get into later today is
14 lowering the standard of review from clear and convincing
15 to preponderance of the evidence. Well, you lower the
16 standard of review for questionable patents, you lower it
17 for all patents, and you make patent portfolios and
18 individual patents less valuable, and when you do that,
19 you start to cut into I think significantly the
20 intellectual base of the - or the intellectual capital of
21 the country, not to say it is not justified, but why are
22 we doing it and how many are we doing it for? I still
23 think we need to take some care to define.

24 Also, because, don't forget, the statute
25 basically allows the applicant to get a patent unless it

1 is anticipated or obvious, and that is just - you could
2 argue that maybe it should be the other way around, and
3 people do, but that is the current statutory standard.
4 So I think we need, with all due respect to the FTC and
5 to the NAS, I think we need more evidence of this
6 lowering of obviousness that is perceived to be out
7 there. Do I believe it is there viscerally? I think I
8 could make a case in some areas that that is the case.
9 Do I believe that uniformly that is happening and
10 happening in such a way as to warrant wholesale changes?
11 I think that is a much tougher case to make. I think the
12 evidence for the lowered standard of obviousness is thin
13 at this point. And if we are going to proceed in some of
14 these ways, I think we have to take a lot more time and
15 care and put some more energy into developing it. And we
16 have got great economists who, I think, and great patent
17 folks, who are in a position to develop that. For
18 example, the FTC report was almost all based on anecdotal
19 evidence. There was very little empirical evidence
20 adduced at all. The NAS did a few more studies on many
21 topics, and I think it backs that up a little bit more.

22 With regard to the U.S. Patent and Trademark
23 Office, they have traditionally been more conservative,
24 frankly, than the courts, traditionally. They have
25 proceeded very cautiously in terms of moving into new

1 subject matter traditionally, and they have been very
2 rigorous, I think, in terms of how they tend to implement
3 the obviousness standard, at least initially. Because I
4 say, one of the biggest complaints I often have to deal
5 with in my current practice is the complaint that folks
6 have that the office will not allow their case, despite
7 the fact they believe it is clearly allowable, and they
8 cite - they write extensive briefs to back that up. One
9 of the interesting things about - I think about the NAS
10 study - is that it is going to use at least two examples,
11 genomics and business method patents, which frankly is
12 about three or four percent of the number of patents
13 issued each year, to drive the change in obviousness.
14 Now whether that should drive that change at 3 or 4
15 percent, should drive that change or not, we can argue as
16 well. But business method patents have now, because of
17 the second level review, only 17 percent of them have
18 been getting allowed - only 17 percent of business method
19 patents in Class 705, on average, get allowed. The
20 bigger complaint from the folks who want those patents
21 is that they are not getting them out of the office, not
22 that too obvious business method patents are issuing. So
23 I think we have to examine that a little more closely.
24 Some issues - I think there are some areas where we ought
25 to look. I proposed two rules that affect this area when

1 I was in the office, one is what is called Rule 105, that
2 one made it, and that allows the examiner to make an
3 inquiry of priority of the applicant on their own
4 initiative. It is relatively under utilized, as I
5 understand at this point. I think it could certainly
6 stand to be utilized more. It was widely opposed by the
7 Intellectual Property Community, by the patent bar, in
8 particular. But we held the line on that one and that
9 one became implemented.

10 I also proposed another rule. It would allow
11 examiners to apply general knowledge that they had. This
12 is a topic of several speakers, it is a topic of general
13 discussion, and I would disagree with Professor Eisenberg
14 to a degree. I think examiners are not these stale
15 Ivory Tower folks who are not keeping up with the art at
16 all; on the contrary, they are on the cutting edge of the
17 art all the time. It is coming across their desk in a
18 steady stream and they deal with the state of the art at
19 this level, of the current state of the art at a very
20 high level. So I think there are opportunities for them
21 to apply general knowledge if they are aware that they
22 are able to now. The CFC really does not let them do
23 that, they have gone so far - I respect and admire Judge
24 Newman enormously, but she wrote an opinion last year and
25 went so far as to say - or two years ago - that examiners

1 could not even apply common sense to the examination of
2 patent applications, and I think that is really pushing
3 the line a little far. But, having said that, that rule
4 that I proposed was shot down. It was so widely opposed
5 that we had to back off of that rule. With all due
6 respect to the panelists, I do not remember any of them
7 sending a letter and saying that rule was a good idea.

8 The FTC dealt with obviousness in two
9 particular ways, commercial success and motivation to
10 combine. Commercial success, I take the point of the
11 study, I do, Graham says that you can use commercial
12 success as support for non-obviousness, and the report
13 suggests that we may be getting undue balance to that, I
14 think is the phrase. That may be happening in the
15 courts, it certainly does not happen in the office,
16 frankly, because people do not have a lot of commercial
17 success to bring to the PTO at the time the application
18 is pending, and it is very difficult to get that kind of
19 evidence introduced, so I do not - while I take the point
20 that the FTC makes, I do not think it is that big a deal,
21 frankly, in commercial success, though it is not a bad
22 issue to take a look at.

23 The motivation to combine is a tougher one
24 principally because the CFC has continued to push the
25 envelope, I think, on that issue. However, one reason

1 why they do it is that it is awful easy. It is awful
2 easy to apply hindsight once you have got references in
3 front of you. And to have Reference A which has got
4 Element A, B, C, D, which has three more elements, and D
5 has three more elements, and to say, "Well, look, anybody
6 could have put those three things together, they are in
7 front of me right now, I see it." That kind of hindsight
8 is easy, and perhaps too easy, and so what I think the
9 CFC is saying is you need to come up with even more
10 rationale for combining those. Could we change that?
11 Could we tweak that a little bit? Sure, we could. But I
12 am, as most of you know that have heard me speak, I am
13 more of a calibrator than a wholesale change guy, and so
14 I think that is a calibration. What the real issue I
15 think - well, let me talk to the peer review thing real
16 quickly. I think that Professor Dreyfuss articulated a
17 number of the problems with it. A peer review panel for
18 those last 100 patents that we just have issued, or the
19 one patent that issued in the last minute I have got here
20 is a big challenge. I get it if you are going to have
21 peer review panels for genomics, or you are going to have
22 them for very sophisticated technologies. Where is the
23 peer review panel for that largest of classifications in
24 the PTO - golf equipment? Where is the peer review panel
25 for boxes? Where is the peer review panel for what we

1 used to euphemistically call "vermin control," or
2 mousetraps? They are out there, but getting those folks
3 together for a peer review process is a pretty daunting
4 task. We do do parts of those things. The Office,
5 rather, does parts of those things now. They have for
6 very advanced technologies biotech, business methods, now
7 nanotech. They have quarterly customer partnerships
8 where anybody who wants to can come in and meet with the
9 examiners as a group, they can meet with the senior
10 leadership, there are structured learning that go on,
11 there are seminars that go on. They are very valuable.

12 Also, when a new technology comes along, to the
13 extent they can, the Office - I did it with business
14 methods - tries to draw on those communities to help
15 teach the Office. We brought in, for example on business
16 methods, the Securities Industry Association, the Check
17 Cashing Association, the American Banking Association, a
18 number of those organizations to train examiners both on
19 the art itself and also where to find the art, and I
20 think that is a pretty reasonable mechanism to work on.
21 So where does that lead us? The PTO needs more money,
22 frankly, the examiners need more time, and that is a
23 function of money, each hour of additional time across
24 the PTO costs between \$15 and \$18 million, so they need
25 more money. They need greater access to prior art, and

1 they need better search tools - they have great search
2 tools, and they need even better search tools. Thanks
3 very much.

4 MR. BARTON: Let me try to concentrate on a
5 particular example. I think I am pretty much known as a
6 non-obviousness hawk, but I am going to try to give a
7 more balanced picture if I can and describe a little bit
8 of what is at stake and sort of the philosophical
9 differences on where you go with different non-
10 obviousness standards. And I am going to concentrate on
11 one of the principles of the CAFC, the principle of
12 obvious to try, and I must say I was very helped in my
13 study of this by Brad Wah (phonetic) who is sitting right
14 there in the third row, who did a lot of work for me in
15 this area while he was a student at Stanford.
16 Obviousness to try at one point was a basis for saying
17 "You can't get a patent." In other words, this patent
18 results from a research effort that you suspect is going
19 to lead to an answer to a problem, you undertake the
20 research effort, get the answer, and since it was obvious
21 to try this particular research effort, you should not
22 get a patent. Judge Rich came along and stated as
23 follows, "Slight reflection suggests, we think, that
24 there is usually an element of obviousness to try in any
25 research endeavor, that it is not undertaken with

1 complete blindness, but rather with some semblance of a
2 chance at success, and that patentability determinations
3 based on that as the test would not only be contrary to
4 statute, but result in a marked deterioration of the
5 entire Patent System as an incentive to invest in those
6 efforts and attempts, which go by the name of research."
7 In other words, we want people to do research even though
8 it is obvious to try the research and, to encourage them
9 to do the research, we therefore grant a patent. Now,
10 interpreting the CAFC's obviousness to try cases is a
11 nightmare, and they certainly have ended up somewhere in
12 between those two extremes, and I think sort of a basic
13 situation of where they are is you can get the patent in
14 spite of the fact there was obvious to try in their
15 strategy, depending on how likely success looked when you
16 undertook what was going to be obvious to try. Okay, now
17 let me apply that to a particular example, the genomic
18 patents. At one time, of course, it was genuinely very
19 difficult to get the sequence of a gene. Today, we can
20 get the sequence of a gene from a machine. We can get an
21 insight like whether or not a particular mutation is
22 associated with a particular disease and know what I am
23 thinking, now particularly if things are like the
24 diagnostic patent such as the breast cancer patents which
25 have been issued and have been so controversial in many

1 circles from the medical perspective. You know how to do
2 that now. You know, you know now how to run all the
3 things on a chip and run a lot of tests of a lot of
4 people and find out with pretty high confidence, you
5 know, if you put enough money into it, you can design a
6 project to determine what genetic sources are associated
7 with a particular disease. Similarly, and what I put
8 together with the genomic Patent System, and that is just
9 my perspective, it is now pretty obvious - again,
10 sometimes very difficult - but pretty obvious how to get
11 the precise structure of a biological crystal, a
12 biological protein. And yet I can now get a patent on
13 the protein coordinates, I can now get a patent on the
14 use of the knowledge that gene sequence is associated
15 with disease Y; I can now get a patent on a gene itself,
16 I mean, subject to - I mean, obviously you do not
17 infringe the patent, but the separated gene, design of
18 pharmaceuticals based on the gene, and so forth.
19 Alright, so then in some sense obviousness to try
20 precisely affects the patentability of these categories
21 of information. And I do want to put it as information
22 because we are really patenting information in these
23 contexts, and there is an obvious question whether or not
24 this should be patentable subject matter - that is
25 another set of issues which is related to genomic

1 patents, but certainly now that we know how to get these
2 sequences by an automatic mechanical process - I am
3 overstating a little bit, of course - are they not
4 obvious to try? Alright, and the CAFC has, in effect,
5 told us no. It is obvious to try a particular research
6 direction, but knowing how to do the research direction
7 does not tell you the shape of the protein, does not tell
8 you the sequence of the gene, therefore it is not obvious
9 what the result of that research project is going to be.
10 Alright, so that this is a case in which the obviousness
11 to try principal is one which the CAFC tells us to use,
12 and you can see Judge Rich is looking for it, it is one
13 of the reasons why we issue patents which, in some
14 people's minds, raise some questions.

15 Now, I promised to give you a balanced
16 perspective and, in fact, currently, because I read so
17 much about this set of patents, and I have written much
18 about it, I also want to understand the industry, so I am
19 trying to investigate the diagnostic genomic industry,
20 understand better how it works, and understand better the
21 role of patents in that industry. And it is becoming
22 abundantly clear to me that a large amount of money is
23 being invested as a result of the fact - almost certainly
24 as a result of the fact - that patents are available. In
25 other words, the Patent System is in this context serving

1 its role of providing an incentive to investment. Just
2 as Judge Rich suggested, the Patent System is serving its
3 role as an incentive to carry out research - even if you
4 know the research is going to automatically succeed - so
5 that we are then faced, and this is sort of the dilemma I
6 want to put you with, if we accept Judge Rich's
7 perspective with the obviousness to try arrangement, then
8 we are going in the genomic context to say, "We grant
9 these patents because there is a genuine incentive factor
10 there, and it is genuinely working." And we face the
11 cost, the cost being it is very hard for Affymetrix to
12 put together a chip which scans for all the different
13 genomic mutations which a baby might have because they
14 have to go back and get a license from a zillion
15 different companies in order to produce that chip.
16 Similarly, it is very hard for a pharmaceutical company
17 to work with drugs against a protein crystal X, with in-
18 cyclical kind of analysis of the technologies, because
19 somebody has a patent on the use of those coordinates and
20 theoretically the company could simply go out and measure
21 them, so that we are indeed creating some incentives and
22 we are also creating a set of complications. If I
23 broaden that to industry, in general, what Judge Rich is
24 saying is, "We want a system which rewards routine
25 research and encourages routine research because it is

1 good," and he is absolutely right. But the counter
2 argument is, "Don't I want to preserve the monopoly, the
3 Patent System, for those cases in which the research
4 level is a little bit above sort of the normal level of
5 research in the industry?" If I am going to reward sort
6 of the normal process of industrial innovation, if I am
7 going to reward that with patents, you know, sort of
8 Model A to Model B, if I am going to do that, then I am
9 going to increase the number of patents and I am going to
10 create significant problems of having to negotiate cross-
11 licenses and all that kind of stuff. So I want to
12 suggest what the tensions are here. You know, my
13 ultimate bias is pretty clear and my proposed, you know,
14 to put my standard - but I want to make sure that you see
15 both sides of it before I do that. You know, my bias
16 would be the CAFC is currently saying the standard is
17 whether the invention would certainly have been made by a
18 person of minimal skill in the art who was unable to
19 integrate the different concepts present in the art, and
20 I would like to turn that into "to grant a patent only if
21 the invention is more substantial than that regularly
22 made by a person of average skill in the art, being
23 funded and supported in a way that is typical in the
24 relevant industry." And at least my proposal as to how
25 to do that is a little bit different from Rochelle's and

1 Becky's, but it is - you know, but I think that is one of
2 the dimensions we need to be talking about because, there
3 is no question, it is a hard standard to apply, it is a
4 judgment standard in any call, and I think that has a
5 strong tension, given the actual pressures present on the
6 examiners of driving it down, particularly given what the
7 CAFC is saying. But at least my proposal would be to try
8 to include what the patent application - or maybe in some
9 other context - some kind of indication of sort of the
10 way routine innovation is going in this industry. How
11 much do you change the technology from the pentium
12 computer, from the pentium chip to the itanium chip?
13 That is sort of the standard baseline. Does this go
14 above that baseline or below? Now that is a judgment
15 call, too. But I am wondering if there is a way to get
16 that kind of evidence into the process.

17 MR. MYERS: Ron?

18 MR. LAURIE: Thanks, Mark. I just wanted to say
19 what a pleasure it is to be on this panel and part of
20 this program. I just wanted to give you a little bit of
21 disclosure on my particular perspective, which I think is
22 different than anyone else up here, and that is that - I
23 take great pleasure in telling people that I used to be a
24 lawyer - I am now operating at the intersection of
25 patents and capital formation in a firm that calls itself

1 an IP Investment Bank, and I can tell you absolutely that
2 patent quality is essential to ensure that financial
3 markets make correct investment decisions in connection
4 with technology. I see this every day. Any uncertainty
5 about the value of a patent creates misallocation of
6 resources in the financial community. I would like to
7 make just introductory remarks on the "but for" test that
8 is set forth in the report. I think the "but for" test
9 is a useful contextual construct in many cases, and
10 certainly reflects one of the key policies underlying the
11 patent laws, and that is, of course, the policy of
12 incentive by reward. If the incentive is not necessary
13 to produce the invention and its commercialization, then
14 there is no point in offering the reward. I think,
15 however, there are two other policy bases for the patent
16 laws that the "but for" test does not address. One is
17 the public disclosure or dissemination of technology
18 policy. The "but for" test ignores the possibility that,
19 even though an invention would have been made and
20 commercialized, that in some cases it would have been
21 kept secret. And this, of course, affects a very
22 delicate balance between the patent laws and the trade
23 secret laws. Certainly many, in fact probably most,
24 inventions will be disclosed upon commercialization, but
25 there is a lot that will not, particularly in the

1 software area where past practice was to distribute under
2 confidentiality. The other policy that I do not think
3 "but for" adequately addresses is what I call the "forced
4 improvement policy." That is the motivation to design
5 around existing patents and thereby advance the
6 technology in ways that would not have happened but for
7 that forced requirement to avoid doing what is claimed in
8 the patent. With regard to the issues of motivation and
9 commercial success, I absolutely agree with Todd that the
10 PTO has got it right, there is no lowering of the bar at
11 the PTO in terms of obviousness. The cases that I see
12 being examined, especially in software and business
13 method areas, are - if anything, the PTO is taking a very
14 tough position. And I would refer you not only to the
15 MPP which applies to all subject matter areas, but
16 particularly to the recently published examination
17 guidelines on obviousness in connection with business
18 method patents. There are, I think, 20 some examples -
19 fairly detailed examples, of how tacit knowledge and
20 nature of the problem to be solved, and mere conversion -
21 mere automation of a manual process, and many many other
22 things that are not explicitly taught in any of the
23 references that are combined, how those are folded into
24 the obviousness decision by the Patent Office. To the
25 extent that the Federal Circuit does evidence a trend

1 toward lowering the bar, I have read the cases, I think
2 many of them can be explained on other grounds. I think
3 there is an increasing emphasis on requiring the Patent
4 Office to build a proper administrative record for
5 judicial review, and therefore there is a great antipathy
6 toward what the Federal Circuit calls "conclusory
7 statements of the skill of the art." I think all that
8 means is that the examiners and the Board of Appeals
9 members have to document the basis for their tacit
10 knowledge, and not just cite it as something they know.
11 I think that is an easy hurdle to get over; for example,
12 in the Internet area, the tacit knowledge that one can
13 perform many business methods that were previously done
14 manually or in a face-to-face manner on the Internet,
15 that is the kind of tacit knowledge that will not
16 ordinarily appear in the references because it is so
17 totally obvious - forget that word. But it is not a
18 problem because it is certainly easy to show with any
19 textbook or newspaper article that implementing physical
20 processes on the Internet is well within the tacit
21 knowledge and skill of the art. I also think that the
22 trend - and I will defer to my academic colleagues on the
23 extent to which there is a trend - but a lot of the trend
24 can be explained on the basis of the general concept of
25 what I would call the Federal Circuit's diversity of

1 opinions. I think, on many issues, you can find opinions
2 all over the place, and I think the more recent case law,
3 the Ruiz/Chance case puts us back on the right road, at
4 least in connection with consideration of the effect of
5 nature of the problem on whether the solution is obvious.

6 Finally, on commercial success, just a quick
7 note, it seems to me commercial success comes up in two
8 different ways and they ought to be treated differently.
9 The first case is where commercial success is coupled
10 with long felt need. There is kind of a common sense
11 reaction that, if there is a long felt need for a
12 solution, and it is recognized that that solution will be
13 commercially successful - now, keep in mind, that is
14 commercial success measured prior to the invention - so
15 if there is a long felt need and a recognition that
16 satisfying the need will be commercially successful, I
17 think it is common sense to say that the solution is not
18 obvious because making money is something that everybody
19 wants to do, and if the need is recognized, and the fact
20 that the solution will be commercially rewarding is
21 recognized, and the invention is not forthcoming, that is
22 very strong evidence that it is not obvious. On the
23 other hand, where it is not coupled with long felt need,
24 but where commercial success is just a consequence of the
25 invention, then I absolutely agree with the report that

1 commercial success could be due to many other things than
2 the invention, and it is entirely proper for the burden
3 to shift to the patent owner to demonstrate clearly that
4 the commercial success is tied to the patented invention
5 - that is in court. Now, I have a little trouble
6 applying that to the Patent Office and having examiners
7 analyze submissions of commercial success. I mean, the
8 introduction of business method patents caused quite a
9 disruption and a lot of people were saying that now we
10 have to get examiners with a background in computer
11 science that had an MBA from Wharton in order to
12 understand the significance of the business method; ditto
13 in spades if the examiners have to start analyzing and
14 rebutting economic evidence of commercial success. Thank
15 you.

16 MR. LEMLEY: Let me ask a couple of questions
17 directed to the specific proposals that are before us
18 today and then we will open it up to the floor for
19 questions. The first has to do with the issue of
20 combining references, right? And there has been some
21 discussion of what Ron, I think, quite properly points
22 out as the meandering Federal Circuit case law on the
23 question of whether you must have an actual suggestion in
24 a reference in order to combine it with another
25 reference, or whether you can find motivation in some

1 other source. And I guess the question for the panel -
2 Ron talked a little bit about this already - what is
3 right? Is the FTC right here? I mean, are we to be
4 finding motivations to combine references outside the
5 documentary corners of the reference themselves? And, if
6 so, where is it we are going to find it and how? Right?
7 Is it testimony? Is it some base of examiner knowledge?

8 MS. EISENBERG: This whole approach seems to
9 me to be fiction upon fiction. You know, we start with
10 the fiction that the person having ordinary skill in the
11 art has access to every single reference, you know, sort
12 of the Winslow Tableau fiction. And then we presume that
13 the person does not know how to combine references unless
14 there is some suggestion or motivation to do that.
15 Another point of inconsistency in the Federal Circuit's
16 decisions is, is the issue whether we are motivated to
17 combine references, which is this highly artificial
18 question, as if, you know, somebody trying to solve a
19 technical problem goes to the library and tries to
20 identify references that will help them. Or is the
21 motivation to combine elements? It seems the combining
22 of elements seems like a much more logical way to proceed
23 if the focus is on what can we expect of ordinary
24 artisans in the fullness of time, with or without patent
25 protection. On the other hand, if your focus is more on

1 the prior art references themselves, then you start
2 thinking about whether there is a reference to combine.
3 Ron had an interesting point, I think, about the value of
4 disclosure and it may be that when the prior art
5 references themselves are weak, or when the written
6 record of the state-of-the-art is weak, then there is a
7 stronger interest in using patents to bring about greater
8 disclosure, even though maybe it is not bringing about
9 any greater innovation. So it might look different from
10 that perspective.

11 MR. LAURIE: Just a quick comment. I absolutely
12 agree with Becky because the inquiry is the state of the
13 prior art. And to limit the prior art to what Section
14 102 refers to as printer publications is absolutely
15 unjustified. Section 102a also includes "known or used
16 by others," "others" meaning the public. Well, that is
17 in many cases the glue that holds the references
18 together, and to ignore that is to ignore the most
19 valuable method for combining references.

20 MS. DREYFUSS: Yeah, I mean, I think my point is
21 very similar to that one. We over-treat inventions as if
22 they are true monopolies, and Judge Rich has often said
23 they are not true monopolies for purposes of thinking
24 about what the patentee can or cannot do with this
25 monopoly, but they are also not true monopolies in the

1 sense that there are not other inventions out there that
2 are like that or similar. And I think if you look within
3 a field, you see the way that people within the field
4 think, and by taking an invention within sort of the
5 entire scope of inventions that are similar and thinking
6 about why is it that people in the field look at - how do
7 they think about the direction in which they are doing
8 research, you can start seeing trends in the way that
9 people in chemistry think, or trends in the way that
10 people in mechanics think. And I think all of that
11 helps. It does not have to be written down. You can see
12 the trends in the way that people think.

13 MR. LEMLEY: Let me follow-up on this if I
14 may. So if we want to look at the sort of general way in
15 which people think in the field, right, how they might
16 think about combining elements, right? And if we want to
17 look, as Ron points out, not just at the printed
18 publications but what is going on in the business, right,
19 the Section 102a art the public uses, and all of that
20 stuff, and then we also talked a little bit about
21 secondary considerations, right, another element of the
22 FTC report, we want to look at economic evidence,
23 commercial indicators or success, what were people doing,
24 how does the industry react to the invention, right? All
25 of these are relevant questions for obviousness. They

1 also seem questions that the PTO is going to be
2 essentially unable to deal with, right? I mean, not only
3 given the resource constraints, but also given the way in
4 which we structure the inquiry, right? The PTO does not
5 have the ability to go out and talk to everybody in the
6 industry, right, to go out and collect evidence of public
7 use, to go out and collect evidence - economic evidence -
8 of commercial success. Are we necessarily by focusing
9 the obviousness inquiry on this broader question, are we
10 necessarily relegating it to the courts and saying the
11 PTO is just not going to be able to do some of the things
12 we want to do in the obviousness inquiry?

13 MS. DREYFUSS: I think the examiner is doing a
14 lot of that stuff. I mean, that is just Todd's point.
15 The examiners are sitting there and they are seeing
16 everything that is in their piece of the world, and so
17 they are seeing each and every inventor as he comes along
18 - or applicant - telling the PTO what it is that they are
19 doing. I think the examiners actually do get a very good
20 sense of what it is that is in the art. And I think
21 Becky's point that we should be deferring more to the
22 examiners, that, to me, has a lot of resonance because
23 that, in fact, that part they do see. They are seeing
24 the way that people think about pushing the frontier
25 slightly forward, making incremental changes. And, you

1 know, not to push the NAS Committee Report, but I think
2 the opposition procedure is also a piece of that because
3 it brings people from the outside in in the cases in
4 which the examiner has not seen stuff that is in public
5 knowledge, but not in print.

6 MR. DICKINSON: Mark, I have a one word answer
7 to your question - Google. You were listening to the NPR
8 series on search engines this week. But let me elaborate
9 a little more on that, and not to put too fine a point on
10 it, because it obviously can still be improved, but the
11 PTO has access to some of the world's most extraordinary
12 databases, and has very facile tools for accessing those
13 databases. They also have print libraries with research
14 librarians whose whole job is to try to help them dig out
15 that piece of priority. Do they not always get it?
16 Absolutely. Are there opportunities for improvement?
17 Always. But to premise the whole argument on the fact
18 that the PTO's examiners are just sort of sitting around,
19 poking around, and doing a Google search is just not the
20 way it works. We also have another opportunity that gets
21 overlooked, it is another rule we put in place called
22 Rule 99 because we have publication now at 18 months and
23 I think what most people would support what the FTC
24 Report does making publication universal, you have got a
25 political challenge there with small inventors, but other

1 than that, if you believe that there is prior art that
2 the Office is not considering, you have an opportunity
3 under Rule 99 to send it in. It is vastly under-
4 utilized, still. That may be partly structural, but I
5 think part of my job and others' job is to make people
6 aware that that is out there.

7 MR. MYERS: John.

8 MR. BARTON: I just want to add that I view
9 those secondary considerations as mainly applying not for
10 the Patent Office, but when you review the patent later
11 in some kind of litigation. In some sense, to the extent
12 I consider secondary considerations as success in the
13 market, it means I do not know whether the invention was
14 non-obvious until ten years after the patent was issued,
15 and I am in litigation about it.

16 MR. LEMLEY: Let me push a little bit on this,
17 right, and then we will open it up to questions from the
18 floor. If the PTO has got all these great databases,
19 right, and they have got this tacit knowledge that comes
20 from looking at all the patented inventions, and the
21 argument here seems - the consensus here seems to be that
22 we owe greater deference to the examiners - why is it
23 that all the empirical evidence seems to suggest they are
24 not doing such a hot job of finding the right references?
25 Why is it that the European and Japanese Patent Offices

1 regularly find prior art references that the U.S. Patent
2 Office misses? But why is it that the courts, when you
3 go into litigation, you always end up litigating prior
4 art references that the Patent Office did not find? It
5 seems to me there is a felt sense, right, that the PTO is
6 not, in fact, finding all the most relevant prior art.

7 MR. DICKINSON: Well, that is not a bad point
8 with regard to litigation. Do not forget, very few
9 patents actually get litigated, and when they get
10 litigated, enormous resources are brought to bear. I am
11 not a litigator, but my firm, for example, is primarily
12 the litigators inside the group, and they just wheel out
13 the big big guns. Now, whether that is good thing or bad
14 thing, well, we can debate that, and there are a lot of
15 aspects to that. But when you start to apply \$10, \$15,
16 \$20 million to try to turn up that one piece of
17 invalidating prior art, yeah, that is a little different
18 than the \$5,000 search you did or the 18 hours of
19 searching that is available to the Office. But that is
20 the flex in the system. Can we change that a little bit?
21 Yeah, we could change it a little bit, but I think to de-
22 cry the whole system because the examiner does not have
23 \$20 million worth of capability to find that one piece of
24 prior art hidden in a library in Russia somewhere, I do
25 not know.

1 MR. MYERS: Joe. Please identify yourselves
2 when you speak.

3 PROFESSOR FARRELL: Joe Farrell from U.C.
4 Berkeley. Just to follow-up a little bit on that change,
5 I thought Mark's question was not any blame to the
6 examiner for not finding it, but should we take the view
7 that the examiners do in absolute terms an excellent job?

8 MS. DREYFUSS: But, you know, well, there are
9 really different questions packed into this, right? One
10 is the question of finding the prior art, but the
11 question we were talking about before is that question of
12 combining it, so you might want to take the view that
13 examiners are really good at thinking about that because
14 of the fact that they have seen it a lot, see it
15 continuously, see trends within what is going on, and are
16 able to abstract from those trends. That is a different
17 question from whether each piece of prior art that is out
18 there can be seen. So I think you have to -

19 MR. DICKINSON: We have talked about the issue
20 of tacit knowledge, too, and I said it in those - that I
21 think we need to give the examiners more leeway to apply
22 tacit knowledge and what they know to be out there. And
23 we can do that, I think, through rule-making, or we can
24 do it -

25 MS. DREYFUSS: What they know to be known.

1 MR. DICKINSON: I think we have much more play
2 in that regard than we should have because, again, the
3 examiners - I came into the Office as a knowledgeable
4 guy, but not really knowing it as thoroughly as being in
5 it - I was amazed at the level of commitment and
6 knowledge that the average examiner tends to have. Are
7 there exceptions? Sure, but it is really a very high
8 level of commitment and knowledge. It was sort of
9 surprising to me. There are over 400 PhD scientists at
10 the Patent and Trademark Offices. It is more than at
11 NIST (phonetic), it is roughly how many are in NIH, I
12 mean, that is a lot of brain power. And that is, you
13 know, not a lot of engineers get - those are mostly in
14 genomics and in biotech areas, for example.

15 MS. DREYFUSS: And there is also a difference,
16 I mean, a third issue is the application of law to the
17 facts that they know, and that is another question where,
18 whether or not you give as much deference to the
19 examiners - I just do not know the answer to that
20 question about how much examiners - the general examiner
21 knows about law and knows about the application of law to
22 facts. But each of those are different issues --

23 MR. DICKINSON: I was very pleased to put
24 back in full scholarships to law school for any examiner
25 who wanted to go, it has been cut out in the latest

1 couple of budgets, I am disappointed in that. I think we
2 need to get more legal training. Only four of the 26
3 Group Directors are lawyers now in the PTO, I believe
4 that is scandalous. I think we need to have much more
5 legal training, as well.

6 MR. MYERS: Identify yourself, please.

7 MS. : [From Audience - off mike]

8 MR. LEMLEY: For benefit of the people in the
9 back who are having trouble hearing this, the question is
10 why is it that the EPO regularly finds references that
11 the USPTO --

12 MR. DICKINSON: How much does Chevron and
13 Texaco - and I used to work at Chevron and Texaco - how
14 much do they pay at the EPO to get a search and
15 examination as opposed to the United States? They pay
16 roughly three times as much. That is not to say --
17 believe me, I agree with the general concept, there are
18 many times when it is perceived that the EPO, you can get
19 a higher quality search, in certain technical areas, in
20 particular. There is now, I think, given some challenges
21 they are facing in terms of resourcing and staffing and
22 other things, they have had a freeze on hiring for a long
23 time, for example, I think that that may be a little more
24 differentiateable than it may be currently, but I think
25 traditionally the belief was you would get a better

1 search, principally because they have more money - which
2 leads to more time.

3 MR. MYERS: Yes, sir.

4 MR. : [Audience - off mike]

5 MR. BARTON: Obviously, we are skating into
6 the territory of the panel which will discuss the
7 presumption of validity. The question is to what extent
8 must the court accept that presumption, to what extent
9 should we accept the presumption that the examiner did
10 not make any mistake, and then the related question, to
11 what extent should we be installing procedures that are
12 somewhere in between the two, that are designed to test
13 the validity of patents, or designed to provide, you
14 know, as in the European Office procedure, some
15 opportunity for the public to bring additional prior art
16 and, additionally, counter-arguments against the patent
17 because, after all, the patent is necessarily granted,
18 even in Europe, in an ex parte, you know, proceeding that
19 has to be a fairly low cost, or it would just be insane.

20 MR. LAURIE: The fact that the litigation is
21 so many orders of magnitude more expensive than the
22 prosecution, to me, is the best reason why the
23 prosecution ought to be as absolutely good as it possibly
24 can be in order to avoid tremendous misallocation of
25 resources.

1 MR. LEMLEY: Alright, please join me in
2 thanking the panel. [Applause]

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Certificate of Reporter

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.

DIANE QUADE