FEDERAL TRADE COMMISSION

PATENT REFORM WORKSHOP

APRIL 16, 2004

BANCROFT HOTEL, BERKELEY, CALIFORNIA
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
distinguishing those inventions that need the incentive of a patent in order to be called forth from those that are likely to be forthcoming in short order. In any event, because they are the low-lying fruit in the particular art, something that is within easy reach of ordinary practitioners. And so I began reading through the cases in chronological order and the picture that emerged was of the sort of systematic marginalization over time of the views of the person having ordinary skill in the art to the point of irrelevance, really, in recent decisions. This is very different than what you would expect from looking at the language of the statute. I apologize for having no Powerpoint slides, maybe you can think back to Peter Munell’s excellent slides yesterday, and right now you see behind you the language of the statute which says that “if a patent may not be obtained, though the invention is not identically disclosed or described,” blah, blah, blah, “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.” Now, reading that language, it sounds like the person having ordinary skill in the art is the ultimate determinant of what gets a patent. That is the person
whose judgment and perceptions should control. And that makes sense, that is a sensible standard if the point of the requirement is to distinguish those inventions that are likely imminent with or without a patent from those that are not. So it seems to call for an examination of what the invention would have looked like at the time it was made to the inventor’s contemporary peers in the technological community. But this poses, of course, a couple of administrative difficulties in implementing such a standard. First is the time frame, this is a difficulty that has been much remarked upon by the courts, particularly the Federal Circuit which is constantly admonishing the examiners to avoid falling into the hindsight trap. They are very aware of the difficulty of telling today what would have been obvious, you know, two years ago. The worry there, of course, is that the standard will be set too high, that something that seems obvious enough once we have it in hand, in fact, was not obvious before that point. The second difficulty, though, is the one that I am concerned with, and one that has been ignored, which is how do you bring to bear upon these determinations the perspective of a person having ordinary skill in the art if the standard is administered and reviewed by people who do not have ordinary skill in the art? The Federal Circuit, again,
has been obsessed with the first difficulty, but has
virtually ignored the second difficulty. When it speaks
of the second difficulty, of the difficulty of discerning
the perspective of a person having ordinary skill in the
art, it conflates the two issues. It says the reason
that we look to the level of ordinary skill in the art is
to avoid hindsight, when in fact it is a really different
problem, and it is a problem that points in the other
direction. The worry with hindsight is that the bar will
be set too low, the worry with the difficulty of
implementing the ordinary skill level is that the bar –
excuse me, it is the opposite – the worry with hindsight
is the bar will be set too high, the worry with the
PHOSITA problem is that the bar will be set too low.

Now, the Supreme Court in its decision in
Graham v. John Deere listed level of skill as one of the
basic factual inquiries that needs to be determined en
route to evaluating the obviousness of the invention, but
the Supreme Court never actually used that standard in
any way, used that skill level in any way, in figuring
out whether the particular invention before it was
patentable, and that was true in other cases as well.
They would point to a level of skill as the statute
required them to do, as something you have got to
determine, but then once they determined that, they would
set it aside and they would look at the prior art and
differences between the prior art and the invention were
obvious or not. The lower courts have done the same
thing. They recite that they have refined level of
skill, they make findings sometimes. They will say, you
know, the ordinary practitioner is somebody with a
Bachelor’s Degree in Mechanical Engineering and six years
of experience working on this or that, and then they do
nothing with it. Sometimes they forget to make those
findings and then, on appeal, the Federal Circuit will
say, “Well, this is harmless error.” And as they have
applied the standard, it has got to be harmless error
because it is not doing any work. So instead they all
focus instead on the prior art references, the written
record of prior art, and what it reveals. The person
having ordinary skill in the art is consulted as a reader
of references, rather than as an evaluator of
obviousness. So they will refer to the skill level, to
the training, to discern what the reference would reveal,
but not to go beyond that and evaluate whether the
invention would have been obvious.

There are a number of reasons, I think, why
this has happened. First is what I call the “plotter
presumption,” the presumption in the case law that the
person having ordinary skill in the art is unimaginative, uncreative, is not an innovator, thinks along conventional lines, and this was expressed most starkly perhaps in a past issue they quote in the paper from Judge Ritch in the case of Standard Oil vs. American Cyanamid, where he says, “The statutory emphasis is on a person of ordinary skill and one should not go about determining obviousness under Section 103 by inquiring into what patentees, i.e., inventors, would have known or would likely have done faced with revelations of references. A person of ordinary skill in the art is also presumed to be one who thinks along the line of conventional wisdom in the art and is not one who undertakes to innovate whether by patient and often expensive systematic research, or by extraordinary insights, it makes no difference which.” So he is presuming, in other words, that the person having ordinary skill in the art is somebody who falls beneath the skill level of patentees. This is, I think, a deeply flawed approach that cannot possibly be right. It seems inconsistent with the statutory language and it seems to be either circular or a downward spiral, more likely a downward spiral because what happens is, if you exclude patentees in determining what is the level of ordinary skill, then you are constantly looking below that level.
to figure out what ordinary skill is, but then the top of that range, presumably, is patentable, right? And so then you drop the level down further. You exclude the most innovative of the plotters and, then, because they become patentees, so we have kind of a race to the bottom. It sort of inverts the relationship between the person having ordinary skill in the art and the standard of patentability. So rather than PHOSITA setting the standard of patentability, we have the standard of patentability setting a ceiling on the skill level that we are willing to ascribe to PHOSITA. It is just completely inverted. So that is one, I think, fundamental problem is that, by presuming that PHOSITA has no capacity to innovate, we have made anything that is different from the prior art appear obvious. Second move, I think, that has accelerated the marginalization of PHOSITA has been the Federal Circuit taking a strong position that the determination of non-obviousness, that the ultimate determination of non-obviousness is a question of law subject to plenary review, rather than a question of fact. And, of course, it is a mixed question of law and fact. The standard itself is a legal question, but the application of that standard to the facts of particular cases is something that involves - it is essentially a case specific factual determination.
They do not see it that way. But if it were seen as a factual determination, then you could consult some person out in the field there to figure out what it means. If it is a question of law, then the evaluator’s judgment does not matter and, in fact, PHOSITA is incapable of determining questions of law. PHOSITA has no skill in the art of law.

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

Another move has been the – and all of these were outlined again yesterday, I feel like I can refer to them in summary fashion – the suggestion test for combining the disclosures in references. If we go back – how old is Winslow Tableau? If we go back something like
30 years -- '63 - 40 years, 41 years. We pictured the
person having ordinary skill in the arts sitting at his
bench surrounded by prior art references, able to cull
together these prior art references with ease in order to
innovate. Today, the Federal Circuit insists that there
be some sort of explicit showing of motivating suggestion
to make the combination. They have retreated somewhat
recently, say, allowing combination of references where
the nature of the problem seems to call for it. They
seem to be retreating somewhat from what for a time
seemed to be an ever-accelerating trend towards focus on
the written record of prior art in determinations of non-
obviousness. But, still, the focus is primarily on the
disclosures of the prior art, detailed reasoning, and
away from the judgment of PHOSITA. And I think this
focus on prior art obscures an important dimension that
PHOSITA brings to bear upon technological problems, which
is tacit knowledge, judgments, insights, the sort of
thing that is not articulated in prior art references,
things like a sense of whether the equipment is working
properly, for example, that somebody who is working in a
field would have an intuitive feeling for, but you are
not going to find that by looking in the text of prior
art references. So how to get this tacit knowledge of
ordinary practitioners into the system of evaluating
claimed inventions is a problem. We have examiners who are skilled, well-trained people, and that is one important source of information and it is a good reason for the Federal Circuit to defer, in my view, to the decisions made in the PTO about obviousness, much more so than they have done. But the examiners are not current practitioners; they are, at best, former practitioners whose tacit knowledge is likely to be dated and atrophying. Litigation experts in the particular patents that matter most, who argue about the validity of a patent, are another source of input, but they are adversaries, hired guns. There is too much at stake by that point. It is not the sort of process that is likely to yield dispassionate technical appraisal of how an invention looks to real practicing technologists. So it would be better if we could figure out ways to allow the PTO to consult with outside technological practitioners in making determinations of obviousness, that would allow them to document obviousness in circumstances where the written record of prior art is an inadequate foil for making that judgment. And there are certain circumstances where there is particularly likely to be a problem, like with the Patent System and into a technology that previously was outside the Patent System, like business methods, for example, where the written
record of prior art is a very inadequate source of guidance as to what would have been obvious. Now, there are some difficulties in trying to figure out how to do this. Any agency that makes technological determinations faces this problem and most of them have some sort of mechanism for consulting the views of outside technologists, they will have scientific advisory boards, they will have peer review panels, they will have something in place that will allow them to do that. There are some challenges to bringing those kinds of mechanisms to bear within the PTO.

First of all, there is the extraordinarily broad range of technologies that the PTO addresses. You cannot really have a standing scientific advisory board that would advise PTO across the broad range of inventions that come before it. The PTO makes many small decisions, such as Mark pointed – was made so well by Mark Lemley and his “Rationale Ignorance at the Patent Office.” The PTO makes many decisions, most of which are of no consequence to anybody whatsoever, and occasionally they make a really important decision. It is very difficult to expend a lot of resources in getting all of those determinations right up front, so you do not want to have a really high cost system. If you get compared to FDA or EPA, they make a lot of focused decisions where
there is a lot at stake, that is an easier context for
bringing in this outside expertise.

Confidentiality is another issue that would
stand as an obstacle. We have a statutory requirement of
confidentiality for pending patent applications, even
with 18-month publication you can opt out of that system
if you are not applying outside the U.S., and so that
would be something that would need to be addressed.

Conflict of interest is obviously a serious problem. If
you bring ordinary technology — ordinary practitioners
the relevant technology in an area where you are making
decisions in industrial technology, those people may
often be working for competitors of the patent applicant
and have a material conflict of interest in the judgment.

Some of these issues also plague journal peer review or
grant peer review, and I think there are ways of
addressing them and managing them. Okay.

MS. DREYFUSS: I just passed Becky something
that said “Stop.” She is so good. Alright, well, we
want to thank Pam and Mark and the Berkeley Center for
allowing me to come here. I was a participant in a very
small way in the FTC Study and on the NAS Committee, and
it is nice to have an opportunity to get some things off
my chest. The first thing I wanted to talk about was
confusion, as was talked about at this panel, you see
there are really three issues on obviousness, and unless
you disaggregate them, people wind up talking past each
other. One issue is the way the PTO is implementing the
standard, and people talk about how, you know, the
teacher is doing a great job, the examiners are really
dedicated, well, you know, that is terrific and it could
be true, but if they are being told the wrong thing to
do, then their output is not going to be great. The
second thing is about the way the court is interpreting
the standard, and what we heard on that was, “Well, you
know, the Federal Circuit is still citing Graham against
John Deere, what could be wrong?” Well, you know, is
citing John Deere a great sign? It is close to half a
century old, too, that case, and if it lays out a rule
and a methodology that are not suited to modern research,
then I it is not going to work out very well. Third,
people talk about the standard itself and that is really
quite a different issue from the other two. So all three
issues, they need to be discussed separately.

Let me start with the PTO. I am an academic, I
am not the best person to evaluate its current
performance, but I will start with the assumption that it
is doing the best job under the circumstances, but that
is a big qualifier. And one issue is funding, and I take
Mark’s point, rationale ignorance, as well, that there
are diminishing returns to increasing funding. Nonetheless, I suspect that more funds would help. But, as important, there is a question about the source of the funds and this notion of user supported PTO. The conflict you hear is about whether some funds should be diverted. I think that is a total red herring. It seems to me the rhetoric of user support is fine when you are talking about Yosemite, and when you are thinking about, you know, public parks. And if you want, you can think about examiners as a core of park engineers because – or park rangers, rather – because they are protecting the public domain, but the analogy breaks down when you consider the users. At Yosemite, it is the folks who enjoy the public land, but at the PTO, the users are the privatizers, the patent applicants. And I would like to see this idea of user support dropped, in part because it does not necessarily measure the amount of money that would be rational to spend on examination, but mainly because the rhetoric fuels this notion that the PTO is there for the applicants and not for the public. And it is also symptomatic of a bigger problem. Although park rangers actually do see loggers from time to time, examiners do not often see the people whose interest they are protecting. And in that connection, I would like to point out some side benefits of the opposition approach.
That is going to be talked about on a separate panel, and the really key points, I am sure, will be touched upon there, but there are a couple of side benefits that are worth considering. The people who are arguing for the public domain, they are not often seen in current practice, as I said. And it would expose the Office to the effect of its decisions on the public. It would also do something else, and that is it would create a career ladder that might help retain examiners who would otherwise go off to practice, and there might even be a ladder that would lead to a Federal Circuit appointment, and that would bring to the Federal Circuit the PTO’s perspective on what its decisions do. And I think that would be good too.

That brings me to my next concern, and that is the Federal Circuit and how it interprets the standard of obviousness. Now, I remember the days of Monday morning quarter backing, when the invention was used as a road map for anticipatory prior art, and in that context, I can see why the court did much of what it did. Thomas Edison’s paper showed that inventiveness can be about combining known art, and so requiring the examiner to articulate why a person of ordinary skill would think of combining is actually a good thing. As sciences mature, the roots to making certain discoveries become known, but...
sometimes without making it actually easier to accomplish that result. And so the obvious to try doctrine is important because it focuses the decision maker on how many alternatives the inventor faces and his actual chances of success. Unlike my colleagues, including the one to my right here, I do see a potential for secondary considerations. If they were seriously combined with a nexus requirement, I think they would help focus the Judge on whether the inventor was unique among folks in his field. But I, too, see reason for concern – the tacit knowledge problem Becky just talked about, the obvious to try doctrine, it is fine to think about the number of alternatives, but when deciding if a number is a big number or a small number, the role that instrumentation and automatic machinery now plays in research really needs to be considered, and you do not see that very much in the cases. And I also have to agree with Becky that in many fields, the level of skill in the art is not only not right, but not much thought about. Perhaps we need a different perspective on collaborative work. Some people have suggested the PHOSITA, the team having ordinary skill in the art, and we need factor in work that is done by instrumentation, as I said. The court is still using the standards of In Re Bell and In Re Devel cases that were decided – work
that was done decades ago, and John Duffey has alerted me to a recent case on which the court introduced the concept of nascent technology where a person of ordinary skill in the art has little or no knowledge. That is Chiron against Genentech. If nothing else, that is likely to breed a lot of litigation on what nascent is. So there is important work to be done in implementation. And I like Becky’s idea of using experts to flesh out some of this, it is certainly an intriguing idea and well worth considering, but I do have some skepticism. First, who will these outsiders be? I have a hard time getting my head around the idea of the expert on what is ordinary. We could choose ordinary people in the art, but how are we going to choose them, and once they are on a panel of expert people, are they going to continue to think that they are so ordinary? I think about my colleagues and the elitist way in which they talk about people at other law schools, endocrinologists, what do they know? And I have a concern that this expert panel might drive down this standard of what is considered ordinary, rather than driving it up. Also some process questions on how will these experts be utilized? Do you have a standing panel of people? If people get called on a lot of times, I think people tend to find it difficult to serve under those circumstances. If it is an ad hoc
committee and one person serves only once, then there is
going to be learning curve issue, much like the one that
the PTO faces in training its examiners. I am especially
concerned because this approach has been tried and found
wanting in other adjudicatory contexts. For example, the
FDA has tried it on Boards of Safety and they did one on
the safety of Aspartame, the sweetener and, in somebody
else’s words, I cannot remember who, it was a pig’s
breakfast. It was hard to find people without any ties
to corporations, many people said that picking the
experts effectively picked the results, and scientists
showed themselves to have a rather poor understanding of
distinguishing between scientific questions and legal
questions. Now, since the FDA tried that, there is an
extensive literature now on court appointed experts and
how to choose them and how to train them, and maybe that
would actually be a useful place to start looking to
implement Becky’s suggestion if it was thought to be a
good idea. I also think that experts at other points
would be good – the NAS report talks about the need to
help alert the PTO to emerging technologies so they can
start gathering the right literature and staffing the
office correctly. Experts might be very helpful on that.
And I will talk in one more minute about some other areas
where experts might help. But what I suspect is that the
true problem actually lies elsewhere. To my mind, it is no accident that the Federal Circuit does not update the level of skill in the art. I think it is happy with a low level of skill in the art because it likes the result of its being low, which is to say, in fact, that it likes narrow patents.

Remember, the PHOSITA standard applies not only to obviousness, but the Chiron case I talked about was about what the PHOSITA knows for purposes of enablement. And the less the ordinary artisan knows, the less she is enabled, and the narrower the claim. And I think that is where the Federal Circuit is really going – to a system of narrower claims. It is clear in other areas too, the written description cases, their own opinions in Festo and Hilton Davis betrayed a certain interest in having very narrow claims. Unfortunately, the court has not actually explained why that is so, so it is hard to evaluate why they want to do that. In part, I suspect the court thinks that if a claim is narrow, it won’t be very dangerous, and that means that it won’t matter so much if it is not examined right, or the level of school and the art is not properly set. But I wonder if that is really true. I think the court may well be following itself. Narrow claims create lots of work for patent lawyers, but what that actually means is high transaction
costs. Patent thickets are a problem that many people on this panel have written about, they create difficult entry barriers if you do not have a patent portfolio to trade when assertions are made, then you are in real trouble. The increased wear and tear on the Patent Office because they exacerbate whatever problems there are because people have to keep filing in order to protect their investment. So I think it is actually foolish to think that narrow patents are less dangerous. Of course, in part, the Federal Circuit may also believe that narrower patents correlate with better notice, but I am skeptical about that too. If you have notice, you need crisp edges to the claim, but what those crisp edges contain, whether it is broad or narrow, that is not so relevant to the question of notice.

Now, I highlight this issue not just to criticize the Federal Circuit on narrowness, but also to demonstrate another point about this concept of PHOSITA. When the Court sets the level of skill to accomplish a narrowing function, what it is doing is creating a construct, a social construct to achieve a particular goal. In this sense, PHOSITA is not a snapshot of reality, it is not meant to be a fact-based historical measure of inventiveness. As we see, it does not much mirror what we know about invention, or inventors, or
artisans of ordinary skill in the art. It is a concept that is constructed so that the system does what the Court wants it to do. And if we think it is the wrong standard, it is not because we know of specific patents that should never have issued; rather, we think it is wrong for systemic reasons, because systematically we think there are too many patents, transaction costs are too high, etc. And so at the end of the day what we really need to think about is getting the system to operate in a way that we want it to. We need to think about obviousness for sure, but also the scope of claims that best serves industrial and creative needs, the distance between inventions on the innovation ladder. Should the boundary of one invention touch on the boundary of the next invention? Which is the way it works right now. As we have it structured, PHOSITA is key to all of those concerns, but do we really want the same standard of PHOSITA for everything? Maybe we need different standards in there. What should the standard be for each thing for which PHOSITA is used. For that, a panel of experts could be useful, but I would not use them as retail adjudicators of particular cases, rather wholesale in helping us to think about all the roles, the non-obviousness and the knowledge of persons with ordinary skill in the art, play in creating the system we
have, and in creating the system that our modern age and
ew technologies of research actually require.

MR. DICKINSON: Thank you very much. Let me
join the others in certainly thanking Berkeley for
hosting today. As some of you know, I am getting ready
to move back to the East Coast, so I was packing up and,
actually, movers are at my house today. I was packing up
my office yesterday and I made sure that in the box that
went directly to my office I put my Berkeley Law and
Science Technology Journals there to make sure I had a
good set of references. I also want to thank my – as was
suggested I am going to go work for GE, and I want to
thank Ron Myrick who is here today, who was my
predecessor, for doing a great job there and leaving me
with a great legacy to build on. I often get cast as the
pragmatist, I guess, as a former Commissioner of the
Patent and Trademark Office in a lot of these panels.
Maybe the reality check or the – certainly with panels
with a lot of folks who are academics on it, bringing a
different point of view. What is interesting I said to
somebody else is that I end up sort of in the middle of
the road broadly speaking. I go this afternoon, for
example, to give a speech at the nano-biotech conference
in the city, and their principle concern is the PTO is
too tough on them, that they cannot get what they need
out of it, and that they do not spend the resources they need. So there are interesting and robust debates about what the Patent System in particular means today and how we deal with it, and in the characterization of this form, reform it, which is also interesting because traditionally, I think, or at least the last couple major times we had patent reform in this country, starting with the '52 Act, and then the reforms in the 1980s around the CFC, and most recently in the American Inventors Protection Act, much of that reform was driven by the IP community, the insiders, if you will. And a lot of the discussion we are having here today, at the FTC, at the NAS, the IPO panel on Monday in Washington is coming from outsiders, are traditionally those who are outside the system, so it is a very interesting and I think appropriate debate. But, again, I am the pragmatist. As we have sat here this hour, I am going to guess that the Patent and Trademark Office will have allowed 100 more patents. In the next hour they will allow another 100 patents, and after that they will allow another 100 patents. It is not a stream, it is a torrent, and it keeps coming very rapidly. So a lot of what we have to talk about and remember as we talk about the reforms or the issues around obviousness or anything else, are the fact that we are dealing with a very big process which is
hard to change, is susceptible to it, but that it has a
lot of aspects to it and a lot of nuance in it, and that
small changes can make big effects, have big effects, and
that a lot of unintended consequences certainly and
clearly can and sometimes does apply to the PTO.

Let me talk about – one of the things I have
talked about the FTC report a lot and testified before it
several times, and also was a participant in the NAS
report at certain places. One of the premises about the
FTC report is that there are questionable patents out
there, and that is actually the phrase that gets used. I
think that probably everyone would agree that there are
patents that have issued that should not have for one
reason or another, or that raised a concern of one sort
of another. But the challenge, I think, is that we have
not come to the place yet where we have really defined
what we mean here by questionable patents. And in so
doing, I would suggest we are not quite at the place yet
where we have the evidentiary back-up to justify,
certainly politically justify, frankly, going to the
policy makers and getting the kind of changes that are
suggested. And I think we need to continue to work there.
When we say questionable patents, do we mean the stick
patent that issued, or waiting-in-line-for-the-toilet-on-the-airplane patent that issued, the ones which people
traditionally take a poke at because they sound odd or ridiculous, or why did somebody spend the $3,000 to get it in the first place? Or do we mean patents like genomic patents which are getting in the way - perceived to be getting in the way of research or a business method patent which maybe just offends somebody’s sense of what ought to be patentable in the first place. It is not quite - I am not quite sure. The critique comes from a lot of different aspects and a lot of different places, and so I think we need to be a little more clear about what we mean by questionable patents and why we should reform a system in view of them. How many are there? One of the issues we will get into later today is lowering the standard of review from clear and convincing to preponderance of the evidence. Well, you lower the standard of review for questionable patents, you lower it for all patents, and you make patent portfolios and individual patents less valuable, and when you do that, you start to cut into I think significantly the intellectual base of the - or the intellectual capital of the country, not to say it is not justified, but why are we doing it and how many are we doing it for? I still think we need to take some care to define.

Also, because, don’t forget, the statute basically allows the applicant to get a patent unless it
is anticipated or obvious, and that is just – you could
argue that maybe it should be the other way around, and
people do, but that is the current statutory standard.
So I think we need, with all due respect to the FTC and
to the NAS, I think we need more evidence of this
lowering of obviousness that is perceived to be out
there. Do I believe it is there viscerally? I think I
could make a case in some areas that that is the case.
Do I believe that uniformly that is happening and
happening in such a way as to warrant wholesale changes?
I think that is a much tougher case to make. I think the
evidence for the lowered standard of obviousness is thin
at this point. And if we are going to proceed in some of
these ways, I think we have to take a lot more time and
care and put some more energy into developing it. And we
have got great economists who, I think, and great patent
folks, who are in a position to develop that. For
example, the FTC report was almost all based on anecdotal
evidence. There was very little empirical evidence
adduced at all. The NAS did a few more studies on many
topics, and I think it backs that up a little bit more.

With regard to the U.S. Patent and Trademark
Office, they have traditionally been more conservative,
frankly, than the courts, traditionally. They have
proceeded very cautiously in terms of moving into new
subject matter traditionally, and they have been very
rigorous, I think, in terms of how they tend to implement
the obviousness standard, at least initially. Because I
say, one of the biggest complaints I often have to deal
with in my current practice is the complaint that folks
have that the office will not allow their case, despite
the fact they believe it is clearly allowable, and they
cite – they write extensive briefs to back that up. One
of the interesting things about – I think about the NAS
study – is that it is going to use at least two examples,
genomics and business method patents, which frankly is
about three or four percent of the number of patents
issued each year, to drive the change in obviousness.
Now whether that should drive that change at 3 or 4
percent, should drive that change or not, we can argue as
well. But business method patents have now, because of
the second level review, only 17 percent of them have
been getting allowed – only 17 percent of business method
patents in Class 705, on average, get allowed. The
bigger complaint from the folks who want those patents
is that they are not getting them out of the office, not
that too obvious business method patents are issuing. So
I think we have to examine that a little more closely.
Some issues – I think there are some areas where we ought
to look. I proposed two rules that affect this area when
I was in the office, one is what is called Rule 105, that one made it, and that allows the examiner to make an inquiry of priority of the applicant on their own initiative. It is relatively under utilized, as I understand at this point. I think it could certainly stand to be utilized more. It was widely opposed by the Intellectual Property Community, by the patent bar, in particular. But we held the line on that one and that one became implemented.

I also proposed another rule. It would allow examiners to apply general knowledge that they had. This is a topic of several speakers, it is a topic of general discussion, and I would disagree with Professor Eisenberg to a degree. I think examiners are not these stale Ivory Tower folks who are not keeping up with the art at all; on the contrary, they are on the cutting edge of the art all the time. It is coming across their desk in a steady stream and they deal with the state of the art at this level, of the current state of the art at a very high level. So I think there are opportunities for them to apply general knowledge if they are aware that they are able to now. The CFC really does not let them do that, they have gone so far - I respect and admire Judge Newman enormously, but she wrote an opinion last year and went so far as to say - or two years ago - that examiners
could not even apply common sense to the examination of
patent applications, and I think that is really pushing
the line a little far. But, having said that, that rule
that I proposed was shot down. It was so widely opposed
that we had to back off of that rule. With all due
respect to the panelists, I do not remember any of them
sending a letter and saying that rule was a good idea.

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

The motivation to combine is a tougher one
principally because the CFC has continued to push the
envelope, I think, on that issue. However, one reason
why they do it is that it is awful easy. It is awful easy to apply hindsight once you have got references in front of you. And to have Reference A which has got Element A, B, C, D, which has three more elements, and D has three more elements, and to say, “Well, look, anybody could have put those three things together, they are in front of me right now, I see it.” That kind of hindsight is easy, and perhaps too easy, and so what I think the CFC is saying is you need to come up with even more rationale for combining those. Could we change that? Could we tweak that a little bit? Sure, we could. But I am, as most of you know that have heard me speak, I am more of a calibrator than a wholesale change guy, and so I think that is a calibration. What the real issue I think – well, let me talk to the peer review thing real quickly. I think that Professor Dreyfuss articulated a number of the problems with it. A peer review panel for those last 100 patents that we just have issued, or the one patent that issued in the last minute I have got here is a big challenge. I get it if you are going to have peer review panels for genomics, or you are going to have them for very sophisticated technologies. Where is the peer review panel for that largest of classifications in the PTO – golf equipment? Where is the peer review panel for boxes? Where is the peer review panel for what we
used to euphemistically call “vermin control,” or mousetraps? They are out there, but getting those folks together for a peer review process is a pretty daunting task. We do do parts of those things. The Office, rather, does parts of those things now. They have for very advanced technologies biotech, business methods, now nanotech. They have quarterly customer partnerships where anybody who wants to can come in and meet with the examiners as a group, they can meet with the senior leadership, there are structured learning that go on, there are seminars that go on. They are very valuable.

Also, when a new technology comes along, to the extent they can, the Office – I did it with business methods – tries to draw on those communities to help teach the Office. We brought in, for example on business methods, the Securities Industry Association, the Check Cashing Association, the American Banking Association, a number of those organizations to train examiners both on the art itself and also where to find the art, and I think that is a pretty reasonable mechanism to work on.

So where does that lead us? The PTO needs more money, frankly, the examiners need more time, and that is a function of money, each hour of additional time across the PTO costs between $15 and $18 million, so they need more money. They need greater access to prior art, and
they need better search tools – they have great search
tools, and they need even better search tools. Thanks
very much.

MR. BARTON: Let me try to concentrate on a
particular example. I think I am pretty much known as a
non-obviousness hawk, but I am going to try to give a
more balanced picture if I can and describe a little bit
of what is at stake and sort of the philosophical
differences on where you go with different non-
obviousness standards. And I am going to concentrate on
one of the principles of the CAFC, the principle of
obvious to try, and I must say I was very helped in my
study of this by Brad Wah (phonetic) who is sitting right
there in the third row, who did a lot of work for me in
this area while he was a student at Stanford.

Obviousness to try at one point was a basis for saying
"You can’t get a patent.” In other words, this patent
results from a research effort that you suspect is going
to lead to an answer to a problem, you undertake the
research effort, get the answer, and since it was obvious
to try this particular research effort, you should not
get a patent. Judge Rich came along and stated as
follows, “Slight reflection suggests, we think, that
there is usually an element of obviousness to try in any
research endeavor, that it is not undertaken with
complete blindness, but rather with some semblance of a
certainty at success, and that patentability determinations
based on that as the test would not only be contrary to
statute, but result in a marked deterioration of the
entire Patent System as an incentive to invest in those
efforts and attempts, which go by the name of research.”

In other words, we want people to do research even though
it is obvious to try the research and, to encourage them
to do the research, we therefore grant a patent. Now,
interpreting the CAFC’s obviousness to try cases is a
nightmare, and they certainly have ended up somewhere in
between those two extremes, and I think sort of a basic
situation of where they are is you can get the patent in
spite of the fact there was obvious to try in their
strategy, depending on how likely success looked when you
undertook what was going to be obvious to try. Okay, now
let me apply that to a particular example, the genomic
patents. At one time, of course, it was genuinely very
difficult to get the sequence of a gene. Today, we can
get the sequence of a gene from a machine. We can get an
insight like whether or not a particular mutation is
associated with a particular disease and know what I am
thinking, now particularly if things are like the
diagnostic patent such as the breast cancer patents which
have been issued and have been so controversial in many
circles from the medical perspective. You know how to do
that now. You know, you know now how to run all the
things on a chip and run a lot of tests of a lot of
people and find out with pretty high confidence, you
know, if you put enough money into it, you can design a
project to determine what genetic sources are associated
with a particular disease. Similarly, and what I put
together with the genomic Patent System, and that is just
my perspective, it is now pretty obvious - again,
sometimes very difficult - but pretty obvious how to get
the precise structure of a biological crystal, a
biological protein. And yet I can now get a patent on
the protein coordinates, I can now get a patent on the
use of the knowledge that gene sequence is associated
with disease Y; I can now get a patent on a gene itself,
I mean, subject to - I mean, obviously you do not
infringe the patent, but the separated gene, design of
pharmaceuticals based on the gene, and so forth.
Alright, so then in some sense obviousness to try
precisely affects the patentability of these categories
of information. And I do want to put it as information
because we are really patenting information in these
contexts, and there is an obvious question whether or not
this should be patentable subject matter - that is
another set of issues which is related to genomic
patents, but certainly now that we know how to get these sequences by an automatic mechanical process — I am overstating a little bit, of course — are they not obvious to try? Alright, and the CAFC has, in effect, told us no. It is obvious to try a particular research direction, but knowing how to do the research direction does not tell you the shape of the protein, does not tell you the sequence of the gene, therefore it is not obvious what the result of that research project is going to be. Alright, so that this is a case in which the obviousness to try principal is one which the CAFC tells us to use, and you can see Judge Rich is looking for it, it is one of the reasons why we issue patents which, in some people’s minds, raise some questions.

Now, I promised to give you a balanced perspective and, in fact, currently, because I read so much about this set of patents, and I have written much about it, I also want to understand the industry, so I am trying to investigate the diagnostic genomic industry, understand better how it works, and understand better the role of patents in that industry. And it is becoming abundantly clear to me that a large amount of money is being invested as a result of the fact — almost certainly as a result of the fact — that patents are available. In other words, the Patent System is in this context serving
its role of providing an incentive to investment. Just as Judge Rich suggested, the Patent System is serving its role as an incentive to carry out research – even if you know the research is going to automatically succeed – so that we are then faced, and this is sort of the dilemma I want to put you with, if we accept Judge Rich’s perspective with the obviousness to try arrangement, then we are going in the genomic context to say, “We grant these patents because there is a genuine incentive factor there, and it is genuinely working.” And we face the cost, the cost being it is very hard for Affymetrix to put together a chip which scans for all the different genomic mutations which a baby might have because they have to go back and get a license from a zillion different companies in order to produce that chip. Similarly, it is very hard for a pharmaceutical company to work with drugs against a protein crystal X, with incyclical kind of analysis of the technologies, because somebody has a patent on the use of those coordinates and theoretically the company could simply go out and measure them, so that we are indeed creating some incentives and we are also creating a set of complications. If I broaden that to industry, in general, what Judge Rich is saying is, “We want a system which rewards routine research and encourages routine research because it is
good,” and he is absolutely right. But the counter argument is, “Don’t I want to preserve the monopoly, the Patent System, for those cases in which the research level is a little bit above sort of the normal level of research in the industry?” If I am going to reward sort of the normal process of industrial innovation, if I am going to reward that with patents, you know, sort of Model A to Model B, if I am going to do that, then I am going to increase the number of patents and I am going to create significant problems of having to negotiate cross-licenses and all that kind of stuff. So I want to suggest what the tensions are here. You know, my ultimate bias is pretty clear and my proposed, you know, to put my standard - but I want to make sure that you see both sides of it before I do that. You know, my bias would be the CAFC is currently saying the standard is whether the invention would certainly have been made by a person of minimal skill in the art who was unable to integrate the different concepts present in the art, and I would like to turn that into “to grant a patent only if the invention is more substantial than that regularly made by a person of average skill in the art, being funded and supported in a way that is typical in the relevant industry.” And at least my proposal as to how to do that is a little bit different from Rochelle’s and
Becky’s, but it is - you know, but I think that is one of the dimensions we need to be talking about because, there is no question, it is a hard standard to apply, it is a judgment standard in any call, and I think that has a strong tension, given the actual pressures present on the examiners of driving it down, particularly given what the CAFC is saying. But at least my proposal would be to try to include what the patent application - or maybe in some other context - some kind of indication of sort of the way routine innovation is going in this industry. How much do you change the technology from the pentium computer, from the pentium chip to the itanium chip? That is sort of the standard baseline. Does this go above that baseline or below? Now that is a judgment call, too. But I am wondering if there is a way to get that kind of evidence into the process.

MR. MYERS: Ron?

MR. LAURIE: Thanks, Mark. I just wanted to say what a pleasure it is to be on this panel and part of this program. I just wanted to give you a little bit of disclosure on my particular perspective, which I think is different than anyone else up here, and that is that - I take great pleasure in telling people that I used to be a lawyer - I am now operating at the intersection of patents and capital formation in a firm that calls itself
an IP Investment Bank, and I can tell you absolutely that
patent quality is essential to ensure that financial
markets make correct investment decisions in connection
with technology. I see this every day. Any uncertainty
about the value of a patent creates misallocation of
resources in the financial community. I would like to
make just introductory remarks on the “but for” test that
is set forth in the report. I think the “but for” test
is a useful contextual construct in many cases, and
certainly reflects one of the key policies underlying the
patent laws, and that is, of course, the policy of
incentive by reward. If the incentive is not necessary
to produce the invention and its commercialization, then
there is no point in offering the reward. I think,
however, there are two other policy bases for the patent
laws that the “but for” test does not address. One is
the public disclosure or dissemination of technology
policy. The “but for” test ignores the possibility that,
even though an invention would have been made and
commercialized, that in some cases it would have been
kept secret. And this, of course, affects a very
delicate balance between the patent laws and the trade
secret laws. Certainly many, in fact probably most,
inventions will be disclosed upon commercialization, but
there is a lot that will not, particularly in the

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Waldorf, Maryland
(301)870-8025
software area where past practice was to distribute under confidentiality. The other policy that I do not think “but for” adequately addresses is what I call the “forced improvement policy.” That is the motivation to design around existing patents and thereby advance the technology in ways that would not have happened but for that forced requirement to avoid doing what is claimed in the patent. With regard to the issues of motivation and commercial success, I absolutely agree with Todd that the PTO has got it right, there is no lowering of the bar at the PTO in terms of obviousness. The cases that I see being examined, especially in software and business method areas, are – if anything, the PTO is taking a very tough position. And I would refer you not only to the MPP which applies to all subject matter areas, but particularly to the recently published examination guidelines on obviousness in connection with business method patents. There are, I think, 20 some examples – fairly detailed examples, of how tacit knowledge and nature of the problem to be solved, and mere conversion – mere automation of a manual process, and many many other things that are not explicitly taught in any of the references that are combined, how those are folded into the obviousness decision by the Patent Office. To the extent that the Federal Circuit does evidence a trend
toward lowering the bar, I have read the cases, I think
many of them can be explained on other grounds. I think
there is an increasing emphasis on requiring the Patent
Office to build a proper administrative record for
judicial review, and therefore there is a great antipathy
toward what the Federal Circuit calls “conclusory
statements of the skill of the art.” I think all that
means is that the examiners and the Board of Appeals
members have to document the basis for their tacit
knowledge, and not just cite it as something they know.
I think that is an easy hurdle to get over; for example,
in the Internet area, the tacit knowledge that one can
perform many business methods that were previously done
manually or in a face-to-face manner on the Internet,
that is the kind of tacit knowledge that will not
ordinarily appear in the references because it is so
totally obvious – forget that word. But it is not a
problem because it is certainly easy to show with any
textbook or newspaper article that implementing physical
processes on the Internet is well within the tacit
knowledge and skill of the art. I also think that the
trend – and I will defer to my academic colleagues on the
extent to which there is a trend – but a lot of the trend
can be explained on the basis of the general concept of
what I would call the Federal Circuit’s diversity of
opinions. I think, on many issues, you can find opinions all over the place, and I think the more recent case law, the Ruiz/Chance case puts us back on the right road, at least in connection with consideration of the effect of nature of the problem on whether the solution is obvious.

Finally, on commercial success, just a quick note, it seems to me commercial success comes up in two different ways and they ought to be treated differently. The first case is where commercial success is coupled with long felt need. There is kind of a common sense reaction that, if there is a long felt need for a solution, and it is recognized that that solution will be commercially successful - now, keep in mind, that is commercial success measured prior to the invention - so if there is a long felt need and a recognition that satisfying the need will be commercially successful, I think it is common sense to say that the solution is not obvious because making money is something that everybody wants to do, and if the need is recognized, and the fact that the solution will be commercially rewarding is recognized, and the invention is not forthcoming, that is very strong evidence that it is not obvious. On the other hand, where it is not coupled with long felt need, but where commercial success is just a consequence of the invention, then I absolutely agree with the report that
commercial success could be due to many other things than
the invention, and it is entirely proper for the burden
to shift to the patent owner to demonstrate clearly that
the commercial success is tied to the patented invention
- that is in court. Now, I have a little trouble
applying that to the Patent Office and having examiners
analyze submissions of commercial success. I mean, the
introduction of business method patents caused quite a
disruption and a lot of people were saying that now we
have to get examiners with a background in computer
science that had an MBA from Wharton in order to
understand the significance of the business method; ditto
in spades if the examiners have to start analyzing and
rebutting economic evidence of commercial success. Thank
you.

MR. LEMLEY: Let me ask a couple of questions
directed to the specific proposals that are before us
today and then we will open it up to the floor for
questions. The first has to do with the issue of
combining references, right? And there has been some
discussion of what Ron, I think, quite properly points
out as the meandering Federal Circuit case law on the
question of whether you must have an actual suggestion in
a reference in order to combine it with another
reference, or whether you can find motivation in some
other source. And I guess the question for the panel -
Ron talked a little bit about this already - what is
right? Is the FTC right here? I mean, are we to be
finding motivations to combine references outside the
documentary corners of the reference themselves? And, if
so, where is it we are going to find it and how? Right?
Is it testimony? Is it some base of examiner knowledge?

MS. EISENBERG: This whole approach seems to
me to be fiction upon fiction. You know, we start with
the fiction that the person having ordinary skill in the
art has access to every single reference, you know, sort
of the Winslow Tableau fiction. And then we presume that
the person does not know how to combine references unless
there is some suggestion or motivation to do that.
Another point of inconsistency in the Federal Circuit’s
decisions is, is the issue whether we are motivated to
combine references, which is this highly artificial
question, as if, you know, somebody trying to solve a
technical problem goes to the library and tries to
identify references that will help them. Or is the
motivation to combine elements? It seems the combining
of elements seems like a much more logical way to proceed
if the focus is on what can we expect of ordinary
artisans in the fullness of time, with or without patent
protection. On the other hand, if your focus is more on
the prior art references themselves, then you start thinking about whether there is a reference to combine. Ron had an interesting point, I think, about the value of disclosure and it may be that when the prior art references themselves are weak, or when the written record of the state-of-the-art is weak, then there is a stronger interest in using patents to bring about greater disclosure, even though maybe it is not bringing about any greater innovation. So it might look different from that perspective.

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

MS. DREYFUSS: Yeah, I mean, I think my point is very similar to that one. We over-treat inventions as if they are true monopolies, and Judge Rich has often said they are not true monopolies for purposes of thinking about what the patentee can or cannot do with this monopoly, but they are also not true monopolies in the
sense that there are not other inventions out there that are like that or similar. And I think if you look within a field, you see the way that people within the field think, and by taking an invention within sort of the entire scope of inventions that are similar and thinking about why is it that people in the field look at - how do they think about the direction in which they are doing research, you can start seeing trends in the way that people in chemistry think, or trends in the way that people in mechanics think. And I think all of that helps. It does not have to be written down. You can see the trends in the way that people think.

MR. LEMLEY: Let me follow-up on this if I may. So if we want to look at the sort of general way in which people think in the field, right, how they might think about combining elements, right? And if we want to look, as Ron points out, not just at the printed publications but what is going on in the business, right, the Section 102a art the public uses, and all of that stuff, and then we also talked a little bit about secondary considerations, right, another element of the FTC report, we want to look at economic evidence, commercial indicators or success, what were people doing, how does the industry react to the invention, right? All of these are relevant questions for obviousness. They
also seem questions that the PTO is going to be essentially unable to deal with, right? I mean, not only given the resource constraints, but also given the way in which we structure the inquiry, right? The PTO does not have the ability to go out and talk to everybody in the industry, right, to go out and collect evidence of public use, to go out and collect evidence - economic evidence - of commercial success. Are we necessarily by focusing the obviousness inquiry on this broader question, are we necessarily relegating it to the courts and saying the PTO is just not going to be able to do some of the things we want to do in the obviousness inquiry?

MS. DREYFUSS: I think the examiner is doing a lot of that stuff. I mean, that is just Todd’s point. The examiners are sitting there and they are seeing everything that is in their piece of the world, and so they are seeing each and every inventor as he comes along - or applicant - telling the PTO what it is that they are doing. I think the examiners actually do get a very good sense of what it is that is in the art. And I think Becky’s point that we should be deferring more to the examiners, that, to me, has a lot of resonance because that, in fact, that part they do see. They are seeing the way that people think about pushing the frontier slightly forward, making incremental changes. And, you
know, not to push the NAS Committee Report, but I think
the opposition procedure is also a piece of that because
it brings people from the outside in in the cases in
which the examiner has not seen stuff that is in public
knowledge, but not in print.

MR. DICKINSON: Mark, I have a one word answer
to your question – Google. You were listening to the NPR
series on search engines this week. But let me elaborate
a little more on that, and not to put too fine a point on
it, because it obviously can still be improved, but the
PTO has access to some of the world’s most extraordinary
databases, and has very facile tools for accessing those
databases. They also have print libraries with research
librarians whose whole job is to try to help them dig out
that piece of priority. Do they not always get it?
Absolutely. Are there opportunities for improvement?
Always. But to premise the whole argument on the fact
that the PTO’s examiners are just sort of sitting around,
poking around, and doing a Google search is just not the
way it works. We also have another opportunity that gets
overlooked, it is another rule we put in place called
Rule 99 because we have publication now at 18 months and
I think what most people would support what the FTC
Report does making publication universal, you have got a
political challenge there with small inventors, but other
than that, if you believe that there is prior art that
the Office is not considering, you have an opportunity
under Rule 99 to send it in. It is vastly under-
utilized, still. That may be partly structural, but I
think part of my job and others’ job is to make people
aware that that is out there.

MR. MYERS: John.

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

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

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

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

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

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

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

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

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

MR. DICKINSON: I was very pleased to put back in full scholarships to law school for any examiner who wanted to go, it has been cut out in the latest
couple of budgets, I am disappointed in that. I think we need to get more legal training. Only four of the 26 Group Directors are lawyers now in the PTO, I believe that is scandalous. I think we need to have much more legal training, as well.

MR. MYERS: Identify yourself, please.

MS.: [From Audience - off mike]

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

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

MR. MYERS: Yes, sir.

MR. : [Audience – off mike]

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

MR. LAURIE: The fact that the litigation is
so many orders of magnitude more expensive than the
prosecution, to me, is the best reason why the
prosecution ought to be as absolutely good as it possibly
can be in order to avoid tremendous misallocation of
resources.
MR. LEMLEY: Alright, please join me in thanking the panel. [Applause]
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

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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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(301) 870-8025