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3 FEDERAL TRADE COMMISSION
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7 PATENT REFORM WORKSHOP
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14 BANCROFT HOTEL, BERKELEY, CALIFORNIA
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R E M A R K S O N P A T E N T R E F O R M

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JUDGE WHYTE: Good afternoon, everyone. I was asked to give the bench's reaction to some of the proposed reforms that have been suggested by the FTC and others, so I thought I should begin my task or assignment by sending out an e-mail to my colleagues and asking them for input, and what I did was I sent them a two and a half page summary of the Executive Summary of the Report, and referred them to the 315-page report that was on the Web. And I thought it would be useful to give some of the responses that I received. I got a high percentage of returns from my colleagues and let me start by reading a few of the more insightful ones. The first one I received was only two words: "Good grief." Then, from someone - well, I will just read it, "The meaningful reform would be the elimination of jurisdiction for the District Court in patent litigation. And quote me on that." I won't give you the author, but his brother is on the Supreme Court. "I have a few suggestions you may want to seriously consider. Require patent litigators to wear boxing gloves, allow courts to charge patent attorneys an hourly fee for Markman hearings." And the final insightful one, I will read to you, it says, "These patent cases involve more acrimony than any other

1 category of cases which I have, including an actual
2 fistfight in a deposition." Well, that gives you a
3 little flavor of some views.

4 Let me now turn to a little more substantive
5 comments. These comments are somewhat the comments of
6 the judges that I surveyed with a sort of heavy gloss of
7 some of my own thoughts. I would say it would be fair to
8 rule or say that the judges in general affirm the FTC
9 recommendations. I think they felt they were well
10 thought out and generally made a lot of sense.

11 I would like to comment briefly on some
12 observations about the Patent System from the court
13 standpoint and perhaps with a gloss, as I say, of my own.
14 I have essentially three points. One is that too many
15 patents are issued. Whether the figure is 98 percent,
16 which shocked me, that I read in the report, or only 74
17 percent, it seems to me that that - maybe it is too wrong
18 a word, but is absurd. It almost reminds me of the
19 Emperor's New Clothes - if you are in the system, you
20 look and you say, "Well, that is the way it goes, that is
21 okay." If you step back, and some of us like myself -
22 when I became a Federal Judge, I had absolutely no
23 experience in intellectual property or patent law, and I
24 think the most shocking thing I learned after I had been
25 on the bench for a while was that the percentage of

1 patents that are applied for actually end up being
2 issued. And I think, since I was shocked, I teach an
3 extern course at Santa Clara Law School, I have asked the
4 extern class what percentage of patents that are applied
5 for do you think are issued. I have had high school
6 students into the court and I have asked them, and at
7 least their perception or belief is, "Gee, it would be a
8 very small percent of applications that are issued
9 because a patent is an invention, and inventions just do
10 not come along every day." But it seems - and I kind of
11 agree with that, and it seems to me we have got a system
12 that needs a real look as to trying to change so that we
13 really have an invention when we issue a patent. And I
14 think there are some ways that this might occur, one
15 obviously is that the PTO change its approach. That is
16 difficult to do, but it seems to me that an examiner's
17 attitude, particularly if we continue with this ex-parte
18 process, has got to be courteous, but very skeptical of
19 any application.

20 Also, it seems to me that the FTC's proposal
21 for a post-issue reexamination procedure - and I
22 understand Professor Merges is writing an article on this
23 - has appeal, but I was curious and I did not see much
24 discussion in it as to the effect on a later infringement
25 validity lawsuit between two private parties, what effect

1 the post-issue reexamination procedure would have. If we
2 are talking about something that would have some sort of
3 Chevron deference, in other words, essentially the
4 District Court would get out of the business of reviewing
5 validity decisions, that might make some sense. Then
6 other questions that were raised in my mind is, well,
7 would there be some sort of exhaustion requirement if you
8 are challenging validity? Would you have to exhaust, or
9 at least try to exhaust this post-issuance reexamination
10 procedure? If such a system would eliminate or lessen
11 later litigation, I think it makes some sense. If, on
12 the other hand, we ended up with a system that just added
13 an administrative layer to the process, I think that
14 would be bad. So I think the idea is a good one, but
15 there are some unanswered questions, at least in my mind,
16 and I think my view there is consistent with those of
17 some of the other judges.

18 Secondly, and this I know was talked about this
19 morning - unfortunately, I was not here, I would have
20 liked to have been - is with respect to the presumption
21 of validity and the clear and convincing evidence
22 standard with respect to validity determinations. I
23 think now, to some extent, and a little bit depends on
24 the court you are in, that the existing law is kind of a
25 double whammy against the party challenging the patent

1 because if you instruct a jury that a patent is presumed
2 to be valid, and it has got to be proved invalid by clear
3 and convincing evidence, you really are suggesting there
4 are two things, 1) there is the clear and convincing
5 evidence standard, and then, 2) there is also a
6 presumption of validity. And it seems to me, really,
7 what the presumption of validity is is a mechanism for
8 shifting or explaining the burden of proof. So at least
9 if we had a current system, I think it should be made
10 clear, and I think in most model instructions now, the
11 committees that have prepared those instructions, have
12 gone this route, that, say, something along the lines
13 that since the patent was issued by the Patent Office,
14 the burden of showing invalidity is clear and convincing
15 evidence, but it says nothing about a presumption because
16 a presumption itself really is not evidence. It also
17 seems to me that if we do not change whole-heartedly the
18 burden of truth to a presumption of validity as opposed
19 to clear and convincing standard that there ought to be
20 made clear a distinction between what deference is given
21 to the Patent Office's decision based on what the Patent
22 Office had before it. For example, if an applicant
23 disclosed certain references and pointed out the argument
24 against patentability, and then answered it, it seems to
25 me that applicant should be entitled to some

1 consideration – heavy consideration – if the Patent
2 Office then issues the patent and it is later challenged.
3 Conversely, where the applicant fails to raise certain
4 matters for material prior art, and the file does not
5 show that the examiner ever saw it, then it seems to me
6 that the presumption of validity has little weight or
7 should be given little effect. The fact that if you did
8 have sort of a duel standard along those lines, one of
9 the things it would encourage, or that it would have the
10 effect, it seems to me, of encouraging applicants to do
11 searches, as opposed to now not feeling they have to
12 undertake a search because they might find something that
13 would be harmful.

14 The willfulness issue is another issue that is
15 a constant concern to the court. It is a real pain, to
16 say it a little more bluntly, but I do not know my
17 audience well enough, but there are constantly problems
18 with, well, if you rely on an attorney opinion to defeat
19 willfulness, how much of the attorney-client privilege
20 have you waived? Are trial counsel's notes available?
21 It is just a nightmare. And for those of you who are
22 practitioners or law professors who have studied the
23 issue, or anybody that is interested, you will find that
24 the courts are not consistent at all as to how they treat
25 that issue. My reaction to the Federal Trade

1 Commission's recommendation of kind of a bright line rule
2 that willfulness is only available if the patent holder
3 has been given written notice of infringement or there is
4 evidence of direct copying, makes a lot of sense. The
5 only thing I would add to that is, to the extent that one
6 interprets the law currently as allowing or calling for
7 an adverse inference if you do not have an attorney
8 opinion, I think that law creates a lot more problems
9 than it solves and I think it also risks being a real
10 interference with what is otherwise a pretty highly held
11 privilege, that is, the attorney-client privilege.

12 The last area that I wanted to speak to just
13 briefly is the question of obviousness. The FTC's
14 recommendation, I think, is an interesting one, and that
15 is that we do away with the need to find a suggestion to
16 combine in the prior art and ascribing to one of ordinary
17 skill in the art an ability to combine or modify prior
18 art that is consistent with the creativity and problem
19 solving skills of someone skilled in the art. I think
20 theoretically that sounds like a good idea, and generally
21 I react favorably to it. The one concern I do have,
22 though, is it seems to me that gets away from an
23 objective standard and you would be guaranteed in almost
24 every case a battle of experts. And I may feel a little
25 more strongly than other judges on this, but I am very

1 skeptical of expert witnesses. That is one reason I
2 don't like the willfulness issue as it now exists because
3 I think you tend to develop - attorneys are good
4 advocates and you develop cadres of attorneys that are
5 basically paid advocates that come in - and I do not want
6 to say somebody that is paid will say anything, but I
7 think I found when we were dealing with the willfulness
8 issues, or it was common practice to have a patent law
9 expert testify at trial, that I found those experts to be
10 very much paid advocates, as opposed to someone who was
11 truly independent and giving an honest opinion. So that
12 concerns me. I like the idea, I think obviousness is
13 something that needs to be tightened up, but I do have
14 some question about the practicality of the suggestion
15 that is made by the FTC. One concern I do have about
16 tightening up obviousness, though, is if we do that, does
17 that mean that we are going to get rid of the patents
18 such as the one for swinging by pulling the chains on the
19 swing in different directions, the method for swinging?
20 Or the method for picking up a box without bending your
21 back and only bending your legs? Or, my favorite, the
22 method of painting using a baby's butt, dipping it in
23 paint and stamping it on a canvas. If we tighten it up
24 too much, we are going to lose a lot of our humor. And
25 in summary, I think the majority opinion of the judges is

1 that the FTC's recommendations should be affirmed. There
2 is a dissent that says reverse with directions to include
3 a recommendation that District Court jurisdiction over
4 patent disputes be abolished. I would be happy to take
5 any quick questions if we have got a couple minutes. I
6 think I was supposed to end at 2:00 and it is right at
7 2:00, so maybe that is it. Thank you.

1 Certificate of Reporter

2
3 MATTER Patent Reform Workshop

4 Date: April 16, 2004

5
6 I HEREBY CERTIFY that the transcript contained
7 herein is a full and accurate transcript of the notes
8 taken by me at the hearing on the above cause before the
9 FEDERAL TRADE COMMISSION to the best of my knowledge and
10 belief.11
12 DATED: April 28, 200413
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