THE NEW YORK PATENT, TRADEMARK AND COPYRIGHT LAW ASSOCIATION

NYPTC BULLETIN

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News From The Board of Directors

The Board of Directors of the NYPTC held a meeting on October 17, 1983. There was an initial discussion of an acronym for the Association's new name. It was decided to adopt NYPTC as an acronym, since this was easier to say then "NYPTCLA." The letters NYPTC have been added to the masthead of the Bulletin to acclimate members to the new acronym.

The Board next considered the efforts being made to encourage the Peoples Republic of China to adopt a patent law based on a Western model. There was a discussion of an upcoming visit to the USA by four Chinese officials in the spring of 1984 to explain the new patent and trademark laws. The Board agreed to make a $500.00 contribution to a fund established by the United States Patent and Trademark Office to subsidize this visit, and also to consider the possibility of hosting a dinner at which NYPTC members would be able to meet the Chinese delegation.

A report was given on the upcoming hearings concerning the pending PTO rules proposals. The Board adopted a resolution authorizing Thomas P. Dowd to testify at the hearings on behalf of the NYPTC.

Calendar of Events

January 19, 1984
Joint NYPTC-NJPLA
Evening Meeting
New York Penta Hotel
Neil F. Greenblum -
"ITC Section 337 Proceedings"

January 26, 1984
Luncheon Meeting
Williams Club
David H. Pfeffer -
"The Gore-Tex Decision"

Impact of the New Patent and Trademark Fee Bill: What Hath Been Wrought?*

by John A. Reilly

I would like to review with you where I believe the patent system stands today, and where I believe it is going in the future.

We have a new Court of Appeals for the Federal Circuit for patents and other matters. I think you will agree with me that it is intellectually the finest court that we have had for some time. The new court got its job and the necessary legislation because of the excellence of the patent opinions that the Court of Customs and Patent Appeals and the Court of Claims have been writing over the last decade.

We can be sure that from the new court, we are not going to hear of synergism; we are not going to hear of unusual and surprising results; we are not going to suffer the pervasive misconstruction and misreading of the *Deere* decision that exists in other Appellate Courts today. In other words, we will not hear that consideration of the prior art, the claims and the level of skill is, unless the case is close, the end of the case and the proofs as to matters of "secondary significance" are to be ignored. All that, I think, is finished.

Also, the current practice in the old courts of "tacking" references together to form a mosaic of anticipation, even though the references themselves suggest no such mosaic, is over.

I only hope that we are going to be fortunate enough in the future to be able to find men equal to the towering figures that we now have on that court; men like Judge Markey, Judge Rich, and the others, who are setting high standards for those who will follow them.

We have a second reason to have an optimistic view about where we stand today. Certain decisions in the last years of the old Court of Customs and Patent Appeals (and I refer primarily to *Chakrabarty* in the field of microbiology and *Dieher* in the field of computer programming, which, by their incisive reasoning, compelled the agreement of the Supreme Court and dictated the substance of its decision) have properly defined the field of patentability and have produced a renaissance in important areas of American research and industry. These results are the best evidence we could possibly have to demonstrate the efficacy of the patent system in promoting widespread new activities in research and industry, to the benefit of all.

We also have a vigorous Patent Office under a dynamic new Commissioner, who is obviously dedicated to modernization, efficiency and good housekeeping, as well as the application of sound patent law.

For these reasons, I say the patent system has survived a half century of determined attempts to destroy that system as we have known it.

I wonder if many of you remember what it was like to try a patent case for the patentee, say about 1950. Do you remember the atmosphere in the courts in those days towards patents? Permit me to remind you. My old partner, now unfortunately deceased, Ralph Chappell, and I tried a patent case in that year. It was a case that involved an engineer's tape that instead of being etched, was a smooth ribbon of steel coated with white paint and printed black numerals. Almost all engineers' tapes now are made that way. Before the invention that I am speaking of, none were. It was, to my mind, a very important invention. I had spent three years in the Corps of Engineers in World War II and I knew engineers' tapes and what was wrong with them, and I believed we had explained the problem and the

effectiveness of the patented solution to the court.

However, in the middle of that trial, the court reared back and said, what's wrong with the Patent Office when they issue this sort of a patent? The attorney on the other side said — I don't know, your Honor, I am not admitted to practice in the Patent Office and I frankly wouldn't want to be, and I don't know what they're doing down there. Need I say, the patent was held invalid.

In those days, I can tell you that people thought patents and patent lawyers were about to become extinct. When I applied for my first job as a patent attorney in New York City in 1947, I was asked if I knew what I was doing. Didn't I realize that there was probably not going to be a profession of patent law in ten years?

It was unfashionable then to sustain patents. We were the advocates, you may remember, of "monopoly," and we were unpopular people. People at that time wrote articles about humorous and ridiculous patents that the Patent Office was supposed to have issued. Judges, when they sustained patents, very often indicated that the decision was not to be published. It was a hard time to stand up for a patentee.

I had the honor of carrying Ted Kenyon's briefcase for over ten years. He was the happy warrior; he never quit; he never lost his smile, and I don't have to tell you that he was an excellent trial lawyer, and he won many patentees' cases, with or without me. But I can tell you that we had some hard days together in court when it was very difficult to smile.

Let me give you another example. When the argument in the *Adams* case was to be heard before the Supreme Court, and I entered that morning to hear the arguments in *Deere*, the benches along the sides of the courtroom where the judges' guests sit were full of children. The judges had invited children because that was the day the patent lawyers were appearing. We put on our show, with our charts and drawings, pliers and screwdrivers and a little light that went on. We did everything we were expected to do, and maybe more. It all helped, and, to my gratification, as matters proceeded, we received a very courteous and friendly reception from the Court; but it was hard to open when you felt that the odds were against you and that possibly your entertainment value was the best thing you had going for you.

Only a short time before the *Deere* and *Adams* arguments, a prominent member of the patent bar spoke to an audience which included at least one Supreme Court Justice and said that the Supreme Court in the coming three patent cases was going to hold all the patents before it invalid. And I think that was what was expected by everyone, myself included.

You should also know that a few hours after I concluded my speech on the *Adams* case before the APLA annual meeting in Washington on October 13, 1966, just after the *Adams* decision was handed down, the tape of my speech and the notes of the stenographer who was then transcribing my speech, were taken from her by some representatives of the Department of Justice. They were returned a few days later with an apology to me. They should have apologized to the stenographer.

In any event, I did not feel that that act was a friendly or proper one, but I was not surprised.

Why was it so difficult for a patentee's lawyer in those days? It was not only the pervasive lack of sympathy, and indeed, hostility that existed towards patents. It was also the shifting legal sands upon which we stood, particularly in the 1950's.

I don't know if you remember the chronology of Supreme Court decisions over the last half century, but just let me review the major patent ones. I think they will bring back some interesting memories. In 1936, pre-World War II, there was *Cuno*, the "flash of genius," a very puzzling standard to know how to prove up to. Then the *Ray-O-Vac* decision was handed down. It was so good that it stands out in retrospect like a sore thumb, but unlike a sore thumb, much ignored. And then after World War II, there was the *Great A&P* case; you remember, the whole had to be somehow greater than the sum of its parts, and in the concurring opinion by Mr. Justice Douglas, the criteria was that one must push back the frontiers of chemistry and physics and make a distinctive contribution to scientific progress. Hard standards to meet.

And then, almost simultaneously with the *A&P* decision, an incredible event occurred, the Patent Statute of 1952 was enacted and we owe our thanks to the dedicated lawyers and judges who pushed it through — Giles Rich, Henry Ashton, Pat Federico and many other people. They moved the mountain for us.

Then we waited long years until 1966, when *Deere* was handed down — *Deere*, *Calmar* and *Adams*. *Deere* is a fine decision, if you read all of it, but it has been misread by more than half of the Courts of Appeals ever since. These Courts say, read *Deere* up through page 17, stop when you reviewed the prior art, claims and skill level. Only if it's a close case do you go on to what *Deere* says on pages 18 and 35-36, where the Court specifically taught that one *should* look at the secondary factors. Let me add, the rationale of the *Adams* decision stands for the same proposition, a Court must look at all the proofs. How else did the Supreme Court decide *Adams*?

And after that, we had the decisions on synergism, and you know the confusion that has caused, and is still causing, in the various Courts of Appeals and elsewhere.

And these were the shifting sands on which you stood when you were arguing cases for the patentee up until now. That is why the new court and the other developments, which I have referred to, are so important. I mention this not because you don't know it, you all know about it; but I want to remind you of where the Patent Office stood through those fifty years of shifting Supreme Court decisions, the Patent Office stood firm, fair and consistently right with its head bloody but unbowed.

I don't know what your experience has been, but I cannot recall ever reading a Patent Office action or an important Patent Office decision that called for a flash of genius, or a whole greater than the sum of its parts, or one that referred to synergism.

Nor have I ever seen a Patent Office decision that misread the *Deere* decision. Indeed, I believe the Patent Office rules provide that if proofs of matters of "secondary significance" are offered, they must be considered, and I believe the new Court of Appeals for the Federal Circuit has just said that again.

During the last half century, while the courts were criticizing the work of the Patent Office, the Patent Office went right about its business of issuing patents. And that is the vital job of the Patent Office, and it is not entrusted to the courts except in a very limited area and only if the Patent Office has refused to issue a patent. It is the vital job of the Patent Office to issue patents, all kinds of patents, important patents, lesser patents, valid patents and dubious patents, and maybe invalid patents.

And I want to tell you why it's important that the Patent Office not be hindered in that task.

The antimonopolistic effect of patents is uniformly overlooked. There has been a half century of propaganda but a lack of incisive analysis of the true effect of patents. I will tell you that patents are what destroy monopolies. Bert Adams destroyed a large part of the meteorological battery monopoly in this country with his patent. Other important industries have been penetrated by the impact of patents, and competition has been greatly fostered. Remember Major Armstrong and frequency modulation.

Experienced patent lawyers know that the so-called "forest of patents" that some

organizations are reputed to cultivate is as effective a defense as the Maginot Line.

Another important effect of United States patents lies in the skillful use of their foreign counterparts. Those of you who practice international patent law, and it becomes more and more important every day for our domestic companies to do so, know that it is by those foreign counterparts, and foreign proceedings based on them, that you break into foreign markets and smash the monopolies that are structured abroad by the giant combines that American industry faces when it tries to enter foreign markets.

When we penetrate the Japanese market, if we ever do, it will be with patents; Japanese patents based on American inventions, and if the inventions are meritorious, as they will be I am certain, we will be welcome.

Sometimes United States patents that are of dubious validity in the United States are valid and extremely important in foreign countries. Standards differ abroad, and the writ of United States Courts does not run far beyond the continental limits of the United States in many patent matters. Domestic Courts should be told this when they evaluate United States patents. United States patents affect greater territorial areas and greater interests than simply those of their place of origin. Such considerations should affect the ultimate decision on patentability.

Patents protect our vital domestic interests against foreign penetration by competitors having the competitive advantage of a low standard of living for their people. I do not need to tell you about the present plight of those industries in the United States that have had a long-time practice of ignoring patents. It is one of the reasons there are so many people unemployed in the neighborhood of Detroit.

The Patent Office deserves to be permitted to do its vital job, without criticism by the Courts, including the Supreme Court. The record of the Patent Office is better than the record of the courts, and the Patent Office deserves praise for having ignored, and rightly ignored, the criticisms so freely cast upon it over the last fifty years.

Having given you my views on where we stand today, you may well ask — what is the problem that I wish to discuss with you tonight, why did I ask to have the privilege of addressing you?

There is a cloud on the horizon, I believe, and the cloud that I refer to is the method of determining patent fees in the future based upon the expenses of the Patent Office. I believe that the power to tax is the power to destroy, and this is a powerful tax. It is a tax that is not regulated by Congress but is passed over to the Patent Office to levy based upon the amount that it spends, and it falls at the same rates upon the shoulders of a small and limited class of people, whether they be rich or poor, small or great. It is a most regressive tax. The Patent Office now possesses the power to levy this tax.

You know the fees. Over the life of a patent, for a large company, $3,200; for an individual or a company with less than 500 people or employees (which seems to be quite a range to me), half that. No third bracket, no special bracket for an individual or, say, for an individual and four employees.

No one has raised the question of whether or not a "no fee" basis for some group might be fair. Nobody even suggests that it be the other way around, that somebody should receive a fee for making a disclosure.

And what is going to happen in the future? Will fees go up? How many of you read an article that appeared in Forbes Magazine for February 28, 1983? There, a reporter had an interview with the new Commissioner of Patents, Mr. Mossinghoff, for whom, as I have told you, I have the greatest respect. It is reported in that article, that the Patent Office is adding 500 new professional staff members on top of 330 already hired in the last two years. The projected costs are up to $300 million. It goes on to state that much of that cost will be borne by inventors and that in the recent past, the average fee cost for a patent has been increased from $230 to $3,200.

And then there is a quote, which I would like to read you. This is alleged to be a quote from the Commissioner of Patents. He is supposed to have said, "The trade off was between a patent system that was falling off the track and a modern one that would serve inventors but that would cost them."

I doubt if the Commissioner said that. It is wrong, very wrong. It should not "cost" inventors, and when I speak of inventors, I don't mean only sole, indigent inventors. I also mean the companies that support inventors. I include the research and development and engineering companies, and I don't care how large they are.

At the very moment when the fuel of interest is to be added to the fire of genius, the fire gets hit with cold water — a big bill for filing and issuing. It has, I think, and will have, a chilling effect.

You patent lawyers know this well. All patent attorneys have their indigent, lone inventors. We have never had to go looking for *pro bono publico* work. It has always been with us, like the poor. I have never known a patent attorney, private or employed by a corporation or elsewhere, who wasn't filing applications for some poor fellow on a "no charge" or a "little charge" or on a "pay me when you can" basis. But what now? You can't pay the fees for those people. It is unethical. Where will the fees come from? They won't come, and the little inventor will disappear and we will all be losers. Not only patent lawyers. I'm talking about all the people in the country. And when I say, they won't come, I include the research and development and engineering companies who will cut back, too.

Let me ask you, where would Bert Adams have been today? He borrowed every penny he ever spent on his patents. He never had $100 to spare. Today, he never could have afforded to file or issue. Today, he never could have paid the maintenance fees.

For ten years after the Adams patent issued, no one showed any interest in it that they admitted to. Bert could not have paid maintenance fees and the United States Government would have been able to steal his invention and practice it in secret, as it did in that ten-year period, without ultimately having to pay, as it did have to pay.

The fee bill does not even provide for a *forma pauperis* proceeding. It does not provide for any retroactive right to sue, if maintenance fees are not paid, and a secret infringer is later discovered.

But it's not just a matter of protecting the individual inventor. There is no profit to this country in soaking organizations, large or small, corporate or otherwise, that are engaged in research, development, engineering and trying to introduce new products here and aroad. You know the importance of some of the new products we are talking about. We have all been reading, particularly since *Chakrabarty*, about the explosion in microbiology, and the commercialization of microbiological research and new microbiological products. The technical publications, indeed, even the newspapers, are full of information about cloning, antigen targeting, new vaccines, new methods of detecting disease, new remedies, and the possibility that malignancy may ultimately be rendered nothing more than the mechanism that gives beneficial clones immortal life. Some people listening to me tonight are going to have their lives greatly extended by the results of research that is filling disclosures to the Patent Office at this moment.

These events prove that disclosures are for the public benefit, and patent protection gets them to the public for the benefit of the public, fast. Such disclosures must be encouraged and the right to patents preserved.

These new tax-fees in the Patent Office

will reduce research and engineering and development budgets just when we need them most. It will reduce the number of disclosures and the number of patents, foreign and domestic, just when we need them most.

Over the years, the cumulative effect of these tax-fees will slow down and irreparably injure our research, development and patent positions here and abroad. And have no doubt that our foreign competitors will take advantage of it, while at the same time they continue to do what they are doing now, which is to hamper our efforts to compete. If you believe in free trade, as we say we do, you cannot at the same time hobble our ability to compete, research-wise, invention-wise and production-wise.

So where do we go? What do I have to offer concerning this problem? I agree that the Patent Office needs $300 million and more, much more, and should have it. The only question is — where should it come from? Let us review that problem because I submit it should not come from the inventors or the companies that hire them. Inventors should not have to pay for the cost of the Patent Office any more than doctors have to pay for the cost of hospitals. If we tax inventors and their companies for making a disclosure, this is what we accomplish; we stultify the number of disclosures, we stultify the progress of science, we promote the use of trade secrets and we force inventors to buy the right the Constitution says they are entitled to have, and then we force them to continue to pay to keep the right alive.

Why tax patents during their lives? Is it because foreign governments are doing it? Is that a good reason? Is there something bad about patents that continue to live? If there is, why do we have any? If we have them, why should we continue to tax them throughout their lives?

Let me read the Constitution to you. "The Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." Do you promote the progress of science by enacting a special tax, over and above general taxes, levied only on inventors, just at the moment when they, or their supporters, are making a disclosure for the public benefit? I think not. These tax-fees controvert the purpose of this clause of the Constitution. They do not promote the progress of science, they stultify it.

What can be done to minimize this damage? When I conclude, I am going to say again that there is only one thing to do ultimately, and that is to have the costs of the Patent Office borne by its beneficiaries, the American public.

But in the meantime, if the Patent Office is not supported by general taxation, what should be done? I think first of all that the Patent Office should not waste any of its valuable time on *inter partes* disputes. The Patent Office reviews some 80,000 applications or more a year. This is vital to the health of the country. The courts try 200, 300, at the most 350 patent cases a year involving only the interests of several parties and maybe a couple of interested bystanders in the industry. Let the courts take care of all *inter partes* disputes, all interferences, oppositions and contested reissues. The work of the Patent Office is too important to be interrupted or slowed by something that can be handled by the federal courts, and federal courts do not charge the litigants the salaries of people who work on the case.

As far as the disciplinary proceedings are concerned, and I am beginning to read more and more about them in the Official Gazette, I say, put them where they belong, give them back to the bar associations. That is what a bar association is for. It is the duty of bar associations to discipline attorneys. As to patent agents, who are not members of the bar, let the Patent Office handle only that.

If the Patent Office is determined to keep these *inner partes* proceeding, at least do not put their cost on the bill of applicant-inventors. Why should an ordinary inventor or an ordinary company, who is simply applying for a patent, pay the costs of a gigantic interference between, let us say, two of the largest organizations in the country, where the cost over a period of 5, 10 or 15 years may run to many millions of dollars, and absorb the time of many experienced Examiners? Is that to be paid for by a man who simply wants to file a patent application? That hardly seems equitable or right, and the same goes for oppositions and disciplinary proceedings, and the like, as well.

There are lots of ways to raise money besides soaking the inventors. I will give you some alternates; I don't know how popular they will be.

Let us tax patent attorneys $1,000 per man per year. You're laughing, but do you think that's bad? I think it's better than taxing inventors, and I am ready to pay, but I don't think it should be our burden any more than it should be the inventor's burden.

Or how about some revenue from patent copies? Wouldn't you like to be able to buy a printed copy of a patent once again? Unless you order a printed copy right after the patent issues, you never can get one. The Government Printing Office is apparently doing something much more important. I would like to see the Patent Office contract out the printing of patents to a private contractor and charge $5.00 for a printed copy. Let that have a Crown copyright on it so it can't be duplicated, but if you would like one that you can photocopy, make the cost $25.00. Let's have the printed copies available from an entreprenuer so you can get them on 24 hours' notice.

Well, if you don't like any of those, how about a tax on every assignment, every license, every agreement concerning patents, and make recordation of all compulsory?

Or how about a tax on every device or package or label that bears a patent or trademark marking, and make marking compulsory?

Or if you don't like that, how about taking half the fines collected by the Department of Justice? And if that makes you laugh, remember, the Department of Justice wanted a piece of the action from the Patent Office when the fee bill was going through Congress.

If all else fails, there is always the registration system of France, a very disadvantageous alternative.

I suggest to you that the Patent Office at the present time needs someone like Mr. Volcker, the Chairman of the Federal Reserve Board, to keep down the inflation on fees that have to be paid, or possibly a committee appointed by the patent bar to assist the Commissioner of Patents in finding ways to produce revenue, without taxing inventors.

I suggest that the Patent Office needs a program, and the program might be to try to find sufficient economics to reduce the fees by half over the next five years, or the program might be to obtain its funds from general tax revenues.

I say again, I agree the Patent Office needs $300 million and more for expansion and organization, but let us not take it from inventors, but rather from all of us, all the people who benefit from patents.

As patent lawyers, we cannot stand by and permit the Patent Office to be preserved at the cost of destroying that grand part of the American dream, the Patent system of Edison, Westinghouse, Fermi, and yes, Adams.

It's up to you, my fellow patent lawyers, to build a program to secure the legal passage of intelligent legislation, designed to supply the financial needs of the Patent Office without stultifying disclosure and invention and the issuance of patents. We need to fund the Patent Office from general tax revenues, and no other way.

We have a public duty, in my view, to ourselves, to our profession, to the Patent Office and the patent system, as well as to the country, to protect what we know right well is of primary importance to all.

And that is, inexpensive access to the United States Patent Office for all inventors and those who support them.

The United States no longer stands on top of the world in research and invention. We have distributed and squandered our intellectual and scientific wealth along with our other resources. We are the playboys of the western world, and we are about to pay the reckoning. That reckoning should be no harsher than it must be and it is up to you to see that this reckoning is as painless as possible. My fellow patent attorneys, you are the ones who perform the incredibly difficult task of reaching out and comprehending scientific achievement and reducing it to a piece of legal property, bounded by legal metes and bounds, that can be understood by almost anyone. You are the ones with the ability to explain and persuade, and you are the ones with personal dedication to the Patent system. It is your obligation to find the solution for this difficult problem. It is time for us to move another mountain, and I respectfully call upon you to join together in doing so now.

*This article is based on a speech which Mr. Reilly delivered on April 13, 1983 before a joint meeting of the New York Patent, Trademark, Copyright Law Association and Connecticut Patent Law Association.

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