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## President's Corner

As I write this, my final President's Corner, the annual meeting of our Association, and the inevitable changing of the guard, lies only a few short weeks ahead of us, and our most successful 75th Anniversary Dinner in Honor of the Federal Judiciary lies only a few weeks behind us. As significant as these events are and were, they are only markers of the Association year - the real work of the Association, accomplished through the Board of Directors, the Committees and the membership at large, continues throughout the year.

Our 75th anniversary dinner was, again, the largest ever held by this Association, attracting over 2,800 guests, including over 150 honored guests, of whom over 100 were Federal Judges. Other Associations are both envious of this type of attendance, and marvel at the ability of this Association to attract the significant number of distinguished visitors. In fact, this year I heard of an association (from one of the larger cities) who tried to schedule its annual dinner in honor of the Federal Judiciary last year, discovered that no Judges were attending because they were all attending our event, and changed their date.

Of course, that gala presentation and the Grand Ballroom of the Waldorf lend their own attractions. However, I must believe that there is a substantive, as well as a decorative, reason for our success. This year, we were able to attract as featured speakers, not one, but two giants in our profession - Honorable Giles Rich, United States Circuit Court Judge for the Federal Circuit, and Honorable William Conner, Senior District Court Judge for the Southern District of New York. It cannot go unnoticed that each of these Jurists was a past President of this Association. Their speeches, as might be expected, were both entertaining and informative.

What else did we do? Just to keep this column from being overly long, and not meaning to slight any of our hardworking Committees, I refer to only a few of the things which we accomplished: (1) hosting of the 13th Annual Joint CLE Program sponsored by our Association and the Intellectual Property Law

Associations of Connecticut, New Jersey and Philadelphia, under the leadership of Ira Levy; (2) establishing a means for participating in informing secondary school students about intellectual property law, as well as running successful competitions for the NYIPLA Inventor of the Year and Conner Writing Award by our Committee on Public Information and Education, under the leadership of Mark Abate; (3) studying and providing input for various proposed changes in federal practice by our Litigation Practice and Procedure Committee, under the leadership of Tom Beck; (4) running monthly substantive luncheon meetings for members of the Association by our Meetings and Forums Committee, under the leadership of Susan McHale.

While not trying to include every committee, no report of this type would be complete without recognizing the contributions of Greg Battersby and his leadership in the publication of the Intellectual Property Law Annual, as well as the Greenbook, in addition to serving as Treasurer of the Association. This May, Greg deservedly gets on the "ladder" leading to the Presidency of the Association.

Personally, in addition to thanking all of the Directors, Officers and Committee Chairs, I must make a special point with regard to our retiring directors, Mike Kelly and Tom Spath, for their significant contributions, to Howard Barnaby for his dedication to the Dinner in Honor of the Federal Judiciary, to Herb Schwartz in setting up and running the Annual Meeting, and particularly to our Secretary, John Sweeney, for his efforts in keeping things running smoothly, and keeping me moving.

My thanks to the Association for allowing me to serve this year as your President.

-- *Martin E. Goldstein*

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## News from the Board of Directors

*by John F. Sweeney*

The Board of Directors met at The Yale Club on Tuesday, March 11, 1997. President Martin Goldstein presided.

The Treasurer's Report was circulated and approved by the Board. The current balance was high due to the receipts from the Judges' Dinner. Included with the report was a schedule prepared by Greg Battersby setting forth information pertaining to the Judges' Dinners held during the past five years.

Howard Barnaby reported on the 1997 Judges' Dinner. All table assignments have been made and a record number of honored guests will be attending the dinner. It was difficult to determine the anticipated profits from the dinner due to the costs of the two speakers' gifts and the commemorative booklet.

Martin Goldstein reminded the Board that the Association will be sponsoring a brunch for the judges on Saturday morning, March 22, 1997, from 9:00 to 11:00 a.m. He asked for as many Board members as possible to attend the brunch. Ed Filardi indicated that it was particularly important for Board members to attend the brunch to host the judges.

Marilyn Brogan reported on conversations she had with Susan Glovsky of the Boston Patent Law Association ("BPLA") concerning a joint CLE program to be held sometime during 1997-1998. Ms. Glovsky indicated that BPLA members had enjoyed the last joint meeting held on Cape Code in the 1980's. She indicated that the BPLA would be interested in holding the meeting on Cape Code or in the Berkshires. Ms. Glovsky hoped that the Associations could convince the Commissioner of Patents to speak at the meeting. Ms. Brogan stated that she was reluctant to involve the NYIPLA in sponsoring a meeting unless a suitable program could be developed. Otherwise, there could be problems with attendance.

Mr. Filardi expressed concern that Cape Code was too far. Mr. Goldstein suggested that a meeting held at the Foxwood Casino or in Mystic or Newport would be more of a mid-point for the Associations and could possibly generate interest from members of the Connecticut Patent Law Association. Mr. Barnaby indicated that two clients of Horizon Conference Corporation had expressed interest in subsidizing a CLE program, which could help to defray some of the expenses of the weekend. Mr. Goldstein concluded that the consensus of the Board was to give further consideration to a joint CLE program. Mr. Filardi indicated that the Association representatives could meet with Ms. Glovsky concerning the program in conjunction with the Annual Dinner in May 1997. Mr. Filardi, Ed Vassallo and Ms. Brogan would meet to consider this matter further.

Howard Barnaby reported on a request from Fordham Law School that the Association sponsor Fordham's spring CLE program on international intellectual property topics. He indicated that the Association sponsored the program for the past two years. The cost of sponsorship was \$2,500, which entitled the Association to send three persons to the program. Upon motion by Mr. Barnaby, seconded by Mr. Vassallo, the Board approved the outlay of \$2,500 to sponsor the Fordham CLE program.

Mr. Goldstein reported on a request by the court reporters of the New York State courts for the Association to support them in an effort to prevent the state courts from implementing the use of audiotape to record court proceedings. Brian Poissant expressed a reluctance to become involved in what appeared to be a labor dispute. Mr. Spath expressed some concern that audiotapes might not be the best means of preserving trial records. Following additional discussion, Mr. Goldstein concluded that there was no interest in pursuing this matter.

Mr. Goldstein reported that Professor Dianne Zimmerman of NYU Law School had agreed to speak at the Annual Dinner in May 1997.

Mr. Goldstein indicated that he had received a telephone call from Mr. Gabe Katonah advising him of a possible move of the United States Patent and Trademark Office out of its office in Crystal City. Mr. Katonah indicated that the PTO was considering moving out of the Washington, D.C. area and suggested that the Association give some consideration to lobbying for relocation to New York City. After some discussion, it was the consensus of the Board to await more specific information concerning the plans of the PTO.

Mr. Goldstein reported that he had requested Mark Abate to send out invitations to the Conner Writing Competition at an earlier date in order to give the Board more time to review the final papers.

Mr. Goldstein advised that Assistant Commissioner Hampton had contacted him concerning participation by the Association in the PTO Public Advisory Committee. Commissioner Lehman informed him that the Association had been given one seat on the Committee. Mr. Barnaby suggested that the Chairperson of the Committee on Trademarks be designated to attend the meeting on behalf of the Association in order to facilitate reporting of relevant matters to the Committee.

As a matter of new business, Tom Creel asked that the CLE Committee distribute more detailed information concerning the speakers at the upcoming Patent Practice CLE program. Mr. Vassallo indicated that he would fax copies of the program to Board members and arrange for distribution of the program.

Upon motion duly made by Mr. Spath and seconded by Mr. Poissant, the meeting was adjourned.

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## **Giles S. Rich's Speech at the 75th Annual Dinner of the NYIPLA**

I am glad to be here. At my age, I am glad to be anywhere.

I am particularly happy to be in this ballroom of which I have many memories, after attending some forty

of these judges dinners. Like the one at which I heard Learned Hand speak. I was young, and I was fascinated listening to him. I was also foolish, and after the usual preprandial drinks, I found later that I couldn't remember a thing he said.

This gives me an ideal opportunity to express my gratitude to this association for making it possible for me to have spent over forty years as a Federal Judge. By happenstance, it was work I was doing for this association that initiated a chain of events that led to a suggestion for my nomination. That would never have materialized, however, had it not been for the heroic efforts of your president at the time, Floyd Crews of Darby & Darby, in organizing the other Patent Law Associations behind the effort to get me appointed to be the first patent lawyer named to the only patent court at the time, the Court of Customs and Patent Appeals, the CCPA as it was called. And as you know, my present court, The Court of Appeals for the Federal Circuit, was created in 1982 by merging the CCPA with the United States Court of Claims. So, I have much to thank you for.

I have a suggestion for something this association should start thinking about. Although I have no plans for retiring, or taking senior status, or indulging in assisted suicide, any one of which would create a vacancy on my court, nobody lives forever and finding a suitable nominee takes time - not to mention working up support. It would please me to know you were putting your best efforts behind finding me a successor.

Now, I would like to mention a bit of history of this association for the benefit of many of you who probably don't know it.

The Patent Act of 1952, which is almost all of the present patent law, is now almost 45 years old. It was this association that initiated and pursued to enactment the two most important innovations made by that Act: first, the definitions of infringement in §271 and, second, the requirement of nonobviousness in view of the prior art found in § 103.

As to the first - infringement - before 1952, the statute said nothing whatever about what infringement it. It simply gave the patentee a right to exclude and left it to the courts to say what infringed that right. The courts in that respect had also created, in 1871, the useful doctrine of contributory infringement which, in 1944, the Supreme Court effectively abolished in the so-called MERCOID cases.

It was a President of this association, Robert W. Byerly (1944-45), who proposed that we get busy and write legislation to revive contributory infringement and who drafted the first bill to do so, at the same time defining infringement of other kinds. That bill with minor refinements is the law we have today - plus some very recent additions to cover special situations. That bill was also one of the things that led the House Subcommittee on Patents to decide to revise and codify the whole patent statute, Title 35.

As to the second contribution, the statute on nonobviousness, §103, it replaced the vague and undefinable judge-made law requiring the presence of "invention." In other words, to be patentable, an invention had to be an "invention," a rather difficult bit of law to administer. Again, it was this association, through what was then called the Committee on Patent Law and Practice of the then NYPLA, on which I was servicing, that conceived the idea of replacing the requirement of "invention" with a defined nonobviousness provision and putting it in the statute, where there was then nothing whatever on that judge-made requirement.

I hope it will always be remembered that it was another president of this Association - Henry R. Ashton (1957-58) of Fish, Richardson and Neave - who was the king-pin in organizing, chairing and managing the bar's participation in the drafting of the new Patent Act from 1949 to 1952 through an organization he then chaired, the National Council of Patent Law Associations, which temporarily became the so-called Coordinating Committee which was the virtual producer of the new law, based on a first-draft by P.J. (Pat) Federico of the PTO.

Now, to change the subject, if I were asked whether during 40 plus years as a judge, I had learned anything of special importance about patent law, and patent lawyers, I would say this: "Yes I have!" Here

are a couple of particulars.

I have been forced by experience to conclude that patent law suffers from a double Constitutional curse which misleads both lawyers and judges, one generation after another. No matter how often the true meaning of the patent/copyright clause is explained - and it has been often - lawyers and judges seem to like to read the clause afresh and state what they think it means, considering only the words according to the meaning they have today, not the meaning it had when they were written.

The first thing they say is that a patent grants the "exclusive right" to make, use and sell. Well, "exclusive right" is an ambiguous term. A prolific author of patent law text books - Emerson Stringham - said, back in 1937, that the term "exclusive right" was "patent law's most notorious scandal." That, in fact, is the term used in the Constitution; but the Supreme Court held over 100 years ago that all a patentee gets is the right to exclude others, which is not ambiguous. Bearing that in mind, the Patent Act of 1952 changed the wording of the grant from "exclusive right" to "right to exclude others." You may think it unimportant, but it is important because it often affects legal reasoning. Yet, lawyers and judges go right on talking about an "exclusive right." Why?

The second Constitutional curse is in the statement of purpose in the patent/copyright clause, which is: "To promote the Progress of Science and Useful Arts." This is the statement of purpose of both the copyright and patent systems. It has been several times explained, including a statement in both the House and Senate reports on the 1952 Patent Act, that the promotion of "useful arts" is the purpose of the patent system, not science, which was to be fostered by copyright. The connotation of "science" to us today is not what it was to the Founding Fathers to whom it meant all knowledge, which is passed on from one generation to the next by books. Yet, in my position, I encounter, over and over again, in briefs and opinions, the statement that patents were intended to promote science, an uninformed reading of the Constitution. The bar owes it to the judiciary not to mislead them on this subject. And you can probably deduce what I think the judiciary should do about it, something I have to do frequently.

And now, turning to the present and the future, I will conclude with a suggestion of another job for the appropriate committee of this association, on which it should start now.

You all know that my court reviews decisions of the Boards in the Patent and Trademark Office. Many, perhaps most, of you may not be aware that since 1995 the PTO has been waging a campaign in the briefs it files in our court, to persuade us to change the so-called "standards of review" we apply to the PTO decisions we review. The PTO wants more "deference" from us - apparently quite a lot more. The standard they say they are entitled to, by statute, is "arbitrary or capricious." Support for this claim the PTO finds in the Administrative Procedure Act of 1946, by which, the PTO asserts, we have been bound since we were created in 1982. If you want more details on their argument, there is an article by a PTO Examiner in the last Journal of the Patent and Trademark office Society. [79 JPTOS 100 (Feb. 1997)]. The author says his ideas are his own and not those of his employer, but they just happen to track exactly the argument we get in PTO briefs.

In these cases in which the PTO argues for a more deferential standard in reviewing their "findings of fact," the appellants generally do not try to answer fully the PTO standard-of-review argument. In two recent cases, they have said they feel like "bystanders" to a dispute between the court and the PTO. This is where you come in. If and when - and it could be soon - the court feels compelled to resolve this problem, we'll be looking for some complete amicus briefs to help us decide it correctly. You will be directly affected by it.

See you in court! And, again, thanks for an interesting career.

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## William C. Conner's Speech at the 75th Annual Dinner of the NYIPLA

As you may have guessed from Marty's introduction, the real reason I was invited to speak tonight is that I

am one of the few surviving members who are even older than the Association itself. Indeed, I have reached the age when almost every person I meet reminds me of someone I've known before - until I learn that they are. But I haven't aged quite to the extent of the elderly man who was walking through the woods when he heard a voice calling, "Help me!" He looked but saw no one except a small frog who said, "I need your help. I was a beautiful 19-year-old blond with a gorgeous body until a wicked witch, jealous of my beauty, transformed me into a frog. But if you kiss me, I will be restored to my former beauty and will become your personal slave, eagerly obeying your every command. The man picked up the frog and put him in his pocket and started to walk on, causing the frog to ask disappointedly, "Aren't you going to kiss me?" The man replied, "At my age, I just as soon have a talking frog."

I feel privileged to participate in the 75th anniversary dinner of this great association, which has played such an important part in the development of intellectual property law. On such an occasion, it is appropriate, or even obligatory, to look back at the incredibly rocky road we've traveled to get where we are today, in what I have often called the "golden age of patent law."

I fully realize that, as one wag said, nostalgia isn't what it used to be. But the history of patent law for the last 75 years is so dramatic and involved such struggles for the very survival of the system, that it deserves, and indeed demands, retelling. So I beg the indulgence of the veterans present, who lived through all the battles themselves, to bear with me while I recount for our younger members and our guests the thrilling story of how we won the war and made the world safe for research and development.

A number of federal judges, with an endearing excess of modesty, have professed to me that they know little or nothing of patent law. Actually, the only difference between them and the Justices of the U.S. Supreme Court is that the Justices don't admit it. The history of patent law in this country is one of being forced to live under decisions of the Supreme Court imposing requirements for patentability which were impossible to understand or, even worse, were easy to understand but impossible to satisfy.

During the first 30 years of this Association, from 1922 to 1952, we operated under the old patent statutes, which had been changed but little since the first patent act was passed in 1790. The key Section 4886 provided that a patent could be obtained on any "new and useful \*\*\* invention or discovery." Thus, the statute imposed only two requirements for patentability - novelty and utility. But that was before the Supreme Court construed it in the 1851 case of *Hotchkiss v. Greenwood*. That case involved a patent on a device which scarcely expanded the frontiers of science - a porcelain doorknob. The Court decided that the mere novelty and utility of the device were not enough to justify awarding the inventor the right to exclude others from using it for even a limited term. They thus discovered in the statute a third requirement for patentability: that the patented device must constitute an "invention," meaning that it must have involved a degree of ingenuity which they failed to specify. This left the issue of patentability to be determined by each court depending upon its subjective impression of the level of cleverness required. As might have been expected, the outcome of patent litigation in those days was something less than predictable.

In 1941, the Supreme Court, in the infamous *Cuno Engineering* case, tried to bring order out of chaos by ruling that, to be patentable, an invention must result from "a flash of creative genius." But this attempted clarification only created more confusion because it appeared to deny patent protection to all those important discoveries which result from lengthy and laborious investigation and testing, trial and error.

The consternation resulting from this decision was a principal motivating factor in efforts of the House Judiciary Committee during the late 1940's to revise the patent laws. Pat Federico, the then chief Examiner of the Patent Office, was a consultant to the Subcommittee charged with drafting the revised statutes, along with a then-recent past-president of this Association, Giles Rich. Even as they labored through a seemingly endless series of drafts, their effort was given fresh impetus by the 1950 decision of the Supreme Court in the *A&P* case. That case involved another invention which fell short of the level of rocket science - a sliding arm on the checkout counter of a supermarket which allows a customer's goods stacked on the end of the counter to be pulled over to the cashier's station. Again, what should have been

an easy case produced more troubling dictum. The Court stated that patents on combinations of old elements must be scrutinized with special care proportioned to the unlikelihood of finding patentability therein. What the learned justices obviously did not appreciate is that virtually every invention consists of old elements selected and combined in a novel way to achieve a new or improved result. It has been said that the only new element developed in the last 50 years is the transistor. But even the transistor itself can be shown to be a combination of old elements. If the A&P directive were strictly followed, few patents would ever be ruled valid.

Spurred on by the necessity of undoing this latest handiwork of the Supreme Court, the Subcommittee, with the able guidance of Federico, Rich and others, completed drafting and persuaded Congress to enact the Patent Act of 1952. Section 103 of that Act established for the first time a precise definition of a patentable invention. It provided that an invention is patentable unless it would have been obvious to a person having ordinary skill in the pertinent art at the time the invention was made. It also nullified the "flash of genius" requirement by providing that "patentability shall not be negated by the manner in which the invention is made."

This new statutory standard of patentability seemed a model of clarity. Judge Learned Hand of the Second Circuit had no difficulty in applying the statute as it was written and issued several masterful decisions discussing the factors which must be considered in determining the issue of obviousness, particularly a long-recognized need for the invention and unsuccessful efforts of others to solve the problem. But for 14 years, the U.S. Supreme Court did not get around to construing a new statute, and the courts of appeals of the other circuits were giving it wildly differing interpretations. While some circuits were ruling as many as 80% of the patents before them valid, others were ruling invalid virtually every patent they could get their hands on. During one ten-year stretch, the Third Circuit struck down 34 out of 35 patents they considered. In the only case in which they upheld the patent, the panel included only one active member of the court, plus a senior judge and a visiting district judge. I used these statistics as the basis of a petition for certiorari, urging the Supreme Court to construe the new statute and bring a degree of uniformity and predictability into the patent law. I didn't see how the Court could resist that argument. They didn't. They granted certiorari in not one case but three! However, none of them was mine! I consoled myself with the assurance that the door to the Supreme Court had been opened for the unsuspecting attorneys in those cases by my compelling brief!

In one of those cases, *Graham v. John Deere Co.*, the Court issued a landmark decision finally instructing the lower courts how to apply Section 103 in determining the issue of obviousness. Did this end the confusion? As they say in the Hertz commercials, "Not exactly." The opinion created new havoc by referring to such critical evidence of non-obviousness as a long-felt need and the trial and failure of others as "secondary considerations \*\*\*[which]\*\*\* may be considered." Many lower courts understandably read this as meaning that such factors were of minor significance and did not have to be considered at all.

Even our esteemed Second Circuit was led astray. In *Vanity Fair Mills v. Olga*, they ruled a patent on a panty girdle invalid despite an express finding that it solved a problem of crotch discomfort which those in the industry had been unsuccessfully trying to solve for over 20 years. If the punishment fit the crime, the appropriate punishment for that lapse of logic would be a 20-year sentence to wear a panty girdle which pinches the crotch.

Other circuit courts were likewise floundering. As if the situation weren't bad enough, the Supreme Court made things even worse with its decision in *Anderson's Black Rock v. Pavement Salvage Co.* In that case, the Court effectively amended the patent statutes by adding an entirely new requirement for patentability. The invention must exhibit "synergism" which means that when its several elements are combined, they produce an effect greater than the sum of their individual contributions - in other words, 2 plus 3 must equal 6 or more. Synergism is an effect well-known in pharmacology. But in the mechanical and electronic arts, this new requirement, if literally applied, is impossible to satisfy. In every machine or electronic circuit, each element performs its normal function and the result of their combination is always precisely equal to the sum of their respective contributions.

As a result of such misguided guidance from our top court, so few patents were being ruled valid by the courts that many large industrial companies were publicly wondering whether patents were a justifiable investment. Why, they asked, should they spend millions developing, testing and promoting an invention, more money to obtain a patent which teaches the whole world, including its competitors, how to practice it, and still much more trying to enforce the patent in the courts, only to have it ruled invalid so that its competitors can practice the teachings of the patent without having spent a nickel? Wouldn't it be better business judgment to treat new developments as trade secrets or, better yet, to spend nothing on research and development and merely copy what their competitors do? In the 1970's so many major industrial corporations were openly expressing such ideas that the patent system was in grave danger of ceasing to serve its intended function of encouraging research and development. The fire of genius was flickering out for lack of the fuel of economic self-interest.

At this low point in history, it appeared that nothing could save the patent system except perhaps for Clark Kent to go into a phone booth and put on his Superman suit. That makes it all the more incongruous that I'm now going to talk a little about myself. I realize that there is nothing duller than a speaker talking about himself - unless, perhaps, he does it with the attitude of the young man who went to confession and said, "Father, I have sinned with my girl friend." When the priest asked, "How many times?" the young man answered, "I came here to confess, not to brag." And I must confess that, when the situation called for Superman, I was suffering a terminal deficiency of kryptonite.

When, after 28 years as a patent litigator, I was unexpectedly offered an appointment as a federal district judge, I eagerly took the vows of poverty and chastity. Quite frankly, one reason was the irresistible appeal to vanity - the honor of becoming the first patent attorney ever appointed to such a position. There are many who believe I will also be the last, because even those who select federal judges can learn from past mistakes. But there was another factor which influenced my decision to accept the appointment. I had the vain notion that I might be able to do something, I wasn't at all sure what, to stem the judicial tide which was running so strongly against the patent system and even threatening to inundate it. Did I succeed to any extent? Not exactly.

I soon got what seemed like a golden opportunity. I had been a district judge less than a year when I was invited to sit on the Court of Appeals for the Second Circuit in a patent infringement case, *Timely Products v. Arron*. However, when I got a look at the case, I was distressed to find that it was spectacularly ill-suited for my mission to enlighten the world. The patent in suite covered the so-called "hot socks" - hosiery having electrical resistance wires woven into the fabric of the toes and heated by a battery carried in a pouch on the cuff. The prior art included a number of patents on socks heated by resistance wires woven into the entire foot. There was no way I could vote to uphold that patent without permanently destroying my credibility with the circuit judges.

Nevertheless, when I was invited to write the opinion, I accepted with unaccustomed eagerness, thinking I might somehow manage to sneak in a short instruction course in the proper application of Section 103. Thus, apropos of absolutely nothing in the case, I wrote, if you will permit a brief quotation from my favorite author: "If the evidence shows that a number of skilled technicians actually attempted, over a substantial period, to solve the specific problem which the invention overcame, and failed to do so \*\*\* it is difficult to see how a court could conclude that the invention was 'obvious' to such persons at the time." But to return to the matter before the Court, I was obliged to add in the next sentence: "However, no such evidence exists in this case."

I was delighted later to see decisions from several district courts quoting that passage from the "hot socks" case as authority for a ruling of non-obviousness. It was hardly a national trend. I wrote two of those decisions myself. I believe you will agree that when a district judge relies on wholly irrelevant dicta which he gratuitously injected into an opinion he wrote as a visiting judge on the court of appeals of his own circuit, he has added entirely new dimension to the term "bootstrap."

In one of those cases, *Plantronics v. Roanwell*, I carried chutzpah to new levels by anticipatorially



denouncing any appellate rejection of my reasoning, adding: "\*\*\*\* as simple as the invention now appears, it would seem presumptuous to the point of arrogance to conclude that it was obvious to persons of ordinary skill in the art, notwithstanding their lengthy and unsuccessful struggle to achieve such results." Note who was really being presumptuous to the point of arrogance. Could anything be more presumptuous than a lowly district judge telling his appellate betters that if they disagree with him they're being arrogant?

I was more than a little apprehensive about how the Court of Appeals might react to such an arrant impertinence. I needn't have worried. The Court issued its best reasoned decision in a patent case since Learned Hand. The opinion reads, in its entirety, "Affirmed on the opinion below."

To my even greater surprise, the Supreme Court denied certiorari, but Justice White, joined by Justice Brennan, dissented on the ground that the invention did not exhibit - if you will pardon the obscenity - synergism. Thus, my crusade to proselytize the judiciary was something less than a total success.

Never mind. When the predicament seemed all but hopeless, the federal cavalry - or more accurately, the Federal Circuit - came galloping to the rescue of the patent system. The disparity of treatment of patents among the circuits had led to forum shopping of such ferocity that more time and money were being spent fighting over venue than were expended in trials on the merits. This created enormous pressure to establish a single appellate court to handle appeals from all district court decisions in patent cases. Thus, the Court of Appeals for the Federal Circuit was created in 1982, in the 60th year of this Association and the 30th year of the Patent Act of 1952.

In one of fate's most fortunate foibles, when the new court was created by merging the Court of Customs and Patent Appeals and the Court of Claims, Howard Markey was Chief Judge of the CCPA and he became Chief Judge of the Federal Circuit and Giles Rich likewise moved over to the new court. Markey was not only a fine patent lawyer. He was also a fearless fighter - a former Air Force brigadier general and test pilot. Under his dauntless leadership, the Court wasted no time in rendering decisions which finally applied Section 103 as it was written. And who better than Giles Rich could determine the intent of its drafters? Can you think of any other instance in legal history where one of the authors of a statute later interprets and applies it, as a judge of a court having exclusive jurisdiction of appeals in all cases involving the statute?

In a series of decisions written by Chief Judge Markey, the Court expressly and brazenly rejected many of the principles of patent law which the Supreme Court had promulgated, including the imposition of a higher standard of patentability for combinations of old elements. They emphasized that what the Supreme Court had disparaged as "secondary considerations" are of critical importance in determining the issue of obviousness. And they pointed out that the patent statutes do not contain any requirement of synergism. What colossal nerve: a court whose judgments are subject to review by the Supreme Court rendering decisions emphatically denouncing doctrines promulgated by the Supreme Court! Howard Markey could be the poster boy for testosterone.

Because all of those decisions were subject to review by the Supreme Court, the patent bar waited with trembling dread for their ax to fall. It never did. In all of the cases, they denied certiorari. Let's hope it was because they were persuaded by the irrefutable logic of the Federal Circuit opinions. But just for insurance, let's insist that when nominees are being considered for appointment to the Supreme Court, in addition to the usual litmus test question on abortion, they be asked their attitude on synergism.

So, dear listeners, that is the true story of how the war was won - of the daunting obstacles which had to be overcome to reach this shining hour, when more resources are devoted to research and development than ever before, more patents are being obtained and litigated and enforced, and more patent attorneys are busier than ever. So tonight, when you lay your head on the pillow and close your eyes, say a prayer of thanksgiving for the legislators with the wisdom to create the Court of Appeals for the Federal Circuit, for this and the other associations which pressured them to do so, for Howard Markey, for Giles Rich and

their fellow judges, many of whom are here tonight, and most especially for one who isn't - the incandescently charismatic Helen Nies. But for their valiant and dedicated efforts, this mammoth and glittering affair, the largest ever staged at the Waldorf Astoria, might well have been held in a neighborhood bar and grill.

Where do we go from here? There will surely continue to be a need for unflinching courage. Even today, after many decisions of the Federal Circuit, the panel members in the majority have been the targets of a relentless barrage of scathing criticism - and that's just from their fellow judges on the Court! Reading their strongly worded dissenting opinions can be even more exciting than watching World Championship Wrestling.

And the threats to the patent system will surely continue. Next, we may be fighting over a proposal that the Patent and Trademark Office accept patent claims written in ebonics. So keep the faith, and we'll see you at the 100th anniversary dinner.

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## Pending Legislation

*by Edward P. Kelly*

### Patents

The House debated and passed an Omnibus bill (H.R. 400) introduced by Representative Coble which addresses patent issues that were considered last year but not enacted into law.

These issues include greater third-party participation in reexamination proceedings, a prior use defense and publication of patent applications 18 months after filing. These proposed amendments to the patent law were initially driven by the mutual understanding agreement signed between Japan and the U.S. Patent Office in 1994. That agreement called for the U.S. to make certain revisions to U.S. patent law in exchange for Japan's agreement to allow foreign nationals to file patent applications in English. The bill also provides for a change in the business organization of the U.S. Patent Office.

### Reexamination Proceedings

The patent statute currently provides that a third party may request reexamination of a patent. However, the third party's participation currently does not go beyond the initial request for reexamination and a reply to the patent owner's statement in response to the request for reexamination. For instance, amendments made to the claims during reexamination may not be addressed by the third party which requested reexamination.

The Omnibus Bill would make certain amendments to the reexamination statute and give a third-party a greater role in influencing the outcome of the reexamination. For instance, the bill would allow the third-party requester to not only comment on the patent owner's response to reexamination, but also to address the issues raised in the Patent Office during the reexamination procedure. The basis for reexamination would also be expanded to include compliance with Section 112 of the patent statute. A third-party requester would also be able to file an appeal of the examiner's final decision with the Board of Patent Appeals and Interferences. Supporters of the bill argue that expanded reexamination proceedings could replace expensive litigation.

The House recently rejected a proposed amendment offered by Rep. Hunter (R. Ca.) which would have cut back the scope of the bill. The proposed amendment would have limited the institution of a reexamination proceeding to nine months after the patent issues.

### Prior Use Defense

As a general rule, a company that protects its technology by keeping it a trade secret does so at its peril because it could be liable for patent infringement if someone obtains a patent on that technology. The Omnibus Bill would change that result by amending the patent statute to provide for a limited defense to patent infringement where the alleged infringer made prior use of the patented invention. Many of the U.S. trading parties now afford a prior user defense to patent infringement.

The bill would amend §273 of the patent statute to assert a defense to patent infringement if the person had, acting in good faith, commercially used the subject matter in the U.S. before the effective filing date of the patent. "Commercially used" means use in the U.S. in commerce whether or not the subject matter at issue is accessible to or otherwise known to the public. "Use in commerce" means any actual sale or commercial transfer.

There is also a special exception for subject matter that cannot be commercialized without significant investment of time and money. In that case, a person shall be deemed to have commercially used the subject matter if:

(A) before the effective filing date of the patent, the person reduced the subject matter to practice in the U.S., completed a significant portion of the total investment necessary to commercially use the subject matter and made a commercial transaction in the United States in connection with the preparation to use the subject matter and (B) after the effective filing date of the patent, diligently completed the remainder of the activities and investments necessary to commercially use the subject matter and promptly began commercial use of the subject matter.

While a literal reading of the bill indicates that the use or reduction to practice must occur before the effective filing date of the patent, the bill is not that broad. A later section of the bill entitled "one year limitation" provides that the defense provided by the bill is only available if the use or reduction to practice occurred more than one year prior to the effective filing date of the patent.

The bill would specifically add a section stating that the defense does not constitute a general license but only applies to subject matter claimed in the patent that the person asserting the defense had commercially used before the effective filing date.

The House rejected an amendment introduced by Rep. Campbell (R. Ca.) during the House debate. The Campbell amendment would have limited the prior use defense by providing that the innocent prior user could not expand its use after the patent issued. The prior user would have been limited to the actual quantity, volume and scope of activity that it had previously attained. Campbell argued that with no limit on the level of activity, large companies could take over small companies solely to obtain the right of prior use.

## **Publication of U.S. Patent Applications After 18 Months from Filing Date**

The United States converted to a patent term which expires twenty years from the filing date as part of its accession to the GATT treaty. Many of the countries that are signatories to the GATT treaty publish patent applications eighteen months after they are filed. The U.S., however, currently does not publish patent applications prior to issue of the patent. The Omnibus Bill would bring the U.S. into conformity with those countries that do provide for publication eighteen months after filing. The published application would be considered prior art under § 102(e) of the patent statute.

The bill also contains a provision that would allow a patent holder to obtain provisional rights to obtain a reasonable royalty from infringers who infringe during the time between the publication and the time the patent issues. The bill had been pending last year and was not favorably received.

The publication issue was the most disputed of all issues when the House recently held hearings on the Omnibus Bill. Opponents of early publications argued that publication in the U.S. prior to issuance of the patent hurts small businesses because it provides large corporations with an opportunity to steal and use

inventions prior to the time a patent issues.

The opponents of publication were able to pass an amendment to the bill that would preclude publication of certain patents. Excluded from early publication are applications filed by small businesses, independent inventors and universities unless the following conditions exist:

(1) the application has been pending for more than five years from filing; (2) it has not been previously published by the PTO; (3) it is not under PTO appellate review; (4) it is not under an interference proceeding; (5) it is not under any secrecy order; (6) it is not being diligently pursued by the applicant; and (7) it has not been abandoned.

Another issue addressed in the Omnibus Bill relates to the status of the U.S. Patent and Trademark Office. The bill would convert the Office into a government corporation. However, the bill does not address the issue of whether Congress should be able to divert patent user fees to the general budget - as Congress is now doing.

## **Plant Patents**

Senator Hatch recently introduced a bill that would attempt to close a loophole with respect to plant patents. The patent statute provides protection for reproduction or use of novel varieties of sexually-produced plants. However, the statute does not provide protection for plant parts and, therefore, it is possible to reproduce and use plants outside the United States which are subject to a U.S. plant patent and then import products harvested from protected plants. The Hatch Omnibus Bill would close this loophole by including parts of plants within the patent protection.

## **Copyrights**

A relatively recent Ninth Circuit decision, *La Cienaga Music Co. v. Z Z Top*, 53 F.3d 959 Cir. 1995, cert. denied, 116 S.Ct. 331 (1995), significantly restricted the copyright protection for music contained on sound recordings sold to the public. The decision held that the distribution of sound recordings to the public was a publication of the music recorded on the sound recordings. Under the 1909 Act, a publication of the work without copyright notice automatically placed the work into the public domain. In most instances, music published on sound recordings did not contain copyright notice, partially because the prevailing opinion was that distribution of sound recordings was not a publication of the music contained on recordings. Therefore, the Ninth Circuit's decision eliminated copyright protection for music contained on sound recordings that did not contain a copyright notice for music.

The Second Circuit does not agree with the Ninth Circuit, holding that the public distribution of recordings is not a publication of music contained in the recording. Senator Hatch's bill would reverse the decision of the Ninth Circuit by legislation, and thereby hold that distribution of a sound recording is not a publication of the underlying music contained on the recording.

The other copyright provision contained in Senator Hatch's bill relates to the term of copyrights. The basic term of copyright is currently the life of the author plus 50 years. Senator Hatch favors a term of the life of the author plus 70 years. Proponents of this legislation argue that copyright terms be extended to comply with Berne Convention countries that provide for a longer term than the United States. Another reason offered in support of the extension is the alleged fairness of accommodating those who have children later in life so that copyright protection will be enjoyed by their heirs for a longer period of time.

## **Trademarks**

Senator Hatch's bill contains provisions for the electronic filing of trademark and patent applications.

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## **Recent Decisions of Interest**

by Thomas A. O'Rourke

## Patents

### *In re Mayne*

In *In re Mayne*, 41 USPQ2d 1451 (Fed. Cir. 1997) the Court of Appeals for the Federal Circuit (CAFC) addressed prima facie obviousness and its intersection with recombinant DNA technology. The PTO's determination of prima facie obviousness was found to be supported by the facts of the case and the applicant was unable to show an unexpected result sufficient to overcome the determination.

Recombinant DNA technology, which underlies the invention here, allows engineers and scientists to dismantle and reassemble segments of existing proteins to create new proteins which may be useful. Proteins are made up of strings of amino acids. The twenty common amino acids are capable of producing innumerable potential sequences which relate to virtually infinite number of possible protein structures.

In this case, applicants claim two protein structures made with recombinant DNA technology. Generally, the claimed structures are Phe-Pro-Leu-(Asp)<sub>4</sub>-Lys-Y, where Y is either human growth hormone (HGH) or bovine growth hormone (BGH). Phe, Pro, Asp and Lys are five of the twenty common amino acids and (Asp)<sub>4</sub> merely means four Asp units in a row. The PTO Board of Patent Appeals and Interferences (Board) affirmed the Examiner's holding that claims 30 and 31 of Mayne's application, claiming the above structures, were obvious under 35 U.S.C. §103.

The CAFC reviewed the legal conclusion of obviousness, focused on the underlying facts of that conclusion for clear error and affirmed the Board. The standard test was given by the CAFC as follows: "The foundational facts for the prima facie case of obviousness are: (1) the scope and content of the prior art; (2) the difference between the prior art and the claimed invention; and (3) the level of ordinary skill in the art. *Graham v. John Deere*, 383 U.S. 1, 17-18 (1966)." *Mayne*, 41 USPQ2d at 1453. Each obviousness determination, the CAFC recognized, rests on its own facts.

The CAFC agreed with the Board that prima facie obviousness was supported by the Rutter and Light references in view of the Goeddel reference. Rutter and Light both teach a structure of X-(Asp)<sub>n</sub>-Lys-Y, where Y is the desired protein. This structure's function in Rutter and Light is the same as that claimed by Mayne, i.e., release of the desired protein Y. Rutter further teaches an optimization of the desired function by inserting the number 4 for the variable n, resulting in the combination X-(asp)<sub>4</sub>-Lys-Y. These references would teach one of ordinary skill in the art that the familiar compounds HGH and BGH could be released by use of fusion proteins of the form X-(Asp)<sub>4</sub>-Lys-HGH or X-(Asp)<sub>4</sub>-Lys-BGH respectively. Thus, ample motivation is provided by the prior art to create these proteins.

What remains to be determined is whether using the tripeptide Phe-Pro-Leu as X would be obvious to one skilled in the art. Given the numerous combinations of the twenty common amino acids which could make up X, the substitution of Phe-Pro-Leu must either be disclosed in a reference or obvious from the prior art. Both Light and Rutter disclose the sequences Phe-Pro-Ile and Leu-Pro-Leu as candidates for serving as X in the basic formula. The Court recognized: "A comparison of Phe-Pro-Ile and Leu-Pro-Leu in the prior art with the claimed Phe-Pro-Leu suggest structural similarity. Structural relationships often provide the requisite motivation to modify known compounds to obtain new compounds. . . The structure of Leu and Ile alone suggest their functional equivalency. *Mayne*, 41 USPQ2d at 1455 (Fed. Cir. 1997).

The CAFC concluded that, in view of Light and the structural similarities between Leu and Ile, Phe-Pro-Leu-(Asp)<sub>4</sub>-Lys-Y is an obvious functional equivalent to sequences disclosed in the prior art.

### *Kolmes v. World Fibers Corp.*

In *Kolmes v. World Fibers Corp.*, 41 USPQ2d 1829 (1997), the United States Court of Appeals for the

Federal Circuit (CAFC) held that there was no on-sale bar under 35 U.S.C. §102(b) even though samples embodying the claimed invention were distributed to customers before the critical date. The CAFC held that the distribution was experimental in nature, as testing was required in the customer's environment to ensure that the invention would work.

Nathaniel H. Kolmes and Harold F. Plemmons (collectively "Kolmes") filed a patent application on March 2, 1990 for cut-resistant yarn for use in making cut-resistant products. On January 15, 1992, Kolmes filed a continuation-in-part application with the same specification and added claims. This application issued as U.S. Patent No. 5,177,948. The preamble for claim 1 provides: "a non-metallic composite cut-resistant yarn for use in making strong flexible cut-resistant products . . ." Id. at 1831.

Prior to the critical date of March 2, 1989, Kolmes provided sample gloves made from the new yarn to some of its customers free of charge. The gloves were labeled as samples and were sent with a sample sheet. Kolmes asserted that the gloves were sent to the customers for testing to see if the gloves would work in the customers' environment and withstand repeated laundering.

Kolmes sued World Fibers Corp. et al. for patent infringement. The U.S. District Court for the Middle District of North Carolina found that the '948 patent was not invalid. World Fibers Corp. ("World") appealed the decision contending, inter alia, that the samples of gloves were given away before the critical date in violation of 102(b) and that new matter was introduced in the continuation-in-part application and was not entitled to the 1990 filing date.

The Federal Circuit reviewed the issue of whether there was an on-sale bar de novo. Section 102(b) requires that "the claimed invention asserted to be on sale was operable, the complete invention claimed was embodied in or obvious in view of the device offered for sale, and the sale or offer was primarily for profit rather than for experimental purposes," Id. at 1832. In order to determine whether a §102 (b) on-sale bar has occurred, the Court looked to "all of the circumstances surrounding the sale or offer to sale, including the stage of development of the invention . . ." Id.

The Court held that the distribution of the sample gloves before the critical date was experimental use and was not an on-sale bar. The Court reasoned that: "An inherent feature of Kolmes' invention was durability, the ability to withstand use in an environment such as a meat-packing plant with repeated laundering. That feature is evident from the preamble of claim 1 . . ." Id. at 1833. The Court found that testing of the invention at the customers' plant was necessary "to ensure that the invention would work for its intended purpose," Id. The CAFC does not deal at all with the issue of what this testing involved.

The Court further found that there was a lack of commercialization as there was a limited distribution of gloves, the gloves were marked as samples and were provided free of charge and sample sheets were provided with the gloves.

World also argued that claim 1 of the '948 patent was not entitled to the 1990 filing date because the claim contains new matter that was added with the continuation-in-part application. The disputed portion of claim 1 provides: "said two strands in [the] covering being spirally wrapped about [the] core at the rate of 8-12 turns per inch," Id. at 1831. The core is claimed as including "at least one strand . . . and being substantially parallel to and untwisted with another strand." Id.

The application filed in 1990 discussed the claimed wrapping rate of 8-12 turns per inch with reference to a figure which provided for a core having one strand. However, the application did provide for a two-strand core. The district court found that the 1990 specification did not fail to convey to one skilled in the art the use of the claimed wrapping rate with a two strand core. The Federal Circuit held that the district court did not clearly err in finding that the claims were supported by the 1990 application and satisfied the description requirement. Id. at 1832.

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