JUSTICE DEPARTMENT SEEKING
TO BAR ENFORCEMENT OF PATENT

In a civil suit filed in the U.S. District Court for Eastern Pennsylvania, the Justice Department is seeking to render a patent unenforcible on grounds that materials relating to an interference settlement were not filed with the PTO as required by 35 U.S.C. §135(c). (U.S. v. FMC Corp., No. 80-1570, 4/23/80)

According to the Justice Department, FMC Corporation settled an interference with Bayer AG, a German corporation, regarding conflicting patent claims for the pesticide carbofuran. Though one settlement document was filed with the PTO, several others were not.

Justice maintains that the resulting patent obtained by FMC should be declared unenforcible because the parties failed "to put in writing and file with the [PTO], prior to termination of the interference, [all] agreement[s] or understanding[s] between the parties, including any collateral agreements."

[Text] In enacting 35 U.S.C. §135(c), Congress intended to give the Department of Justice access to [interference settlement documents] in connection with the Department's antitrust law enforcement duties. Failure to comply with this provision interferes with those enforcement duties. [End Text]

The text of the complaint appears at page E-1.

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HOUSE SUBCOMMITTEE CONTINUES HEARINGS ON
ADMINISTRATION'S INNOVATION INITIATIVES

After four more days of hearings in recent weeks, the House Subcommittee on Courts, Civil Liberties and the Administration of Justice concluded its initial review of the Administration's industrial innovation initiatives.

April 15th Hearing

Dr. P. Roy Vagelos, President of Merck Sharp and Dohme Research Laboratories, testified that while Merck supports the provisions of the Administration's bill (H.R. 6933, 473 PTCJ A-4, D-1) that would allow universities and small businesses to own patent rights in the results of Government-funded research, it has great reservations about the plane to limit big businesses to field-of-use licenses.

Though the Administration's proposals are "wide-ranging," Vagelos said they "will do little to redress the fundamental inadequacies we find in today's patent system." Consequently, he recommended that the subcommittee consider the following legislative initiatives: (1) begin the 17-year patent term for those products which must be tested and approved by a regulatory agency from the date of approval; (2) upgrade the present system of examination in the Patent and Trademark Office through more adequate funding and an investment in search facilities and retrieval techniques; and (3) establish the PTO as an independent agency, as proposed in S. 2079 (458 PTCJ A-1, D-1).

Vagelos also testified in support of Senator Birch Bayh's (D-Ind.) reexamination bill, S. 2446, which recently passed the Senate (472 PTCJ A-1, F-1), and recommended the creation of a specialized appellate court having exclusive jurisdiction over patent cases.

Donald R. Dunner, President of the American Patent Law Association, declared that the two key Administration proposals affecting industrial innovation are the creation of a special patent appeals court and patent reexamination.

A special court, according to Dunner, would result in a more reliable patent grant, eliminate forum shopping, and spur innovation. Subcommittee chairman Kastenmeier (D-Wis.) wanted to know why the American Bar Association's House of Delegates opposes a single patent court. (See 466 PTCJ A-4.) Dunner replied that the ABA position is based on a general hostility to specialized courts.

Reexamination is the best solution to the inability of the PTO to issue perfect patents, Dunner stated, and it will reduce litigation, induce settlement, and enhance the reliability and predictability of the patent grant. Stays of court litigation for purposes of reexamination should be mandatory, therefore, rather than optional as under the Administration's bill.

Observing that the PTO is being "muzzled" in its dealings with Congress, Dunner also recommended that the Office be made independent of the Commerce Department. This proposal, he said, is strongly supported by the patent bar.

Dunner concluded by stating that H.R. 6933's proposal for exclusive field-of-use licensing is "unworkable." Trying to define fields of use is "not easy," he said, and both S. 414 (417 PTCJ A-3, E-1) and S.1215 (431 PTCJ A-4, D-1) are superior to the Administration's bill.

University of Wisconsin law professor John Stedman advised the subcommittee "to proceed slowly." According to Stedman, "the correlation between patents and innovation may not be as great as suggested."

As an alternative to the Administration's bill, Stedman urged the subcommittee to enact H.R. 6533, a more limited measure. See 469 PTCJ A-8, D-1. H.R. 6533, introduced by Representative Thomas F. Railsback (R-Ill.), adopts the policy set forth in S.414, i.e., permits small businesses and universities to obtain title to inventions resulting from Government-funded research and development contracts. If such an approach proved successful, said Stedman, then consideration could be given to enacting a more comprehensive bill. Stedman also called for the creation of a central administrative body to oversee any patent policy program that is instituted.

The proposal for a single patent appeals court also drew criticism. According to Stedman, the subcommittee should explore this issue further.

Finally, Stedman testified in support of an independent PTO, which could then be held directly accountable to Congress.

Eric P. Schellin, appearing on behalf of the National Small Business Association, expressed disappointment that "the Administration is now attempting to combine many issues in one proposed bill, namely H.R. 6933." Small business, he said, is comfortable with H.R. 2414 (419 PTCJ A-16), the House counterpart of S.414. The Administration's bill, rather than clearing the air, "produces a fog" Schellin declared. "We should first take care of small business."

Small business favors the concept of reexamination, according to Schellin, but wants mandatory rather than discretionary stays of pending court litigation.

On the subject of patent fees, Schellin took the position that since inventors make such tremendous contributions to the economic well-being of the country, they should not be forced to pay higher fees. Small business also opposes the idea of maintenance fees, Schellin added.

April 17th Hearing

The sole witness at the subcommittee's April 17th hearing was Howard W. Bremer, Patent Counsel for the Wisconsin Alumni Research Foundation. The university community, Bremer testified, strongly supports enactment of H.R. 2414 (the House counterpart of S.414) "as a strong beginning to dismantle the roadblocks to innovation."

According to Bremer, "the enhanced transfer of vital technology and innovation which we are certain will be experienced under such legislation will then become a strong recommendation for the extension of the provisions of H.R. 2414 to all other contractors with the Government."

Bremer expressed concern that the Administration bill (H.R. 6933) is "practically and politically unacceptable" and may derail passage of any patent policy bill. "Given the present international situation," said Bremer, "further delays in moving toward solution of the innovation problem can not conscionably be tolerated."

Bremer did, however, endorse the reexamination and fee structure provisions of H.R. 6933. He also declared support for a new patent appeals court.

April 22nd Hearing

Maurice Rosenberg, Assistant Attorney General, Office for Improvements in the Administration of Justice, testified in support of H.R. 3806, a bill that would merge the Court of Claims and the Court of Customs and Patent Appeals into a Court of Appeals for the Federal Circuit having exclusive jurisdiction over patent appeals. Although the bill (similar to S.1477, formerly S.677, 419 PTCJ A-12, 423 PTCJ A-6, 462 PTCJ at C-3) also encompasses trademark appeals, Rosenberg noted that the Administration now believes that the proposed court's jurisdiction should not include trademark cases.

According to Rosenberg, the current disparity in patent validity standards throughout the country is "grotesque." Creation of a new patent appeals court, he believes, will lead to definitive, uniform, and prompt determinations of validity, and will promote innovation by reducing forum shopping and facilitating rational business planning.

Representative Kastenmeier asked Rosenberg how he would answer criticism that the new court would have too narrow a perspective. Rosenberg expressed confidence that the projected caseload is sufficiently diverse so as to prevent the judges from becoming too parochial. Rosenberg was then asked what he thought of the argument that diversity among the circuits offers attorneys an opportunity to test new theories. Rosenberg replied that present situation resembles a lottery and that no real experimentation takes place.

Representative Railsback expressed concern that a new court might result in the "locking in" of a system that will make patents too easy to obtain and protect. Representative Sawyer (R-Mich.) greeted the proposal for a special patent court with skepticism. "The patent law is no more complex than some other areas of the law," he declared. According to Sawyer, conflicts among the circuits exist over a wide variety of legal issues.

Robert D. O'Brien, Executive Vice President of the United States Trademark Association, spoke in favor of legislation that would separate the PTO from the Commerce Department. As he sees things, "the Commerce Department has been so completely negligent through the years that it is inconceivable that it should be allowed to continue the process of destroying the PTO."

O'Brien laid much of the blame for the chronic underfunding of the PTO to the inability of the Commissioner of Patents and Trademarks to communicate directly with Congress. As an example, O'Brien told the subcommittee that a list of reform proposals prepared by the PTO at the direction of Senator Bayh would never be communicated because of objections raised by the Commerce Department and the Office of Management and Budget. "An independent PTO," said O'Brien, "would result in increased funding and wiser use of resources." Independence, he added, would also raise the morale of PTO employees.

Representative Kastenmeier wondered what O'Brien thought of the idea of including the Copyright Office and the Copyright Royalty Tribunal as part of this new independent agency. O'Brien voiced no objections and thought the matter worthy of further consideration. "Would you favor elevating the PTO Commissioner to the rank of an Assistant Secretary," asked Kastenmeier? O'Brien responded that such "halfway measures" were doomed to failure.

Representative Herbert Harris (D-Va.) wanted to know about current conditions within the PTO. O'Brien wasted no time in reciting a litany of horror stories. He pointed out that while the trademark examining corps has been reduced 50%, filings are up 70%. Initial examination of a trademark application now takes 14 months, he said, and it is anticipated that by 1985 initial examination will take several years. Misdirected mail, printing delays, and incomplete search files were some of the other problems O'Brien mentioned. Representative Harris called the situation "scandalous."

The Association for the Advancement of Invention and Innovation (AAII), through spokesman Paul L. Gomery, provided the subcommittee with an overview of all patent-related bills now pending in Congress.

AAII, said Gomery, fully supports patent reexamination. However, Gomery urged the legislators to consider reexamination in a separate bill so that it will not be delayed by other more controversial matters. He also recommended that the Administration's reexamination proposal be amended to provide for mandatory stays of district court proceedings.

Believing that the PTO should report directly to Congress, AAII also supports the idea of an independent PTO. According to Gomery, "there has been a very considerable, if indeed not a total suppression, of the Commissioner of Patents * * *."

Gomery testified in opposition to the Administration's patent policy proposals. AAII, he said, supports across-the-board vesting of title in the contractor, because such vesting "is the best incentive to cause the best organization to bid to do the work." Nevertheless, AAII could support, as a step in the right direction, legislation which vested title only in small businesses and nonprofit organizations.

April 24th Hearing

Dr. James D. D'Ianni, president of the American Chemical Society (ACS), told the subcommittee that while H. R. 6933 contains much that is constructive, the bill should be broadened so that all contractors acquire title to Government-sponsored inventions. "The Society suggests that House action be taken along the lines of S 414 with suitable modifications to extend the concepts of that bill to all contractors, rather than along the lines of H. R. 6933."

D'Ianni also indicated that the ACS favors patent reexamination and the creation of a new patent appeals court. He added, however, that these proposals should be removed from H.R. 6933 and incorporated in separate bills.

Commissioner of Patents and Trademarks Sidney A. Diamond focused his remarks on proposals for reexamination and a new PTO fee structure. After outlining the Administration's reexamination proposal, Diamond remarked that "reexamination is a remedy for those few instances when some pertinent prior art eludes us and an invalid patent issues." Reexamination, he said, will promote out-of-court settlements and encourage licensing.

Diamond contrasted the Administration's bill with Senator Bayh's S. 2446 (440 PTCJ A-1, D-1, 472 PTCJ A-1, F-1). He pointed out that H. R. 6933 allows persons citing prior art to the PTO to remain anonymous and does not impose a one-year deadline for completion of the reexamination process. Moreover, said Diamond, the Administration's bill leaves it up to the trial judge to determine whether to order reexamination or to grant a stay to permit a party to obtain reexamination.

On the issue of fees, Diamond noted that "the Administration's bill would completely restructure and modernize the basic fee provisions of both the patent and trademark laws." Besides raising patent application fees so as to recover 30% of costs, H. R. 6933 also establishes maintenance fees. Together the application and maintenance fees will enable the PTO to recover 60% of its costs. Trademark fees, Diamond observed, would be set at levels that fully recover the costs involved.

Representative Kastenmeier asked Diamond what the PTO is doing about the quality of initial examinations. The Commissioner responded that the PTO is "doing the best it can with the resources available." Kastenmeier also wondered whether the proposed $1,000-$1500 reexamination fee is too high. Diamond responded that "compared to litigation, it is a bargain."

Diamond was then asked for his personal views on whether the PTO should be made an independent agency. "On balance," he said, "continuation of the PTO as part of Commerce outweighs any benefits that might result from independence." He noted that it was very important to have a Cabinet member representing the PTO. "Do I understand that you do not favor independence," asked Representative Lamar Gudger (D-N. C.) somewhat incredulously? "That's correct," Diamond replied.

Jordan J. Baruch, Assistant Secretary of Commerce, Office of Productivity, Technology, and Innovation, testified that the inability of the PTO to conduct a perfect initial examination "is inherent in a world of limited resources and in no way reflects adversely on the quality of the Patent and Trademark Office nor in any way suggests a willingness on the part of the Administration or the Department of Commerce to settle for a second-rate patent system." Rexamination, he argued, "will lead to a substantial reduction in litigation, a substantial reduction in the expense of litigation, and a substantial increase in the strength of the patent incentive for industrial innovation."

Representative Kastenmeier wanted Baruch's opinion as to the idea of adjusting the patent term to account for regulatory delays. Baruch stated that the idea has "great merit." Asked whether the Administration could accept S. 414, which just passed the Senate (see pages A-1, D-1 in this issue of PTCJ), Baruch replied that he did not know. He insisted, however, that the Administration's bill is superior to S. 414 because it is more comprehensive.

Still more hearings are being contemplated, but they have not yet been scheduled by the subcommittee.

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CORROBORATION RULE DOES NOT REQUIRE WITNESSING OF REDUCTION TO PRACTICE

Overturning a priority award, the U. S. Court of Customs and Patent Appeals rules that "[s]ufficient circumstantial evidence of an independent nature can satisfy the corroboration rule." Corroborative testimony, the court emphasizes, "does not necessarily have to be an actual witnessing of the reduction to practice by one who understands what is going on in order to be adequate." (Berges v. Gottstein, 4/10/80)