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Judge George Edwards *

THAT CLUMSY WORD "NONOBVIOUSNESS"!**

There is an old saw that an expert is a man who is over two hundred miles from home. Only in that sense am I an expert in patent law. I never practiced patent law and approached my first assignment to write a patent opinion for the Sixth Circuit with appropriate trepidation.

After fourteen years as a federal appellate judge, I can say that contrary to most Court of Appeals judges whom I know, I have learned to like patent law. I take no offense when assigned to write a patent opinion. As a result, I suspect that I write rather more than my quota in my court. Be that as it may be, I speak from the perspective of a generalist in federal appellate law to whom patent law is just one of the many important fields of law which brings cases to our overburdened court.

Your Mr. Witherspoon heard that I had made a speech last year to the Patent Section of the Michigan State Bar Association's Convention entitled "That Word 'Unobviousness.'" He invited me for a September Patent Law Conference, which I could not attend. He invited me again and I agreed.

My consideration of this topic starts where all federal law starts—with the Constitution of the United States, written at Philadelphia in 1787. Article I, Section 8 provides in part that "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."

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* Circuit Judge, U.S. Court of Appeals for the Sixth Circuit.

** Address before the Patent, Trademark and Copyright Law Section, the Bar Association of the District of Columbia, November 17, 1977.

receives light without darkening me. That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature, when she made them, like fire, expansible over all space, without lessening their density in any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or exclusive appropriation. Inventions then cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utility, but this may or may not be done, according to the will and convenience of the society, without claim or complaint from any body.[1]

Clearly, "the will and convenience" of our society has granted patent monopoly rights only to inventors and then under closely circumscribed circumstances. It has also banned monopolies through adoption of a wide-ranging scheme of antitrust laws and laws prohibiting unfair competition.

Against this background of constitutional and statutory history, we turn to consider that clumsy word "nonobviousness."

Most patent appeals in the United States Court of Appeals for the Sixth Circuit appear to this judge to turn on the question, "Do the patent claims disclose a development which was not obvious to a person skilled in the art?"

35 U.S.C. § 103 provides:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

Sections 101 and 102 add the requirements of novelty and utility. I can't recall a patent appeal in my court

[1] VI Writings of Thomas Jefferson, at 180-181 (Washington ed.), quoted in Graham v. John Deere Co., 383 U.S. 1, 9, fn. 2 (1966).

to appellate decisions. First, they are too few in number. Second, far more patent-invalid than patent-valid decisions of district courts are appealed, and appellate courts lean toward affirmance of the district court. Between 1968 and 1972, appellate courts affirmed 84% of the patent-invalid decisions of the trial courts which were appealed. They also affirmed 70% of the patent-valid decisions appealed. Interestingly, of the 81 patents held valid by the appellate courts in this five year period, 24 were *reversals* of the district courts patent-invalid decision. Finally, when, for example, the number of decisions is expanded to include those rendered by the district courts and not appealed, as Chognard points out, the percentage of litigated patents held invalid by the courts of the United States drops to 50%!

I applaud Judge Markey's marshalling of patent case statistics and I agree with his conclusions.

The judges of my court are certainly not hostile to patents—provided, of course, that the patents have been issued in accordance with the Constitution, the Patent Act, and the opinions of the United States Supreme Court.

It appears that it is this proviso which establishes some distinctions between my views and those expressed by another distinguished member of the Court of Customs and Patent Appeals, Judge Giles Rich.

I believe, of course, that the Constitution is the fundamental law of the land and that neither Congress nor the courts have a right to amend, overrule or ignore its provisions. Of course Congress, within the scope of its delegated powers, can interpret the Constitutional patent provision as it has done in the Patent Act of 1952, 35 U.S.C. §§ 100-103 (1970). Equally obvious, at least to me, is the fact that to the extent that Congress and the Supreme Court have spoken clearly and unambiguously, their interpretations are binding on me as an appellate judge. And this is true, even if I believe that the statute or the opinion is dead wrong. I yield to no one my right to think for myself and on appropriate occasions to speak for myself. But when I act as a federal judge, I follow statutory law as Congress wrote

Section 103 does contain a somewhat enigmatic sentence: "Patentability shall not be negatived by the manner in which the invention was made." The reviser's note explains concerning that sentence: "It is immaterial whether it [patentability] resulted from long toil and experimentation or some flash of genius."

The "flash of genius" phrase, as you will all recognize, came from *Cuno Eng. Corp.* v. *Automatic Devices Corp.*, 314 U.S. 84, 91 (1941). The full sentence in *Cuno* said: "That is to say, the new device, however useful it may be, must reveal the flash of creative genius, not merely the skill of the calling. If it fails, it has not established its right to a private grant on the public domain."

Cuno, however, cited and relied upon the seminal case in the patent law—*Hotchkiss* v. *Greenwood,* 11 How. 248, decided in 1851. In *Hotchkiss,* the metal door knob patent case, the Court held:

> [U]nless more ingenuity and skill in applying the old method of fastening the shank and the knob were required in the application of it to the clay or porcelain knob than were possessed by an ordinary mechanic acquainted with the business, there was an absence of that degree of skill and ingenuity which constitute essential elements of every invention. In other words, the improvement is the work of the skilful mechanic, not that of the inventor.[4]

It is, I suggest, essentially that standard which Section 103 adopted, its language being: "A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." In Section 103, indeed, effect was finally given to Thomas Jefferson's recommendation of 1791 which would have added as a defense to a patent that "the invention is so unimportant and obvious that it ought not to be the subject of an exclusive right."

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[4] Hotchkiss v. Greenwood, *supra* at 266.

There is just one unfortunate word in that passage: "secondary." I don't think it should be given any weight though some courts seem to have done so, in effect, first deciding obviousness by visceral reaction and then saying that, having decided the issue, it is no longer necessary to consider the evidence—the best evidence—on the issue.

* * *

I do not believe the Supreme Court intended to signify anything by the term "secondary." It could equally have said "other considerations."

From what I have previously said, I do not agree that federal courts have the right to ignore or overrule. We can express disagreement. We can criticize, but it clearly is the Supreme Court of the United States which is final authority on interpretation of both federal statutory and Constitutional law.

Furthermore, I do not disagree with the conclusion that these considerations should be secondary to the requirements of novelty, utility and nonobviousness. Many an invention is patented before its time. When conditions change after the patent's "limited Time" has expired, should the nation reward by a gift of monopoly someone who goes to the Patent Office, reads the now ineffective patent's claims, and proceeds to patent its application to a newly developed public need? I shall refer further to this topic in the three cases which I propose to discuss briefly for illustration.

Before turning to them, however, let me express an opinion in another controversial aspect of patent law. This concerns combination patents. It is claimed frequently that the mere fact of combining old elements to produce a useful and more convenient application should be patentable. Perhaps the classic example of this is set forth in *Anderson's-Black Rock* v. *Pavement Co.*, 396 U.S. 57 (1969). There the patent issued combined known elements, a radiant burner, a spreader, a tamper and screed, all on one chassis. Justice Douglas, writing for a unanimous Court, held that "the use of old elements in combination was not an invention by the obvious-non-

I also suggest that in dealing with combination claims, if no new element is added, the elements combined must produce a result greater than its parts added together and one which would not have been obvious to one skilled in the art involved.

I close with a pertinent paragraph from Justice Tom Clark, writing for a unanimous Court in *Graham* v. *John Deere Co., supra* at 5:

> The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must "promote the Progress of . . . useful Arts." This is the *standard* expressed in the Constitution and it may not be ignored. And it is in this light that patent validity "requires reference to a standard written into the Constitution." *A. & P. Tea Co.* v. *Supermarket Corp., supra,* at 154 (concurring opinion).

Patents are a survival of so-called letters patent which were issued in large numbers during the Middle Ages and through the Age of Mercantilism. These were open—hence the word "patent"—royal letters announcing to one and all that the possessor had been given exclusive rights by the monarch to some specified office, privilege, or commercial monopoly.

Originally, the purpose of letters patent granting industrial or trade monopolies was to promote the public interest; that is, to expand the nation's industry and trade—its national economy. It was then believed that the best, if not the only, way to induce people to invest large capital sums in new industries or trading ventures was to guarantee them freedom from competition, that is, to grant them a monopoly.

In time, the public interest came to be disregarded by monarchs. They granted letters patent to court favorites or sold them to the highest bidder in order to enrich themselves. In the reign of James I, the English Parliament finally put an end to the whole system of private monopolies and privileges through the 1624 Statute of Monopolies.

One type of letters patent was allowed to survive, the patent granted to inventors. For a limited time, a monopoly under the patent was allowed in order to encourage inventors to invest their brains, time, and money in research. It was believed that this was the best, if not the only, way to induce people to produce inventions. These basic ideas were subsequently incorporated into our own first patent law of 1790.

While there are flaws in our patent system, I can see why the Government grants patent protection to private interests who invest their own time and money in making inventions. But the patent situation today is quite different from what it was in 1790. At that time, a patent was a matter that concerned the individual primarily; individuals in a preindustrial age were developing single items. Today, the development of patents generally involves large organizations and corporations.

to contractors exclusive rights to publicly financed inventions. From what I have seen the patent lobby consists primarily of a body of shrewd, so-called experts who have been needlessly confusing the simple principles on which the patent law rests. They have been successful to the point that today many Government agencies are giving away Government patent rights.

The Department of Energy continues to operate under patent regulations which were inherited from the Energy Research and Development Administration (ERDA). The ERDA regulations are a good example of how the obvious intent of a Federal law can be stood on its head by a Government agency. ERDA's responsibilities were set forth in the Atomic Energy Act of 1954 and in the Non-Nuclear Energy Act of 1974. Both of these laws remain in effect and applicable to the Department of Energy.

Under the Atomic Energy Act, the Government, historically, retained patent rights to publicly-financed inventions. That also seemed to be the legislative intent behind enactment of the Non-Nuclear Energy Act of 1974. The Congressional Conference report for that Act, states:

> Government patent policy carried out under the NASA and AEC Acts and regulations, and the Presidential Patent Policy statement with respect to energy technology, has resulted in relatively few waivers or exclusive licenses in comparison with the number of inventions involved. The conference committee expects that similar results will be obtained under Section 9 (of the Non-Nuclear Energy Act).

However, under the Atomic Energy Act and the Non-Nuclear Energy Act, the Department of Energy has authority to waive the Government's patent rights. The Government patent lawyers have prepared a regulation which actually invites contractors to request waivers, and urges the agency to approve them. The regulation states:

> . . . To accomplish its mission, ERDA must work in cooperation with industry in the development of new energy sources and in achieving the ultimate goal of widespread commercial use.

firms would, in my opinion and from my experience, reject Government business if they were not given patent rights.

These rights are not all that important to most firms. The Atomic Energy Commission operated successfully for more than 25 years under a policy whereby the Government retained title to inventions developed under AEC contracts. That agency had little trouble finding contractors and did an excellent job of developing technology. Likewise, I have no trouble finding contractors even though they know they will not receive patent rights on my Nuclear Propulsion Program contracts.

From what I have seen, most of the people who actually run the companies are interested primarily in profits and in the technology, experience, and know-how that comes from performing the contracts. This technology, experience, and know-how is what helps the company get future Government and commercial contracts. Several studies, including a 1968 study by the Committee on Government Patent Policy, confirm that ownership of patents is usually not a major factor when companies decide what work to accept; that companies are interested primarily in how much money they can expect to make, and what they can learn.

Contractor lobby groups typically use the threat of refusing to take Government work when they try to persuade Congress to eliminate procurement safeguards or to take other actions that will benefit industry. The Defense contractor lobby, for example, has made similar threats year after year in relation to the Truth-in-Negotiations Act, the Cost Accounting Standards Board, the Renegotiation Board, and so on. They say that defense contractors will leave the business unless the Defense Department increases profits or relaxes regulations. Yet, year after year, these very same defense contractors lobby Congress and the Defense Department for more business. Their actions belie their words; and this is also the case with respect to patents.

patents contested in court are ruled invalid. But not many firms are willing or able to sustain such a challenge. Thus, these patents tend to discourage competition.

Obviously, there are patents that do represent useful ideas. However, even without a patent, many of these inventions would be discovered and adopted in the marketplace based on their merits. In such cases, rather than motivating individuals or companies to come up with new ideas, the patent system has actually become a process for determining which of many firms first conceived an idea, and is therefore entitled to the royalty. If one company did not generate the idea another firm would have because of the nature of the work being done. Often, identical ideas crop up almost simultaneously in different companies. Further, many good ideas can be implemented or "commercialized," without special investment in R&D or new facilities. Or, they are sufficiently promising that companies will invest in them without patent protection.

There may be a few inventions arising under Government contracts which, in the absence of exclusive patent rights given to the contractor, might not be disseminated and used. The question then arises: Is it really worthwhile for the Government to promote the invention? Perhaps the idea is not all that good. Moreover, if the Government should decide it is in the public interest to promote or "commercialize" a particular invention, it might be better if the Government itself paid for further development, and made the results available to all citizens instead of granting to one contractor exclusive rights to the invention. And who is to say, in cases where the Government patents are waived, that the company performing the contract should automatically and exclusively get these rights. Since large corporations get the major share of Government contracts, they would be the ones to benefit most from such a practice.

The concept of granting a patent—a legal monopoly—is to encourage inventors to conceive new inventions, not to guarantee a market for already existing inventions.

well contractors are promoting and commercializing patents.

It is relevant to note that, although Presidential patent policies since 1963 have required the Government to retain "march-in" rights where the principal or exclusive rights to a patent remain with the contractor, the Federal Council on Science and Technology reports that, as of December 1975, the Government has never exercised these rights.

The patent lawyers have observed that the number of patented inventions resulting from Federal funding is very small compared with the number generated by industry with their own funds. They attribute this, in part, to "the small incentive provided by present Federal patent policy."

I believe the lower number of inventions reported under Government contracts does not show a stifling of inventions under Government contracts. In fact, most of the major advancements in technology in the past 20 years have come in areas where the Government invested heavily, such as space, defense, and nuclear energy.

The lower number of Government-owned patents results from other factors, such as failure of contractors to report the inventions they develop under Government contracts; the patent rights giveaway policy followed by various Government agencies; and the Government's "Independent Research and Development" program.

I have found cases where contractors filed patent applications for themselves on items that were conceived and developed under Government contracts. These come to light only because, by law, patent applications in the field of atomic energy must be reviewed by the Department of Energy and because in my area I insist on having them reviewed. In areas outside the field of atomic energy, there is no way for Government agencies to determine whether contractors are claiming, as their own, patents which rightfully belong to the Government.

monopoly for an invention developed at Government expense; and to make the invention freely available to the public. If these same ends could be achieved by "defensive publication"—that is, by publishing information in a manner that would preclude others from patenting it—the public interest would be served as well as if the Government actually patented the invention.

This Committee will, I am sure, be lobbied to death by contractors and patent lawyers—both in and out of Government. There will be speeches extolling the virtues of a giveaway patent policy in relation to the patent system; the free enterprise system; the nation's declining technological growth; and the problems of small business. These are the standard speeches which lobbyists tailor to fit special occasions.

But here, the policy they advocate is contrary to the principles of free enterprise and competition. Rather than giving everyone in the marketplace equal access to publicly-financed inventions, they are advocating that the Government restrict the use of an invention to one company.

Small business, for its own advantage, should be against a giveaway patent policy. The vast proportion of Government business goes to large contractors. In Fiscal Year 1976, 50 percent of the total dollar value of research and development contracts placed by the Department of Defense went to only ten large corporations. In Fiscal Year 1977, two-thirds of the $35 - $40 billion defense procurement budget went to the top 100 contractors. As conglomerates expand, this concentration continues to increase. If the rights to Government-financed inventions are given away to contractors, the Government itself will be promoting the concentration of economic power in the hands of a few large conglomerates.

To appreciate fully the implications of a giveaway Government patent policy, one need only consider a hypothetical case. Suppose, with the vast sums of Government money that will be spent in efforts to find solutions

L. James Harris * and *Regan J. Fay* **

CERTAIN INCONTESTABLE PATENTS ARE WARRANTED

Introduction

An earlier four-part article explored the relationship between proposed modifications and the social and economic objectives and accomplishments of the U.S. patent system.[1] Contained therein was the proposal for a Dual Patent Program (DPP) whereby both long-term and short-term patents would be issued to meet the needs of two different types of inventors, and the question of validity would be tried only before a special Validity Court. One major feature of the DPP is that the long-term (17-year patent) and the short-term (7-year patent) would become incontestable five years and one year after issue, respectively. Prior to the incontestable period all defenses could be asserted against the validity of the patent, whereas during the incontestable period only the following defenses could be raised *for that purpose* (validity):

(1) Lack of novelty as shown by a printed publication under 35 USC 102(a) and (b), which had not previously been considered by the Patent and Trademark Office;

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[1] L. James Harris, "Reflections on Some Pending Patent Legislation," (Parts I-IV), 56 J.P.O.S. 316, 364, 462, 523 (1974). After supervising and participating in many years of empirical research on the nature and value of patents, including a number of studies on the proposals of The President's Commission on the Patent System, Professor Harris came to the conclusion that certain improvements in the system were advisable and feasible. He considers the DPP one of his most important publicly presented proposals. Mr. Fay now joins him in this note in support of certain key aspects of the proposal.

over, potential challengers and the courts may feel that the PTO examiners might be a little reluctant to accept the relevance of prior art when it entails a change in their own or their colleague's determinations, particularly in close cases. There is also the serious problem that small business and the independent inventor will be at a disadvantage as compared with the large company in utilizing a reexamination system in view of the cost of reviewing and challenging patents.

This note offers some thoughts on the need and precedent for a limited period of contestability for patents, the accord of such a limitation with the constitutional purpose of the patent system, and the importance of the DPP proposal to the acceptability of the concept of incontestable patents.

Incontestable Patents: Their Need And Accord With The Constitutional Purpose

An appreciation of the way in which incontestable patents are in harmony with the constitutional purpose of the patent system can best be obtained by reference to the constitutional language upon which the issuance of patents is based:

> The Congress shall have Power . . . to Promote the Progress of . . . useful Arts, by *securing* for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.[8]

First, the precise usage of the word "securing" must be addressed. Since Inventors already have their inventions in hand, the language reads that "Congress shall . . . promote . . . by securing . . . *to* . . . Inventors. . . ." Thus, Congress does not *obtain* (a secondary meaning of the word "secure") *for* but rather *makes firm* (equivalent to "free from care," the meaning of the Latin word from which "secure" is derived) *to* inventors the "exclusive Right to their" contributions.

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[8] U.S. Constitution Article I, Section VIII, Clause viii.

subject only to a few relatively well-defined defenses. An entrepreneur can, with much less risk, invest in the invention to bring it to the marketplace, where the public can judge its "usefulness." Such an incontestable patent would have the essential advantages of ownership connected with a relatively indefeasible intangible property—the comparative irrevocability of the right would firm up and increase the value of the patent and make its price more readily ascertainable in the marketplace. Under the present system, the very existence of the property is—and as a matter of good practice ought to be—*always* strongly questioned; but its relative vulnerability inhibits investor interest and, consequently, the number of inventions ultimately brought to public use and sale. It is not the questioning that would or could be eliminated, but rather the continued danger to the patent—throughout its life—of being subjected to a charge of *obviousness,* the chief obstacle to "securing" the property to the inventor at some time during the 17-year period as provided for in Article I, Sec. 8, Clause 8 of the Constitution.

Justice White's B-T Economic Rationale Applied To Incontestable Patents

A major argument for an incontestable patent is that it will save effort, time and money for patentees, potential infringers, and the judiciary. Justice White employed a similar type of economic rationale in *Blonder-Tongue, Inc.* v. *University of Illinois Foundation,*[7] to explain the need for applying collateral estoppel *against a patentee* in favor of an infringer who had not been a party to the prior suit in which the patent had been held invalid. Since the effect of an incontestable patent would be similar to a plea of estoppel pursuant to a prior holding of validity (if such a plea were possible) *against an infringer* who had not been a party to the

[7] 402 U.S. 313, 169 USPQ 513 (1971).

5. Small businessman may not survive if subjected to full litigation costs.[13]	5. Reduced litigation costs for *both* patentee and infringer avoids jeopardy to survival.

The above comparison shows that the practical consequence of incontestability is similar to that of collateral estoppel—both reduce the utilization of the courts, resulting in savings of judicial time and litigation expenses for both parties. The similarity of practical effect suggests the value of a comparison of the fairness and the constitutionality of "offensive" collateral estoppel with that of "defensive" collateral estoppel. For example, should the constitutionality of a determination of invalidity by *any* district court as *in rem* be questioned where there has been more than one previous holding of validity with respect to the claims of a patent, made by other courts equally qualified?

In Rem Patent Validity and Due Process

The suggestion that patents be statutorily subject to an *in rem* adjudication of *validity* are generally objected to on two grounds: (1) such a provision would be a violation of due process and (2) courts faced with the finality of a validity adjudication would be inclined to apply an inordinately strict standard. The second objection is of particular concern to pro patent people who fear that such a standard would vitiate any benefit that might otherwise accrue. However, *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*,[14] which renders any judgment of *invalidity* very nearly *in rem*, demonstrates that the court faced with the finality of *invalidity* will set standards that are reasonably fair and possible. Moreover, *in rem validity* for patents would put the patentee *and* prospective infringers on a more equal basis legally and with respect to litigation

[13] *Id.* at 342, 169 USPQ 524-5.
[14] 402 U.S. 313, 169 USPQ 513 (1971).

group to collectively take action against validity, achieving added effectiveness in the process.

The first objection mentioned above to a statutorily mandated *in rem* procedure, that it would violate due process, could be met if proper *representation* were provided for those who are not actual parties to an action challenging validity, but nevertheless bound thereby. In the case of class actions, which involve analogous proper representation problems, if it is determined that there are common questions of law or fact which predominate and the class action is superior for the fair and efficient adjudication of the controversy, major attention is directed to adequate *notice*. In like manner, adequate notice to members of the public having an interest in the *quasi in rem* determinations that are made by the Validity Court, particularly in the contestable period, would be provided. The cost of notifying interested members of the public when their names and addresses can be "ascertained through reasonable effort" [16] should not pose too great a burden on the patentee since he would be saving the costs of relitigation.[17]

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[16] See Eisen v. Carlisle & Jacquelin, 417 U.S. 156 (1974) with respect to the imposition of cost of notifying class members.

[17] An indication of the current trend, with respect to the due process implications of knowledge, is contained in Sec. 205 of the Magnuson-Moss Warranty-FTC Improvement Act wherein Sec. 5 of the FTC Act has been amended to provide for the commencement of a civil action to recover a civil penalty in a district court against any person, partnership or corporation which violates any rule under the act respecting unfair or deceptive acts or practices with actual knowledge or *knowledge fairly implied*, on the basis of objective circumstances that such act is unfair or deceptive and is prohibited by the rule. Moreover, if the Commission determines that an act or practice is unfair or deceptive and issues a final cease and desist order *against a single company*, it may commence a civil action to obtain a civil penalty in a district court against any person, etc. which engages in such act or practice, *whether or not such person, etc., was subject to the order, but with actual knowledge that such act was unlawful.* The foregoing appears to provide a cease and desist order without the participation of the defendant in the proceeding for obtaining it —in effect, removing him from a legal process (in which he formerly played a part) based on knowledge, actual or implied, depending on whether a case or rule is involved.

It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. Irving Iron Works v. Kerlow Steel Flooring Co., 96 N. J. Eq. 702, 126 A. 291; DuPont de Nemours Powder Co. v. Masland, 244 U.S. 100, 37 S. Ct. 575, 61 L. Ed. 1016. Oppenheimer's right was independent of and prior to any arising out of the patent law, and it seems a strange suggestion that the assertion of that right can be removed from the cognizance of the tribunals established to protect it by its opponent going into the patent office for a later title. It is said that to establish Oppenheimer's claim is to invalidate Becher's patent. But, even if mistakenly, the attempt was not to invalidate that patent but to get an assignment of it, and an assignment was decreed. Suits against one who has received a patent of land to make him a trustee for the plaintiff on the ground of some paramount equity are well known. Again, even if the logical conclusion from the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment. Establishing a fact and giving a specific effect to it by judgment are quite distinct. *A judgment in rem binds all the world, but the facts on which it necessarily proceeds are not established against all the world,* Manson v. Williams, 213 U.S. 453, 455, 29 S. Ct. 519, 53 L. Ed. 869, *and conversely establishing the facts is not equivalent to a judgment in rem.* [Emphasis supplied.][19]

Thus, despite the *in rem* aspects of DPP validity determinations, prospective infringers would be protected with regard to due process relating to the infringement issue. The question of infringement would not be predecided or foreclosed by validity decisions.

The Incontestable Patent and Due Process

The discussion in the previous section was concerned primarily with the concept of *in rem* validity or, to put it in terms of incontestability, the absolutely incontestable patent. DPP, however, does not actually propose such a feature. The DPP seeks to eliminate, after a specified period, a defense primarily under 35 USC 103;

[19] *Id.* at 391.

The courts have already considered several of the elements basic to the concept of incontestability, in opinions dealing with collateral estoppel, which are relevant in evaluating the constitutionality of the DPP incontestable patent. *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,*[20] which abrogated the mutuality requirement for collateral estoppel when defensively asserted against a patentee who was a party to prior litigation, also considered the distinctions between offensive and defensive collateral estoppel, the former being closer to the incontestability question. The Court said:

> Some litigants—those who never appeared in a prior action—may not be collaterally estopped without litigating the issue. They have never had a chance to present their evidence and arguments on the claim. Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position. See Hansberry v. Lee, 311 U.S. 32, 40 (1940); Bernhard, supra, 19 Cal. 2d. at 811, 122 P.2d, at 894. Also, the authorities have been more willing to permit a defendant in a second suit to invoke an estoppel against a plaintiff who lost on the same claim in an earlier suit than they have been to allow a plaintiff in the second suit to use offensively a judgment obtained by a different plaintiff in a prior suit against the same defendant. But the case before us involves neither due process nor "offensive use" questions. Rather, it depends on the considerations weighing for and against permitting a patent holder to sue on his patent after it has once been held invalid following opportunity for full and fair trial.[21]

Footnote 19 of *Blonder-Tongue Laboratories* cites various law review articles and two cases which permitted the offensive use of collateral estoppel against a party who was also a party to the prior litigation. The

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that the presumption of validity would have been strengthened. If the rule change is utilized, will this give the courts more confidence in the patent's validity or result in a better orchestration for a *Blonder-Tongue* rationale?

[20] 402 U.S. 313, 169 USPQ 513 (1971).

[21] *Id.* at 329-30, 169 USPQ 520.

> . . . Nor is there any constitutional bar to the conclusions herein reached. The defendant has had its day in court on the issue of liability before a jury. And due process is not a one way street. It might be supposed that the plaintiffs have some rights to some day have a determination of their rights.[24]

The justification for the use of offensive collateral estoppel against a party to the prior action seems to have been based on a combination of three factors: (1) extensive trial and pre-trial time devoted to the determination of the liability issue, (2) thorough consideration of all relevant questions, and (3) no new or additional evidence produced. In patent cases considerable trial time is usually required too, as pointed out by the Court in *Blonder-Tongue* in its economic justification for the imposition of collateral estoppel; and a prior action on a patent generally would have been prosecuted thoroughly because patent suits are, in most cases, vigorously and extensively pursued by both parties. This is partly to properly educate the judge, although patent cases have been assigned to judges because of their interest or knowledge about the subject.

There is one very evident and significant difference. Offensive collateral estoppel has been applied only against a party to the prior suit, whereas *in rem* validity and the "incontestable" patent under DPP would be applied against parties not so privy. But this difference can be minimized because the feature of due process stressed by the courts in offensive collateral estoppel cases is the fairness deriving from the thoroughness with which the previous action had been prosecuted and the lack of additional evidence. For example, if United were only sued by one passenger who did not thoroughly litigate liability because of the small stake involved, substantial unfairness would result if United were precluded from relitigating its liability in a second suit, where the

[24] *Id.* at 729.

be heard in his defense, and actual notice has been held inadequate where it did not give the defendant the opportunity to be heard. However, the government may impose certain conditions as prerequisite to a hearing which may even be oppressive in particular instances. Moreover, the Supreme Court has held that the due process clause does not prevent the development of new procedures and that it will determine whether they meet the standards.

Different results would often be achieved if relitigation were permitted; collateral estoppel, offensive or defensive, encourages fairness by reducing the chances that one party will be held liable on a particular issue and another not. There is no reason to assume that a first, second or third judge of approximately equal caliber is able to decide the issues more competently. Any one of the courts are as likely to be right as any other. If *in rem* validity were accepted on a somewhat similar basis as "*in rem* invalidity" is under *Blonder-Tongue,* the valid patent would achieve the security for the patentee from relitigation equivalent to that now enjoyed by infringers of patents held invalid but once. Experience has demonstrated that this security can be significant. Although a full and fair opportunity must have been had to litigate the issues in the prior case, the court has stretched a point to give the prior invalidity decision preclusive effect.[27]

Pursuant to the 5th and 14th amendments to the Constitution, due process functions as a broad limitation on all arbitrary or unreasonable activities of the government. Because of its amorphous character, judicial construction depends on the circumstances of the case and the political, social and economic situation of the period in which the case occurs. Thus, the meaning of due process depends on the type of case and the societal pressures of the moment. Although the Supreme Court has

[27] See reversal by 3rd Circuit of the 1974 W.D. of Pa. decision in Kaiser Industries Corp. v. Jones & Laughlin Steel Corp., 515 F.2d 964, 185 USPQ 343 (3rd Cir. 1975).

fendant collaterally estopped from introducing further evidence on the issue of liability for breach of a provision in a collective bargaining contract which required the defendant to recognize seniority and reemployment rights of relocated employees. The plaintiffs had not been parties to the prior suit, and the court analyzed the issue of collateral estoppel as follows:

Despite the difference in parties plaintiff, we would entertain no doubt that the construction of the contract announced in the appeal in the Zdanok action, to which we adhere in that action, ought be applied in the Alexander action also, if "the case" remained the same in other respects. Since the doctrine of the law of the case is addressed to the court's "good sense," we see no reason why it should be peremptorily excluded because of the presence of new parties when the party against whom it is invoked was fully heard on a prior appeal, any more than that it must be rigidly applied whenever the parties remain the same. The construction of a contract has long been recognized as the type of issue "that is particularly vulnerable to law of the case." Note, Law of the Case, 5 Stanford L. Rev. 751, 759 (1953), citing Leese v. Clark, 20 Cal. 387, 418 (1862). Glidden was given the opportunity to make its argument on the construction of the contract and took full advantage of it. While the Alexander plaintiffs were not parties to the Zdanok action, it is clear that everyone expected their rights to be governed by the court's interpretation of the contract in that test case. Thus for the purpose of holding Glidden to the law of *its* case, we would see no unfairness in proceeding as if the Alexander plaintiffs had been parties to an action which was expected to settle their rights—again assuming that "the case" was still the same.

This brings us to Glidden's argument that because of the additional evidence, which, it urges, was surely received with propriety in the Alexander action, the latter was not the same "case" as that on which we previously ruled.[29]

. . . But we hold that in the Alexander action also the new evidence should not be considered.

The reason for this lies in the principle somewhat undescriptively called "collateral estoppel". . . .[30]

[29] *Id.* at 953.

[30] *Id.* at 954. This statement seems to be somewhat misleading. The acquisition of new evidence should be considered as reason for questioning the application of collateral estoppel, unless there is sufficient reason, as the court found in this case, against its consideration in a second action.

railroad type of situation, where the party against whom the plea is asserted faces more than two successive actions," or (2) where "by reason of his former adversary's possession of the initiative," he has not "had a full and fair opportunity to litigate the issue effectively." *Here Glidden's opportunity to litigate the Zdanok case was both full and fair.* New York was an entirely reasonable forum for litigation of a contract made in New York with respect to residents of New York working in a New York plant; as between state and federal courts in New York, Glidden, in its Zdanok case, had the forum of its choice. Although the plaintiffs are numerous, and could conceivably, by careful timing of their complaints, have subjected Glidden to such a series of actions as posed in Professor Currie's railroad case, such a course offers little advantage where the matter in issue is not a factual question of negligence subject to the varying appraisals of the facts by different juries, but the construction of a written contract by a judge. Needless to say, nothing in the result of Zdanok turned on personal sympathy or any other consideration relating specifically to those five plaintiffs as distinguished from the other employees. And Glidden cannot reasonably argue that it was unfairly surprised by the entry of the Alexander plaintiffs into the lists after judgment in Zdanok or that it would have defended more diligently if the two actions had been combined from the outset.

The Zdanok litigation was prosecuted by Glidden with the utmost vigor, up to the Supreme Court of the United States. The Alexander action in the state court was known by everyone to be lurking in the wings; it was mentioned in Glidden's brief in this court, p. 2, in its petition for rehearing, p. 3, and in its petition for certiorari, p. 4. Since both the Zdanok and Alexander actions present questions of federal law, we are free to follow our own conceptions as to the effect of the judgment in the former on the latter, see Currie, supra, 9 Stan. L. Rev. at 301, fn. 40, and need not decide whether this would also be true if federal jurisdiction in either or both actions rested on diversity alone. Cf. Kern v. Hettinger, 303 F.2d 333, 340 (2 Cir. 1962). [Emphasis supplied.] [32]

Bernhard and *Hansberry* v. *Lee* [33] were cited by the Supreme Court in *Blonder-Tongue* for the proposition that due process *prohibits* estopping those litigants who

[32] *Id.* at 956.
[33] 311 U.S. 32 (1940).

into the Lanham Trademark Act[36] in 1947 and its incorporation is considered a major legislative accomplishment. To make incontestability acceptable certain limitations were imposed on its utilization.

In like manner, to make patent incontestability more acceptable, certain factors are introduced in DPP and certain interests accommodated. For example, (1) DPP proposes a Validity Court that would make validity decisions at a judicial level and, therefore, reduce the likelihood of a second decision in a court, if (as under other opposition-cancellation proposals)[37] the first reexamination were to be mandated to the Patent and Trademark (PTO) Office; (2) DPP programs rapid action (the scientifically positioned cut-off for contestability is based on a statistical study of the actual use made of patented inventions issued by the PTO); (3) the small man will be benefited by being able to avail himself of the short term patent with a correspondingly reduced period of contestability; (4) all patentees will remain subject throughout the life of the patent to their own previous actions, and to anticipations—like the case of the lost art, the benefit to the public by the eventual repose of litigation in DPP, on the question of unobviousness, is based on a balance between a real and a technical interpretation of the public interest; and (5) possible inequities to patentees resulting from inordinately delayed action of knowledgeable parties will be reduced.

Although fraud and antitrust malfeasance can be raised under the Lanham Act and DPP at any time to challenge incontestability, the removal of unobviousness as a factor in a patent suit makes the DPP proposal of considerably greater moment to the security of the patent grant than Lanham "incontestability" to the TM right. Since unobviousness is treated by the courts as a matter of judgment—and entirely subjective by

[36] 15 U.S.C. 1051, at § 1065.
[37] See 56 JPOS 533 et seq.

Some of the lack of clarity in the Lanham Act may be due to the capability of common law trademark rights, which must be acquired by use, to exist independently of registration. Indeed, it is required that registration of a mark be based on its existence under the common law of the states. As the *Diester* case indicates, "While it [Lanham Act] may create some new substantive rights in trademarks, unless the trademarks pre-exist there is nothing to be registered." [39] Although there are considerable advantages in registration such as provision for constructive notice and *prima facie* evidence of exclusive right to use registered marks, it is well known that not all trademark owners utilize the federal registration statute. However, despite differences in the protection provided by the Lanham Act with that of the common law, the Act is grounded in that law.

A perceived or mistaken dichotomy between the objectives of the common law and statute may account for Section 33(b) of the Act which set forth the limitations on the evidence of conclusiveness of the incontestable mark in litigation in terms of defects or defenses which do not entirely coincide with the defects in marks for which cancellation is available at any time in the PTO under parts of Sec. 14(c) and (e). The defense set forth in Sec. 33(b) (7) that "the mark has been or is being used to violate the antitrust laws of the United States," may also be due to the disjuncture of common law and statute. Moreover, incontestability appears to be further limited by Sec. 18, which empowers the Commissioner to determine the rights of the parties in interference, opposition and concurrent use proceedings, and by the power of the courts in Sec. 37 to "rectify the register," which is only limited by the phrase "with respect to the registration of any party to the action." Sec. 18, expressing the inherent administrative authority of the Commissioner and Sec. 37, expressing the

[39] *In re Diester Concentrator Co., Inc.*, 129 USPQ 314, 323 (CCPA 1961).

ability by the judiciary of these decisions (because rendered by a judicial tribunal); and also avoid problems on the relation of a similar or related PTO and court function where their respective jurisdictions might appear to conflict or overlap.

Post Script

Experience with the incontestability provision in trademarks indicates that acceptability in the broad sense, which would include constitutionality and economy, is a key factor. If legislators, and those interested people who have their ear, or experts their confidence, are generally convinced that a variety of the incontestable patent is in the private and public interest it will be enacted into law in a way that will work, particularly if those who are charged with carrying it into effect are not too hobbled by an unfortunate legislative compromise or poor statutory draftsmanship.

Proposals for an incontestable patent have been made before and each has had its own enthusiastic supporters. However, the concentration on a plan of procedural changes to minimize the hazard of unobviousness primarily, based on an overall plan that would take the patent validity burden from the general courts and apportion it among the Patent Office, a new special court, and the interested public, while retaining the fundamental substantive features and objectives of the system is unique to DPP. Basically, the proposal seeks, in a fair, reliable and legal manner, to redress the patent litigation validity-invalidity balance which presently appears to be unduly shifted in the direction of invalidity. Even modest progress in this purpose would be in the best interest of inventors and of the system under present conditions, and in the public interest of the country for the long term.

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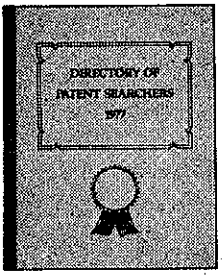
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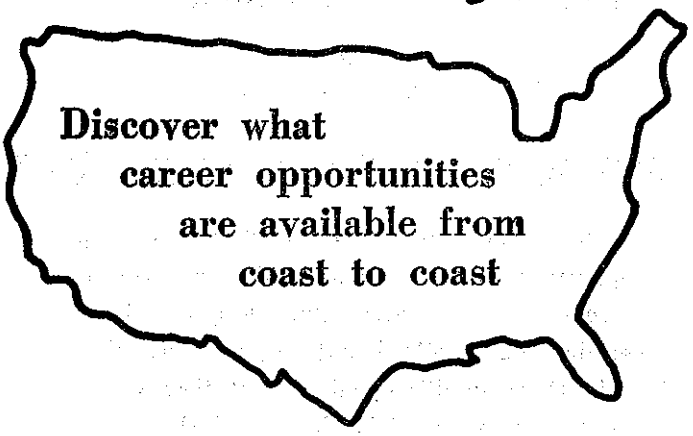
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equity power of the court, could be interpreted as explicit sanction for challenges to the incontestability of the mark.

There are resemblances in the manner in which incontestability is utilized in the Lanham Trademark Act and the proposal for patents under DPP, but of greater practical significance are the differences. First, a likeness: The cancellation of trademarks *after* a five-year period of registration under Sec. 14 and, in like manner, the attainment of incontestability under Sec. 15, can only be accomplished by acts of commission or omission by the registrant, except where the "mark becomes the common descriptive name of an article or substance." This is similar to the provision for the continuing vulnerability to challenge of an incontestable patent under the proposed DPP *after* the contestable period, based on the patentee's own acts or failure to act. An example of an important difference derives from the above mentioned common law and statutory dissimilarities: Judges have in certain cases [40] decided that the trademark incontestability provision is intended solely to protect a registrant from having the registration cancelled, and not to enable the registrant to enforce it—despite the fact that 33(b) states that an incontestable mark is "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce or in connection with goods," and sets forth seven defects which are declared to be *defenses* for one who has *infringed* the TM. With regard to patents, DPP proposes a Validity Court composed of judges with both legal and technical training who have had considerable experience with industrial property. This would avoid decisions based on a lack of technical knowledge or up-to-date information, assure the accept-

[40] See McCarthy, *Trademarks and Unfair Competition*, § 32:44. Although John Morrell & Co. v. Reliable Packing Co., 295 F.2d 314 (7th Cir. 1961), the seminal case holding that the incontestability provision was intended to protect a registrant defensively and was not intended to be used offensively in an infringment action, has not been followed in recent cases, the danger of misinterpretation persists.

some—the early removal of this relatively amorphous standard will provide the public with a clearer chart of what remains in the public domain. The judgment of the courts, of course, would continue to be exercised in cases based on (1) the patentee's own invalidating actions, (2) anticipations, and (3) peripheral distinctions where the difference between novelty and unobviousness may be somewhat blurred.

There are primarily five provisions that are referred to in the literature as dealing with incontestability in the Lanham Act: Secs. 14, 15, 18, 33(b), and 37, particularly 14, 15 and 33(b). Unfortunately, there is a lack of clarity due to an overlap in PTO and court jurisdiction and some inconsistency in PTO and court criteria. Moreover, the standards for incontestability under Sec. 15 seem so little different from those for ordinary protection against cancellation under Sec. 14, or it appears the concept of incontestability is intended to be limited approximately to that of cancellation. Although this may be questioned, it could have unexpected effects.[38]

Section 15 of the Lanham Act is entitled: "Incontestability of right to use mark under certain conditions" and provides that except (1) on any ground for which an application to cancel may be filed at any time under subsections (c) and (e) of Section 14 or (2) the use of a registered mark infringes a valid right acquired under the law of a state by use of a mark prior to the registered mark, a registration becomes incontestable if an affidavit is filed alleging five years of continuous use after registration and there is no adverse decision or pending proceeding in the PTO or the courts relating to the registrant's right to the mark. Thus, after five years of registration (or *con*testability) the mark has practically the same protection against cancellation in the PTO as an incontestable mark.

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[38] See note 40, *infra*, and accompanying text.

did not appear in a prior action "despite one or more existing adjudications of the identical issue which stand squarely against their position." The justification was the usual confusion of the opportunity for their position to be *heard* with their lack of opportunity to be *present* to state "their evidence and arguments on the claim." As previously discussed, if "their evidence and arguments" were already *fully presented,* the court may well feel that it would not be a denial of due process to dispense with a reiteration of the prior presentation, despite the personal touch that might be expected from those who did not appear in the first action.

Although courts may be reluctant to accept offensive collateral estoppel against a party not privy to the prior action, especially in patent cases,[34] the nature of the incontestable patent under DPP should lessen its impact as a constitutional question. To give potential infringers a reasonable opportunity to be heard, DPP (1) provides a contestability period (its duration based on empirical information, developed by The PTC Research Institute), (2) eliminates, primarily, 35 USC 103 as a defense in the incontestable period, (3) advocates augmentation of PTO personnel and documentation to increase efficiency (wherein certain applications are already subject to challenge before issue), and (4) incorporates the current liberal interpretations of "case or controversy" to permit easy access to the court by means of a Declaratory Judgment action, particularly during the contestable period.[35]

Precedent for Incontestability in American Industrial Property Law

The concept of incontestability is not new to American law relating to industrial property. It was introduced

[34] See Boutell v. Volk, 449 F.2d 673 (10th Cir. 1971); Berner v. Commonwealth Pacific Airlines, Ltd., 346 F.2d 532 (2nd Cir. 1965); Bruszewski v. United States, 181 F.2d 419 (3rd Cir. 1950), *cert. denied,* 340 U.S. 865 (1950); but see Columbia Broadcasting System Inc. v. Zenith Radio Corp., 185 USPQ 662 (N.D. Ill. 1975).

[35] See text accompanying note 1, *supra.*

A more serious question is whether the Bernhard [Bernhard v. Bank of America, 19 Cal. 2d 807, 811-813, 122 P. 2d 889, 894-5 (1942)] criteria should be applied so generally in favor of persons not parties or privies to the earlier judgment as that opinion stated. A penetrating article by Professor Brainerd Currie [Mutuality of Collateral Estoppel: Limits of the Bernhard Doctrine, 9 Stan. L. Rev. 281, 284 fn 6 (1957)], while heartily approving what had been decided in Bernhard and most of what was said there, suggested the opinion had stated the principle too broadly. He distinguishes between a stranger's "defensive" use of a prior judgment, which he thinks proper regardless of mutuality, and "offensive" use, which he thinks generally improper in the absence of mutuality. The evils of such "offensive" use are illustrated by the case of a railroad accident injuring 50 people who bring separate successive actions. The railroad can achieve no benefit in future actions from successful defense of the first 20. Yet, under the letter of the Bernhard opinion, a loss in the 21st round, perhaps resulting from a jury compromise out of sympathy for an appealing plaintiff, would bind the railroad for the remaining 29. Currie's understandable belief that something was wrong in that picture proved persuasive to a district court of appeal in California which, citing his article, refused to allow other persons injured in an automobile collision to avail themselves of a prior plaintiff's judgment, Nevarov v. Caldwell, 161 Cal. App. 2d 762, 327 P.2d 111 (1958), and the California Supreme Court denied hearing, Justice Carter alone dissenting, 327 P.2d at 122. New York also takes this view. Elder v. New York & P. Motor Express, Inc., 284 N.Y. 350, 31 N.E. 2d 188, 133 A.L.R. 176 (1940). Contrast United States v. United Air Lines, Inc., 216 F. Supp. 709, 725 (D. Nev. 1962) [judgment against airline in consolidated cases of 24 plaintiffs after 15 week trial held conclusive-but airline indicated it had no additional evidence].[31]

And the court continues:

We find the instant case to be fairly distinguishable from the California and New York decisions just cited and to warrant application of the Bernhard principle. Professor Currie recognizes that his "offensive-defensive" distinction is simply a rule of thumb that will usually achieve the right result, and concludes, supra, 9 Stan. L. Rev. at 308, that the abandonment of the mutuality requirement is sound except (1) "where the result would be to create an anomaly such as would occur in the

[31] *Id.* at 955-6.

grounded the concept of due process on the common law of England in effect in the states when the Constitution was adopted, the court has also recognized the need for progress and has sought improvement in a manner designed to be fair and to do justice.

In the case of *in rem* validity the second defendant will be bound by a prior judgment of validity only after a full and fair litigation of the issues, both procedurally and substantively, that should fully satisfy the current concept of due process. An example of the current connotation of due process appears in the ubiquitous class action suit where an entire class may be subjected to a judgment without actual notice to all members. The class action analogy is particularly pertinent where the defendants constitute the class, as in patent class actions. Although courts have been somewhat reluctant to permit actions where defendants are the class because they are subject to adverse assessments not encountered in plaintiff class actions, where notice and representation are considered to be *adequate* courts are more likely to accede.

Under DPP the defendant is subject to a "relatively" incontestable patent since 35 USC 103, primarily, is eliminated as a defense. Moreover, the patent must have survived PTO prosecution, which might have included third party participation, and endured a contestable period when prospective infringers would be accorded a reasonable and fair opportunity to exercise their rights. Their failure to do so would amount to an estoppel by conduct since defendant's omission to act during the period of contestability induced the patentee in good faith to rely on such inaction and to believe certain facts as a reasonable consequence thereof.

The second case cited in footnote 19 of *Blonder-Tongue* dealt with offensive collateral estoppel in a slightly different context. *Zdanok* v. *Glidden*[28] affirmed the district court's summary judgment for plaintiffs, holding the de-

[28] 327 F.2d 944 (2d Cir. 1964), *cert. denied*, 377 U.S. 934 (1964).

stake involved was very much larger[25] or additional evidence was adduced.

Thus, the application of offensive collateral estoppel rationale to the *in rem* validity aspect of the "incontestable" patent would require a further liberalization of the concept of due process in that a patentee would be permitted to raise the bar against a defendant who was not a party to the previous lawsuit. The claim for similar judicial tolerance is compelling where the defendant relies on no new, different or additional evidence,[26] the stake of the defendants in the first and second lawsuits are approximately the same, and the issues are thoroughly litigated by the first defendant. In the United Air Lines case the issue of liability was considered to have been "litigated to the hilt"; likewise, in the case of *in rem* validity the legality of the patent property would usually be thoroughly tested. Therefore, in accordance with due process standards set forth in the United case there appears to be equal reason not to discriminate in favor of the second defendant in the patent case.

While due process is personal, in the sense that the second defendant should not be denied an opportunity to be "heard," it does not necessarily follow that the second defendant must have been a party (or in privity) in the prior lawsuit. It is true that the reason for requiring judicial proceedings to take place only on notice to defendant is to give the defendant an opportunity to

[25] In a series of empirical surveys conducted by The PTC Research Institute on cost factors in patent litigation, most respondents felt that there was a relationship between the use of a particular procedure (e.g., discovery) and the stake involved, and the greater the possible financial loss, direct or indirect, the more likely the client would allow for greater expenditures. See Harris, Chuppe, and Tri, "An Empirical Study of Cost Factors in Patent Litigation," 15 IDEA 4, p. 523.

[26] In actions commenced in the *contestable* period, the district court would examine the prior art in each case in which it was alleged by a defendant that a patented invention would have been obvious in view of such art and decide whether that prior art had not previously been before the Validity Court. The district court would also determine whether the thoroughness of a previous determination warranted another referral to the special court.

first case was *United States* v. *United Air Lines, Inc.*,[22] which involved a mid-air collision between an airline passenger plane and a military aircraft. The liability of the airline was first litigated and established in an initial group of suits brought in California by the heirs of certain passengers; and the court in the second group of cases collaterally estopped the airline from denying liability because the issue had already been so thoroughly litigated. In granting summary judgment for the plaintiffs the court stated:

> The first of the above stated questions is: "Was the issue decided in the prior adjudication identical with the one presented here?" The thing to be litigated here, aside from damages, is the issue of liability of United Air Lines to the plaintiffs whose decedents were passengers of United Air Lines. The issue of liability of United Air Lines to the passengers on the plane was litigated to the hilt, by lawyers of the highest competence in their field, in the trial of the 24 cases at Los Angeles. The trial on that issue before a jury consumed the better part of 15 weeks. The pre-trial conference on the issue of liability took six days. The conference on Instructions concerning liability alone took seven full days, and counsel were heard at length on all objections. Argument to the jury took four trial days. The trial was commenced almost four years after the accident occurred, so that all of the parties had ample time for discovery which, under any sensible rule, forecloses the possibility that United Air Lines would be able to produce any new or different evidence which might change the result from the one obtained in the 24 cases against United Air Lines tried to a jury in the Southern District of California before the undersigned Judge, who also tried the Cross-claims of the United States and the United Air Lines against each other, and entered judgment thereon. Moreover, United Air Lines has not only failed to indicate that it has any new, different, or additional evidence, but it has also affirmatively indicated that it has none.[23]

And the court went on to refer directly to the Constitutional question:

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[22] 216 F. Supp. 709 (E.D. Wash. 1961), affirmed with regard to res judicata *sub. nom.* United Air Lines, Inc., v. Wiener, 335 F.2d 379, 404-405 (9th Cir. 1964), *cert.* dismissed, 379 U.S. 951 (1964).

[23] *Id.* at 728.

it retains certain other defenses, such as the statutory bar under 35 USC 102(b). In essence, the DPP virtually eliminates, in a fair and practical way, the most difficult issue relating to validity: obviousness. This issue has caused most of the uncertainty judges, patentees, and prospective infringers have experienced with respect to the standards of patentability.

Compared with other periods in the law for limiting legal action, that for eliminating the defense of obviousness (and certain other defenses) after a period of contestability offers considerably more flexibility. The *complete* bar to the assertion of claims against a person beyond the date for filing designated in the usual statute of limitations demonstrates this difference dramatically. In both types there is a contestable period in which a claim can be made; however, while no specified claim can be asserted (in the absence of fraud or concealment) beyond the period designated in the usual statute of limitations, the DPP is primarily directed to eliminating the defense of obviousness. Furthermore, an incontestable period places the prospective infringers, in a sense, on an equal footing with a patentee who can revise the patent specification or claims only by means of the relatively strict reissue procedure, limited to an inoperative or invalid original patent due to error without any deceptive intention.[19a]

[19a] The recent imaginative change made in the rules of the Patent Examining and Appeal Procedure relating to patent reexamination via reissue, enabling a patentee to have the PTO examine newly surfaced art *before* committing himself to a statement on the error and the resulting inoperativeness or invalidity by reason of a defective specification, does offer an opportunity to retest validity in the Office prior to meeting these statutory requirements. There is some question, however, as to the legality of this innovative use of the reissue statutory provision. Furthermore, the basic question remains whether the reissue procedure is the way that would most relieve the underlying problem of *continued* validity insecurity during the life of the patent (anymore than the proposed remedy in the Fong bill). Under the rule change, it is still in the court's discretion to accept the PTO facilities for this purpose—and the patent is subject to the same challenge thereafter despite a reexamination, albeit the hypothesis

Notice of the *quasi in rem* proceedings would be published in the *Official Gazette* in addition to actual notices to those who are known to have an interest in the patent's validity. Most corporations are aware of their competitors and other prospective patent infringers, and these people would receive actual notice. Any hardship objections by prospective infringers regarding the situs of the DPP's Validity Court in Washington, D.C., would not prevail because parties dealing with patents are frequently engaged in actions in the Patent and Trademark Office and its tribunals and in the Court of Customs and Patent Appeals located in Washington.

Due process is also taken into account by the courts in the application of the *in rem* right to specific infringement situations. Since a judgment *in rem* binds (affects) only those persons who violate the patent's validity, infringement depends on the unique facts of each case. *Becher* v. *Contoure Laboratories*[18] is an example of how a court will distinguish between an *in rem* right and the facts relating to its patent infringement. An invention was conceived by Oppenheimer who employed Becher, a machinist, to reduce it to practice. The latter agreed to maintain the invention secret and confidential. However, Becher violated the agreement, and obtained a patent in his own name without informing Oppenheimer. A judgment in state court was subsequently obtained by Oppenheimer, requiring Becher to assign the patent to him. Becher then brought a patent infringement suit, in the district court, requesting that Oppenheimer be restrained from further prosecuting his suit in the state court. A denial of a preliminary injunction was affirmed by the Supreme Court on the theory that the state court had jurisdiction over Oppenheimer's claim, despite exclusive jurisdiction in the federal courts of cases arising under the patent laws. The Court explains its position this way:

[18] 279 U.S. 388 (1929).

costs. One suit would settle the validity *per se* for the patent, all persons having any interest in the patent being bound by the judgment. This would not only reduce the burden on the courts and on all parties, including prospective defendants, but would also conform with the symmetry underlying the principle of mutuality.

The issue of patent *validity* under DPP is similar to a proceeding *in rem* since any judgment would affect the patent, not merely the parties;[15] but the patent would remain subject to certain defenses. Because these defenses include a patentee's own actions or malfeasance, the DPP proceeding would actually be *quasi in rem*. A major benefit of the *in rem* nature of the proceeding, on the issue of patent validity in the Validity Court, is the ability of the patentee to limit the major challenges to the validity of the patent to a specific period of time and to constructively notice and bind all prospective infringers. If the patent is held valid in a case during the contestable period, only the issue of infringement in that case would remain to be tried in another forum. Most issues concerned with *validity* would have been permanently settled during the contestable period, and all prospective infringers bound. Among the advantages for prospective infringers would be certainty and "collectiveness." During the incontestable period, prospective infringers would know in advance precisely what they were legally forbidden. Also, compelled to concentrate their efforts to a limited contestability period, they would be more likely to join together as a

[15] Proceedings in the nature of *in rem* abound in the law. They involve a very broad class of action undertaken against property, directly or indirectly. The following are some classic types: admiralty suits against a vessel; land registration actions; forfeiture of contraband proceedings; actions to quiet title; and proceedings in probate, eminent domain, and escheat.

It is said that a judgment *in rem* binds the whole world while an *in personam* judgment binds only the parties to the action. Like all generalizations this statement needs to be qualified; a judgment *in rem* actually binds (since it only affects) those who have some interest in the res—i.e., the patent.

prior suit, Justice White's economic rationale for "defensive" collateral estoppel should apply equally well to "offensive" collateral estoppel and incontestable patents. The following comparative application of the *Blonder-Tongue* economic reasoning to incontestable patents shows that it does.[8]

B-T	*Incontestability*
1. Patent cases that go to trial take an inordinate amount of time.[9]	1. Elimination of the defenses relating to utility, obviousness, and formal matters would reduce trial length.
2. Expenditure of funds for litigation is wasteful for the infringer and the patentee, who could better use the funds for research and development.[10]	2. Limited attack on an incontestable patent cuts down on litigation costs.
3. Infringers would rather obtain a license than challenge a patent.[11]	3. Simplified procedures permit an easier and cheaper challenge to a patent, avoiding taking an unnecessary license.
4. Patentee can harass infringers.[12]	4. Precise and well-defined defenses increase predictability of validity or invalidity and reduce possibility of harassment.

[8] See Kidwell, "Comity, Patent Validity, and the Search for Symmetry: Son of Blonder-Tongue", 57 J.P.O.S. 473 (1975).
[9] 402 U.S. at 336-7, 169 USPQ at 522.
[10] *Id.* at 338, 169 USPQ at 523.
[11] *Id.*
[12] *Id.* at 340, 169 USPQ at 523.

Second, the phrase, "promoting the useful Arts," must be interpreted. Madison stated in *Federalist Paper No. 43* with respect to patents and copyrights:

> The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right of common law. The right to *useful* inventions seems with equal reason to belong to the inventors. The *public good* fully coincides in both cases with the claims of individuals. [Emphasis supplied.] [4]

An eminent social scientist has given a more definitive interpretation of "promoting the progress of useful arts" in a paper generally supporting the patent system.[5] Dr. S. C. Gilfillan concluded that the patent system is beneficial because of the following factors—

1. Encouragement for making useful inventions;
2. Publication of new ideas;
3. Defensive purposes;
4. Prevention of inferior inventions from use in competition;
5. Control of product quality;
6. Honor for inventors;
7. Concentration of facilities for production.[6]

These factors sound a common theme. "Progress" is measured in economic terms for the public good. People are benefited by the use of inventions, if and when they reach the marketplace. To achieve such economic "progress," the patent system enlists two essential incentives, the incentive to invent and the incentive to *invest*, and blends them into an operative mix for the public and private good.

The incontestable patent maximizes these incentives by "securing" the patented invention to the inventor and the investor. An incontestable patent would be

[4] *The Federalist Papers*, pages 271-2, Mentor Books (1969).
[5] *Invention and the Patent System*—59-64, Joint Comm. Print of Joint Economic Comm., 88th Cong., 2nd Sess. (1964).
[6] *Id.*

(2) Patentee's own public use or sale under 35 USC 102(b); and
(3) Fraud in the procurement of the patent.

Infringement, antitrust, and misuse issues would continue to be determined in the district courts, in accordance with current practice.

This note is in response to questions that have been asked on the proposed incontestable patent. It is prompted at this time because of the current popularity with certain members of the patent bar of the concept of reexamination by the Patent and Trademark Office as set forth in S. 214[2] introduced by Senator Fong. Patent and Trademark Office reexamination proposals have had a long history, and have been presented generally in a revocation or cancellation format with a *limited period* after patent grant for the institution of the procedure; obviousness and other defenses are similarly limited under DPP to a contestability period. The Fong bill, however, would permit reexamination *at any time* during the life of the patent. Moreover, DPP is a more effective way of making the technical skill and facilities of the Patent and Trademark Office available for reexamination purposes without giving the court the impression that its only alternative, due to an implied statutory mandate, is to subject itself to the influence or administration of Patent and Trademark Office officials.

The value of reexamination will depend on the use made of the procedure. Whether those who are in a position to challenge the patent will chance their evidence in the PTO rather than await a patent infringement suit is open to question because of the general impression that the standard of validity is higher in the courts. For the same reason courts might hesitate to turn to the PTO for assistance during litigation. More-

[2] 94th Cong., 1st Session; see also Patent and Trademark Office's new rules concerning protests against issuance of patents, 37 CFR 1.291, 955 O.G. 1061.

to the energy problems, a contractor, at public expense, develops a technological breakthrough. What would an ordinary taxpayer think when he learned that this company could, for 17 years, legally control the dissemination, use, and pricing of this invention?

For the reasons I have stated, I believe that the Government should have a strict policy of retaining, for all citizens, the rights to patents developed at taxpayer expense. Specifically, I recommend the following:

1. All Government agencies should be required by law to retain patent rights, except in exceptional circumstances, to all inventions developed at Government expense.
2. Prior to a Government agency waiving the Government's rights to any patent, the Attorney General should be required to make a written determination that the waiver is required to obtain performance of work essential to the mission of the agency and that granting the waiver will not adversely affect competition or small business.
3. All inventors should be required to certify on their patent applications that the invention was developed under a Government contract and duly reported; or that the invention was not developed under Government contracts. Criminal penalties should be provided for individuals or contractors who file, as their own, patents that have been developed at Government expense.

The relatively small number of Government patents stems from the very fact that the Government has been giving them away; they have been patented by the contractors. The Defense Department, for example, does not acquire patent rights under production contracts. It retains patent rights only under contracts characterized as "research." Even under R&D contracts, the Defense Department has criteria for giving away Government patent rights.

In my opinion, the Government's rights to patents developed at public expense should not depend on some arbitrary distinction between "research" and "production." Often the best ideas and technology come during manufacture of a product, rather than from the research and development work that preceded it. The Government should retain patent rights on Government contracts, regardless of the nature of the work, whenever the invention was developed at Government expense.

Another reason for the small number of Government patents is that contractors automatically get title to patents developed under the Government's so-called "Independent Research and Development" (IR&D) programs—even though all or nearly all of these costs are paid for by the Government. The Defense Department alone spends about $1 billion annually on this program, but the patents developed do not have to be reported to the Government.

Under present rules, any U.S. citizen, for a nominal fee, can get a non-exclusive license to use a Government-owned patent. There has been little demand for these non-exclusive licenses; but that does not mean the invention is not being used, as members of the patent lobby contend.

The reasons for the Government to patent its inventions are primarily defensive: to ensure that the Government is not subsequently barred by a private patent from using an invention whose development the Government itself paid for; to prevent the establishment of a private

But companies now want to have their marketing development costs guaranteed by having a patent monopoly on Government-financed inventions. Since the public has paid for the development of the invention, the risks of marketing it should be no different in principle from other risks that are inherent in a true free enterprise system. How is the risk of marketing a publicly-financed invention different from the risk a man takes when he opens a new grocery or hardware store on a corner where none existed before? We would be going still further in abandoning our so-called free competitive enterprise system if we guaranteed legal monopolies for what are essentially normal business risks.

The patent lobby contends that, under a giveaway patent policy, the public is protected because the Government would have "march-in" rights. Under this concept, contractors who have been given exclusive patent rights to inventions developed under Government contracts would be required to submit reports explaining their efforts to commercialize the inventions. If a contractor did not commercialize the invention to the Government's satisfaction, the Government would then exercise its "march-in" rights and take the patent rights back or license it to others.

This concept sounds good in principle. But, the patent lawyers well know that this is a cosmetic safeguard; it offers no real protection for the public. To administer such a program would require a large Government bureaucracy to receive, review, audit, and act upon contractor reports throughout the life of each patent. Currently, the Government would have to track contractor activity on about 30,000 unexpired patents. If the Government ever tried to reclaim its patent rights, more administrative effort, and probably much litigation, would be involved.

In the real world, no one in Government would ever undertake this task; nor should they. Government agencies should concentrate on their proper functions rather than wasting time trying to keep track of how

While companies contend that they should have the right to the inventions they make at Government expense, they apply an exactly opposite principle in dealing with their own employees and subcontractors. Employees are required to give their employer the rights to any inventions that they conceive on the job. Toward their employees and subcontractors, the companies' practice is that the one who pays for an invention should own it. But in dealing with the Government, they contend that the one who actually made the invention should own it, not the one who paid for it. This is a classic example of "Heads, I win. Tails, you lose." It is also an example of the double-talk which has caused the public to hold business in such low esteem.

The patent lobby contends that contractors must be given exclusive patent rights to inventions developed under Government contracts or they will not invest in production facilities or in the future research and development work needed to commercialize an invention. This is one of the main arguments being used in promoting a giveaway patent policy.

It is nonsense to think that our technological growth will suffer unless contractors get exclusive rights to patents generated under Government contracts. From what I have seen over many years, the vast majority of patents both in and out of the nuclear industry are of little or no significance. Some individuals obtain patents as evidence of achievement, much as Boy Scouts collect merit badges. Their ideas might be patentable, but nothing worth pursuing.

Large corporations file numerous patents that are not great new developments, but minor improvements or design features. Often they file these patents simply to discourage competitors or potential competitors—particularly small firms—from trying to enter the market. And if someone wants to challenge the validity of any of these patents, it can take hundreds of thousands of dollars and years of litigation. A high percentage of

> . . . An important incentive in commercializing technology is that provided by the patent system. As set forth in these Regulations, patent incentives, including ERDA's authority to waive the Government's patent rights to the extent provided for by statute, will be utilized in appropriate situations at the time of contracting to encourage industrial participation, foster commercial utilization and competition and make the benefits of ERDA's activities widely available to the public.

This regulation also states that each potential contractor should be notified at the time of bid solicitation that he may request the Government to waive its patent rights, and that a request for waiver will not be considered as an adverse factor in evaluating bids.

With these new regulations the number of waiver requests in the energy field has increased dramatically. In Fiscal Year 1975, the Energy Research and Development Administration reported receiving two waiver requests; in Fiscal Year 1976, the number increased to 106. No doubt the number will continue to grow geometrically as the patent lobby pushes this policy.

To the extent a Government agency is not bound to the contrary by the provisions of a statute, it is supposed to be guided by the Presidential patent policy memorandum issued by President Nixon in 1971. This policy memorandum attempts in broad terms to strike a middle ground between giving away and retaining Government patent rights. However, like most attempts to reconcile irreconcilable positions, it has failed. The wording is so broad and so vague that agencies can construe what they wish from the memorandum. The Department of Defense routinely gives patents away. The General Services Administration has published procurement regulations, for most other Government agencies, which do the same.

The patent lobby would have us believe that if companies are not guaranteed exclusive patent rights, they will not accept Government contracts. Obviously, if given a choice, most contractors would like the Government to give them exclusive rights to all patents that might result from Government contracts. But very few

The U.S. Government alone is currently spending—in fiscal year 1978—nearly $26 billion for research and development. To grasp the significance of this sum, bear in mind that the total expenditures of the U.S. Government for the 11-year period, 1789 to 1800, was less than $6 million. It was not until 1917 that the entire Federal budget reached $1 billion.

Over the years I have frequently wondered whether, in this modern industrial age, patents are as important to industrial organizations as would appear from the statements made by the patent lawyers. It is probable that they are overemphasizing the present-day value of patents and it is quite possible our industry might not be hurt much if we restricted the items that could be patented.

I believe that today the important factor for an industrial organization is the know-how developed by it—the trade secrets and the techniques; these are not patentable qualities. They are things which are inherent in a company, in its methods; in its management and trained employees; in the kind of machine tools it has; how it uses these tools; and so on.

Up to the advent of the Atomic Energy Commission in 1946, and the Space Agency in 1958, most Government research and development consisted essentially of adaptations to existing technology. That is, an industrial organization would be called upon by the Government to take an item that it had already developed over a period of many years and modify it. But today, in many areas, the Government is in the forefront of technological development. As a result, it is actually the public that is financing development of entire new technologies. It is wrong, in my opinion, for the Government to grant a contractor exclusive rights for 17 years to inventions developed with public funds.

There are those, notably Government contractors, and patent lawyers in and out of Government, who have argued the opposite—that the Government should grant

Adm. H. G. Rickover *

GOVERNMENT PATENT POLICY**

Thank you for inviting me to testify. For the past thirty years I have been responsible for the research, development, procurement, production, operation, and maintenance of the nuclear propulsion plants in U.S. Navy warships. During World War II, I was responsible for the design, procurement, and operation of the Navy's shipboard electrical equipment. My comments today with respect to Government patent policy are, therefore, based on extensive dealings with various segments of American industry for about forty years.

The basic presumption in most laws concerning Government patents is that the Government retains title to patents developed at public expense. But, today, many Government agencies routinely grant contractors exclusive rights to these patents. I do not believe this practice is in the public interest. It promotes greater concentration of economic power in the hands of large corporations; it impedes the development and dissemination of technology; it is costly to the taxpayer; and it hurts small business. In my view, the rights to inventions developed at public expense should be vested in the Government and made available for use by any U.S. citizen.

Under our patent laws, the holder of a patent enjoys a 17-year monopoly. During this time, he can prevent others from using the invention; he can license the invention and charge royalties; or he can manufacture and market the invention as a sole source supplier. If the invention is worthwhile, he is in a position to make exorbitant profits.

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* This statement reflects the views of the Author and does not necessarily reflect the views of the Secretary of the Navy or the Department of the Navy.

** Statement of Admiral H. G. Rickover, U. S. Navy, to the Monopoly Subcommittee of the Senate Small Business Committee on December 19, 1977.

obvious standard." I recognize that there has been much patent law criticism of this case cast mostly in terms of the Court's use of the term "invention." But just this past year, and in the last full patent opinion issued by the Court, and again with unanimity, the Court said in relation to a patent for flushing waste from a dairy barn floor by the use of water:[7]

> We cannot agree that the combination of these old elements to produce an abrupt release of water directly on the barn floor from storage tanks or pools can properly be characterized as synergistic, that is, "result[ing] in an effect greater than the sum of the several effects taken separately." *Anderson's-Black Rock* v. *Pavement Co.*, 396 U. S. 57, 61 (1969). Rather, this patent simply arranges old elements with each performing the same function it had been known to perform, although perhaps producing a more striking result than in previous combinations. Such combinations are not patentable under standards appropriate for a combination patent. *A&P Tea Co.* v. *Supermarket, etc. Co., supra; Anderson's-Black Rock* v. *Pavement Co., supra.* Under those authorities this assembly of old elements that delivers water directly rather than through pipes or hoses to the barn floor falls under the head of "the work of the skillful mechanic, not that of the inventor." *Hotchkiss* v. *Greenwood, supra,* at 267.

[Here Judge Edwards discussed:
Popcorn-in-Oil Council v. *Wyndall's Super Market,* 355 F.2d 372 (6th Cir. 1966);
Nelmore Corp. v. *Jervis Corp.,* 354 F.2d 923 (6th Cir. 1966);
Parker Sweeper Co. v. *E. T. Rugg Co.,* 474 F.2d 950 (6th Cir. 1973).]

I suggest then that the requirement of invention for patentability is alive and well in the Supreme Court of the United States, and as a consequence, in all of the federal courts—and the Patent Office.

I also suggest that the elements of commercial success, long felt but unresolved needs, failure of others, etc., remain secondary to consideration of the elements of novelty, utility and nonobviousness which constitute the statutory definition of "invention."

[7] Sakraida v. Ag Pro, Inc. 425 U.S. 273 (1976).

As you well know, all of this ground was thoroughly covered by the Supreme Court opinion in *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966), which summarized its view of the "flash of creative genius" argument by saying in a footnote: "Rather than establishing a more exacting standard, *Cuno* merely rhetorically restated the requirement that the subject matter sought to be patented must be beyond the skill of the calling. It was the device, not the invention, that had to reveal the 'flash of creative genius.' "[5]

Mr. Justice Clark was not, however, satisfied with validating the Section 103 "codification," interpreting it as completely consistent with the Constitution and prior Court precedents. He continued:

> Approached in this light, the § 103 additional condition, when followed realistically, will permit a more practical test of patentability. The emphasis on nonobviousness is one of inquiry, not quality, and, as such, comports with the constitutional strictures.
>
> While the ultimate question of patent validity is one of law, *A. & P. Tea Co.* v. *Supermarket Corp., supra,* at 155, the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.[6]

This then leads to the second of my disagreements with Judge Rich's published views. In his California speech Judge Rich had a good deal to say about "the secondary considerations" set forth by Mr. Justice Clark above. He said:

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[5] Graham v. John Deere Co., *supra* at 15, fn. 7.
[6] *Id.* at 17-18.

it and case law as the Supreme Court wrote it—provided (here we go again) that I can understand it.

I suppose Judge Rich would, at least in theory, subscribe to all of what I have just said. But, nonetheless, as I read him, he appears to assert two propositions with which I cannot agree. Speaking of Section 103, Judge Rich seems to view it as a rejection of the word "invention" and a complete substitution therefor of the word "nonobviousness." In a speech entitled *Laying the Ghost of the "Invention" Requirement,* delivered before the Patent Law Associations of Los Angeles and San Francisco in 1972,[3] Judge Rich said: "Whatever you call it, the purpose [of the 1952 codification] was to substitute § 103 for the requirement of invention and for all prior case law, including the *A & P Case,* even though *some* cases contained the same principles. It was to be statutory, not case law in the future."

The first observation which must be made concerning this suggestion is that no codification, indeed, no statutory enactment by Congress, can amend the Constitution of the United States. As indicated earlier, the Constitutional power conveyed to Congress was that of granting an "exclusive Right" to "Inventors" for their "Discoveries" for the purpose of promoting "the Progress of useful Arts." I suggest that any statutory enactment (codification or otherwise) must necessarily be read as helping to carry out these Constitutionally described purposes. Indeed, as this distinguished audience knows, Section 100 defines invention (not very well) but in Constitutional language. Section 101, adding the requirements of novelty and utility, begins with the words "whoever invents." Section 102, which spells out in great detail the requirement of novelty, employs the word "invention" or "invents" no fewer than twelve times. Section 103 itself begins, "A patent may not be obtained though the invention is not identically disclosed or described as set forth in § 102."

[3] I A.P.L.A. Q.J. 26, 36 (December 1972).

where utility was in dispute. I can't recall a patent appeal which I heard where the inventor was unable to demonstrate some novelty. Clearly, then, however clumsy the word "nonobviousness" may be, it represents a characteristic which is a pearl of great price in the patent law.

It has been widely reported that the United States Courts are antipatent and that they hold invalid 70% to 72% of all patents presented before them. Hence, it is deduced that American inventors have a terrible time protecting their intellectual product.

Howard Markey, Chief Judge of the United States Court of Customs and Patent Appeals, who has sat a number of times with the Sixth Circuit as an honored visiting judge, in a recently published speech[2] commented on *The Status of the U. S. Patent System—Sans Myth, Sans Fiction.* I remind you of four paragraphs in Judge Markey's speech:

> Having sat with almost every circuit court of appeals and having served with many judges on various committees, conferences and the like, I have no hesitancy in reporting to you this morning my personal observation that no "anti-patent" attitude exists among the judges of the United States. Whether or not there may be a small handful of judges who have been led by lawyers and others to certain broad conclusions, I am certain that the vast majority of federal judges are no more "anti-patent" than they are "anti-business" or "anti-labor" or "anti-real estate" or "anti-property."
>
> On the contrary, every judge I have met appears to be dedicated to rendering the most correct and most just decision of which he is capable in every case that comes before him, praying nightly for the priceless gift of objectivity and freedom from preconceived notions.
>
> If one insists upon playing the statistics game, however, it is of interest that the more and better that game be played the closer the statistics come to supporting the *absence* of an antipatent attitude on the part of the federal courts of America.
>
> A major error in reliance on the Gausewitz and similar statistical studies has been the failure to recognize that they relate only

[2] 59 J. PAT. OFF. SOC'Y 164, 168-9 (March 1977).

Thus Constitutionally by the original compact of our people, Congressional power to grant a patent monopoly ("the exclusive Right") was restricted—

1) to "Inventors"
2) for their "Discoveries"
3) for "limited Times"
4) "to Promote the Progress of the useful Arts."

This represents rather detailed Constitutional language. Our laconic forefathers only used seven words—"to regulate Commerce . . . among the several States . . ."—in order to create the enormous interstate commerce power.

The answer, of course, is found in the history of the period prior to the American Revolution. One of the many abuses which produced the Revolutionary War was the exercise by English Kings of the power to grant monopolies in business and commerce to their favorites. One freedom which the Colonists sought in 1776 was freedom from monopolies. New Hampshire and Virginia in the debates over the Constitution specifically called for specific amendments against monopolies.

Virginia said: "That no man or set of men are entitled to exclusive or separate public emoluments or privileges from the community but in consideration of public services . . ."

New Hampshire said: "That Congress shall erect no company of merchants with exclusive advantages of commerce."

There were writers and inventors among the founding fathers (Franklin and Jefferson, to name two). They clearly wanted to stimulate "Progress in Science and useful Arts"—but not at the risk of unbridled monopoly.

Listen to Thomas Jefferson, the father of patent law in this country:

> He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine,

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