

FEDERAL TRADE COMMISSION

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PANEL ONE

9:30 A.M. -- 12:00 NOON

PATENTABLE SUBJECT MATTER -- BUSINESS METHOD AND
SOFTWARE PATENTS

Mark Janis, Professor of Law, University of Iowa
College of Law

Brian Kahin, Director, Center for Information
Policy, University of Maryland

Jeffrey Kuester, Partner, Thomas, Kayden, Horstemeyer
& Risley, Atlanta, Georgia

Jeffrey Kushan, Partner, Powell, Goldstein, Frazer and
Murphy, Washington, D.C.

Rick Nydegger, Shareholder, Workman, Nydegger & Seeley

John R. Thomas, Associate Professor of Law, The George
Washington University Law School, Washington,
D.C.

Robert Young, Chairman, Center for Public Domain, and
Chairman, Red Hat, Inc.

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PANEL TWO

2:00 P.M. -- 4:30 P.M.

PATENT CRITERIA AND PROCEDURES --
INTERNATIONAL COMPARISONS

Kenneth J. Burchfiel, Partner, Sughrue Mion, PLLC

Mark D. Janis, Professor of Law, University of Iowa
College of Law

Stephen B. Maebius, Partner, Foley & Lardner

Rick D. Nydegger, Shareholder, Workman, Nydegger &
Seeley

Robert L. Stoll, Administrator for External Affairs,
United States Patent and Trademark Office

John R. Thomas, Associate Professor of Law, The George
Washington University Law School

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In the Public Hearing on:)
COMPETITION AND INTELLECTUAL)
PROPERTY LAW AND POLICY IN) File No. P022101
THE KNOWLEDGE-BASED ECONOMY.)
-----)

Thursday, April 11, 2002

Room 432
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

The above-entitled matter came on for public hearing, pursuant to notice, at 9:30 a.m.

APPEARANCES:

WORKSHOP CHAIRPERSONS:

- MICHAEL BARNETT, FTC
- MATTHEW BYE, FTC
- JILL PTACEK, DOJ
- MAGDALEN GREENLIEF, PTO
- HILLARY GREENE, FTC

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P R O C E E D I N G S

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3 MS. GREENE: Good morning. Thank you all for
4 joining us. Exceptional panel, lots to discuss. Let
5 me just jump in. The question is I guess on a certain
6 level, why are we even here? Yesterday we had two
7 incredible sections that dealt with substantive patent
8 standards as well as patent procedures. And I guess
9 Bill is asking, why are we here, because he was in
10 charge of the entire day, so maybe he'd rather be home,
11 but no rest for the weary.

12 The answer is in part because business methods,
13 and to an extent software more generally, is something
14 that really has become a lightning rod for discussion
15 about patent issues generally. It carries a lot of
16 symbolic importance, and it carries a lot of actual
17 importance. We really need to figure out what's at
18 stake when folks are discussing business method patents
19 and come up with widely contradictory assessments.

20 We have a great group of panelists here. Thank
21 you all for joining us. And we have our panelists not
22 only here but I'll just say in passing that we have
23 panelists who came before you, because our hearings
24 have been going on since the beginning of February, and
25 some of you folks have already joined us and been on

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1 other panels. And what we're able to do is to
2 incorporate what we learn along the way and hopefully
3 weave it back in in subsequent sessions. So, I really
4 do appreciate that where we are today is informed by
5 all the hard work and all the information you've given
6 us already.

7 Also, I'll just make a plug for our website,
8 ftc.gov. Any of the public comments that we get get
9 put onto the website, and those are read very closely,
10 and so if folks want to respond to anything that they
11 hear today, that would be a great avenue by which to do
12 so.

13 In terms of logistics, my name is Hillary
14 Greene, and I'm the Project Director for IP here at the
15 Federal Trade Commission's General Counsel Office. And
16 to my right is Bill Cohen, who's the Assistant General
17 Counsel for Policy Studies. And we have Douglas
18 Rathbun, who is from the Department of Justice. Next
19 to him is Bob Bahr, who is from the Patent and
20 Trademark Office. Thank you, both.

21 The panelists, as I was discussing just a
22 minute ago with Bob, are what I like to think of as the
23 people that make my life easy, because they're the ones
24 that we go to in order to have a lot of really tough
25 judgment calls explained, et cetera. And so let me go

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1 through and describe a little bit about the
2 extraordinary folks we have here.

3 First is Mark Janis, and Mark is a Professor of
4 Law at the University of Iowa College of Law, where he
5 teaches and writes in the fields of patents,
6 trademarks, unfair competition, IP and antitrust. In
7 2000-2001, he was the recipient of the University of
8 Iowa Collegiate Teaching Award. He has published
9 several articles on domestic and international patent
10 law and is the co-author of a two-volume treatise, IP
11 and Antitrust, with some folks we may have heard of,
12 Hovenkamp and Lemley. Prior to joining the Iowa
13 faculty, he practiced patent law with Barnes &
14 Thornburg in Indiana.

15 Next we have Brian Kahin, and Brian directs the
16 Center for Information Policy at the University of
17 Maryland, where he's a Visiting Professor in the
18 College of Information Studies. Active in the early
19 multimedia industry, Brian was among the founders of
20 the Interactive Media Association, where he served as
21 general counsel until 1997. During that time, he also
22 founded and directed the Information Infrastructure
23 Project at Harvard School of Government. From '97 to
24 2000, he served as the senior policy analyst at the
25 White House Office of Science and Technology.

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1 And then to -- where is -- where did Jeff go?
2 Oh, hi. It's going to kill me with having two Jeffs.
3 Two Jeff Ks make it worse.

4 Jeff Kuester is a partner with the patent,
5 copyright and trademark firm of Thomas, Kayden,
6 Horstemeyer & Risley in Atlanta, Georgia. He is
7 currently an Adjunct Professor at Georgia State
8 University College of Law, and he is currently the
9 Chair of the Patent Legislation Committee of the IP
10 Section of the ABA. And as a member of the State Bar
11 of Georgia, he also is serving as Chair-Elect of the IP

1 Rick is a founding shareholder of Workman, Nydegger &
2 Seeley, which specializes in IP law. He's currently an
3 Adjunct Faculty Member at Brigham Young's Law School.
4 He has worked closely with the PTO in the development
5 of several important policy initiatives over the years,
6 including he was the principal author of the AIPLA's
7 Response to the Commissioner's Request for Comments on
8 Computer-Related Inventions. He is currently First
9 Vice President of the AIPLA and was recently inducted
10 as one of its fellows as recognition for outstanding
11 service.

12 Next we have Jay Thomas, and Jay is an
13 Associate Professor of Law at George Washington
14 University here in D.C. He also serves as a Visiting
15 Fellow in Economic Growth and Entrepreneurship at the
16 Congressional Research Service as well as an instructor
17 at the PTO Academy. Previously, he was a visiting
18 scholar at the Max Planck Institute in Munich and at
19 the Institute of Intellectual Property in Tokyo, and he
20 previously clerked for Chief Judge Helen Nye of the
21 Federal Circuit.

22 And lastly, we have Bob Young, who is the
23 co-founder and formerly CEO and Chairman of Red Hat
24 from '93 to 2000. Bob was responsible for the early
25 success of Red Hat. Red Hat is credited with driving

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1 the global, industry-wide adoption of open source
2 development practices. For this work, he has been the
3 recipient of prestigious honors, including the Business
4 Week Magazine's Top Entrepreneurs for 1999. In 1999,
5 he founded the Center for the Public Domain, a
6 nonprofit foundation that supports the growth of a
7 healthy public domain of knowledge and arts, and he was
8 chairman of the Center until 2002, when he founded
9 Lulu.

10 A little more logistics. We are going to have
11 four short presentations. They won't all be in a row,
12 and these are meant to be starting points for
13 discussion, targets, if you will. I really want them
14 to spur discussion. They're not meant to be
15 comprehensive or discuss both sides of all issues. And
16 we should have a small -- a short break about halfway
17 through.

18 For those of you who haven't been here, turn
19 your table tent like this if you want to have us call
20 you. And Jay Thomas has informed me that he's just
21 going to leave his tilted up, as with Jeff and Jeff.

22 Now, one of the things that's discussed, Ed
23 Kitsch refers to it as linguistic confusion, and that
24 is used to describe what many others have also
25 commented on in terms of the indiscriminate use of the

1 word "monopoly" to describe a patent. And the question
2 that Kitsch raises is, is there really disagreement
3 there, or is it just confusion about the language being
4 used, and that type of thing? And this is really a
5 challenge that we have in these cross-disciplinary
6 debates. And it's very pernicious to effective debate,
7 because it really undermines our ability to distinguish
8 when we don't understand one another and when we don't
9 agree with one another. This general admonition is not
10 only something to keep in mind, but it seems like it's
11 particularly relevant here.

12 When I spoke to the panelists and invited them
13 to come to discuss business method patents and
14 software, some of them asked, well, what do you mean by
15 business methods, or some said, there is no such thing
16 as a business method patent, and that type of thing.
17 And so my response was, well, what should I mean? And
18 towards that end, we're going to start off with Brian
19 Kahin, and his presentation will discuss in part what
20 does business method mean.

21 Then we are going to turn to the relationship
22 between business method patents and software patents,
23 and obviously embedded in all of this is the \$100,000
24 question about are they abstract ideas, et cetera, and
25 should they be patentable. All right.

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1 MR. KAHIN: In fact, although I can't answer
2 that question, that is exactly what I'm going to talk
3 about.

4 First off, I guess we're picking up on the
5 theme of uncertainty that we were discussing toward the
6 end of the day yesterday and talking about it at a very
7 high political level. What are business methods?

8 See, here is the director of the PTO in an
9 interview in Harvard Business Review, the premier forum
10 for the country's business executives, in an interview
11 entitled, "Can you Patent your Business Model?" And he
12 answered that, "We distinguish between a model, which
13 is a general vision and strategy, and a business
14 method, which is a specific way of doing business."

15 Then he goes on to, of course, talk about
16 nonobviousness, utility and novelty and enablement,
17 leaving the business community with that single
18 sentence, that they do indeed distinguish, although he
19 suggests you might want to consult an attorney if you'd
20 like to find out how.

21 He's not afraid to take on the patent -- the
22 mainstream bar as well. In an interview in the
23 O'Reilly Network with Tim O'Reilly, he asks, "How would
24 you feel if a lawyer was able to business -- to patent
25 an argument," and he doesn't basically have any problem

1 with it as long as, of course, it meets the statutory
2 criteria.

3 Now, State Street Bank, which Jay will talk
4 about in greater detail, of course, says that this
5 business method exception never properly existed, and
6 it also, however, does not really explain what it was,
7 some general but no longer applicable legal principle
8 perhaps arising out of the requirement for invention
9 that was eliminated with the 1952 Act.

10 Now, this is -- what State Street does from a
11 practical perspective is it overturns the expectations
12 of 100-150 years of business practice, practice based
13 on free competition. But what is it more precisely or
14 how does Judge Rich come to this decision? Well, he
15 looks to the legislative history. He looks to
16 Congressional intent and finds that it's not proper to
17 read any limitations into Section 101, and he, of
18 course, cites the language from the committee report
19 that was picked up by the Supreme Court in *Diamond v.*
20 *Chakrabarty*.

21 However, *Diamond v. Chakrabarty* involved new
22 technology. The use of -- the creation of life forms
23 to eat bacteria -- or bacteria to eat oil spills,
24 rather, was not a technology known at the time of the
25 1952 Act, whereas the rule against business methods was

1 established hornbook law. There was also no discussion
2 at the time of the 1952 Act that Congress intended to
3 change the law with respect to business methods.

1 Inventors Protection Act was enacted, and in August --
2 it was enacted in November. In August, as part of a
3 compromise to secure a first inventor defense -- and as
4 I understand it, that's not really a first inventor
5 defense, it's prior user rights, you don't have to be
6 the inventor and you don't have to be first -- but this
7 was limited in a political compromise, according to
8 Howard Coble, to the State Street Bank case. And the
9 reasons were, as elaborated by Representative Manzullo,
10 that it was not equitable to subject people who thought
11 that their business practices were unpatentable and had
12 maintained them to trade secrets, it was not fair to
13 sort of change the rules in midstream here.

14 Notice that he says, "Before State Street, it
15 was universally thought." So, in this -- in
16 recognition of this pioneer clarification of the law --
17 pioneer clarification, is that an oxymoron or does it
18 mean the first of many clarifications?

19 Then we have a late legislative history on the
20 first inventor defense which is quite a bit broader in
21 its interpretation. This includes manufacturing. In
22 fact, there are two separate statements by a Senator
23 and a Representative that make you think, since they
24 were exactly the same, that somebody had a very clear
25 idea of what business method should mean, and it should

1 include manufacturing. Coble's remark was actually two
2 days after the remark in the previous slide.

3 So, what does the PTO think? Well, business
4 methods are really just automated financial or
5 management data processing methods, technical stuff,
6 and in fact, this is really just a change in the
7 format, that business methods like using a cash
8 register have been around for many years. They've
9 simply been claimed differently. And this is just
10 inevitable. It's an inevitable result of progress.

11 The AIPLA report on business method conflates
12 business methods with software. It says we already
13 dealt with software with the Advisory Commission of --
14 Report of 1992, and the issues are the same.

15 The IPO's statement on business methods, well,
16 it doesn't define them, but it does suggest that these
17 are emerging technologies, when, in fact, the whole
18 thrust of State Street was to change the rule on
19 long-standing technology. Certainly the PTO version of
20 business methods argues that it is a long-standing
21 technology.

22 Now, I have got some questions about this.
23 This is a statement that was approved unanimously by a
24 50-member board twice, saying that Congress should not
25 touch this. I'm curious, because I'm -- I find it hard

1 to believe that U.S. industry really wants innovation
2 and competition at a general level managed by lawyers,

1 software is an over-abundance of information.

2 In Europe, the line tends to get drawn around
3 technicity, and this is an EPO press release from
4 August of 2000 that I think is a bit stricter than the
5 standard enunciated in the EC's recent proposed
6 directive. I did want to flag the term "social
7 processes," which is introduced in that proposed
8 directive as a way to talk about business methods and
9 beyond with no technical contribution.

10 Conclusions? I think it's very important to
11 define competency. From an institutional perspective,
12 you can't expect one agency to cover everything, and
13 that's essentially what the State Street decision has
14 put the PTO in the position of doing.

15 I think that the competency needs to be linked
16 with the "person having ordinary skill in the art"
17 standard. We do have a mechanism in patent law for
18 identifying the field of innovation. It's difficult to
19 apply outside mature technological fields, and of
20 course, the Patent Office may not approach it
21 rigorously. It will be applied rigorously only in
22 litigation.

23 However, it ignores -- a fundamental problem of
24 the PHOSITA standard is it ignores the growing reality
25 of team-based innovation, that innovation nowadays

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1 comes increasingly from multi-disciplinary teams, and
2 this would be particularly true for business methods
3 understood broadly.

4 At the same time, however, we have this low
5 nonobviousness standard for combinations that was
6 discussed yesterday, and in my view, this dual standard
7 ought to be eliminated, and we ought to be willing to
8 draw lines around patentable subject matter. And I say
9 this recognizing that this is a chronic policy problem
10 in an age of porous boundaries, that it is hard to
11 maintain lines. But the alternative is to swallow the
12 world, and I don't think that's what the patent system
13 should be doing.

14 Thank you.

15 MS. GREENE: Thank you, Brian. That was very
16 interesting and very provocative. One event that I
17 wanted to add to your chronology was that Brian
18 actually was the first person to organize a public
19 event on software patents, and that was for the MIT
20 Communications Forum in 1988. And I'm curious about
21 when you were holding that conference, would you have
22 anticipated that the debate about software and
23 ultimately business methods would be where it is today?

24 MR. KAHIN: That's easy to answer. No. There
25 was certainly no reason to suspect that we were going

1 to be dealing with business methods today.

2 MS. GREENE: Now, the definitional -- you

1 We already have to make the decision, because
2 the First Inventor Defense Act tells us we must, and
3 the reality is the PTO has to define every invention
4 that comes through the door. In fact, it does have a
5 universal encyclopedia of all fields of endeavor and
6 has to slap things into particular categories so they
7 can match the expertise of examiners to that subject
8 matter.

9 Also, the Berman-Boucher Bill offers a
10 definition, which was sort of met with a muted response
11 by the patent bar. It just said, well, we still can't
12 do it. There weren't a lot of discussions about the
13 particulars of that definition, which I think was
14 certainly at least a good start and perhaps answered a
15 lot of these questions. So, I've always found that to
16 be not a robust explanation for why we're not trying,
17 and I would also say some hard things are worth doing
18 in any event.

19 MS. GREENE: Jeff?

20 MR. KUSHAN: I have -- I don't know if I've
21 suffered, but at least I've listened for a long time
22 about the definitional question. And I often am
23 reduced to being way too practical in terms of trying
24 to imagine the patent examiner sitting inside the
25 Patent and Trademark Office at his desk and looking at

1 an application and sitting there with this imponderable
2 question of, what is this, when ultimately it doesn't
3 really matter what it is, because we have to evaluate
4 what the claims are, whether there are discrete steps
5 that are required to be practiced, and then whether
6 those discrete steps that make up the process are in
7 the prior art or not or whether they are reflective of
8 what is perceived by the inventor to be the invention
9 and how would we measure that.

10 A5 A5 A5 ltimnketaj2sn't

1 ultimately we get things moving forward as technology
2 and, you know, the convergence of technology and
3 business.

4 The task that, you know, given the environment
5 of the PTO examination process, there are only so many
6 things that can be done well by the Patent Office. And
7 to the extent that we can keep the examination process
8 focused on the measurement criteria of inventiveness as
9 opposed to the definitional criteria of eligibility,
10 the likelihood is that you'll have a lot more patents
11 coming out that people will not be upset about. I
12 mean, people get upset about these patents that come
13 out that have, you know, you have a beautiful picture
14 painted by the inventor saying, this is the coolest
15 thing you'll ever see, and then you look at the claim,
16 and you look at what they just described, and you
17 wonder what's the connection. There is no connection,
18 because they omit all the things that make it cool.

19 Now, if you were to get patent claims coming
20 out of the Patent Office which people had a matching of
21 the coolness with the claim scope, no one would be
22 upset. And that's ultimately the challenge for getting
23 the patent examination process to produce that level of
24 satisfaction. You know, I have some of this in my
25 talk, so I don't want to preempt anything, but it's an

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1 important thing to look at when you're looking at what
2 the Patent Office can produce relative to public
3 expectations.

4 MS. GREENE: And Jeff will be giving a
5 presentation towards -- later on in the session. And
6 one of the reasons why we're addressing this up front
7 is because ultimately one of the questions becomes the
8 extent to which if you don't have this eligibility
9 criteria up front, whether or not subsequent
10 evaluations can sort of do the job and tease out that
11 which is not novel and obvious and that type of thing.

12 Let's see here, Mark?

13 MR. JANIS: I guess I was a little surprised by
14 Jay's remark regarding the -- how robust the
15 definitional question is. I tend to think that it is
16 pretty robust, actually, just for a couple of reasons.
17 I just think it imposes an awful lot of costs on the
18 system when we try to draw these kinds of lines and
19 then attach serious consequences to them, you know, the
20 proposed legislation that says if you fall into the
21 category of a business method, lots of bad things will
22 happen. And that's going to generate a lot of
23 ancillary litigation over this preliminary question of
24 whether you're a business method or not.

25 And the history in this area is bad. If you

1 look at 20 years of debate over software patents and
2 what was an algorithm, what was a mathematical
3 algorithm, what was math, there were tremendous costs
4 sunk into that question. And I look at those cases and
5 wonder, you know, gosh, was it really all worth it, or
6 does this tell us that eligibility just really is a --
7 is very clumsy as a discriminator and other doctrines
8 would do better?

9 So, I tend to be hesitant and pretty suspicious
10 about the notion that we ought to try -- it may be that
11 ultimately we could come up with an elegant definition
12 of business methods, but I just think that the costs
13 entailed in getting there might not ultimately be worth
14 it. And I just harken back to all the debates that we
15 saw initially over software patents in thinking about
16 that.

17 So, I guess when I listened to Brian, I was
18 thinking that the definitional question is exactly the
19 point, that is exactly the right place to start. He
20 didn't say very much about the specific language of the
21 proposed bill, the HR 1332, but as you look at the
22 language in that definitional section, I can see big
23 problems there, or I can see lots of oppsg 21 w D (c7ury -- i

1 broadest sense, which might encompass all kinds of
2 different things, not tied at all to computer
3 technology, methods for teaching golf or sports
4 activities, methods for chemical processes for
5 producing pharmaceuticals or any almost unlimited
6 variety of different things, which seems to be in some
7 respects the scope of the term as it was introduced in
8 the Berman-Boucher bill back a year or two ago.

9 On the other hand, if what's really bothering
10 people is related to the idea that we are now
11 struggling and dealing with something that's a
12 relatively recent development in the sense of
13 e-commerce technology -- that is to say, where once we

1 that term I think tends to really obscure the problem
2 that one is dealing with, and it is precisely for that
3 reason that I think the definition is terribly
4 important.

5 I think the other thing that is maybe worth
6 noting is that it seems like whenever we talk about
7 this whole issue of business methods, we in some
8 respects end up passing like ships in the night,
9 depending upon whether we're focusing -- and this gets
10 back to a comment that Professor Janis just made --
11 whether we're focusing on the question of patent
12 eligibility in the first instance or whether we're
13 focusing on the question of the ultimate inventive
14 merit or contribution that's made by the business
15 method. And there's a lot of confusion it seems to me
16 in the discussion, the debate, that is surrounding this
17 whole area about those two fundamental concepts, and I
18 think that the policies that come into play in those
19 two respects, again, are very, very different.

20 On the one hand, with respect to Section 101,
21 the policies that drive that section, it seems to me,
22 are and ought to be liberal. We ought not to exclude
23 in the first instance entire classes of new technology
24 as opposed to testing those in terms of inventive
25 merit.

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1 MS. GREENE: Thank you.

2 Robert?

3 MR. YOUNG: Bob Young.

4 Rick, you just triggered one of my real

1 through the FDA process, deserve patents to make a
2 return on that investment.

3 Software companies, Mark Ewing in my Red Hat
4 company that we started on our credit card balances,
5 absolutely did not deserve to get a patent on the
6 various pieces of software that we wrote as part of our
7 product. It just -- it would have cost us more,
8 dramatically more, money to register those patents and
9 defend them, than it would have cost us to produce the
10 technology around the patents.

11 So, in order to avoid this growth industry,
12 this \$3 billion industry pushing for greater and
13 greater patentability, I think we have to write
14 legislation that goes the opposite direction.

15 MS. GREENE: Bob was referring to Chairman
16 Muris' speech, which we have up on our website. And it
17 was given during I think the ABA meeting in November.
18 So that's still online if you want to find that.

19 I'm going to have just two last comments here.
20 I'm going to let Brian respond to sort of what he
21 started. And then I want to have Jeff take this up,
22 because one of the things that Brian mentioned in his
23 presentation was IBM's comments about business method
24 patents making it possible to obtain exclusive rights
25 over a general business model, and that could include

1 all solutions to a business problem. And I think that
2 really sort of dovetails with Rick's question of what
3 is it here that's bothering us.

4 So, Brian, can you turn to more of the
5 definitional questions, and then I'd like Jeff to

1 the time the patent is issued and the time it ends up
2 in court.

3 The court -- the figures on litigation, which I
4 cited a month ago, are that for a case in which less
5 than a million dollars is at stake, the average costs
6 per side are \$499,000. Those are AIPLA's figures from
7 the economic report.

8 What we don't have here, and I want to take
9 issue with Mark now on the -- where do we concentrate
10 our resources? What we hear from the patent bar is you
11 concentrate your resources on determining these four
12 factors, that that's the priority. So, there's no
13 engagement -- I'm sort of surprised to -- and gratified
14 to hear Rick at least defend looking at the definition

1 methods" are somehow uncoupled from technological
2 advancements. I think, again, that that is a common
3 misperception that exists. I think it's possible that
4 patent claims can be written in a way in which those
5 claims are probably so broad that they do uncouple from
6 technology. But on the other hand, it seems to me that
7 that gets more to a problem of patent quality and the
8 ability of the U.S. Patent Office to carefully and
9 thoroughly perform its statutory duty of examination
10 and issuing patents that are quality patents and that
11 are valid and sustainable.

12 A case in point, an example, I suspect that
13 word-processing software, for example, or an operating
14 system software such as Windows might well be viewed as
15 a so-called business method, because those things are
16 used extensively in conducting various kinds of
17 business planning in different ways and through a whole
18 variety of different kinds of operations. So, the
19 question is, are those kinds of software completely
20 uncoupled from technology? Not netware hin ennnng0dlt

1 you're operating in and the claims before the Patent
2 Office as to whether that claim truly is a well-known
3 business technique or whether the claim is something
4 that really does start to represent a new technological
5 advance not found in the prior art.

6 MS. GREENE: Thank you.

7 Jeff Kuester?

8 MR. KUESTER: Thank you, Hillary.

9 I'm very honored to be here, included in this
10 great bunch of folks.

11 MS. GREENE: We have you in the southern
12 corner.

13 MR. KUESTER: Yeah. It is with great pleasure
14 that I am here and am able to participate in this. I
15 think these are very important hearings, and hopefully
16 you're getting a lot of good information out of this.
17 And the comments I've heard so far I think are
18 advancing the discussion quite a bit. I do have a few
19 comments that I wanted to respond to Jay, because he,
20 of course, touched a hot button of mine, which is the
21 definitional issue as well, and I know he's spent a
22 good deal of time on it. But it is certainly an issue
23 that I don't think we can sweep under the rug at this
24 point.

25 First, responding to your question about

1 industry, I wrote a law review article not too long ago
2 with Georgia State Law School o muus issue of businesso
3 method ptatnts and did somew rsearch and lookedw aound 6

1 know, we've seen advances in technology before, broad
2 new areas, and the patent system is set up to be sort
3 of subject-matter-blind with respect to some of the
4 lines we're trying to draw right now. And
5 consequently, I'm a little bit skeptical that, you
6 know, the sky is falling, and there are antitrust
7 problems and competition issues with yet another new
8 area of technology that the patent system has always
9 been able to handle.

10 But by the same token, again, that's just
11 anecdotal, you know, reasoning, not based on, you know,
12 what's really happening out there. Is this spurring
13 innovation or not? So, while I wish I could answer
14 your question affirmatively -- my heart says that this
15 is good for the economy, it's good for our society in
16 general, for patents to be in this area if properly
17 tailored and of the correct scope -- I think it's very
18 difficult for anyone to speak without making some broad

1 haven't seen that yet.

2 Regarding the definitional issue, you know, the
3 PTO has said for a while that they've been issuing, you
4 know, these patents for decades. Yet the court says,
5 you know, that it's been universally accepted that you
6 can't patent them. So, I think Jay's first pointing to
7 the Patent Office and saying that the definitional
8 issue is fairly straightforward, you know, they're
9 doing it already, I think that causes question in that
10 area. If they think they've been issuing them, but the
11 court says, no, you haven't, then there is some
12 question right there between, you know, what really are
13 we talking about here? Is this something that's been
14 around forever but the court says no? Who's right?

15 The Berman-Boucher Bill I do think was an
16 excellent start. Whoever drafted that definition did a
17 wonderful job trying to move the ball forward, but as
18 was said by some others on the panel here, there are
19 some big problems with the definition still.

20 I think the extreme ends of the definitional
21 question are fairly clear. I've used the example
22 before, if someone were to call me up and say I want a
23 patent for the way my secretary answers the phone q jtse 23

1 answers no, then she asks who it is, you know, that
 2 seems fairly straightforward that that's a business
 3 method. It's something used in business. There's not
 4 much technology involved, though there is a phone
 5 system involved, so now we're, you know, heading down
 6 the technology road a little bit, but that seems to be
 7 at one end of the extreme. It seems fairly businessy,
 8 and it just feels that that would be covered by
 9 something we would call a business method.

10 On the other end of the spectrum, of course,
 11 you've got drugs and door locks and automobile engines
 12 and things that just feel very unbusinessy. But when

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1 calling business methods is, I think, a very difficult
2 task. The AIPA defense, frankly I don't think it's
3 going to get used very much. Congress was certainly
4 reacting, as was pointed out earlier, to what seemed to
5 be a surprise. I know personally when I read through
6 the State Street decision, I saw the section on
7 business methods and thought, what does business
8 methods have to do with State Street? And I kept
9 reading and thought, oh, now I see. It finally made
10 sense, but immediately that jumped out to me as an area
11 that I wasn't expecting.

12 I was expecting to hear, you know, mathematical
13 algorithms, they're still patentable if there's a
14 practical impact or a practical result, and then all of
15 a sudden, and oh, by the way, business methods are
16 patentable, too.

17 But then it -- once I got to thinking about it,
18 well, you know, yeah, it is sort of a business issue,
19 and it's in software, so they -- it's good that they
20 took that issue up and I guess it was ripe for
21 consideration. But the AIPA defense that was created
22 in response to that decision was -- still lived in a
23 very small area of patent law. If you dive into it,
24 you will see these are types of prior uses -- which I
25 agree, it's not a first inventor defense, it's a prior

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1 use -- that are not prior art. If there's prior art
2 that's there, then you're just going to invalidate the
3 patent.

4 So, you're talking about activities which are
5 not prior art that have been around more than a year,
6 used in business commercially, that they can prove, so
7 we're talking about a very small -- and it's
8 nontransferable, it just happens to be that defendant,
9 who happened to be using it already for more than a
10 year noncommercially and it wasn't prior art -- I mean
11 commercially, and it wasn't prior art somehow.

12 So, I don't think we're going to be seeing a
13 lot of litigation trying to figure out what the
14 definition is. It would be good if the court came out
15 and told us, but I just -- I don't see it. There
16 hasn't even been a case asserted yet, I haven't even
17 seen one, and it's been out for a couple of years now
18 at least. So, I think we're still sort of adrift in a
19 sea of uncertainty in terms of what business methods
20 mean, either statutorily or if the Patent Office or
21 another regulatory agency were to try to go in and say,
22 you know, everything's okay except for these business
23 method things.

24 They'd need to go into pages and pages of
25 definitions, and then would we be better off after the

1 pages, because then you start having to define the
2 terms you've just used to try to define the term you
3 started out trying to define. It just -- the patent
4 law itself is going through quite a bit of difficulty
5 in that area right now, and just what do words mean in
6 the claims, and do you go to the specification and
7 different areas. And it seems, you know, defining what
8 we mean, what are these terms, I don't think can just
9 be, you know, shifted under the rug like Jay was trying
10 to minimize it.

11 MS. GREENE: Right. Well, defining the words,
12 on that point I'd just like to say I'm very glad we
13 have a patent attorney officially sanctioning the use
14 of the word "businessy," so I --

15 MR. KUESTER: I am like my own lexicographer,
16 so I'll take that one.

17 MS. GREENE: Now, the other thing I wanted to
18 ask you about is what your heart is saying. You say
19 that your heart says that you think business method
20 patents are promoting innovation. I suspect -- and
21 then you mentioned generally, plus the information that
22 I've seen or the evidence that I've seen.

23 MR. KUESTER: Right.

24 MS. GREENE: You know, if we assume for the
25 sake of argument that neither side of the debate can at

1 this point point to any empirical evidence that's, you
2 know, iron-clad, et cetera, what are the types of --
3 given that the evidence is unclear, what is it that you
4 tend to focus on that makes you sort of lean one way
5 versus the other way, et cetera?

6 MR. KUESTER: Well, in all honesty, I'm a
7 patent attorney --

8 MS. GREENE: Okay.

9 MR. KUESTER: -- so from a biased perspective,
10 I think my heart may be there just because that's what
11 I do. But trying to divorce myself from what I do as
12 part of this \$3 billion industry, I --

13 MR. YOUNG: Sorry, \$4.3 billion.

14 MR. KUESTER: -- \$4.3 billion industry, as I
15 was saying, if there isn't really good evidence that we
16 can rely on that's not disputed -- and maybe that's too
17 much to ask for, that there's no real, you know,
18 disputes -- then as I was saying, I think that the
19 patent system has dealt with new areas of technology
20 before, and so this is a new area where I think they're
21 going to react.

22 Frankly, I think a lot of the problems have
23 come up because of the press and other groups of people
24 who are reacting to seemingly overbroad patents in this
25 area, which just say, "How could anybody get a patent

1 on that?" It's not unlike any defendant when they get
2 accused of infringement, their immediate response is,
3 "How could anybody get a patent on that?" It's a very
4 common response. But then when you sort of explode
5 that with the internet explosion -- and the internet is
6 peculiar in the sense that it involves telecom as well,
7 which is a time-honored, patentable area -- so, you
8 combine these different factors, and all this
9 excitement about everything, it seems to me just a bit
10 misplaced in that the patent system is going to adapt
11 and handle this just like it has handled everything
12 else.

13 And therefore, the patent system inherently
14 promoting innovation, this is just another aspect of
15 something else that's patentable. It's hard to draw a
16 line and say, well, this is not, for some particular
17 reasons.

18 Now, if we step back and say there just is
19 really no evidence of the patent system at all

1 economy, that's maybe played a part in getting us where
2 we are today? Do we really want to now put I would
3 think a restraint on the e-commerce part of our economy
4 where it's suffered quite drastically in the recent
5 year or two, as all of our 401(k)'s probably know. But
6 given that investment dollars are going to be tighter
7 than ever in this area, if now, copyright not existing
8 and hasn't been for a while, we are going to pull
9 patent away from that area as well, are we really going
10 to now cripple any development in the e-commerce area,
11 where I think the future lies in many regards for our
12 economy?

13 MS. GREENE: Right, I'll turn to Rick in a
14 moment, just throw one more thought out onto the table.
15 One of the things that's been mentioned thus far is
16 when it comes to whether or not business methods and
17 software patents promote innovation, the question is
18 whether or not the inventors are able to get a return
19 on their money and whether they're able to,
20 particularly in high capital-intensive industries.

21 The other element to the equation in terms of

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1 Rick?

2 MR. NYDEGGER: I have comments in a number of
3 respects. Going back to his filed application for the
4 method of answering the telephone, it's one thing to
5 patent something as broadly as that. It's something
6 else quite different again to, again, patent a
7 technique that truly goes beyond that in new and
8 interesting and potentially valuable ways.

9 For example, let's take that example, and
10 suppose that someone had developed a technology using
11 voice recognition in some sort of very sophisticated
12 method for analyzing the voice pattern. When someone
13 calls in, the secretary says, "Who's calling, please?"
14 The software then immediately, based on the response,
15 recognizes through that pattern recognition who's on
16 the telephone. And suppose that that enables the
17 attorney, Mr. Kuester, in the morning when he steps in
18 the office and knowing he's programmed into his laptop
19 computer a particular prioritization for incoming calls
20 that day, that voice recognition pattern then says, oh,
21 this is somebody in your family. Well, he's
22 prioritized that at the top of the list. If they call,
23 they are to be passed through, and that immediately
24 pops up on the secretary's screen, this call is
25 acceptable.

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1 Now, that appears to be much more like
2 technology and like something that ought to be
3 protected. That illustrates the point. And therefore,

1 Spending -- and I don't think we should perhaps
2 assume too quickly for purposes of the record that the
3 patent profession is spending something like \$3 or \$4
4 billion. I don't know that that's really a -- you
5 know, ought to be considered to be a finding, but even
6 if it were, is it inappropriate to spend dollars in
7 that magnitude to attract investment capital, which
8 often is a primary concern for investors when they're
9 looking to fund new kinds of technology development
10 like the automated secretarial answering system, if we
11 can use that as an example.

12 I mean, without those kinds of protections in
13 place, very often these kinds of startup companies and
14 these kinds of technologies would not get funded. So,
15 it seems to me that it's not at all inappropriate to
16 look at spending those kinds of resources to protect
17 that technology for that, among other purposes. Not
18 only that, patents can and often do put these kinds of
19 startup companies on a more level playing field with
20 respect to the dominant players in a market industry.
21 That's not an unhealthy competition policy, it seems to
22 me.

23 MS. GREENE: Let's turn to some more comments
24 and just have people, to the extent that they want to,
25 comment on the opposing example that Rick proposed,

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1 because it seems like what you were mentioning and what
2 Jeff Kuester was mentioning are poles apart, even
3 though they do both go to answering the phone.

4 Why don't we just go in a line. Brian?

5 MR. KAHIN: Well, first, just a series of
6 comments to respond to people since the last time I had
7 a chance to speak.

8 First of all, in regards to e-commerce -- no,
9 let me talk more generally first. I agree that we
10 really do not have empirical data here; however, we do
11 have empirical data on how other industries outside of
12 software and business method look at patents, and the
13 capsulated explanation -- answer is that for some
14 industries, a few industries, the system is very
15 important, especially biotech, pharmaceuticals,
16 chemicals. For most industries, it's not that
17 important.

18 It's possible that -- nobody's done this yet,
19 although I would say that there are a couple of studies
20 in Europe which show a negative perception of the
21 patent system among small enterprises, particularly
22 among small enterprises. So, it's ironic that given
23 the fact that we've been out ahead on patent policy and
24 expanding the scope of this system to deal with
25 software, the first empirical stuff on this is coming

1 out of Europe. And I can assure you, you look at the
2 site for the NRC study, there is no new empirical work
3 coming out of that study that's going to help us in
4 this discussion. There's a tiny, very small sample
5 piece on biotech, but that's really it. That's the
6 only thing that addresses the fundamental policy
7 questions that we're talking about right now.

8 On the question of the impact on e-commerce, I
9 think it's also important to remember that e-commerce
10 has been driven by the widespread availability of
11 nonproprietary technologies, the internet, all the
12 protocols around the internet, the worldwide web.

13 And finally, Rick was raising some good,
14 important questions there, and to my thinking, they
15 have a lot to do with what is the appropriate breadth.
16 Do you get a patent for the particular implementation,
17 or do you get a patent for the whole business concept?
18 And so these are the questions that should be asked.
19 They are not being asked in this country. They are
20 being asked in Europe. That's where the action is
21 right now.

22 MS. GREENE: The action is right next to you,
23 also, because I know that Jeff thinks about a lot of
24 those topics, but your comment also or immediately is?

25 MR. KUSHAN: I find these debates to be

1 complicated, because what's really underlying the
2 questions are the business strategies. I mean, the
3 latest comment from Brian is a good way of framing
4 this. Yeah, the internet community has defined
5 standards, but all the money came into the internet
6 community on the prospect of unjustified hopes of
7 enrichment.

8 I mean, the concept that drove all the
9 investment capital into the e-commerce sector was not
10 the idea that we're all going to define standards to
11 communicate with each other. It was the hope of
12 unjustified enrichment, of launching companies and
13 getting wealthy.

14 I mean, if the concept is that we want our
15 technology-based products and services industries to be
16 driven not by this lure of unjustified wealth but by
17 another path, then let's have a debate about the
18 propriety of patent availability, because the simplest
19 way I look at this is when investors come and look at a
20 project, a possession of a patent which excludes others
21 from using the thing that will be developed by that
22 venture increases the odds of commercial success. If
23 people want to debate that, I'll have a wonderful
24 debate, because I can't imagine that you can show that
25 that's false.

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1 If I can stop you from selling what I have just
2 developed, my odds of success in the market are going
3 to go up. And from a crude investment community
4 calculation, they say that's better than not having
5 exclusive rights. So, that's a separate question, and
6 I think that is the undercurrent to a lot of these
7 debates on patent eligibility, because if you want to
8 have a different agreement about successful
9 commercialization paths, then let's have that debate.

10 The question about whether there should be
11 patent eligibility or drawing lines of eligibility is a
12 separate question which, you know -- and I think this
13 is one which we need to talk a lot about -- can you
14 regulate proper patent grants in the system that we've
15 endorsed, which is patent eligibility to facilitate
16 successful commercialization?

17 Now -- and it's a good example, because in the
18 software world, there are lots of people who have
19 elected to choose a commercialization path which does
20 not try to use or depend on proprietary rights, the
21 open source movement. And a lot of this has been
22 consciously pursuing a path, and I would argue that
23 what they're selling is services and not products. I
24 mean, the revenue projections that drove money into Red
25 Hat and other Linux entities was not the idea that they

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1 would make money selling products. They were going to
2 get rich selling services to support the system.

3 I want to know, because that's my informal gut
4 reaction, but there was a lot of money that went into
5 Red Hat from the investment community on the hope that
6 they would be making money somehow without having --

7 MR. YOUNG: And just for clarification, the
8 answer is both. There is no distinction between a
9 service and a product. From a customer's point of
10 view, he just wants to solve the problem.

11 MR. KUSHAN: Right.

12 MR. YOUNG: So, just to be clear on that, it
13 doesn't really matter.

14 MR. KUSHAN: Right, but that kind of frames the
15 debate nicely over the question of whether you want
16 proprietary rights in this area, because is the
17 preponderance of success higher when you have patent
18 availability and exclusive rights, even if they're not
19 used to exclude, but just the availability of -- and
20 the decision, or is it better or more productive to not
21 have that in the environment? And that's, you know,
22 fundamentally at the root of a lot of the debates that
23 you see at this very high level -- should patents be
24 available or not?

25 My sense is that the investment community has

1 told us they want more patent eligibility, they want to
 2 use anything they can to have success in the ventures
 3 that they back. And so my heart that I hear reflecting
 4 comments from investors is if you can find a way to
 5 make this more successful, I'll give this guy money.
 6 And if I could answer that question by saying, well,
 7 there could be a possibility of getting exclusivity
 8 over this part of what they're developing through a
 9 patent, then I get a plus on my column. If the answer
 10 is no, there is no possibility of getting exclusive
 11 rights, that doesn't end the investment inquiry. It
 12 says, well, what else can we do to achieve commercial

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22t enkeftre.lMS. GREENE: Jay that? rights, that does23t enkeftre.lMR. TH
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1 indulge myself in a few moments of discussion.

2 As far as the definition, just for the purposes
3 of my talk, my definition will be the point of
4 patentable distinction involves the manipulation of
5 natural laws to -- concerning physical elements. That
6 is where the point of patentable distinction lies, and
7 that is what I am talking about when I talk about
8 business method patents, which I will call
9 post-industrial patents, because it's more than just
10 business methods. It's post-industrial patents in
11 every walk of life as compared to, say -- and again,
12 physical principles and natural laws as opposed to
13 economic and social principles.

14 European statutes and regulations have these
15 kinds of words in them, as do the Japanese
16 corresponding provisions. These patent offices
17 routinely reject applications on this ground. I'm just
18 very surprised that we just think we're incapable of
19 doing it when our foreign counterparts are doing it all
20 the time and looking on us with something of a grin to
21 see how we're manipulating our markets and our systems,
22 why they're not subjecting their industry to the same
23 constraints.

24 Statutes are full of words that are not defined
25 well by the legislature and are hard to figure out.

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1 Reasonable, seasonable, intent to monopolize, restraint
2 of competition. You know, we work our way through it.
3 It's not always easy, it's not always pretty, but that
4 is the process of lawyering and how the law works.

5 I agree entirely with Mr. Young. The fact is,
6 this economy is founded on the privilege to compete.
7 That is the fundamental, bedrock principle of our
8 capitalist economy. Value does not equal property.
9 There has to be additional rationale for property than
10 just it's valuable, and we simply must be very
11 concerned when we manipulate our markets to restrain
12 competition.

13 We're not just -- again, this is methods.
14 We're patenting every walk of life. We're subjecting
15 everything we do, every field of human endeavor, to
16 private appropriation. I don't think that's something
17 that we should casually enter into. I think that's
18 something that should be done with restraint. When
19 most regulating agencies regulate a market, they
20 usually at least have notice and opportunity-for-ene- (

1 tort that are drafted by private proprietors and
2 enforced with all the vigor of private enterprise as
3 compared to the comparative langor of the state. They
4 are private laws. They are -- we just hand them out
5 because -- we hand out private regulations because
6 they're different. That's what it comes down to.

7 We don't ask whether they're good on an
8 individual basis. We have this holistic belief that
9 they're going to be for the good because they are going
10 to promote more regulating.

11 When we say entire fields of endeavor -- you
12 know, we suddenly submit entire new industries to
13 private regulation in ways that just haven't been
14 contemplated before, you know -- it seems to me we at
15 least ought to ask whether we think it's a good idea,
16 especially since when we do ask them, they routinely
17 tell us they don't want it and it's a bad idea.

18 One just last comment is, do business owners
19 need exclusivity? That's just not our experience. You
20 know, I don't think when you say to a small business
21 owner at a corner store, I am not going to open this
22 corner store unless I have an exclusive permit, I'm the
23 only one who can sell soda and snack food in this area.
24 That's just not the way business enterprise runs.
25 There are certainly other means of obtaining funding,

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1 and for every business owner who wants more money,
2 it --

3 MR. KUSHAN: Take a strip mall, where you have
4 a CVS next to a Giant and ask whether the CVS is
5 allowed to sell food products, and the --

6 MR. THOMAS: I regret the --

7 MR. KUSHAN: -- the guy who sold the lease to
8 CVS says you're not allowed to sell food products
9 because I can't sell the big space next to you to
10 Giant --

11 MR. YOUNG: Yeah, but across the street,
12 there's not --

13 MR. KUSHAN: These are nice hypotheticals, but
14 there are all sorts of barriers that crop up
15 everywhere.

16 MR. YOUNG: That's how most small businesses
17 get started. It's not with any form of exclusivity.
18 So, that's a very valid point.

19 MR. THOMAS: Yeah, I regret the interruption.
20 In all events --

21 MR. YOUNG: I'm sorry, I'll restrain myself.

22 MR. THOMAS: -- for every business owner who
23 wants money for funding, there's going to --

24 MS. GREENE: This is a discussion.

25 MR. THOMAS: -- there's a downstream business

1 owner who's going to be excluded, and we have to put
2 that in. What are the effects of what we're doing on
3 innovation and industry concentration? Would we be at
4 WordPerfect 9.0 now, or would we be at WordPerfect 1.0
5 because that would be -- everything would be locked up
6 with basic patents? Would we have one bank, because
7 someone would have an idea of an ATM machine outside of
8 the bank, or would we have lots of banks with different
9 bank machine providers who have patented the physical
10 components to make up their bank machines? I think
11 these are really important issues.

12 You know, again, that's sort of where my heart
13 takes me. If you're saying, well, let's patent
14 everything because we think it's worked, gosh -- and
15 this is my last comment -- how about the movie "When
16 Harry Met Sally," and there's a scene where a young
17 woman in a restaurant is eating and she just whips
18 herself into a frenzy and is very delighted, and an
19 older woman in the restaurant says, you know, I'm going
20 to have what she's having. It just strikes me as this
21 whole problem in the area of patents is the causation
22 problem.

23 Again, I think my heart says that the privilege
24 to compete is the most important principle we have in
25 our economic way of life. And when we peel back

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1 fingers of the invisible hand through broad
2 manipulation of economic principles and proprietizing
3 them, you know, we don't know if we are getting any
4 good, but our experience with the patent system says
5 there's going to be some bads, because there's
6 speculators out there, there's monopolists, and we
7 really ought to have some good reason.

8 Thank you.

9 MS. GREENE: Bob Young.

10 MR. YOUNG: Pleased to hear that. I thought I
11 was the only one on this panel. Bob Young.

12 I guess I have three points. One is
13 obviousness. Again, to pick on Rick down at the end,
14 he was trying to describe something that should be
15 patentable under a business method model, and I would
16 strongly argue that the very idea that sitting around
17 this table we could come up with an idea that should be
18 patentable illustrates the problem with business method
19 patents.

20 Patents should be things that are fundamentally
21 nonobvious, things that take a lot of effort to invent
22 and develop. If we can sit around here and come up
23 with a good idea, by definition it should not be
24 patentable. I mean, that should be the standard. If
25 it didn't take several years worth of research to come

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1 up with this idea, it should not be patentable.

2 So, you know, business methods is just -- the
3 whole category should not be patentable. That's a
4 personal opinion, but I've been in business for 20
5 years, and I haven't seen a business method yet that
6 should be patentable.

7 The State Street case was a legal case. It was
8 not an economic analysis case. The judges were not
9 looking at this from the point of view is this the
10 right thing to do for our society. They were looking
11 at it from the point of view of is this how the law is
12 written. I'm not a lawyer, so I'm not going to go
13 there.

14 But the obviousness stuff, you know -- so,
15 that's the one -- the example of this stuff is business
16 methods shouldn't be -- a guy like Larry McVoy runs a
17 little technology company in California called Bit
18 Mover. It has built an algorithm that is sufficiently
19 nonobvious that people in our industry have been trying
20 to build this thing for 20 years. He's the first guy
21 who's actually succeeded. He needs a patent on that,
22 and the reason he needs a patent on that is not for
23 him. It's for us, because how is Red Hat ever going to
24 learn how to use, how to build technology like that if
25 we don't have this societal bargain that the patent is

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1 supposed to be about?

2 It's supposed to be about we'll give you a
3 20-year monopoly or whatever, some period of monopoly
4 on your invention if you share with us the secret of
5 your invention. Our industry needs to know how Larry
6 McVoy did this, because we've been trying to do it for
7 20 years. Right now, Larry McVoy has no incentive,
8 because he doesn't actually happen to believe in
9 software patents, but that's another story. Without
10 software patents, he actually doesn't have an incentive
11 to share his invention with us, and this is a
12 nonobvious invention. It's something that he's taken
13 years and years and years to develop.

14 So, the absolute test is -- and this is the
15 cool thing about this panel and about this whole
16 discussion. When you actually start researching the
17 history of it, and it goes back to -- I studied history
18 in university -- you get all the way back to Jefferson
19 and Franklin debating with Madison and Jefferson over
20 whether we should have a patent office at all. And
21 Jefferson's argument is, no, ideas are for the common
22 good of mankind. And Madison argues, but what about
23 the poor businessman who needs to make a profit on his
24 investment? And they end up settling and saying, okay,
25 we'll have a patent office for patenting inventions,

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1 not, specifically, not for patenting ideas.

2 Business methods are ideas. Most of the
3 software patents that I've ever seen are patents around
4 ideas, but again, I'm not an expert on it.

5 The third one, though, is just to sponsor this
6 thing, you know, we need to do -- we need to get
7 smarter on this stuff. The -- you know, when I start
8 talking about this and people come to me for advice and
9 I realize, gee, if I'm an expert in this field, this
10 field's in trouble. Examples of the sort of thing that
11 we need to find and get going are guys like Bessen and
12 Maskin at MIT did a paper on "Sequential Innovation,
13 Patents, and Imitation." And as far as I'm concerned,
14 they need a course in marketing, because that's
15 probably the worst title of a study I've ever read.
16 But it's a great study.

17 I mean, it's the sort of economic analysis of
18 our industry saying, look, you know, software patents
19 actually tangibly have no value. They did not increase
20 the rate of innovation in our industry at all. All
21 they've done is impose this huge cost on our industry
22 and not done anything for accelerating innovation,
23 because guys like me, all the entrepreneurs out there,
24 are going to launch our companies anyway. You know,
25 the software industry, 20 years is too long. In fact,

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1 the three-year time it takes to get a patent is too
2 long.

3 So, most of us -- you know, the IBMs rush
4 around getting patents. Most of us entrepreneurs don't
5 bother, because by the time we get a patent, we aren't
6 using that piece of technology anymore anyway. So, we
7 have got to keep focused, not on legal precedent, not
8 on the fine points. We have got to keep focused on
9 what's right for our society. How do we maximize our
10 personal liberties? How do we maximize our economic
11 growth? And are patents on business methods
12 contributing or detracting from that?

13 It's painfully obvious to anyone in the
14 industry that they have no great value other than to
15 this \$4.3 billion patent filing industry. Sorry.

16 MS. GREENE: No problem. Okay, we will turn to

1 suspect that we would find that gradually we could
2 develop a proper obviousness standard, we could make
3 sure the Patent Office had the resources to apply it,
4 we could develop proper standards of enablement, and
5 maybe a lot of this might not look so scary to us.

6 MS. GREENE: Let's see how scary it looks after
7 Jay and Jeff Kushan give their presentations. Jay, if
8 you could go first. Much of what's in their
9 presentations has been hinted at in various ways
10 throughout the morning.

11 MR. THOMAS: I guess at this point I needn't
12 say that I have a skeptical view about intellectual
13 property rights for computer software and business
14 methods, but what I'll try to do is highlight some of
15 the high points and discuss sort of the legal progeny
16 for patents on business methods.

1 task that alerts the public that a copyright exists and
2 is a predicate to litigating the copyright, but it
3 doesn't establish the copyright.

4 So, the Copyright Office did this, but it
5 wasn't of such consequence. It really took the work of
6 a Presidential Committee, the Committee on New
7 Technological Uses, which in a final report just after
8 the 1976 Copyright Act was enacted legitimized the
9 copyrighting of software. And that was brought about
10 through 1980 amendments to the '76 Act. So, there is
11 really no question that copyright extends to computer
12 software as text.

13 Really the courts have moved on to second order
14 issues at this point. They're really more interested
15 in copyrighted scope of protection, the interest of
16 derivative works, especially linking and framing,
17 y linking a8nki3Aery rewTtcdeghg who, t of protection, the ed

1 otherwise, but I think in large and in the main,
2 Section 102(b) of the Act prohibits copyrighted ideas,
3 procedures, processes, systems or methods of operation.
4 And what this means is that there's probably not a lot
5 of room for copyright protection in a business model,
6 per se.

7 Again, if you have a business method on the
8 internet with a hardware platform that's a software --
9 a piece of software text, you'll get protection for
10 that software text to some degree, but you won't get
11 protection on the model, per se. Anyone else could
12 come up with one click, so long as they wrote the code
13 themselves. So, what this meant is that innovators
14 would turn to the patent system to attain more robust
15 protection.

16 Now, there were a bunch of early limits on the
17 patent protection of computer software. Mathematics,
18 mental steps, abstract ideas, printed matter and
19 algorithms have all come up in this arena. They have
20 all been historical exceptions that when the patent
21 system came along -- excuse me, when the computer
22 software came along were challenged, that became more
23 difficult to maintain.

24 For example, printed matter, text on a
25 substrate, this was something that was held not to be

1 Statute of Monopolies -- through that the Parliament
2 prohibited Crown-sponsored commercial monopolies, just
3 said they are void.

4 But there was an exception, and they said,
5 well, you can have a patent, 14-year term, for "any
6 manner of new Manufacture." It's important to note
7 with this very early episode that this is a
8 foundational issue for the patent law. The patent law
9 has been concerned about business methods from the very
10 beginning. The earliest common law antecedent that we
11 have on a patent system said business methods are out.
12 We're just going to have manner of new manufacture.
13 That is what will be subject to proprietary rights or
14 not. This is not a new issue, and it's as old as the
15 patent system is in the English-speaking world.

16 Now, there were cases and decisions that
17 continued this tack, largely out of recognition of the
18 Statute of Monopolies. One was Ex parte Abraham, and
19 that's an 1869 decision from the Patent Office
20 Commissioner that said, well, look, the application
21 from Abraham is analogous to a method of bookkeeping,
22 and it is a long-standing rule in this Office as of
23 1869 that we do not allow patents in this arena. They
24 simply said it. There was not a reasoning provided,
25 but it was said expressly.

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1 Another big event was when Judge Rich published
2 an article, a free plug for the George Washington
3 University Law Review, called "Principles of
4 Patentability," and what he said in discussing Section
5 101 -- and again, this was a series of speeches done in
6 1959 -- is that not every invention is patentable. He
7 gave a number of examples. He said teaching courses in
8 chemistry or Russian language is valuable to our
9 national defense, but it's not patentable, because it's
10 outside the enumerated categories of invention in
11 Section 101.

12 He also said that "one of the greatest
13 inventions of our times, the diaper service," is not
14 patentable subject matter. I think he was referring to
15 the trucks that would come along with cloth diapers and
16 take the new. I happily have recently advanced beyond
17 the disposable diaper era in my household, but I would
18 certainly concur it was a great invention and that it
19 had a lot of value, but Judge Rich said this isn't
20 patentable.

21 Now, why isn't it patentable? Well, he didn't
22 really say that, but I think we can all agree this is
23 not an abstract idea or natural law but instead would
24 lie in the realm of business methods.

25 Now, there are clearly more cases on the other

1 side of the coin. One of the big ones is Paine Webber
2 from the District Court of Delaware. Time is short,
3 but I give you the language from what the court said.
4 The court said, "The patent is statutory subject matter
5 on a securities brokerage cash management system. It
6 teaches a method of operation of a computer to
7 effectuate a business activity."

8 In retrospect, it's really hard to say whether
9 it's a software or business method patent case, but I
10 think anyone who likes business method patents and is
11 looking for an early antecedent can certainly fairly
12 point to this decision. It does suggest that the
13 business method exception is antedated, to say the
14 least.

15 Then comes the State Street Bank case, and in
16 State Street Bank, the patentee claimed a method of --
17 excuse me, first he had a method, eliminated those
18 claims and stuck with his system claims, for managing
19 master feeder funds, the so-called funds of funds. And
20 Congress provided for certain tax regulations that if
21 you managed these funds in a certain way, you would get
22 single-pass taxation treatment, like a partnership,
23 instead of double-pass taxation like a corporation.

24 The District Court, Judge Saris, said the
25 invention wasn't patentable, because it was either math

1 or a method of doing business. So, it's important to
2 note about the claims of this invention is that it
3 basically claims a computer, and then it says -- again,
4 when you attach to the computer the N-4, it basically
5 at that point just copies from the tax regulations, and
6 it's basically a means for complying with the tax laws,
7 and if you match these regulations up with the claim,
8 you'll find almost express borrowings of certain
9 phrases.

10 The Federal Circuit held, as Professor Kahin
11 told you earlier, that the transformation of data,
12 representing discrete dollar amounts, by a machine
13 through a series of math to a final share price
14 produces a useful result that is patentable. That's
15 really one of the core holdings. The Federal Circuit
16 also took the opportunity to lay the ill-conceived
17 business method exception to rest. It says, since the
18 '52 Act, we ought to have treated business methods the
19 same as any other kind of invention.

20 It's not a distinguished legal pedigree in this
21 opinion, because I believe it has a lot of problems on
22 a legal basis and deserves careful reading if you have
23 not done it before. First, Judge Rich says, well, this
24 invention produces a final share price, and that's why
25 it's useful and therefore patentable. Well, one

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1 difficulty is the claims don't say anything about final
2 share price. I remain gratified that -- the fact is
3 it's the operation of our market and not a patent claim
4 that determines how shares will be priced in this
5 country. The claim simply doesn't say final share
6 price, and it makes me wonder if this invention was
7 truly contemplated.

8 The State Street Bank test also collapses the
9 statutory subject matter test into the utility
10 requirement, which also resides in Section 101, but is
11 a very lenient requirement. It simply requires that
12 something have an immediately available result, not a
13 very strict gatekeeper to the patent system if it is
14 one at all.

15 Judge Rich also says, after Diehr and
16 Chakrabarty, two Supreme Court cases, the
17 Freeman-Walter-Abele test -- a predicate and more
18 strict test about statutory subject matter -- has
19 little applicability.

20 Well, that's a bit of a stretch, since Diehr
21 and Chakrabarty were written in '80 and '81, and Abele,
22 the last of the trilogy there, was written in '82.
23 Judge Rich was on that panel, and in Abele the court
24 discusses these two Supreme Court cases. It's a little
25 difficult reasoning to say that these cases were

1 overruled even though they discuss the cases themselves
2 in their own text.

3 Also, Chakrabarty expressly states a claim for
4 an improved method of calculation, even when tied to a
5 specific end use, is unpatentable, which makes me
6 wonder to what extent that State Street Bank complies
7 with governing Supreme Court precedent.

8 Is this transition problem or is it a tectonic
9 shift, in the few moments I have remaining? Business
10 methods are older than the patent system. The
11 Hanseatic League, pricing on the nines, all of these
12 things are a lot older than patent law. This isn't a
13 case where we have got a new technology that is an
14 immediate successor of the traditional industries. The
15 traditional manual and mechanical arts the Framers
16 contemplated is embraced within the patent law. This
17 is something different.

18 This is, again, regulating a lot of industries
19 that are as old as this republic, had previously not
20 been regarded as patentable, or perhaps more fairly
21 stated, patents were not traditionally sought. I think
22 everyone would at least agree patents were not
23 traditionally sought in these fields.

24 There is really no limit on what is patentable.
25 Again, these are post-industrial patents. We are not

1 talking about business methods or finance or insurance
2 only. We're talking about architecture or aesthetics
3 or teaching. Again, personal liberties was mentioned
4 before. I think these are a big concern, because we
5 have even had patents enforced and injunctions issued
6 on speech acts, on commercial advertising. So, this is
7 something different in my view, not something -- not a
8 little transition problem that will go away when we
9 just get all the prior art at the Patent Office.

10 The last slide mentions a few examples,
11 WordPerfect, Frequent Flyer Miles. I think we have to
12 ask, again -- and I've stated this before, I won't bore
13 you again -- but -- too much, I hope -- what's the
14 baseline? Is it the privilege to compete, or is it the
15 ease of the patent bar and the courts in deciding
16 what's patentable? Is it getting rid of the standard
17 just to be a little bit more coherent and to have it be
18 easy and streamlined, or is this something fundamental
19 to our economic way of life?

20 I believe my ten minutes have expired, so I
21 will turn to my former professor at George Washington
22 and my colleague Jeff Kushan. Thank you.

23 MR. KUSHAN: Thank you. I'm going to try to go
24 fairly quickly, and I think it's been an extremely
25 healthy and good discussion. I think there are a

1 couple ideas I want to put into play which luckily I've
2 included in my presentation, but I think there are some
3 very interesting opportunities ahead of us.

4 What I'd like to do is go to the question,
5 which seems to be evolving, what do we mean by patent
6 quality now. And I think that's -- I phrased it this
7 way, because there have been a lot of evolutions since
8 the debates in the nineties, and now with cases like
9 Festo and written description evolving, this is a
10 different question of what we need to come out of the
11 Patent Office.

12 I'm going to talk a bit about the guidelines
13 development process inside the PTO, more from the
14 perspective of why than what was done. And then
15 finally, I had wanted to get into some ideas to put
16 into play on new areas for reform.

17 Patent quality has always been the middle part
18 of this debate. It's -- you know, it's -- whenever
19 people get frustrated, it's -- then they hold up a

1 most popular evolving doctrine. It's something which I
2 think is a very powerful doctrine to control and limit
3 the scope of claims and make sure that they are
4 conforming to what people are actually inventing. And
5 it's particularly important in areas like software,
6 genomics, where you're looking at what was actually
7 made and trying to circumscribe rights to what the
8 inventor made as opposed to what could be made.

9 So, the first variable in terms of expectations
10 of a patent coming out of the Patent Office is that
11 first and foremost in the modern age, this patent
12 should cover what the inventor actually made and not go
13 into areas which can't be reached by what the inventor
14 made and what he has taught. One thing that I think
15 was a glimmer, there was a Microsoft v. Reiffin case,
16 which showed a glimmer of a new doctrine that might be
17 coming online soon, and that's the notion of a claim
18 which fails to capture all of the essential aspects of
19 the invention that are necessary to deliver the utility
20 identified for that invention.

21 So, if I say a method of doing a transaction in
22 a microsecond comprising getting data and doing the
23 transaction, but I leave all the parts out of the claim
24 that you need to actually deliver that result, and
25 that's why it's useful, that's not right. There should

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1 be a claim reform to that claim to capture the things
2 that are required to deliver the utility of the
3 invention. This is something which may be challenging
4 to deliver in the work product of the PTO, but it's
5 something which will have constrained the scope of the
6 claims in a way that's not linked to prior art and
7 finding something out there. It's looking more at the
8 description of the invention in the patent application.

9 Fundamentally, you also have to respect that
10 patent claims should not be limited to picture claims,
11 what you actually invented. There needs to be some
12 breadth around those claims so that you get reasonable
13 protection around what you invented. But the concept
14 that you have to capture in these claims is that you
15 define your invention and you show how to get to that
16 scope around the claims, around the examples you've
17 provided. That is the basis of this fairness in the
18 patent grant. You're entitled to some scope of
19 protection that is commensurate with your contribution.

20 The second major variable in the modern work
21 product of the PTO is that the patent has got to, the
22 patent record, has got to show us what happened inside
23 the Patent Office. Festo, written description, claim
24 interpretation, all these doctrines require a much more
25 informative file wrapper than what you typically find

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1 in a typical patent grant. What this is, you know, in
2 the -- if you pick up a patent file wrapper, you see
3 the -- all of the communications that went back and
4 forth between the applicant and the Patent Office.

5 In that, what should come out of that record is
6 a story where -- which we can in the public read and
7 appreciate. What did the examiner perceive to be the
8 invention? How would -- you know, there is evidence
9 that you can look in the communications of the examiner
10 that reflect what they thought the invention was that
11 was the basis of the examination. What information was
12 considered by the PTO? So, we can know if new
13 information should be considered fairly -- have been
14 addressed in the examination process or whether
15 something really that was not in play in the PTO.

16 What did the applicant say to the PTO to get
17 the patent granted? This is going to be an extremely
18 important boundary now after Festo in shaping what
19 rights are actually going to attach to the patent
20 grant. And finally, what does the examiner conclude
21 why this invention was patentable? This is difficult
22 to capture, but it's -- you know, typically, if you
23 look at the sequence of events, you have a lot of
24 vigorous rejections imposed in the first office action,
25 and then you have a response by the applicant, then you

1 have a very broad patent that comes out. What did the
2 applicant say that the examiner found persuasive to
3 withdraw all those rejections and allow the patent?

4 If we knew that, we'd have a good -- a much
5 greater insight into understanding what exactly the
6 scope of the claims were and how to interpret those
7 when they go into litigation. So, in terms of what
8 must come out of the Patent Office, I look at the
9 quality measurement, looking at these two variables,
10 making sure that the claims are right and giving us a
11 complete picture on what happened inside the PTO.

12 Now, in a perfect world, we'd have these
13 refined economic social, et cetera, debates inside the
14 PTO to make sure that all the patents that ever come
15 out are truly justified, deserving, et cetera. That's
16 a dream world. The real world is 300,000 cases that
17 the Patent Office did not write, that have been filed
18 by people who want patents, are flowing in every year.
19 You've got 25 percent of the patent examining corps
20 saying I can make a better life outside the Patent
21 Office than I can inside the Office, so turnover is
22 moving, and that's not entirely unhealthy.

23 UNIDENTIFIED SPEAKER: Is that still true in
24 this economy?

25 MR. KUSHAN: Well --

1 UNIDENTIFIED SPEAKER: Turnover I believe is
2 going down a little bit, but still with the increases,
3 it's...

4 MR. KUSHAN: Ten to 15 percent is still a
5 fairly significant loss of experienced examiners each
6 year going out. You get roughly 25 hours to finish,
7 that's the time that the PTO can budget to moving a
8 case from filing to grant. That's the entire
9 examination process. Constantly evolving legal
10 standards that have to be taught to examiners who come
11 out of college last year. This is the environment,
12 this is the environment where you have to shape the
13 examination policy. So, you see a lot of obvious
14 constraints in what you can do and what you can expect
15 the PTO to do in order to get something that is not
16 going to be too disruptive in the market when these
17 patents are granted.

18 So, when I look at this type of challenge, the
19 examination priorities that are crucial to patent
20 quality have to be focused on a process which in the
21 shortest amount of time achieves a number of very
22 specific points. The examiner must be able to quickly
23 comprehend what the invention is. They have to analyze
24 the claims to compare the invention as comprehended to
25 what the applicant wants. They have got to find prior

1 art that is relevant to what the claims are. And then
2 they have got to go to the key patentability
3 requirements and make accurate judgments on those.

4 112 has two requirements, enablement, written
5 description, those are the major inquiries for many
6 cases today. 102, novelty is a fairly simple test if
7 you have a piece of prior art, and 103 is a harder
8 test, which has a subjective element that must be --

1 Now, utility has a lot of value in the
2 examination as a disclosure. If I say, "This invention
3 is the greatest thing for doing X," and then I find
4 prior art that shows very similar technology for doing
5 X, we should be able to use that statement of utility
6 to somehow pin in whether the applicant can say, "No,
7 my invention is useful for Y, and therefore that very
8 relevant art shouldn't be applied to me." So, you
9 can -- there's a lot more creativity that can be
10 achieved in the use of the utility disclosures in
11 shaping how you apply these other criteria of
12 patentability.

13 Whether the essential aspects of the invention
14 deliver that utility, if you say I think my invention
15 has to do X, and there are a number of attributes to
16 the invention that are necessary to deliver that, that
17 hopefully should be used in a useful way in the patent
18 examination process to make sure that the claims that
19 come out of the examination process capture all those
20 requirements.

21 When you look at the process of examination
22 when a rejection has been imposed, you can use the
23 utility characterization to shape and limit how the
24 applicant might try to escape from the effect of an
25 obviousness rejection. Again, this is something which

1 is in the meat and potatoes side of examination but is
2 something which is not typically used a lot.

3 Now, I want to talk a bit about the experience
4 in the '94 and '96 time frame for developing the
5 Computer-Implemented Guidelines. Fundamentally, the
6 exercise was aimed at addressing the unhappiness of
7 the -- I suppose a nice way of saying it -- the "find
8 the algorithm" test, which was a basic examination
9 strategy from '88 until '94-'95. Under the
10 Freeman-Walter-Abele standard, what you had was this
11 obsession with whether the invention was a mathematical
12 algorithm or not. And the practical effect in terms of
13 the examining corps was that examiners were just
14 fighting endlessly over whether the claims were
15 defining a mathematical algorithm or not, and after
16 this big fight, you know, the applicant finally
17 convinces the examiner this is not a mathematical
18 algorithm, and out pops the patent.

19 What happened to novelty? What happened to
20 obviousness? What happened to enablement? What
21 happened to written description? We didn't have time
22 for that, because we were trying to find the algorithm.
23 And that was fundamentally an unhealthy examination
24 strategy, to put so much emphasis on the
25 algorithm-finding function of that test. So, part of

1 the motivation of those guidelines was to say stop it,
2 stop obsessing about whether this is an algorithm or
3 not. Let's give you a simpler perspective, where you
4 can get past the question of whether it's eligible and
5 go into the measurement standards of patentability.

6 So, one thing that was done that was new for
7 the PTO was to do an extremely broad calling for

1 subjected to a 101 rejection or not. And those safe
2 harbors, we came up with a number of those safe
3 harbors, but fundamentally, the simplest way to think
4 about it, if the claim didn't fit into one of those
5 safe harbors, go talk to your supervisor, and --
6 because if it wasn't going to fit into one of those
7 clean, clearly defined categories, it's going to be a
8 more complicated inquiry, and we don't want the junior
9 examiners doing that complicated inquiry. We want them
10 to rely on the more experienced examiners.

11 The whole essence, as I said, was to get people
12 past 101 and get in -- get the examiners into a review
13 of 112 issues and 102 issues and 103 issues.

14 So, at this point what I want to do is shift
15 over into kind of a forward-looking set of comments.
16 There are a very finite range of options for the PTO,
17 given all of its constraints on what it can do to

1 examination? How did the applicant characterize the
2 invention critical to written description? What was
3 needed to convince the examiner that the invention was
4 patentable? That should come out of the file wrapper.

5 Money is important. If you're running the PTO
6 on 85 percent funding, which is Congress' current
7 prerogative, PTO has to be extremely efficient. \$200
8 million going out of the system every year is going to
9 have an impact on patent quality. Congress doesn't
10 seem to be intent on changing that any time soon. They
11 keep diverting the money.

12 How do you get better quality and shrink the
13 amount of work? Well, you've got to shift more of the
14 examination burdens onto the applicant. And I'm sorry,
15 this is where I'll be ostracized by my fellow
16 colleagues in the patent bar, but the patent applicant
17 has to help more and to be used more to produce a
18 better quality work product. Otherwise, we will not
19 achieve improvements in patent quality. You've got to
20 help examiners understand the invention faster than
21 they are now. You have to help the examiner conduct a
22 proper search, because the inventors typically know
23 more about the technology than the examiner does, and
24 where you might find something that might be relevant.

25 You have got to focus patentability questions

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1 on the core issues that are going to address and answer
2 correctly whether the invention is patentable, rather
3 than the current process, where you have the examiners
4 essentially fumbling toward the answer. If you look at
5 the examination process now, the examiner picks up the
6 case, reads it, tries to figure out what the invention
7 is, tries to figure out what the claims are, does a
8 search, and makes a whole bunch of assumptions about
9 the invention.

10 They go out in the first office action, and
11 half the time they may be completely irrelevant to what
12 the invention is or the relevant topics. We've got to
13 find a way of getting the right rejections imposed
14 earlier in the process so we can get to the questions
15 that are relevant to the actual patentability criteria.

16 There's a powerful tool the PTO has at its
17 disposal to get that information out of applicants. If
18 you say something to a patent applicant and the
19 applicant says something misleading back to the Patent
20 Office, there goes the patent. It's unenforceable.
21 So, the Patent Office, through coercion, can elicit a
22 lot more information in the examination process than
23 people perceive and is currently done, and that may be
24 a tool that PTO needs to employ more to get this
25 information into the system faster.

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1 There are some streamlining issues that need to
2 be addressed. And this is really getting into the
3 green eye shade perspective of examination reform, but
4 I'm up here, and you can't get rid of me for another
5 couple of minutes, so here we go. Right now we have
6 about 36 months before -- it can be -- well, no. Soon,
7 it will be about three years before a patent examiner
8 picks up your application and sends you a first
9 communication about whether the invention has any
10 merit. That's a long time to sit there and wait before
11 you know anything, and we have got to find ways of
12 getting earlier communications that can move the
13 prosecution forward.

14 I think giving examiners some capacity to send
15 an early communication out and get information in to
16 better frame the issues may be a tool that should be
17 employed by the PTO. We need to use a more legalistic
18 perspective on examination, where the examiners can
19 require stipulations on obviousness or other criteria,
20 a person skilled in the art. If we can stipulate to
21 that, we can save some time, and that would be the same
22 legally binding effect as an examiner finding and
23 making a conclusion on that point. But there are a lot
24 of little issues that can be stipulated to and
25 solicited from the applicant to get the conclusions

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1 framed quickly.

2 We need to find a way of letting the rules

3 empower the examiners to get substantive responses to

1 If you're an examiner and you tell the
2 applicant, I'm going to search in this area, and the
3 applicant knows that's not right and fails to do
4 something, that patent's not going to be worth a lot.
5 Again, coercion is a useful tool here to get the right
6 information in.

7 In conclusion, I come from a perspective which
8 is different from others who we're hearing from today.
9 I think radical changes about redrawing the lines on
10 eligibility is going to be a lot more harmful and not
11 going to achieve much of the desire, which everybody
12 shares, which is to prevent the issuance of patents
13 that are inappropriate, too broad, and disruptive in
14 the market. And my experience has shown -- my
15 experience has taught me at least that trying to draw
16 these relatively arbitrary lines over eligibility just
17 will not work at addressing the fundamental concern,
18 which is that of inappropriate rights.

19 When I look at the impact in the sector of IT,
20 what you can -- and I want to kind of draw into the
21 real world for a second. People or companies sitting
22 around a table, for example, defining a new standard,
23 each of them possessing appropriate rights, can usually
24 yield a good outcome. They usually sort out their
25 differences. They figure out what rights and what

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1 entitlements on royalties can be appropriately shared
2 among this group of standard-setting entities. That is
3 the desirable outcome, where you have an appropriate
4 use of patents and market power and participation and
5 technology contributions to define standards, to work
6 together, and to yield market-based compliance.

7 When you have invalid patents, overbroad
8 patents, that disrupts these processes, but
9 fundamentally, we should be solving that disruptive
10 effect by getting better quality patents than
11 attempting to carve out the patent eligibility or do
12 more radical steps.

13 Finally, as I said before, the Holy Grail here
14 is to get better patent quality in a shorter amount of
15 time. And to achieve that, or to try to achieve that,
16 we need to put more responsibility on applicants to
17 better frame the issues that are key to patentability,
18 produce this goal of improved quality, better record,
19 and more accurately characterize rights or define
20 rights.

21 Thank you.

22 MS. GREENE: We have gone right through the
23 morning break, and I'm sure you all didn't notice that.
24 But now it's just too late, because we have more things
25 to discuss, so we will just plow ahead.

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1 Any reactions to the two presentations?

2 Brian?

3 MR. KAHIN: I'd like to sort of zoom out. And,
4 you know, I appreciate a number of things that Jeff is
5 saying about reforming the process, but, you know,
6 realistically these reforms do have costs. There is a
7 political cost that would have to be paid, and there's
8 a -- it is very difficult to suggest reforms that are
9 going to increase the burden on small applicants.

10 On the other hand, we also don't have an
11 adequate framework for understanding the total costs of
12 the system. And to say that the patent system is
13 running at 85 percent of what it needs or what it
14 deserves, I mean, is 85 percent of what? You know, we
15 don't know what it takes to do a proper job. We don't
16 have any measures of the optimum, and the only way we
17 can get at those measures, in my opinion, is to have
18 some extrinsic evidence that's tied to how the patent
19 system quality is viewed within the industries that it
20 affects.

21 It's got to have some tie to an outside
22 reality. So, if you could actually show -- and this is
23 not just the customers that the PTO defines, it is not
24 just the patent applicants. You can't just ask the
25 patent applicants, are we doing a good job? You have

1 which we've got to operate.

2 MS. GREENE: Bob?

3 MR. YOUNG: Yeah, for all that Jeff and I
4 probably disagree on a lot of things, I was actually
5 very impressed with his reform proposals. I think it
6 would go a long way to avoid some of the problems. And
7 the problems are -- you know, the furor you referred to
8 earlier over some of the patents that various parts of
9 our industry get upset about really delve into the
10 obviousness issues, that someone says, how did you get
11 a patent on that, I could have thought of that one, you
12 know, yesterday evening drinking beer. In fact, that's
13 where I get most of my good ideas. We won't go there.
14 But just on the topic of reform, two items on software
15 patents.

16 If we have to have software patents -- so let
17 me phrase that, I don't like software patents as a
18 general rule, but we need to have very high standards
19 associated with them. Software is, just to be very
20 clear, software is a form of expression. It may be a
21 form of expression that most of us on this panel cannot
22 interpret, but we all appreciate that if someone tells
23 a joke in Albanian and a bunch of Albanians laugh at
24 it, it's probably a funny joke, and we will protect the
25 Albanians' right to free speech or would if they had

1 it.

2 Source code is exactly the same thing.
3 Software is the same thing in our industry. If you can
4 code software well, I mean, I go to conferences,
5 technical conferences where you hang around the
6 hallways and you listen to these guys tell jokes to
7 each other in software code. I mean, such that a
8 regular human being like myself doesn't understand a
9 clue of what they've just finished saying. Because of
10 that -- so, that's the problem with software patents,
11 is it actually infringes on a form of expression, and
12 if it's -- if it is not truly nonobvious, if it is not
13 a Larry McVoy type invention, then there's a problem
14 associated with patenting this.

15 One of the problems may be that 20-year patents
16 in software is simply too long. If we have to have
17 software patents, maybe they should only be ten years,
18 because our software -- our industry moves so quickly
19 that 20 years is a whole career. It's effectively
20 taking that algorithm out of the use of the industry
21 for a generation, in effect, and it may not be a good
22 idea. So, there may be some way of -- I don't know if
23 anyone's discussed the way of having patents on shorter
24 time frames.

25 But finally, and this is the one I care most

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1 about, is if we have to have software patents, we have
2 to require that the person applying for the software
3 patent files the source code behind that patent,
4 because the source code is the invention. It --
5 without knowing that the source code does what the
6 applicant says it does, you can be very easily granting
7 a patent to someone for an idea. He says, I'm going to
8 write source code to do this. If he doesn't have to
9 file the source code, you don't actually know for a
10 fact that he is doing what the description in his
11 patent says he is doing.

12 It's actually a real problem in the whole
13 software industry, that the reason people have so much
14 enthusiasm over the open source technologies, like
15 Linux and Apache Web-Serving, is because we deliver
16 source code. The users of these technologies can trust
17 the technology, because they can look at it. If it

1 well-documented cases of companies who published
2 software, distributed software that had code written in
3 it whose purpose was to damage his competitor. And
4 these companies get away with it for 10-15 years
5 because no one ever sees the source code.

6 You know, it's sort of as if we wrote laws in
7 this country and didn't have to publish the law, just
8 threw people in jail for breaking the law without
9 having to tell them what the law would have said. So,
10 source code is essential. Software is not software
11 without source code. It is as simple as that.

12 Thank you.

13 MS. GREENE: How do Bob's ideas about
14 disclosures of source code fit in with your areas of
15 inquiry?

16 MR. KUSHAN: Source code is virtually useless
17 for the examiner to do a good job in examination. It
18 may be an important part to show possession of an
19 invention, especially under the written description
20 standards, but the real challenge and the better type
21 of patent application for the PTO to consume is one
22 that abstracts the source code to a slightly higher
23 level of explanation, so that the examiner can
24 appreciate how the functionality that it imparts into a
25 computer is achieved, and that allows the examiner a

1 much more digestible perspective on the invention, so
2 they could do a better search and make that
3 determination of obviousness.

4 And then one of the problems is that if you
5 focus on the source code, you're actually kind of going
6 to a level that is unhelpful to you making accurate
7 judgments on obviousness, because you want to know that
8 if you could do this technique by a very simple,
9 well-known other alternative, equally relevant
10 technique, that would render the invention obvious, and
11 the dependence on that source code is really very
12 little, if none.

13 So, for examination processes, there -- and I
14 know that when we were looking at the examination
15 reform issues throughout the nineties, that was one of
16 the big questions. How do you get a characterization
17 of the software at a sufficiently high level into the
18 hands of the examiner so they can do a better job in
19 appreciating what the invention is and doing a search?

20 I note that I think the way that the PTO came
21 out was basically to say use any way you can, other
22 than source code, because source code is just not a
23 uniform starting point that everybody can appreciate.
24 It's better to have something that is more digestible.

25 But again -- and I know we were talking before

1 the conference started, but whether you want to have
2 disclosure requirements of source code for some
3 techniques or some software that is very difficult to
4 prove it works the way it does or if there's some
5 dependence on the invention on a particular
6 implementation, that may be something where deposits
7 analogous to the micro-organism deposits in the biotech
8 area achieve the goal of satisfying public need and
9 access to an operable invention. But that's an area
10 which hasn't really been looked at much inside the PTO.

11 MS. GREENE: Your reference now to the written
12 description requirement is particularly challenging for
13 software. Can you just -- you went through some of
14 this in your presentation. Can you reflect on the
15 other requirements and how those may or may not be easy
16 to translate into software/business methods?

17 MR. KUSHAN: Well, the -- I think the thing
18 that's interesting about the recent cases on written
19 description, and maybe the way to look at it is,
20 written description is a measurement of what the
21 applicant did, and enablement is a measurement of what
22 the public can do with what the applicant has given to
23 the public. And the two questions are kind of pointing
24 in opposite directions as far as the inquiry.

25 Enablement becomes a less difficult standard to

1 meet when the technological skill in the art gets
2 mature and more sophisticated. So, if I show in my
3 disclosure, you know, you have to find a way of
4 displaying this image on the screen, somebody who's
5 writing code, that's trivial. So, to enable display on
6 virtually any type of display would be enabled by a
7 very simple disclosure. But if the invention is a
8 particular technique that's better than the rest,
9 then -- and that's really why this invention is useful,
10 then the written description requirement will focus on
11 how that's characterized in the application and how
12 that tracks in relation to the claim.

13 The enablement issue is not really going to be
14 a complicated inquiry. On the other standards,
15 obviousness has always been a tough test, because
16 process claims, unlike product claims, are much more
17 complicated inquiries. Why did you pick this sequence
18 of steps? The motivation from the prior art as to a
19 sequence of steps is much harder to establish than
20 analogy in like in a chemical compound, that this
21 chemical compound is like that chemical compound and
22 therefore might be obvious. That goes into the
23 questions of whether you can have certain types of
24 stipulations as to the state -- you know, whether
25 something would be obvious to code something to achieve

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1 this function, as a way of framing or at least getting
2 to a more refined obviousness inquiry.

3 But that's the -- enablement, written
4 description and obviousness are the hardest standards
5 to apply, but those are all the ones that shape what
6 claims come out the best. Those are the measurement
7 criteria, and those are the ones that we've got to find
8 better ways of applying inside the PTO.

9 MS. GREENE: Okay, let me just open up the
10 floor for anybody to make any additional comments that
11 they want, perhaps prompting more questions. And to
12 the extent folks want to focus on the issues that Jeff
13 has been raising, to what extent does Jeff's proposal
14 of focusing on the -- these criteria rather than the
15 underlying eligibility requirement, to what extent are
16 people optimistic about it? We've heard a little from
17 Brian on that and would like to hear from other folks.

18 Rick?

19 MR. NYDEGGER: Well, actually I have comments
20 more directed to some of the points that were commented
21 on earlier, and then I'll get to my response to Jeff.

22 There really are two things that I'd like to
23 comment on with regard to some of Jay Thomas' comments
24 and remarks. You made the point in one of the slides
25 that there were certain limitations that were

1 established that involved things like patenting
2 mathematics, mental steps, abstract ideas, printed
3 matter, and algorithms. First of all, I think it is
4 important to distinguish between those limitations
5 which are Constitutional in nature and those which are
6 not.

7 Part of our Constitutional jurisprudence on the

1 very much like the same kind of thing we saw that led
2 to ultimately the enactment of the nonobviousness
3 standards in the 1952 Act. The law of invention
4 developed into such a state of disarray prior to 1952,
5 in terms of efforts by the Supreme Court and other
6 courts to develop what did or didn't constitute
7 invention, that ultimately those cases were largely
8 discarded in favor of what was perceived at the time to
9 be a more workable and definable standard, namely,
10 nonobviousness.

1 an abstract idea from being patented by defining that
2 constraint in terms of a positive test, something that
3 required positive end results. So, I think it's
4 possible to look at the case development in a way that
5 doesn't necessarily say that these restrictions were
6 simply eliminated. They were simply redefined in a
7 different way because of the unworkability of all of
8 these negative rules that had developed out there in
9 the case law.

10 The other point that I would like to make in
11 relation to State Street Bank, which was also addressed
12 by Jay, is that I think that at the heart of the
13 difficulty is the problem of properly interpreting the
14 claims in question, in other words, answering the
15 question, "What exactly did the applicant invent?"
16 This touches a little bit on Jeff Kushan's comments.
17 In State Street, Judge Rich looked to the claim
18 language and the underlying language in the
19 specification which supported that claim, and he found
20 a machine that consisted of a CPU and a data disk and
21 certain complete new logic circuits. In contrast to
22 that, the lower court decision in State Street saw the
23 claimed invention rather as a combination of processing
24 computations as opposed to some sort of a machine.

25 I think that on one level, the rationale used

1 by Judge Rich can be criticized as overly simplistic
2 and could lead virtually in every case to the finding
3 of a statutory machine. On the other hand, I think
4 that a closer look at the nature of software, how it's
5 evolved with time and its relationship to hardware,
6 perhaps illustrate why that rationale is not
7 necessarily as flawed as some think that it is.

8 To illustrate my point, hardware can include,
9 as everyone is well aware, a series of interconnected
10 computer chips. Given today's technology, there can be
11 literally thousands, tens of thousands, hundreds of
12 thousands of micro-circuits which are not visible to
13 the human eye. Those kinds of hardware architectures
14 are more easily described in terms of the functional
15 relationships between plots or components of those
16 circuits. That's very similar to the way in which
17 hardware is developed. Just as in the case of
18 hardware, it's really the functional relationship that
19 goes on between the different steps that are performed
20 in a complex program that represents sometimes
21 literally thousands or tens of thousands of different
22 processing steps that become described functionally
23 by -- in terms of what they do. It's that functional
24 interrelationship that becomes a thing of interest.

25 I think that's the reason why persons skilled

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1 in the art and who can implement that does certain
2 functions in either hardware or software, but the line
3 between them is often very blurry.

4 So --

5 MS. GREENE: Okay, and I am going to give Jay a
6 chance to respond. Did you have more?

7 MR. NYDEGGER: Yeah, I had actually two more
8 points.

9 MS. GREENE: Okay.

10 MR. NYDEGGER: I think the court's focus in
11 State Street on this concrete, tangible result test
12 really reflects the way in which this software
13 technology has developed. In the early days, just as
14 in Benson, what we saw was number crunching,
15 programming using more mathematical kinds of processing
16 steps as opposed to the more object-oriented
17 programming that goes on today that focuses on
18 functional relationships between the plots or chunks of
19 program components.

20 I think the other point that is maybe worth
21 just observing is the point that Jay Thomas made on the
22 Constitutional history. He wrote an article in 1999
23 that was published in I think it was Boston Law Review.
24 It was entitled "Patenting of the Liberal Professions."
25 And he made the point there that he felt that the

1 Framers of the Constitution undoubtedly did not intend
2 for this kind of subject matter to be embraced under
3 the patent statute. They had certainly contemplated
4 industrial, mechanical and manual arts in contrast to
5 the seven liberal arts and the four fine arts in the
6 classic learning. Yet on the other hand, it seems to
7 me that the Framers didn't contemplate patenting things
8 like the Harvard mouse, either, or gene sequences, or
9 new pharmaceuticals that take advantage of those kinds
10 of gene sequences to target specific kinds of organisms
11 for treating disease. Clearly none of those things
12 were contemplated by the Framers, and yet they are very
13 important, useful technologies to us today.

14 I think it's fair to say that Jefferson, who
15 really was the framer of the first patent act and who
16 was the architect of Section 101, which has been
17 essentially the same since 1793, with the exception of
18 changing one word in that section of the statute, saw
19 that as a liberal section. In his writings, he made
20 the comment, quoting here, that "Ingenuity should
21 receive a liberal encouragement."

22 So, I think those are points that one ought to
23 take into account in reflecting on where the case law
24 has come from, where it is today, and what kinds of
25 policies are and ought to drive the case law.

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1 MS. GREENE: Jay?

2 MR. THOMAS: First, thank you for reading the
3 article, which is all I'll say on that. And I
4 certainly enjoyed Jeff's comments and would agree
5 heartily with all of them toward the end. I think
6 we're all working toward the same goals on that score.
7 And I would just note some skepticism about the nature
8 of the prior art in these business method fields,
9 because unlike the sciences, there is not a drive to
10 publish. There is no Chemical Abstracts available with
11 disclosures. The commercial practices are kept in the
12 heads of business persons, and I think there are much
13 more systemic problems in getting a hold of the prior
14 art. So, I think a lot of his reforms are well
15 meaning, and if enacted would do a lot to improve, but
16 I do think there are systemic problems in the areas
17 outside the confines of traditional technology with
18 which the patent system has usually concerned itself.

19 Thank you.

20 MS. GREENE: And I am just going to make one
21 more appeal. Does anybody have any additional comments
22 on Jay's great articulation of whether or not there's
23 systemic problems for these particular areas?

24 MR. YOUNG: Other than the -- this is Bob
25 Young.

1 Other than just the obviousness, the concept of
2 this being an idea, the moment you approach granting a
3 patent around a concept or an idea, by definition,
4 you're going to raise all sorts of problems of how do
5 you define that thing. You can define an invention.
6 You can define an implementation of an idea. You can't
7 define an idea well enough to patent it.

8 MS. GREENE: Brian?

9 MR. KAHIN: A couple of points about it. One
10 is --

11 MS. GREENE: Jeff, are you going to respond to
12 that?

13 MR. KAHIN: I am going to respond specifically
14 to this question. And that is the more abstract the
15 subject matter, the more difficulty you have in having
16 a consistent vocabulary. That's a fundamental problem.
17 It's a fundamental problem of high-level software
18 patents and business method patents in particular.

19 I did suggest that there are some dimensions of
20 the software documentation problem that are more
21 complex. And they have to do with the fact that
22 software, unlike business methods, is largely
23 self-documenting, that you have in the code itself and
24 in the comments that are written into the code, you
25 have documentation, but that documentation is lost when

1 the code is compiled, or at least it's virtually
2 inaccessible, especially if it's protected under
3 contract. So that there are complexities in software,
4 and there is this enormous volume problem that's
5 distinct from the business method, although other
6 aspects that Jay mentioned are similar.

7 MS. GREENE: Jeff?

8 MR. KUSHAN: The systemic problem that Jay has
9 pointed to is one that I -- it's a very easy thing to
10 put into play and in debate. And the problem I see is
11 that the vast volume, the high volume of cases that are
12 being filed don't tend to characterize or seek claims
13 in the worst case scenarios. And I think legitimately,
14 some of these ideas that people conjure up as possible

2feievts this

1 nonautomated way. And I think a very important inquiry
2 that may calm down the concern, because if people are
3 going to be getting claims to block out the business
4 model, that's bad. Certainly that precludes the
5 innovation and the subsequent innovation that the
6 system is supposed to induce.

7 If the claims are truly capturing and
8 encompassing every way you are going to implement a
9 business model, that claim should never come out of the
10 Patent Office. My sense is that you can stop that
11 claim with stringent written description requirement,
12 possibly with enablement, possibly using utility, and
13 looking at some of these, you know, not yet fully
14 developed legal concepts like essential elements to
15 make sure that those broad claims don't come out.

16 That's where I -- I mean, I wanted to leave on
17 a positive note, that I am very sympathetic to the
18 concerns of claims ahOing out of the Patent Office that

iblyutdihelp, yclaims don't come out.

1 coming out of the Patent Office without the appropriate
2 limitations and allow the subsequent innovation to
3 occur. And that's I think the challenge, but I think
4 the end point is probably shared. Nobody wants these
5 dominating patents to come out which foreclose the
6 subsequent innovation.

7 MS. GREENE: Jeff, and this will have to be the
8 last word.

1 patentable, those are the exact types of arguments that
2 I talked about earlier, that are not based on any
3 empirical evidence at all, you know, it's just wrong,
4 they're just obvious, it's just systemically wrong, you
5 know, all areas of life are now patentable. And it's
6 just these types of debates, in terms of, you know,
7 sort of hurling out these types of arguments, I don't
8 think are really where we need to be ultimately.

9 Again, my point is that we need some real
10 empirical evidence. We need to be focusing on is the
11 Constitutional purpose of advancing science and the
12 arts really being forwarded by this particular area.
13 And you have to actually step back and talk in terms of
14 economics that we can all agree on, that we have
15 baselines and we're looking at, you know, not just an
16 investment in particular areas, but also benefit to
17 society, benefit in all areas, not just this one area.

18 So -- but I am, like Jeff, confident that the
19 Patent Office can react to whatever it is that we need
20 to do in this area. If there is, in fact, a utility
21 problem, if there is, in fact, a written description
22 problem in this area, then I'm sure the Patent Office
23 is equipped to be able to do that, as long as it
24 doesn't get into analyzing code as Robert suggested. I
25 tend to agree with Jeff. That's virtually useless in

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1 an examination process. It's tens of thousands of
2 lines of information that just can't be really utilized
3 very well. So, as long as we're not heading down the
4 road that creates so much more additional work that
5 also the small inventors would now be burdened to have
6 to explain things that -- or, you know, they may not
7 know what a search area is and whether or not that's
8 the right one or --

9 And with the courts out there, you -- that's
10 the other variable here. Of course, they started us
11 down this road with State Street, you might argue. And
12 you've got issues there with, you know, if -- if we
13 didn't have Gentry issues and other definite -- Gentry
14 issues in terms of -- let's just suffice to say that
15 the scope of the claim protection is now very much
16 dependent on not only what you say in the prosecution,
17 but how the patent specification and the wording is
18 presented earlier on, which will make patent attorneys
19 very reluctant to cooperate with an examiner, and say,
20 okay, here's my invention or here's the -- you know,
21 the core issues of patentability, or I'll stipulate to
22 anything, frankly, but that this is old or that this
23 would be obvious or that all these other issues. With
24 the court focusing very closely on every word that you
25 say in those realms, it's going to be difficult I think

1 for the Patent Office to make much progress in some
2 direction like that that the Patent Bar doesn't just,
3 you know, erupt violently almost, that the court is
4 just going to destroy whatever patent that proceeds
5 down that direction.

6 I think that the Patent Office will have a very
7 difficult time following Jeff's recommendations,
8 well-intentioned though they are.

9 Thank you.

10 MS. GREENE: Well, I want to thank you all very
11 much for coming and participating today. An incredibly
12 nuanced, thoughtful conversation dealing with some
13 difficult issues, always searching for limiting
14 principles. And I want you all to please be sure, if
15 you want to submit additional things to the record,
16 publications, I know in particular a lot of the
17 professors have websites that list lots of their
18 research and writing, fantastic resources as well.
19 Thank you.

20 We will be starting up at 2:00.

21 (Whereupon, at 12:15 p.m., a lunch recess was
22 taken.)

23

24

25

1 AFTERNOON SESSION

2 (2:00 p.m.)

3 MR. BARNETT: My name is Michael Barnett, and
4 I'm a staff attorney here at the Federal Trade
5 Commission. I would like to welcome you to this
6 afternoon's hearing. "Patent Criteria and Procedures,
7 International Comparisons."

8 Joining me today are my colleagues from various
9 governmental agencies. I would like to introduce at
10 two seats down from me, Susan DeSanti, Deputy General
11 Counsel for Policy Studies at the Federal Trade
12 Commission; Suzanne Michel, Counsel for Intellectual
13 Property at the Federal Trade Commission to my left;
14 Sue Majewski is directly to my right, she is an
15 economist at the United States Department of Justice;
16 three down from me at the end of the table is Robert
17 Bahr, Senior PmmissihJstsU nMTA Tlso

1 To my far right at the end of the table is Rick
2 Nydegger. Rick Nydegger is the founding shareholder of
3 Workman, Nydegger and Seeley, which specializes in
4 intellectual property law. He is currently an adjunct
5 faculty member at Brigham Young's Law School.

6 He has worked closely with the PTO in the
7 development of several important policy initiatives
8 over the years, including as the principal author of
9 the AIPLA's response to the Commissioner's request for
10 comments on computer-related innovations. He is
11 currently First Vice President of AIPLA and was
12 recently inducted as one of its Fellows.

13 Next to Rick is Ken Burchfiel. Kenneth J.
14 Burchfiel is a partner at Sughrue Mion, PLLC in
15 Washington, D.C., specializing in the chemical arts,
16 with experience in photographic, pharmaceutical,
17 petrochemical, polymer, biotechnology, textile, and
18 general organic and inorganic chemistry and industrial
19 chemical process technology.

20 He was the first American patent lawyer
21 admitted to practice in Japan under the reciprocal
22 foreign practicer statute, opening a firm branch office
23 in Tokyo. He was a visiting scholar at the Max Planck
24 Institute in Munich in 1992, where his field of
25 research was patent law protection for biotechnology

1 inventions along with comparative law and legal
2 history.

3 Next, we have Steven Maebius. Steve is a
4 partner at the Washington D.C. office of Foley &
5 Lardner, where he is the co-chair of the Washington
6 Office Intellectual Property Department.

7 He is a former patent examiner of the United
8 States Patent and Trademark Office, where he examined
9 patent applications in the biotechnology and
10 pharmaceutical fields.

11 He co-teaches International and Comparative
12 Patent Law at George Washington University Law School.
13 He has been a Visiting Associate Professor of Patent
14 Law, conducting research at Tokyo University's Research
15 Center for Advanced Science and Technology. He is on
16 the Advisory Board of the NanoBusiness Alliance, an
17 association dedicated to serving the needs of
18 nanotechnology businesses.

19 To my far left we have Robert Stoll. Robert
20 Stoll is an Administrator for External Affairs in the
21 Office of Legislative and International Affairs at the
22 United States Patent and Trademark Office.

23 He has been a patent examiner, working in the
24 area of metal containing complexes and compounds and a
25 supervisory patent examiner, supervising the

1 Would anyone like to volunteer for that task?

2 I see Jay pointing to Mark.

3 MR. JANIS: I did a little bit of this

4 yesterday, so I will recount some of my comments from

1 in many ways, or at least revealed that it didn't meet
2 the need for an administrative alternative to
3 litigation.

4 So, in time, legislative initiatives were
5 directed toward that end. And instead of completely
6 scrapping the system, starting over with a system that
7 was designed to operate as -- I will call it an
8 opposition system for short -- but designed to be an
9 administrative alternative to litigation, again,
10 because of political reasons, perhaps because of
11 misconception or misunderstanding, the decision was
12 made to tinker with the existing re-examination system,
13 try to give it some inter partes character.

14 So, the 1999 reforms eventually gave us that.
15 They gave us some enhanced third-party participation in
16 what previously had been a largely ex parte scheme for
17 re-examination of patents, but along with that came a
18 large number of provisions, particularly provisions
19 relating to estoppel, against raising validity claims
20 later in litigation.

21 So, these alone were such great disincentives
22 to third-party participation in inter partes
23 re-examination, that I think it was predictable that
24 this system was -- like someone said yesterday -- "dead
25 on arrival." It's a little too early to say whether

1 that's really the case.

2 Steve Kunin said yesterday that three inter
3 partes re-exams have been filed. Now, I don't know how
4 -- these only applied to patents that were filed after
5 1999, so, it's maybe a little early to say it's a total
6 failure.

7 But many of the aspects of re-examination that
8 were discouraging were retained. I think the major
9 example is that re-examination still can only be based
10 on a very limited range of validity arguments. They
11 have to be based on arguments based on patents and
12 other documentary prior art. There are many other
13 validity arguments that range, of course, well beyond
14 that.

15 So, this current state of U.S. re-exam laws
16 that we have, this sort of a mongrel system, that is,
17 it is trying to serve as an administrative alternative
18 to validity litigation, but I think is doomed, because
19 I don't believe it was ever really designed to serve
20 that function to begin with.

21 I will end by saying that's to be contrasted
22 with other systems, notably the European opposition
23 system, which has its own problems, but does not have
24 some of these flaws that I have spoken of in connection
25 with the U.S. re-examination system.

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1 MS. MICHEL: Mark, can I get you to give us
2 just a very mechanical walk-through of how that
3 procedure works?

4 MR. JANIS: Sure. The re-examination system
5 begins with the initiation of a request by either a
6 patent owner or a third party. It can be initiated by
7 the Patent Office as well.

8 If a third party initiates the re-examination,
9 the patent owner has an option to file a patent owner's
10 statement. Many patent owners don't do that, because

1 MS. MICHEL: So, within this U.S. system, does
2 the third-party questioner have any ability to
3 participate in examiner interviews?

4 MR. JANIS: They do as I understand it. Now,
5 there have been three inter partes proceedings, and I
6 couldn't tell you if that's actually happened or not.
7 I believe that the regulations provide that third
8 parties can participate in that. I, perhaps, can stand
9 corrected on that --

10 MR. STOLL: No, they do not.

11 MR. JANIS: I anticipated that would be a huge
12 problem, and I could understand why the regulation is
13 written that way. So, thanks for the correction on the
14 regulation. That's not provided for as a matter of the
15 statute, that's left open for regulation.

16 MS. MICHEL: If the examiner ultimately
17 maintains a final rejection of the application and the
18 patentee appeals to the Board of Patent Appeals and
19 Interferences, what are the third party's abilities to
20 participate at that point?

21 MR. JANIS: Limited abilities to participate,
22 and that's been the subject of current legislative
23 efforts. So, as the inter partes statute currently
24 stands, certainly the third party does not have the
25 ability to appeal to court.

1 As I recall, the third party has the ability to
2 appeal to the Board -- I have to look around to see if
3 I'm correct on that.

4 MR. STOLL: That is correct.

5 MR. JANIS: But the third party does not have
6 the ability to appeal beyond that to what would
7 ordinarily be an appeal to the Court of Appeals for the
8 Federal Circuit.

9 MS. MICHEL: So, ultimately if the examiner
10 decides to allow the patent, then the third party
11 requester can appeal to the Board of Patent Appeals and
12 Interferences challenging that grant. Is that right?

13 MR. JANIS: That is correct, yes.

14 MS. MICHEL: But then if the Board were to
15 decide to grant the patent, the third party may not
16 appeal to the Federal Circuit.

17 MR. JANIS: That's the current state of the
18 law, yes.

19 MS. MICHEL: Bob, would you like to make a
20 comment on that?

21 MR. STOLL: On the systems themselves. Let me
22 explain the way I'm understanding things the way we
23 currently have them. We actually have two systems
24 running right now. We have the ex parte system and
25 third-party system. They are separate systems.

1 The ex parte system is basically unchanged as
2 it has been going forward for many, many, many years
3 now. The third-party system is the new system that is
4 created by the AIPA.

5 I would like to state that I believe the
6 third-party system is unworkable as it's currently
7 formulated, and I do not anticipate there will be much
8 change. There are only three that have been filed
9 under that system.

10 I think the original idea with respect to
11 making a third-party system was to be able to have a
12 system that handled more than just written prior art
13 and possibly even allowed for more discovery and more
14 discussion with respect to it. Something cheaper than
15 going to court, something that allowed the Office to be
16 able to handle a process much more simply than is
17 currently being able to be handled by the Court of
18 Appeals for the Federal Circuit.

19 I think that the fact that the third-party
20 system requires that anything that was raised or could
21 have been raised during that process would very much
22 inhibit the ability for an attorney to persuade a
23 client to go in that direction. I do not anticipate
24 that that third-party system is going to be used in any
25 large manner in the United States at all.

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1 MS. MICHEL: Is that the reason you refer to
2 the system as unworkable?

3 MR. STOLL: Yes.

4 MR. BARNETT: Ken, you have a comment, but in
5 the process of your comment, I would like to know how
6 you're advising your clients to deal with the
7 re-examination process, and the effects they have on
8 your practice. Also, could I get everyone to speak in
9 the microphones, because it's easier for the court
10 reporter in that sense.

11 MR. BURCHFIEL: With respect to the question of
12 appeal, Section 315(a) of the statute deals with the
13 appeal rights. The patent owner is entitled to appeal
14 to the Board of Appeals and to the Federal Circuit.

15 A third-party requester who is unhappy can go
16 to the Board, but not to the Federal Circuit. A really
17 serious, serious problem with this statute is that
18 although a third party can participate in the Board
19 proceeding, a third party cannot participate in the
20 Federal Circuit appeal if it's taken by the patent
21 owner. That is just a killer.

22 Certainly, no one in his right mind would give
23 away the chance to challenge a patent in district court
24 litigation if it's going to be shut down at the Board.
25 It is not conceivable that I would recommend to any of

1 my clients that you pursue this kind of thing.

2 With respect to the ex parte re-examination
3 system, I think it's worth noting it's really ex parte
4 only in name. I have just been through litigation
5 where we filed a re-examination request; it was
6 granted.

7 During the course of that re-examination, the
8 patent owner would file a paper. We would file another
9 re-examination request responsive to the paper, and
10 that would be merged and considered by the examiner
11 along with evidence and affidavits.

12 After the next response, we filed a third
13 request for re-examination. After the next response,
14 we filed a fourth request for re-examination. So, we
15 participated as fully as possible to the existing
16 system. It is something that the Patent Office does
17 not approve of --

18 MR. STOLL: You are right.

19 MR. BURCHFIEL: -- and yet, the Commissioner
20 denied our request for a fifth re-examination, but we
21 had to take a run at it.

22 I think that there's one big, big benefit to
23 the inter partes system, and that is that Section 318
24 of the statute gives a patent owner who files a request
25 for re-examination during litigation a stay, a stay of

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1 the district court litigation.

2 In effect, the patent owner can stop litigation
3 potentially for years while the Patent Office considers
4 this, and the patent owner can go on and conduct as
5 many ex parte interviews with the examiner that is
6 helpful or convenient, weighing the scales very much,
7 in our view, in favor of confirming the patent claim.

8 MR. BARNETT: Steven, I would like to hear your
9 comments.

10 MR. MAEBIUS: I agree pretty much with what Ken
11 said, and I just wanted to point out that the Patent
12 Office did make two minor improvements recently to both
13 types of re-examination practice by requiring that a
14 request for re-examination has to be handled by an
15 examiner other than the original examiner that issued
16 the patent.

1 litigation.

2 MS. MICHEL: I was just going to call on Rick,
3 and I suggest we then move on to discuss the European
4 system.

5 MR. NYDEGGER: I will just comment very
6 briefly, I more or less agree with everything that Ken
7 has said. However, I am going to step out of my role
8 for a moment. I'm appearing here today on behalf of
9 the AIPLA, but stepping out of that role simply as a
10 private attorney who has represented clients in that
11 proceeding, I would disagree just slightly with Ken's
12 comment that ex parte re-examination really is inter
13 partes, in a sense. It's very, very limited.

14 The third-party requester only has an
15 opportunity to submit comment, short of the kind of
16 procedural creativity that Ken described, up until the
17 initial decision as to whether to grant the request is
18 handed down. Once that decision is made, from that
19 point on, the examination process is just like it is in
20 the normal patent application -- it's entirely ex
21 parte.

22 For that reason, from my experience at least,
23 defendants or potential defendants very much shy away
24 from that proceeding, because they would much rather
25 have all of the procedural safeguards that go with the

1 plenary right to cross examine, take testimony, and so
2 on, in the context of testing a patent's validity.

3 MS. MICHEL: All very interesting points, thank
4 you. I would like to talk now a little bit more about
5 the European opposition system. In particular, some of
6 the interesting features we could bring out and discuss
7 here today are: At what point in the proceedings of a
8 patent's life does the opposition proceeding occur?
9 What kind of issues can be raised in the opposition
10 proceeding? How is the opposition proceeding
11 conducted; is it more like a patent examiner in his
12 office, or is it more like a trial? Is there anyone
13 who would like to volunteer to discuss the European
14 system? Yes, thanks Rick.

15 MR. NYDEGGER: Again, stepping a little bit out
16 of my stated role here. I have been through a number
17 of oppositions in the European Patent Office. We are
18 currently involved in several in our office, one of
19 which I'm directly handling.

20 There are frankly some very real concerns, I
21 believe, that come out of the way in which that
22 opposition procedure works. For example, in one of the
23 oppositions that I was involved in, we met with the
24 opposition panel which consisted of three examiners,
25 one of whom was the original examiner who up to that

1 point granted the claims and the disputed application.

2 On the question of patentability that was
3 raised by the opposers, there were certainly prior art
4 documents of record. There were maybe three or four of
5 them, and then discussion occurred in the course of
6 that opposition proceeding on a rather informal basis
7 about what those documents did or didn't teach.

8 Now, up to that point, I don't have too much
9 quarrel with how the opposition proceeding was handled.
10 Argument pro or con about what a prior document does or
11 doesn't stand for, I think is pretty much fair game in
12 an opposition proceeding like that.

13 The part where I start to depart and have
14 frankly some concern about the way European opposition
15 works is that, toward the end of that hearing, one of
16 the parties brought an expert witness just by way of
17 closing.

18 As the panel is getting ready to go out and
19 make its decision, it turned to the parties and invited
20 each of them to make any closing comments. One of the
21 panel turned to the party who had brought with him this
22 particular expert, and he spoke up and proffered on the
23 spot gratuitous, unsworn, untested testimony about
24 certain things that, from his point of view, were
25 well-known in the art. None of which, I might add,

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1 were documentary prior art of record in the case.

2 As it turns out, much to the surprise of a
3 number of people in the opposition, the panel came back
4 and based their decision on that gratuitous testimony.
5 Oppositions that are handled in that manner are bad
6 from a policy perspective. It sort of turns the
7 proceeding into almost a shootout at the OK Corral.

8 MS. MICHEL: Could you explain how a typical
9 proceeding would operate? That sounds to me like an
10 atypical proceeding. Could you just give us a sense of
11 how the system operates in the sense of when a
12 third-party files its opposition, what kind of
13 documents it can send in? What kind of arguments it
14 can make? Then, tell us what actually occurs, what
15 kind of ground rules are there for the proceeding
16 itself?

17 MR. NYDEGGER: In Europe it's very, very
18 liberal. What I have found is that you can frankly
19 submit almost any kind of evidence or testimony that
20 you might wish to.

21 You can submit affidavit testimony in
22 connection with a response or reply to the other
23 party's arguments or their brief. As I said, you can
24 bring witnesses, if you will, so-called witnesses.
25 They are not sworn in, no one cross examines, and the

1 opposition panel simply listens to what they have to

1 patent on the basis of Sections 102, 103 and Section
2 112.

3 The opposer would be permitted to participate
4 before the USPTO in generally the same manner as a
5 third-party requester is now permitted to participate
6 in inter partes re-examination, with the very important
7 difference that the third-party opposer would be
8 permitted to appeal and to participate in an appeal of
9 a decision by the Board to the Federal Circuit.

10 The AIPLA believes that this would provide
11 several benefits. First, a balanced approach between
12 the interest of the patentees and the public to remedy
13 the possible issuance of overly broad patents in a
14 timely fashion.

15 Secondly, by requiring such oppositions to be
16 filed early, third parties would have to come forward
17 before the patentee has invested large sums of money in
18 commercialization, and while the patentee can still
19 file a reissue application so you can broaden claims or
20 claims that otherwise would avoid the art coming out of
21 that kind of proceeding.

22 MS. MICHEL: Could you contrast with us how
23 that proposal differs from the European system?

24 MR. NYDEGGER: One very important difference is
25 our difference in legal framework. I could not imagine

1 that the USPTO would not employ appropriate procedural
2 safeguards with respect to the kind of evidence and
3 testimony submitted.

4 Moreover, Sections 102, 103 and 112 would raise
5 issues, it seems to me, that are less susceptible, in
6 some respects, to the kinds of free-wheeling
7 evidentiary problems that the European opposition
8 proceeding is susceptible to.

9 MS. MICHEL: Could you clarify that? In
10 particular, is 101 -- and by that I mean utility,
11 patentable subject matter -- specifically or
12 intentionally lacking from the list of possible
13 challenges in the proposal you just laid out.

14 MR. NYDEGGER: Well, again, from my own
15 personal perspective, I could not see why that couldn't
16 be included as a potential part of this type of an
17 early opposition proceeding. I frankly think that
18 that's not a bad idea.

19 MR. BARNETT: I'm just curious. It may be my
20 lack of knowledge of the situation, but given the
21 amount of time and expense that's typically associated
22 with discovery in the United States, say, in the
23 litigation context, is it possible to really
24 effectively or efficiently allow additional information
25 with the procedural safeguards that you are thinking of

1 while at the same time avoiding protracted discovery in
2 a re-examination context?

3 MR. NYDEGGER: That's a good question. I
4 frankly think that there would still be a fair number
5 of litigants on the defense side that would prefer not
6 to use this type of proceeding out of that very
7 concern.

8 On the other hand, it is an option, and it is
9 one that does provide a much larger scope and basis for
10 challenging the patent in a timely fashion. Because
11 of the lower cost, I think that there would certainly
12 be a larger number of people that would use that
13 proceeding.

14 Clearly, where you have three filings currently
15 to date under the re-examination provisions of the
16 AIPA, that is virtually no effect. It is, for all
17 practical purposes, unsuccessful.

18 I think this type of proceeding would offer a
19 viable alternative, particularly for companies and
20 entities that do not have the kind of resources to
21 engage in large-scale major litigation. It is a viable
22 option.

23 MS. MICHEL: Jay, you had a comment?

24 MR. THOMAS: Well, my specific comment, I think
25 the moment has passed, but let me offer a few

1 there witnesses or questions with direct examination?

2 MR. THOMAS: You could bring in just about
3 anyone you want, anyone of interest. I would say it's
4 much more like this discussion than what you would
5 consider a tribunal.

6 If I could say a few more things before my time
7 is past. Certainly, procedural safeguards, we expect
8 them. The question is, can a patent office do them?
9 That's to the extent that we want a full-fledged
10 administration revocation proceeding that is as good as
11 what could happen in court, I believe a patent office
12 loses the ability to do it because of the technical and
13 legal qualifications.

14 Oppositions raise major public goods problems,
15 because having a patent struck down is a public good,
16 and there are collective action problems that prevail.
17 Which one of us industry participants is going to
18 strike down the patent?

19 I think opposition proceedings are something of
20 a panacea, because one problem is motivation to bring
21 the opposition. In civil law systems, where invalidity
22 cannot be decided in the judicial forum, oppositions
23 are very attractive.

24 But in other systems where it may be easier to
25 settle out, it may be easier just to send a prior art

1 reference to the patentee and not formally challenge
2 it, it's easier to settle litigation -- like Amazon.com
3 recently, where there's lots of invalidating
4 references, but the parties would just settle rather
5 than take the invalid patent off the books -- likely
6 invalid, I ought to say -- those raise problems.

7 Delay is the final concern that ought to be
8 discussed. Pre-grant opposition seems to take forever
9 at the EPO. We just have not had a system where they
10 seemed to have worked. Especially in systems like
11 Europe, where the longer the patent stays at the EPO,
12 the more money the EPO makes.

13 Post-grant sounds more attractive, but at that
14 point, unless you are willing to have a full substitute
15 for the traditional forum, it does not seem to work
16 very well. Thank you.

17 MS. MICHEL: Can anyone give me an idea of what
18 a long time is? How much of a delay is caused by these
19 oppositions?

20 MR. NYDEGGER: In the one that I'm currently
21 involved in, we are going into the eighth year now.
22 The point I was going to make is that the European
23 experience is also very insufficient.

24 Once you get through the first round of the
25 opposition, you have the option to go through, yet,

1 another round, but it is not a true appeal in any
2 sense. It is, in fact, a de novo opposition proceeding
3 just like the one you went through, now just with a
4 different panel.

5 So, again, predictability, efficiency are,
6 frankly, sadly lacking in my experience in the context

1 From my point of view, any re-examination worth
2 doing would have to give the opponent a chance to cross
3 examine and submit the depositions.

4 MS. MICHEL: Well, that is an excellent point,
5 and something I have been wondering about when we talk
6 about the ability of the PTO to handle an
7 opposition-type proceeding, and what we could learn
8 from interferences about the PTO's ability to handle a
9 more adversarial-type proceeding than it normally deals
10 with.

11 I'm going to see if Mark has anything to
12 comment on. At some point, we would like to address
13 that topic, because I think it's an interesting one.

14 MR. JANIS: Mike Barnett asked the right
15 question about how these procedural safeguards are
16 going to be implemented, and it probably expresses a
17 little bit of skepticism, appropriately, about whether
18 they can be. I don't think the record is all that
19 good.

20 I don't know that so much for interferences. I
21 may be agnostic on that. But interferences teach us
22 that you need a fairly elaborate regulatory scheme if
23 you are going to have an administrative inter partes
24 proceeding. It, at least, tells us that. It's not
25 going to be easy to implement this scheme. It's going

1 to be a lot of regulations and a lot of complexity.

2 So, for me the question is, is it worthwhile to
3 give this a shot? Is it worthwhile to experiment with
4 such a system and see whether we could do it? I'm
5 persuaded that it is worthwhile, given the extremely
6 high cost of litigation.

7 So, we may end up with something that's
8 administratively complex and not all that cheap, but we
9 still may be better off than not having an effective
10 system at all. It does really depend on the ability to
11 elaborate good procedural safeguards, and that's a
12 challenge, to be sure.

13 MS. MICHEL: Robert Stoll?

14 MR. STOLL: I want to address your issue with
15 respect to the ability of the Patent and Trademark
16 Office to handle a more complex proceeding. I would
17 agree that currently we are not set up to be able to do
18 a full court-type proceeding. We would have
19 difficulties implementing such a thing.

20 That all being said, if the Hill decides that
21 that is what they want us to do, we would be able to
22 set up a system where we could do cross examination,
23 where we could do discovery. We can set up exactly
24 what is done. We administer the laws.

25 If the court deems that its functions are best

1 served there at the Patent and Trademark Office to do a
2 full third-party re-examination, we, of course, would
3 do it. One of the reasons we do not have third-party
4 participation in discussions right now is because our
5 examiners are not trained in the manner that would
6 allow us to do that type of thing.

7 MS. MICHEL: By "discussions," do you mean
8 examiner interviews?

9 MR. STOLL: Yes, I do.

10 MS. DESANTI: Is there a difference between the
11 opposition system that the AIPLA was proposing and
12 district court litigation, in the sense that for
13 litigation the defendant needs to have received a
14 "threat letter" or demand letter that would give
15 someone standing?

16 Whereas, in the opposition that you were
17 proposing, it is contemplated that there would be a
18 right to challenge, indeed, a duty to challenge, within
19 one year, so there would be less of an issue of the
20 strategy that we sometimes heard that occurs around
21 sending out a letter that implicitly does indeed raise
22 the notion that litigation might ensue without, in
23 fact, triggering the standing.

1 such, in the early post-grant opposition proceeding
2 that we are talking about.

3 It is not like litigation, where if you are a
4 defendant, in order to challenge the patent, there has
5 to be a jurisdictional threshold in terms of whether
6 the defendant has been sufficiently threatened, if you
7 will, that there is a real case and controversy, which
8 could then give rise to the district court's
9 jurisdiction.

10 That's not the case in the kind of proceeding
11 that we are talking about. In fact, quite the
12 contrary. I think it's really designed to motivate the
13 public, if you will, to become more proactive. If they
14 think, for example, that the Patent Office has not
15 discovered the best prior art, or somehow did not apply
16 the prior art that it did have in the correct way, it
17 has a chance to do something about it early on, rather
18 than wait until they find out there's a problem and
19 they're threatened with litigation or sued and then
20 involved in protracted litigation procedures.

21 MR. BARNETT: Steven, you have some thoughts?
22 I would like some feedback and ask your thoughts as to
23 how the system works in Japan, if you could add that to
24 the mix.

25 MR. MAEBIUS: Well, I was just going to add

1 first of all that in Europe, the lack of estoppel is a
2 problem. We had a patent that went through the whole
3 opposition proceeding, then it was litigated again in
4 Germany under various same prior art, and it was upheld
5 there. Now, it's under litigation again in the
6 Netherlands.

7 So, that's a larger problem that Europe has,
8 because it's a collection of different countries, but
9 one that we could solve in the United States by just
10 maintaining the estoppel effect.

11 MS. MICHEL: Was the opposition party also the
12 litigating party so that the no estoppel rule applies?

13 MR. MAEBIUS: Same parties, same prior art.
14 With respect to Japan, they have a pretty good system
15 over there. You have to file within six months
16 following the grant and the patent, and it includes all
17 areas of patentability, you know, not just the print
18 and prior art, they are equivalent of 112 issues,
19 enablement and description.

20 There's a right of appeal for both the patent
21 owner and the requester, full participation along the
22 way, and opportunities to amend the claims or fix them
23 or narrow the scope, if necessary, at various points
24 along the way.

25 I have spoken to companies in Japan, and they

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1 would actually prefer to bring an opposition proceeding
2 if they were within the time limit, as opposed to
3 joining litigation in court, because the Japanese
4 Patent Office is a better forum for deciding these
5 issues of patentability.

6 MS. MICHEL: Is there an estoppel -- or what is
7 the estoppel rule in Japan?

8 MR. MAEBIUS: As far as I know -- and I'm not
9 expert in that -- I don't think there is an estoppel
10 rule in effect.

11 So, you could have simultaneous litigation in
12 district court over there, and opposition proceedings
13 going on in the JPO.

14 MS. MICHEL: Have you heard anyone explain why
15 they prefer the Patent Office as a forum rather than
16 court litigation if given the option in Japan?

17 MR. MAEBIUS: Well, one of the reasons is that,
18 I guess, there has been a very recent change that the
19 Japanese Patent Office has increased the speed at which
20 it is handling these proceedings.

21 For awhile they had a pendency problem, and
22 some of them were dragging out, but lately they have
23 increased the speed. Also, I think it's just because
24 the examiners have a better ability to understand the
25 prior art, and it's perceived that a fair result would

1 take place within the Japanese Patent Office.

2 MS. MICHEL: Do you have any sense of the
3 expense associated with pursuing opposition in Japan as
4 opposed to litigation?

5 MR. MAEBIUS: I don't have much cost
6 information on that, but I think it's generally
7 cheaper, because the litigation -- in Japan, though,
8 there's not much discovery, so the litigation is not
9 nearly as expensive as it is in the U.S. so, I'm not
10 sure there is a big cost difference.

11 MS. MICHEL: Ken, you had a comment?

12 MR. BURCHFIEL: Yes. I am by no means an
13 expert on Japanese law, but I don't think the Japanese
14 Court of First Instance has any jurisdiction to

1 The parties come in and have these rather vague
2 discussions with the judge, and the judge says, "We
3 will talk to you later on," making settlement a very,
4 very attractive alternative in Japan.

5 MR. MAEBIUS: Just one quick comment. There's
6 actually a recent case that allows the district court
7 to handle validity of a Japanese patent if it's

1 re-examination discussion. Does anyone have any
2 thoughts on how it might play out in the Patent Office
3 if we were to have some sort of proceeding which
4 allowed challenges based on criteria other than
5 obviousness and anticipation, for instance, enable-
6 ment, and what kind of evidence would have to be put
7 into play, and how we would, therefore, have to change
8 the system in order to make that work? Mark?

9 MR. JANIS: I have just a brief comment, I
10 guess. To be sure you would likely be getting into
11 more affidavit evidence or more nondocumentary
12 evidence. It may seem to be more complicated, and it
13 may seem problematic, yet, as in a matter of first
14 instance examination, the examiners are theoretically
15 engaging in those inquiries anyway.

16 So, I think these arguments about how it would
17 be so complicated and take examiners into this new
18 realm, it may be that we should not have examiners
19 adjudicating these matters; that it will take the
20 Patent Office into this new realm.

21 However, that argument always has to be
22 tempered by the fact that, at least theoretically, the
23 examination is supposed to be considering these issues
24 in the first instance anyway.

25 MR. MAEBIUS: Right now you could actually have

1 an enablement or written description issue considered
2 in a re-exam if there's a situation where the patent is
3 a continuation in part of an earlier patent and your
4 argument is that there is lack of support in the parent
5 case, and intervening prior art publications apply.

6 So, the way you do it right now is by way of
7 expert affidavits. We would find a suitable expert and
8 argue that there's not enough support in the parent
9 priority document, and therefore, this intervening art
10 applies. So, it can be done on an affidavit basis.

11 MR. BARNETT: I'm going to kind of shift gears
12 a little bit, but staying a little bit on the theme, I
13 guess, outside of the context, though, of
14 re-examination.

15 Are there reasons why litigation seems to be
16 the preferred method in the United States? In other
17 words, are there disincentives to litigation in the
18 same European systems?

19 MR. THOMAS: The chief disincentive is simply
20 that validity is just not an available argument. To
21 invalidate, the Court just lacks jurisdiction. Either
22 you have to bring a separate suit within the general
23 judicial system, say, like in England, or there's a
24 separate court like in Germany, which does nullity
25 proceedings, or you have to go to the Patent Office,

1 per se, and the courts won't do it at all, as for some
2 other countries. So, that's the chief advantage for
3 validity.

4 In the States, I would defer to more
5 knowledgeable members of this panel, but plainly it's
6 the jury that must motivate many of these
7 considerations.

8 MR. BARNETT: To some experts, one thing I'm
9 curious about is the standard of substantive validity
10 that we have in the U.S., how does this compare with
11 other systems? For example, in Europe once the EPO
12 grants the patent, and then if you're going to bring an
13 infringement suit or whatnot, where does all this fit
14 in? Does anyone have any thoughts?

15 MR. THOMAS: I'm certainly aware in other
16 jurisdictions, there's essentially a presumption of
17 validity, and I would say, in some courts like in the
18 Netherlands, there's a very strong presumption.

19 I think they've often been very quick to bring
20 preliminary injunctions based on EPO grants, but I
21 don't sense an enormous difference. Certainly, some
22 jurisdictions like in the UK, you had to in the past
23 prove your patent valid to enforce it. So, I think
24 there's some variation.

1 MR. BURCHFIEL: If I could make just a very
2 brief comment about inter partes re-examination, I
3 counsel my clients, if possible, to show a date of
4 invention one day before the date of a patent issuance
5 to provoke an interference, because the Congress
6 combined the jurisdiction of the Boards.

7 Now, the Board of Patent Appeals and
8 Interferences itself has to consider all these issues
9 of validity. And typically, that consumes 80 percent
10 of the Board's time and resources, because you can
11 raise any ground -- enablement, utility, written
12 description, inequitable conduct -- the same as in a
13 district court. It is inter partes, and there is
14 affidavit evidence, and there is cross examination, and
15 there is a right of appeal, right up to the Federal
16 Circuit. So, a vastly, vastly superior avenue than
17 Federal District Court litigation for challenging
18 validity. It's wonderful.

19 MS. MICHEL: Is that superiority due to speed
20 and expense or is there some other reason?

21 MR. BURCHFIEL: Well, one of the advantages of
22 it is the expense, because proceedings take a long
23 time, and lawyers get to bill a huge amount of time.
24 So, the expense is a big advantage to the proceeding
25 from our point of view. The real benefit is that you

1 can raise any issue, you have a right to cross
2 examination, you have a record, and you have appeal.
3 That's all that would be needed in a re-examination
4 system, and it's already done by the Board.

5 On the other hand, if you were to strip
6 jurisdiction or separate it again into interferences
7 and re-examination, interferences would be disposed of
8 very quickly.

9 MR. NYDEGGER: Mike, your question about
10 presumption of validity causes me to reflect. I would
11 like to, at least, offer the additional thought that I
12 think that that is also or would be, frankly, a very
13 strong incentive for using early post-grant opposition,
14 as opposed to third-party litigation. Third-party
15 opposers would not face the same evidentiary steep
16 climb, if you will, they might otherwise face if they
17 waited to litigate. So, I think that's a further
18 motivation and inducement for parties to use the early
19 post-grant opposition proceeding.

20 MS. MICHEL: Well, let me put on my litigator
21 hat for a moment. As a defendant in patent litigation,
22 I would typically prefer to litigate infringement and
23 validity together.

24 The validity arguments also often give me good
25 arguments for limiting claim interpretations and

1 sometimes strengthen my non-infringement arguments. I
2 see this, perhaps, as one factor that might influence
3 the choice of whether to go to district court or to
4 choose any kind of opposition proceeding.

5 Does anyone have any thoughts or comments about
6 that? Yeah, Rick?

7 MR. NYDEGGER: I think that may be more
8 perceived than real in terms of the distinction,
9 because frankly from my perspective, if I were a
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1 standard for patentable subject matter in the U.S., and
2 I'm curious as to how it compares to other systems. I
3 might ask John for his thoughts, because I have heard
4 him mention sort of the broad patentable subject matter
5 in the U.S.

6 MR. THOMAS: I'm reluctant to dip my toe in
7 this water again after this morning because I think
8 we're whipping that dead horse again. But I'll mention
9 briefly, European Patent Convention expressly disallows
10 patents for -- the precise wording escapes me, but it's
11 systems or methods of doing business. It also
12 disallows software per se.

13 There are very few attorneys who can't get a
14 software patent out of the EPO of the same scope as in
15 the US. I think that the per se means it's a very
16 limited exception. As a practical matter it's wholly
17 vitiated.

18 Business methods, I suspect a different tenor.
19 To the extent that the business method is
20 software-embedded, then I think you can get them to the
21 same extent as you can here very often. I think a
22 capable patent attorney can get them for you.

23 To the extent that it's sort of a wholly
24 post-industrial patent, such as things we are starting
25 to see come out here in the States, I still think there

1 is certainly a break that exists in Europe. We
2 certainly see it in Board opinions.

3 Certainly anyone can point to an issued patent
4 or two that seems to disregard this, just as every
5 patent office occasionally issues patents that don't
6 meet the nonobviousness standard, but that's the sense
7 of the situation.

8 Japan, I think, is somewhere in the middle
9 between the US and Europe, very liberal on software, I
10 think perhaps somewhat more liberal on business
11 methods.

12 UK Patent Office has just issued a statement
13 saying we see no positive benefits that can come from
14 granting business method patents, we would not allow
15 them.

16 The Executive Branch has entered into a treaty
17 with the Hashemite Kingdom of Jordan saying that Jordan
18 ought to allow lots of patents that issue on software
19 and business methods.

20 The bottom line is there is variance.
21 Certainly, I think the most extreme use can be found in
22 Europe. Thank you.

23 MR. BARNETT: Robert?

24 MR. STOLL: I agree there is variance, but I
25 don't think it's as significant as I keep hearing. I

1 agree that Article 52 of the EPC precludes the
2 patentability of software or business methods per se in
3 Europe.

4 However, anecdotally many, many attorneys have
5 told me that they are patenting both software and
6 business methods in Europe. I'm well aware that Europe
7 recently set out a statement saying that they were no
8 longer examining three areas: One being
9 telecommunication, another being pharmaceuticals, and
10 the third being business methods.

11 The United States, under State Street, has
12 clearly set out that business methods are patentable in
13 the United States. There's a Class 705, related to
14 those that have a technical component or a computer
15 implementation, but it's quite clear no technical
16 component or technical aspect is necessary in the
17 United States.

18 We have been patenting business methods with
19 the Patent and Trademark Office since the late 1700s.
20 I could pull up patents, numerous patents. We have
21 whole sub-classes related to teaching methods in our
22 directory, those are business methods.

23 Japan patents business methods as well,
24 although they don't acknowledge that they would patent
25 a business method, per se, but they do need technical

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1 aspects in Japan.

2 Recently, I've seen a supreme court case coming
3 out of Australia that actually cited State Street. So,
4 Australia now patents business methods without a
5 technical aspect.

6 All this being said, we have 7,000 applications
7 related to business methods, and very, very, very few
8 of those don't have a technical aspect. We do not have
9 a technical aspect requirement in our statute.

10 Utility is what you'll find in the
11 Constitution, and usefulness is what you'll find in
12 our statutes. I'm not even quite sure what a technical
13 aspect is or how you make that evaluation, and I don't
14 think it's such a huge deal the way it's being
15 perceived as being some sort of Jihad in Europe and
16 Japan. It's simply not as significant as everybody is
17 saying that it is.

18 MR. BARNETT: Rick?

19 MR. NYDEGGER: I really have two follow-up
20 comments to the point that Bob just made. First, I
21 want to read the official communication that was issued
22 by the European Patent Office in January of this year
23 on this point.

24 What they said was -- and I'm now quoting --
25 "The EPO wishes to remind applicants that pursuant to

1 The claim goes on to recite, "...data
2 processing means including a processor which includes:
3 A. Average age computer means for determining the
4 average age of all enrolled employees" -- it sounds
5 suspiciously just like configured logic circuits in
6 State Street Bank -- "life insurance cost computing
7 means for determining the periodic cost of said life
8 insurance... administrative cost computing means for
9 estimating all administrative, legal, trustee, and
10 government premium yearly expenses... information
11 defining each subscriber employer's monetary
12 contribution to a master trust; the face amount of each
13 life insurance policy... and periodic benefits
14 payable... to each enrolled employee upon death,
15 disability or retirement." That's Claim 5 in PBS
16 Partnership.

17 So, what did the Board of Appeals do with that?
18 Well, first of all, the standard that they employed was
19 this -- I'm quoting from the opinion -- "An invention
20 may be an invention within the meaning of Article
21 52(1)" -- invention here meaning eligible subject
22 matter -- "if, for example, a technical effect is
23 achieved by the invention, or if the technical
24 considerations are required to carry out the
25 invention."

1 all aspects of State Street Bank.

2 The case did go on to consider the inventive
3 merit of the claim, and rejected it on grounds of
4 obviousness or, in the parlance of the European Patent
5 Office, inventive step.

6 MR. MAEBIUS: I would like to add to that
7 there's definitely variance between the standards of
8 patentability around the world and in the U.S., but in
9 terms of utility, I think, or industrial applicability
10 as called in Europe or Japan, the standard may actually
11 be lower than it has become recently in the United
12 States.

13 But there may be differences in other standards
14 that prevent the same breadth of patents from being
15 granted over there. For example, in terms of inventive
16 stuff or obviousness, they may be more likely to
17 restrict the scope of a claim when the broad claim had
18 been granted in the United States.

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1 examination guidelines at the patent office level play
2 an important role as well as the decisions coming from
3 the courts in those countries.

4 MR. BARNETT: Ken?

5 MR. BURCHFIEL: Yes, I know that the discussion
6 focuses a lot on business method patents. I think
7 there are two pretty significant differences, though.
8 Article 53(b) prohibits the patenting of plants, and
9 our Supreme Court has just decided that plants can be
10 covered by utility patent.

11 A utility patent offers such a broad scope that
12 it is a matter of very significant economic consequence
13 to farmers in the United States, and there's a matter
14 of a huge political consequence to farmers in Europe.
15 So, that's a big difference, although sort of a
16 sleeper.

17 The other, I believe, is Article 52, Section 4,
18 excludes from patentability methods for treatment of
19 the human body and methods for diagnosis in the human
20 body. That's a pretty significant difference to the
21 pharmaceutical and medical denty siUtignificant difference to tn

1 that. Plants have been patentable in the United States
2 for a long time, I mean, it's nothing new here. They
3 are covered under (inaudible) by plant certificates in
4 Europe. There has been some recent litigation in the
5 area. Plus, I think Europe under TRIPS is required to
6 cover plants microbial in nature, as well as other
7 biological materials.

1 So, there was a time period when possibly
2 applications were being issued in an overly broad
3 manner. Since then we have done many things. We have
4 implemented many new procedures to make sure there's a
5 double look, we've got SAWS, we've got different
6 processes in place to make sure that we don't issue
7 overly broad patents.

8 In fact, the allowance rate in what is called
9 the Computer-Implemented Business Methods, Class 75,
10 has dropped significantly since there have been these
11 new procedures taken into place.

12 We are not having the same general complaints
13 we are having with respect to business methods,
14 particularly. Every once in awhile you will see a
15 patent issued to a very unusual subject matter, and
16 maybe it slipped out, but that does not necessarily
17 mean it is in the area of business methods either.
18 I mean, there are plenty of mechanical patents that
19 shouldn't be out there.

20 So, I just wanted to point out I do believe
21 that the actual processing, which was the concern, at
22 least one of them, in Europe and Japan, has improved
23 with respect to it, much in the manner that software
24 patenting itself has improved over the years.

1 there, then have the access to the databases that were
2 necessary to be able to do as good a job as we do now.
3 We're seeing very few complaints with respect to the
4 issuance of software patents. The industry has not
5 been turned on its head. We are not seeing the
6 problems there. I anticipate that
7 the same process is being followed with respect to
8 business methods as well.

9 MR. BARNETT: I might have some follow-up, and,
10 again, this is more from a competition standpoint, in
11 whether it's an emerging industry or in an area where
12 there are new patenting concepts like business methods
13 or something like that where you're getting a flood of
14 new patents, and there's a threat of a flood of overly
15 broad patent applications at the beginning. On the
16 outside obviously there's a learning curve that
17 eventually gets fixed.

18 What's the impact of all these overly broad
19 patents overall say? Suddenly, you find after the
20 learning curve is taken care of, there's more
21 appropriate patents, but how do we deal with the
22 arguably overly broad patent?

23 MR. STOLL: If they are significantly over
24 broad, and everyone is aware, they are basically
25 disregarded. Where there's a lack of certainty as to

1 whether or not that breadth is an appropriate breadth
2 or not, that's problematic for industry, and there's a
3 fear that that would have a dampening effect on
4 invention, and it might if that continued. But they
5 basically become prior art and are useful as a
6 reference against subsequent applications.

7 I think it works itself out of the system, is
8 what happens. The system has a lot of checks and
9 balances in place, and evolves, and you eventually get
10 the proper breadth of patent application issuing.

11 MR. BARNETT: John?

12 MR. THOMAS: I would note SAWS, System
13 Application Warning System, are you familiar with the
14 lingo?

15 MR. BARNETT: I'm actually not, I figured they
16 were just using their regular jargon.

17 MR. THOMAS: It's just that the examiner is
18 asked to notify a SAWS officer. The examination
19 proceeds apace, and this is sent. I would like to say
20 a few more words, but first I would like to ask Bob a
21 question, if I may?

22 Last week a European Commission official was
23 quoting that the grant rate of business methods have
24 decreased from 56 percent to 36 percent. I would ask
25 you, is this rate based on the final rejection rate or

1 is this based on the abandonment rate of the
2 applications? Because as we know, in patent law
3 there's nothing so provisional as the final, and that
4 people may persist in their applications, and so final
5 rejection rates often do not account for continuations,
6 and we know a lot of continuations are granted later.
7 Are you aware of the statistics of the abandonment?

8 MR. STOLL: I believe the way we do counts that
9 way, it's abandonments that are occurring with respect
10 to the allowance rate. So, we would count an
11 abandonment without knowing whether or not a file
12 wrapper continuation or continuation was occurring on
13 that.

14 I heard that being said by Mr. Noteboom as
15 well. I do believe that that was for maybe one month,
16 that's a little low, when you say that. It's lower
17 than the allowance, which I believe is in the 70th
18 percentile, but not quite in the 30s. I think 50 is
19 about the right percentage rate for allowances,
20 recognizing we are only talking about 705, we had
21 business methods all throughout the different classes.

22 MR. THOMAS: If I could just briefly continue.
23 Again, I would note I would bring some of these
24 documents to the attention of this committee. There
25 are certainly other decisions. There's the Merrill

1 Lynch case from the UK, which is comparable to the
2 Merrill Lynch case I mentioned this morning, which
3 rejects the application.

4 There's a Japanese opposition recently. The
5 decision of the opposition division of the JPO, which
6 rejects a patent on the method of giving a marriage
7 wedding gift.

8 The UK and the French offices have spoken out
9 against business methods, but the German Patent Office
10 seems in favor of them. I think certainly the Pension
11 Benefit Systems case can be read as in favor of -- the
12 European Commission seems to like software patents, but
13 insists upon technical effect.

14 I really don't want to re-tread too much
15 ground, but I would re-note that the trick that's being
16 done in cases like Pension Benefit Systems, and
17 actually even Merrill Lynch, the British case, it turns
18 out that a patent was ultimately granted upon remand to
19 the office, even though there's this decision that
20 says, "No."

21 Is that what people are saying? "I don't have
22 a new business method, I've got a new technical trick
23 here. I manipulate my data this way," or "My system is
24 very robust," et cetera.

25 So, it's sort of in this pre-State Street Bank,

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1 Freeman-Walter-Abele test of saying, "Let's just couch
2 it to make it sound really technical." So, that's the
3 trick.

4 You know, you can read some of these cases and
5 say, "Wow, look at this invention, it's just like
6 that," but please do remember the underlying argument,
7 which is saying, "I really do have a technical
8 contribution. It's not that I'm selling goods better
9 because I can buy with one click, it's that I got these
10 protocols and robust data and data structure." So,
11 that's the game that's being played. I do not believe
12 that is a robust endorsement of business method
13 patents, but I think it's certainly reasonable; people
14 can differ.

15 MR. BARNETT: Rick, you had a comment?

16 MR. NYDEGGER: Yeah, two things, really. One
17 immediately in response to Jay's observation is that
18 there's certainly nothing technical in Claim 5 of PBS
19 that I just read to you. It's absolutely clear that
20 that claim is in every respect of the same type and
21 character as the State Street Bank claim.

22 Secondly, I meant to make this point, and it
23 slipped my mind as I was making an earlier comment.
24 There are some procedural nuances with respect to
25 European patent practice that underlie this recent

1 pronouncement not to conduct international searching
2 and the reason behind it.

3 I believe that's not very well understood, for
4 the most part, but it happens to be this. When doing
5 an international search, for example, the European
6 Patent Office, if it comes across a claim which
7 obviously is nonstatutory, really can't search that
8 claim. There is not much that it can do with it.

9 On the other hand, in the European Patent
10 Office, if that same claim were presented there, the
11 European Patent Office would issue an advisory action
12 notifying the applicant that this claim has a problem
13 with respect to its eligibility, and the applicant
14 could then respond to that. If that problem is
15 appropriately addressed and resolved, the EPO then goes
16 on to consider the claim on its incentive merit. So,
17 that procedural difference is one of the reasons why
18 this statement was issued.

19 The other reason, I believe, has to do with its
20 ongoing backlog problem. This was the way of stepping
21 out of a lot of man-hours, if you will, that really
22 don't result in applications that are ultimately filed
23 in the European Patent Office.

24 In other words, they were spending a lot of
25 time on international searches, with the consequence

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1 that their own applications were suffering because of a
2 lack of manpower, and hence, the need to somehow figure
3 out a way to deal with their own growing backlog. This
4 was one of those ways which they chose to implement.

5 MR. BARNETT: Well, we got a good hour and a
6 half. Why don't we get up and take a break, and we'll
7 come back at 25 til.

8 (Whereupon, a ten-minute break was had in the
9 proceedings.)

10 MR. BARNETT: All right, we're going to go
11 ahead and get started. From the notion of business
12 method patents and software patents, one example that
13 has come up in prior testimony, we have heard, at least
14 for some of the arguably controversial areas of
15 patenting, thinking of those two in particular, is the
16 notion of, perhaps, using a petty patent system for
17 those, or some sort of utility patent or second tier
18 patent system for those.

19 With that in mind, I was hoping to get some
20 comments from Mark Janis. For starters, if you could
21 just acquaint us with those as a concept.

22 MR. JANIS: I would be glad do that. Let me
23 just try a couple of notions here. I mean, this label
24 could be applied to a lot of different types of
25 systems.

1 different from general or first tier patent systems in
2 that second tier patent systems typically don't have
3 any substantive pre-grant examination. They only have
4 formal examination, and to that extent they are
5 comparable to systems that are ordinarily called
6 registration systems. They have generally a shorter
7 term than the standard for first tier patents, a
8 10-year term from date of filing in the latest
9 Community utility model proposal, to give an example.

10 There are varying approaches as to whether
11 second tier patents would be allowed to subsist in
12 parallel with first tier patents. So, you see a
13 variety of different proposals, some of which say,
14 "No dual protection would be allowed," some of which
15 say, "Dual protection would be allowed to the point
16 where one or the other grants, and then you must
17 elect." Other proposals say that dual protection would
18 be allowed, but no serial enforcement would be allowed,
19 so, you could not sue on a first tier patent, lose, and
20 turn around and sue on a second tier patent. That sort
21 of thing. There's a variety of different approaches to
22 that question.

23 So, I hope that gives you the general flavor
24 for them. There are other aspects of them we can talk
25 about, but that gives the general outlines.

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1 MR. BARNETT: You know, to step back to the
2 basics a little bit, what's the intended purpose of the
3 systems, of the second tier patent system, I mean, why
4 do them at all?

5 MR. JANIS: You have to plow through a lot of
6 rhetoric to get to the answer of that question. The
7 popular rhetoric is that these systems make the IP
8 system or patent system more accessible to, for
9 example, small enterprises, because supposedly costs
10 are lower, rights are acquired more quickly.

11 There's the notion -- and this is an important
12 feature of the systems that I left out -- there's a
13 notion that patentability is easier achieved under
14 these systems, mostly because they often feature softer
15 obviousness standards.

16 So, I suppose in summary, the selling point
17 would be a quicker, easier, cheaper patent for
18 inventions that aren't quite nonobvious, but are
19 somewhere between inventive in the patent law sense and
20 old, somewhere in this gray area, not quite patentable
21 in the patent law sense, but maybe close.

22 MR. BARNETT: Bob, you have a comment?

23 MR. STOLL: Yeah, I do. I think it may be a
24 good time for industrial interests, people who file
25 patent applications to begin discussing a plethora of

1 products coming out of the Patent and Trademark Office.
2 I'm saying, just discuss. I don't know where that
3 discussion would ultimately lead, but I don't think we
4 have recently had any significant discussions on this.

5 I'm talking not just about what was mentioned
6 before, some sort of utility model or some sort of
7 petty patent, but also some super patent that has been
8 really examined to death, let's put it that way.
9 There may be a right time for discussions about whether
10 those are of interest. But I have real concerns
11 whether we are picking out business methods patents and
12 saying that they are of different inventiveness,
13 recognizing that that would be a different capability,
14 standards, and different validity determinations there.
15 I don't see why we would make an assumption that they
16 are any more or less inventive than other areas. So, I
17 have some problems when we start talking about a petty
18 patent for business methods applications.

19 MR. BARNETT: Well, thinking about it in terms
20 of some of testimony from some of the software panels,
21 a lot of the descriptions of the software industry seem
22 to begin to mirror some of the conditions that Mark
23 Janis was discussing, arguably short times of utility
24 of the actual software, soft standards for obviousness
25 and those senses. I'm wondering how that sort of thing

1 might apply to software and if that's viable or not
2 viable or what your thoughts might be.

3 MR. STOLL: In those areas the concerns I have
4 heard raised dealt with pendency times at the Patent
5 and Trademark Office, and that there are different
6 industries that have different concerns related to
7 that, that software has a very short shelf life maybe,
8 five years. People who file those applications would
9 like them quicker, because they have such a short shelf
10 life. If so, I think we should be moving quicker on
11 all applications, but they don't necessarily need to
12 pay the second and third maintenance fees, and
13 therefore, they've delegated that to the public.

14 On the other hand, I am pretty familiar that
15 pharmaceutical companies are much more interested in
16 long-term, they would rather pendency went on as long
17 as possible and get term tacked on at the end.

18 So, I think we are talking about pendency time
19 and terms, and not necessarily different scopes of
20 validity with respect to the actual examination of the
21 application or how it's treated, which is more along
22 the lines of what a petty patent is. It's a different
23 treatment of the application, and therefore, a
24 different believability as to its validity.

25 MR. BARNETT: I guess I was thinking

1 specifically of some comments made two days ago
2 regarding software and regarding how arguably they
3 should have -- this particular testimony I'm thinking
4 of was against patents altogether in the software area.
5 So, I'm wondering whether it's plausible to have a
6 compromise or splitting it down the middle and having a
7 petty patent. Do you have any thoughts on the idea of
8 giving software a different patent scope or different
9 patent validity at that point?

10 MR. STOLL: I don't believe I would negotiate
11 in splitting down the middle when one person says we
12 should have no patent for software. I would not tend
13 to want to even really get into a negotiation on that.
14 I think we have established in this country the value
15 of patenting software, that it has not caused a great
16 harm in inventiveness, and actually served as basis for
17 many software companies in the United States. You
18 know, I was not privy to that testimony at this time,
19 so I would not move an inch, but thank you.

20 MR. BARNETT: Fair enough. Mark?

21 MR. JANIS: I just want to signal my agreement
22 with Bob, particularly the beginning of his comments.
23 The fundamental premise that we ought to have tailored
24 systems for each type of subject matter that comes
25 along. I think that that's just the road to oblivion.

1 So, I have particular problems with the concept of a
2 second tier patent system across all subject matters.
3 I have a problem with that.

4 Then I have a greater problem with trying to
5 create that kind of a system and saying we are going to
6 shuttle certain types of subject matter off into it.
7 And in part that arises from comments that I made and
8 others made this morning about boundary problems that
9 are created when you try to break up the patent statute
10 by subject matter. I think that those costs are
11 significant when you try to do that.

12 MR. NYDEGGER: I want to make a brief comment
13 about your observation about the so-called shelf life
14 for software in terms of duration of patents or that
15 kind of technology.

16 I think that software technology in many
17 respects is not -- again, I agree with Bob on this --
18 all that different from other kinds of technologies,
19 and I don't know if there's any empirical data to
20 warrant singling this kind of a technology out.

21 I represent, in addition to a host of clients
22 in the software and so-called business method, I prefer
23 to refer to it as e-commerce technology kinds of
24 domain, I also represent a fair number of clients in
25 the medical device technology area. We see frequently,

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1 for example, how those medical devices start out with a
2 basic fundamental concept.

3 I have one client who, for example, as an
4 entrant succeeded in capturing 80 percent of a very
5 significant market, just as a small company. It's a
6 very specialized niche, but they are now into their
7 fifth or sixth generation on that product. That does
8 not mean that the original patents that were issued
9 some 10 years ago are still not operative in terms of
10 the fundamental concept represented by that very unique
11 patentable device.

12 There are certainly subsequent improvements
13 that have been put in place. I think that software is
14 not unlike that. If you look at the Windows operating
15 system or other kinds of technology, you will see that
16 the basic concepts of some of those software
17 technologies are still as valid today as when they
18 first started out. So, I think one has to take that
19 into account when talking about patent term for these
20 kinds of technologies.

21 MR. BARN4kl 21 arovaRMni 5e2l as wfeapbUk ing abpdill n
23 to a footnote, but Section 2 of the German Utility

1 with these petty patents or not, but software and
2 business methods are not the kind of thing we are
3 looking to protect by a utility model.

4 MR. JANIS: Arguments about that, I don't know
5 where the latest proposal stands, because there were
6 amendments to the original proposal, and some of the
7 amendments dealt with the scope of eligibility. So, I
8 don't know where that stands at this very moment.

9 MR. BARNETT: John, would you like to comment?

10 MR. THOMAS: I would like to note many of you
11 may not consider yourself an intellectual property
12 specialist, so perhaps you're becoming one. I don't
13 think things are quite as neat as may have been
14 painted. We have separate design patents. We have
15 plant patents. We have plant variety protection
16 certificates. We have semiconductor chip certificates.
17 We have boat-hull certificates that are called design
18 something or other. We have lots of sundry
19 intellectual property rights of all sorts with
20 different terms. So, I don't think things are,
21 perhaps, quite as doctrinally neat as imagined.

22 Within the Patent Act, we have a separate
23 obviousness requirement for biotechnology. We have a
24 separate term for pharmaceuticals and medical devices.
25 We have separate enforcement provisions for methods of

1 medical treatment. We have separate enforcement
2 provisions for processes. There are number of other
3 examples. We have separate provisions for business
4 methods already in terms of defense.

5 The patent system is a very balkanized agency.
6 It's divided into 16 groups, each of which use varying
7 standards that their long administrative experience has
8 suggested that different examination routes go well.
9 For example, interference searches, done extensively
10 probably in biotech, an area where the technical
11 nomenclature is standardized. The extent to which
12 interference searches are done in areas where the
13 technical nomenclature is not standardized, there are
14 persistent accounts available that, perhaps, they are
15 not so rigorously done. There are other mechanisms
16 that go on. So, it would be nice to live in a
17 theoretical world where we could divide it up so
18 neatly, but that's not really the history of our
19 system.

20 Despite my disagreement on some of the
21 fundamental issues, I also don't think separate
22 patents, certainly for business methods, are a good
23 idea at all. I also think that a separate regime for
24 software patents would also be a disaster.

25 The big problem with these specialized regimes,

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1 they would have to be interpreted newly again. I think
2 sort of working with what we have and trying to do the
3 best job we can in making sound policy decisions within
4 that framework is superior than some of the proposals
5 for petty patents. On that front, I certainly agree
6 with what I've heard.

7 MR. BARNETT: Mark, I'm acquainted with some of
8 your critiques of just the petty patent systems or the
9 second tier patent systems. Would you share those with
10 us a little bit?

11 MR. JANIS: A variety of them. I suppose, I
12 think the main one is that I really think that they
13 would impose very high clearance costs across the
14 board. And I think that it's hard to gauge that
15 empirically. It's hard to gauge what clearance costs
16 are imposed now by the current patent system and the
17 uncertainties surrounding current patent doctrines, so
18 I suppose that's an easy argument for me to make in
19 some ways. But I'm picturing many, many, many small
20 second tier patents suddenly out there, all of which
21 rational business actors have to now account for when
22 deciding whether they have freedom to operate. So, I
23 think that that's the major criticism I would have. I
24 don't think those are adequately accounted for in the
25 proposals that exist currently.

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1 I also think that the proposals that suggest
 2 that costs really would be reduced -- acquisition costs
 3 really would be reduced -- I think that those
 4 arguments are overstated, because I tend to think that
 5 lawyer fees account for most of the acquisition cost.
 6 And I actually don't think that those would necessarily
 7 be much lower for second tier patents, because they are
 8 not going to be examined. You have to get it right,
 9 you may not be able to amend your claims later. There
 10 may be a lot of reasons why those are not so much
 11 easier to draft -- you're going to be drafting claims
 12 anyway, and so forth.

13 Also to the extent that second tier patents
 14 would ever have to be enforced -- and I realize it's
 15 hard to know what percentage of them would actually be
 16 litigated -- but to the extent you actually have to go
 17 and enforce those, I think the costs there are going to
 18 be substantial as well.

19 In some respects, those might be more costly to
 20 enforce than regular patents, because you would not
 21 come in with the presumption of validity. I don't know
 22 how you could possibly justify that. You would not be
 21 o ccome in wit rc enYou rYou rYou rYou , che mptjunc I ds th

1 I shouldn't think. So, these sorts of things make me
2 think that enforcement costs would be particularly high
3 to the extent that those patents would be enforced.

4 I think, as well, if you get to asking the
5 really broad questions about what these rights really
6 are going to incentivize, I also think the answers are
7 not very acceptable. For example, there's a growing
8 recognition that patents give incentive to attract
9 venture capital. I think very quickly second tier
10 patents would be viewed, properly so, as extremely
11 insecure rights, and they would not adequately perform
12 that function. That's a catalogue of some of the
13 criticisms.

14 I think second tier patent proposals are very
15 insidious in a way, because I think they sound
16 politically attractive in many ways. I really fear
17 that this kind of vision can be easily sold to small
18 businesses, small entrepreneurs, and I think they would
19 be getting pieces of paper that are practically
20 worthless.

21 MR. BARNETT: Steve, you had a comment?

22 MR. MAEBIUS: Yeah, I just wanted to say there
23 may be less of a need for that kind of a system also,
24 because of provisional rights which we now have at 18
25 months from publication.

1 MR. BARNETT: Ken?

2 MR. BURCHFIEL: On the question of petty patent
3 system, especially for software, I think that
4 discussion would probably have to begin with the
5 Semiconductor Mask Protection Act, that's codified at
6 17 USC Section 902. It's the only act that I know of
7 that has granted copyright-like protection to an
8 article of utility.

9 It protects the mask work used to make
10 semiconductor chips. It has a lot of attributes of
11 these petty patent systems. It has a 10-year term.
12 Its remedies are harsh and swift. They include
13 injunction, impoundment and destruction.

14 The level of registrability is very low. It's
15 little more than originality in the sense that the mask
16 work has to originate with its creator, not that it has
17 to be original in the artistic or scientific sense.

18 The reason it is supposed to work is because
19 there are broad rights to reproduce the mask work in
20 order to produce a better mask work, and that could be
21 separately registered. So it seems to fit a software
22 model, and because it tracks so many of the features of
23 these petty patent systems, and it's an aspect of U.S.
24 law. It's an act that has been administered by the
25 courts, decided by the Federal Circuit on an extensive

1 legislative history.

2 So, that would be my only contribution is to
3 say that if you are thinking about software-like
4 protection and giving people an election, you could
5 extend copyright protection, but not make a full patent
6 scope protection for it. I would be interested to hear
7 what Mark has to say, though.

8 MR. JANIS: I looked at that when I was
9 studying second tier systems, and my only comment
10 there, and my recollection as to that research is that
11 I couldn't find very much. There was one Federal
12 Circuit decision on the SCPA. I don't get a sense that
13 that act was very successful. If it was, it's hard to
14 tell very much about it. It would be good to see
15 empirical studies on that legislation, but at least, as
16 far as the efficacy of these enforcement provisions you
17 mentioned, I have not seen any reported decisions that
18 would give me any indication as to whether that worked.

19 MR. BURCHFIEL: I never heard of a case.

20 MR. JANIS: There's only one Federal Circuit
21 case, I believe. I think it's administered by the
22 copyright office. I think there are very few filed, if
23 I'm not mistaken.

24 MR. BARNETT: That would have been my next
25 question. Is it being used at all or just not

1 enforced?

2 MR. STOLL: Almost not at all from what I
3 understand.

4 MR. JANIS: I don't believe it is, either.

5 MR. BURCHFIEL: But it could be predictive of
6 how much confidence the industrialist community
7 replaced in paying taxes.

8 UNIDENTIFIED SPEAKER: That's a good point,
9 Ken.

10 MS. DESANTIS: Is there any sense of what the
11 reasons are as to why it is not being used?

12 MR. STOLL: I don't know very much about it.
13 No one I know has ever asked anything about it.

14 MR. JANIS: I tried to get a sense of that. To
15 put it into a general context, you would have to ask a
16 E.E. or a specialist to be sure. I got the sense that
17 maybe by the time that system was implemented, the real
18 need for it had passed by.

19 I sort of got the sense that people at some
20 point really thought they were going to need copyright
21 production for these mask works, and by the time they

1 percent and are going down.

2 MS. DESANTI: Thank you, Michael Kirk.

3 MR. BARNETT: With that in mind, why don't we
4 shift gears again. I think in some sense it is
5 unavoidable that when we are comparing different
6 systems or the U.S. to other systems in the world,
7 that the question of first-to-file versus first-to-
8 invent can come up.

9 Now that's said that this is recognizing the
10 passion that some people bring to this discussion, so
11 we are going to try to have our cake and eat it, too, I
12 think. I think really the thought that comes to mind
13 is what impact first-to-invent could have on
14 predictability of patents in the U.S. I would just
15 open this up to the floor, in this sense. I'll open
16 this up to the panel, for that matter. Any comments in
17 particular? Steve?

18 MR. MAEBIUS: One problem is that with the
19 first-to-invent system that we have, there is a certain
20 amount of unpredictability. Patents that remain stuck
21 in interference for a long time, and people may not
22 know what scope they have, and they come out later and
23 cause problems, and they weren't expected.

24 The reality is that most companies have to file
25 early, because everywhere else in the world has

1 first-to-file system. So, it may just be a question of
2 when we trade that off for something else.

3 MR. BARNETT: Jay, then Bob.

4 MR. THOMAS: I just find it incredibly
5 difficult to explain to anyone outside the US patent
6 system why we still have a first-to-invent system.
7 It's very difficult to try to explain the reason. I
8 think a lot of it is political in nature.

9 I would say if we have a first-to-invent
10 system, one of the uncertainties is an unknown and
11 often unknowable date of invention attached to each
12 patent. I would just throw open the observation that,
13 why aren't we attaching dates of invention to every
14 patent? That's what makes our system unique.

15 But our patent instruments look like everyone
16 else's, they have the date of filing, and not the date
17 of invention. Simply require the inventors to give the
18 first date they believe to be their plausible dates of
19 conception and reduction to practice, and you could
20 actually know when the patent issues what the 102(a)
21 relevant dates are, and you would not have to sue
22 someone to find out about it or be sued. Again, I
23 think, perhaps, there are some that disagree. I just
24 can't imagine why we can't get to first inventor to
25 file. Thank you.

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1 MR. BARNETT: Bob.

2 MR. STOLL: I think Jay actually said it, it's
3 political in nature. There has been significant
4 attempts for decades to move in that direction. I
5 think the last country that had a first-to-invent
6 system was the Philippines, and I think their's went to
7 first-to-file about four or five years ago.

8 My understanding is that we have a very strong
9 group of particularly independent inventors who are
10 very concerned that large corporations will somehow get
11 an advantage running to the door of the Patent and
12 Trademark Office, and they will be stuck -- they, the
13 independent inventors -- without an invention.

14 That being said, we are in the midst of a very
15 significant undertaking at WIPO to talk about moving in
16 the direction of best practices in the sense of a
17 treaty dealing with several issues; in re Hilmer, grace
18 period issues, claim drafting, scope of claim.

19 I am quite sure that some small country or
20 large country or every country will be looking to put
21 first-to-file on the floor to discuss with respect to
22 getting the United States to move in that direction.

23 That all being said, I think that what we are
24 looking at is best practices. Is it the best practice
25 to go to first-to-file? Looking at what

1 is going on now, we find that significantly less than
2 1 percent of all applications, significantly less, are
3 affected by the issue dealing with first-to-invent and
4 first-to-file.

5 I also think there was a misunderstanding in
6 the independent inventor community. They were
7 concerned that the first to file would be taking it or
8 ripping it off from someone else, not recognizing that
9 there would still have been the requirement upon the
10 inventor that they are the first to invent, that they
11 are, in fact, the inventor. I think maybe the
12 explanation of that was not done in the manner it
13 should have been done.

14 I think there should be more discussion that
15 that first inventor -- the first filer must still be
16 the inventor of the subject matter. I do think there
17 will be significantly more discussion on it and loovhat first in

1 really much likely be rid of them, they're just a
2 nuisance.

3 I also represent companies that have one
4 invention, and it's a medical product, or it's a
5 compound, or it's a biotechnology invention. Their
6 entire ability to get venture capital to make that an
7 invention or pioneering invention lies on the first-to-
8 invent system.

9 They don't have the resources of General
10 Motors. They don't have people to crank out
11 applications. They might not even realize that there
12 is a patent until after they have tested it and figured
13 out whether it works.

14 So, it might be less than one percent, but I
15 don't believe that it is conceptually correct to look
16 at it as a statistical question. It's a question of
17 saying overall in the economy, what companies benefit
18 from it, and what companies don't, and striking a
19 balance there.

20 In terms of progress in our laws, I think we
21 are rowing on both sides of the canoe here, because the
22 prior use defense in method patents specifically
23 requires an actual reduction to practice more than a
24 year before the filing date, and that is the
25 fundamental interference concept. So, I think that if

1 we get rid of interferences, we would find interference
2 concepts everywhere in U.S. patent law, instead of
3 just in the interference context.

4 MR. BARNETT: I might ask for follow-up, and
5 part of it is because I'm trying to get a grasp on it,
6 but the misunderstanding that Robert was talking about
7 regarding that the first to file had to be the first to
8 invent, why wouldn't that solve the situation?

9 MR. BURCHFIEL: It would be primarily a
10 defense. It wouldn't establish a right to a patent
11 against someone who was first to file. That's what an
12 interference does, it enables an inventor to establish
13 a date of invention that's prior to the date that
14 someone else filed a patent application. That is its
15 sole justification and sole reason for it.

16 So, I don't know, people who do medical
17 products and biotechnologies, I think tend to see it in
18 a far different context than the electronics industry
19 or a major industry in other fields.

20 MR. BARNETT: Rick, you have a comment?

21 MR. NYDEGGER: First of all, the AIPLA has for
22 a long time been a supporter of first-to-file, and I
23 echo what others have already said in that respect in
24 terms of many reasons for advisability and why it is an
25 important thing to support.

1 ability of patent office jurisdictions around the world
2 EPO, JPO, USPTO, to be able to rely upon the things
3 that they do in terms of one jurisdiction versus
4 another.

5 To the extent that we're ever going to do that,
6 which may ultimately be, frankly, critical in order to
7 solve some of the growing backlog crisis, not just here
8 in the US, but around the world, that is going to
9 require greater levels of harmonization. It seems to
10 me that that itself is going to dictate in a very, very
11 strong way the need to move to a first-to-file scheme.

12 MR. BARNETT: I'm curious, you brought up the
13 notion of provisional applications. Just for the
14 record, could you break that down for us with just
15 what's involved in that?

16 MR. NYDEGGER: You can file a provisional
17 application based on virtually any kind of technical
18 disclosure. I've taken technical disclosures that were
19 based on documentation that was prepared for a trade
20 show and filed it in order to walk in and protect the
21 filing date for that.

22 Again, while I say that's not without some
23 risks down the road, because ultimately within 12
24 months you have to convert that into a regular utility
25 application. But, if we are talking about having

1 sufficient resources to protect one's filing date, if
2 there is any doubt, it seems to me, that you may have a
3 significant invention that you want to protect, you
4 spend a few hundred bucks to do it. You file a
5 provisional application, and then you make the decision
6 down the road whether to take that into a utility case
7 or not. It's not an inordinately expensive procedure
8 by any means.

9 MR. BARNETT: Mark, did you have a comment?

10 MR. JANIS: I want to chime in with the comment
11 about the danger of labels in this debate. First-to-
12 file is often portrayed by opponents as first pirate to
13 file, but as Bob Stoll points out, that's not what
14 first-to-file means. First-to-invent in the United
15 States is not really first-to-invent. We have
16 statutory bar provisions. Any starting patent law
17 student quickly figures out that the so-called
18 first-to-invent system in the U.S. is not quite a pure
19 first-to-invent system.

20 So, I think a lot of times the gulf between
21 these two systems looks very large when, in fact, it is
22 not quite as large conceptually, at least, as it may
23 appear. Politically, yes, but conceptually, no.

24 MR. BARNETT: Ken, go ahead.

25 MR. BURCHFIEL: With respect to the

1 first-to-file system and first-to-invent system, the
2 only real area of significant concern I know is
3 biotechnology. Probably 80 percent of the pending
4 interferences are biotechnology interferences,
5 something like that. It's a huge number.

6 MR. STOLL: It's not that high. It's high.

7 MR. BURCHFIEL: It's very high. It's
8 astonishing the extent to which the final judgment in
9 those cases can come down to a matter of two days, or a
10 week, or 10 days. The Constitution, Article One,
11 Section 8 only provides that a patent can be granted to
12 the inventor, first inventor, and you are going to wind
13 up with validity problems anyhow.

14 So, it would be a good idea to talk to
15 biotechnology people who are investing a lot of money
16 on research and development and who are deeply involved
17 in interferences. They'll give you a much clearer idea
18 of what it's worth and not worth to them. They are a
19 good source to, at least, ask about it, since they do
20 it more than anyone else.

21 MR. NYDEGGER: Two comments about that. First
22 of all, I think that most of these interferences in
23 fact don't typically involve small individual
24 inventors. They are usually fought out between major
25 corporations, I believe. Secondly -- I'm not quite

1 sure about this, this is the point maybe you can
2 clarify, Bob -- I also believe somewhere in the back of
3 my mind it sticks in my memory that a very high
4 percentage of these interferences is, in fact, won by
5 the party that's first to file in any event.

6 MR. STOLL: I agree. And I think that senior
7 parties win up to, I think, it's 80 percent of the
8 actual interferences that are filed.

9 I want to add in to the Constitutional issue,
10 too. I don't think that's a very strong argument,
11 because it depends on how we define inventor. If we
12 define the inventor as the individual who actually
13 invents and is the first to provide the information to
14 the Patent and Trademark Office, that is, in fact, the
15 inventor. I don't think we run into a Constitutional
16 question, although I have heard that argument before.

17 And remember, we are actually providing a
18 limited term of exclusivity directed to exclude others
19 to make use, et cetera, in order to get the
20 information. So, there's a bargain going on here, and
21 I think going to the Office is a very important part of
22 that bargain.

23 MR. BARNETT: Steve?

24 MR. MAEBIUS: It's also extremely difficult to
25 have evidence that satisfies the requirements that have

1 evolved for proving the date of invention. And some of
2 the biotech interferences we have seen that involve
3 universities, for example, they had a very difficult
4 time pulling together evidence that would win. The
5 ones that I'm aware of, they usually came out on the
6 losing side.

7 MS. MICHEL: Is that because corporations
8 generally have better programs in place for explaining
9 to their scientists the reason they need to write
10 things in notebooks, as opposed to graduates who write
11 things on paper?

12 MR. STOLL: Let me correct that. We have done
13 a recent study and found that just as many independent
14 or small inventors win as large corporations. The
15 rates are the same.

16 MS. MICHEL: So, the issue then is who is the
17 senior party more than...

18 MR. STOLL: That's more of the likelihood of
19 the outcome than anything else. Because they are the
20 ones that got into the door first, they are likely to
21 be the prevailers.

22 MR. BARNETT: We are getting to run a little
23 close in time. If anyone has a closing statement or
24 any points they would like to make, right now would be
25 very appropriate, I think. Jay?

1 MR. THOMAS: I would commend this committee for
2 looking at international comparative law, because
3 that's something that the U.S. patent system has not
4 traditionally relied upon. And there certainly is a
5 sense of xenophobia from our trading partners, so the
6 fact we are willing to assemble such a group and
7 discuss it is a good sign and bodes well for the future
8 of this issue. Thank you.

9 MR. BARNETT: Rick?

10 MR. NYDEGGER: I wasn't aware of this, but
11 apparently former Commissioner Gerald Mossinghoff is in
12 the process of preparing a paper that's getting ready
13 to run for publication that would have statistics on
14 first-to-file versus first-to-invent over the last 20
15 years, which I'm told is going to be published in the
16 Journal of the Patent and Trademark Office Society.
17 That may be of interest for people to take a look at,
18 because there would be probably some valuable empirical
19 data coming out of that.

20 MR. BARNETT: Thank you, Rick. With that, I
21 think we will go ahead and conclude. Thank you to all
22 the participants.

23 (Whereupon, hearing concluded at 4:20 p.m.)

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1 C E R T I F I C A T I O N O F R E P O R T E R

2

3 DOCKET NO: P022101

4 CASE TITLE: COMPETITION AND INTELLECTUAL PROPERTY LAW
5 AND POLICY IN THE KNOWLEDGE-BASED ECONOMY

6 TRIAL DATE: April 11, 2002

7

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

13

14 DATED: APRIL 18, 2002

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17 CONNIE A.S. WILSON

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