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EXPANDING THE ROLE OF THE PATENT OFFICE IN DETERMINING PATENT VALIDITY: A PROPOSAL

Gregory Gelfand †

[T]he primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is—for all practical purposes—to debilitate the patent system.¹

A drastic reorganization of the present system for contesting the validity of a patent is necessary. The Patent Office² is one of the oldest American administrative agencies.³ To meet the needs of our modern society, Congress has given most administrative agencies decisionmaking and implementing powers, allowing recourse to the courts only for judicial review.⁴ In contrast, the Patent Office acts largely as an initiating mechanism with little control over the ultimate validity of a patent.⁵ Today the central

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¹ *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1965).

² The full name of the Patent Office is the Patent and Trademark Office, occasionally abbreviated PTO. The term Patent Office is used throughout this Article.

³ See generally Federico, *Outline of the History of the United States Patent Office*, 18 J. PAT. OFF. SOC'Y 63 (1936); see also Forman, *The Birth of the American Patent System*, 62 A.B.A.J. 1448 (1976).

The first Patent Act (ch. 7, 1 Stat. 109 (1790)) placed the administration of patents with the Secretary of State. A new system was established in 1836 (ch. 357, 5 Stat. 117 (1836)) and modified in 1870 (ch. 230, 16 Stat. 198 (1870)) and 1952 (Pub. L. No. 593, ch. 950, 66 Stat. 792 (1952)). The administrative aspects of the patent system referred to in this Article have remained essentially unchanged since 1836.

⁴ See generally K. DAVIS, *ADMINISTRATIVE LAW TEXT* (1973). Consider, for example, the gradual development of the Food and Drug Administration which at one time could only bring an action in court to seize "misbranded" or "adulterated" products and now undertakes extensive pre-marketing review of all drugs. See Food and Drug Act of 1906, Pub. L. No. 384, ch. 3915, 34 Stat. 768 (1906); Federal Food, Drug, and Cosmetic Act of 1938, Pub. L. No. 717, ch. 675, 52 Stat. 1040 (1938) (current version at 21 U.S.C. §§ 301-392 (1976)); J. MASHAW & A. MERRILL, *INTRODUCTION TO THE AMERICAN PUBLIC LAW SYSTEM* 459-542 (1975).

In *FTC v. Ruberoid Co.*, 343 U.S. 470, 487 (1952) (dissenting opinion), Mr. Justice Jackson commented: "The rise of administrative bodies probably has been the most significant legal trend of the last century and perhaps more values today are affected by their decisions than by those of all the courts . . ."

⁵ See notes 118-119 and accompanying text *infra*. Most laymen expect that a patent, once issued, is unassailable. In fact, a patent is little more than a ticket for admission to the

issues of patent law are decided in the course of infringement litigation scattered throughout the country. The federal district courts, being crowded courts of general jurisdiction, have proven an inappropriate forum for the complex process of testing patent validity.

The Patent Office presently considers a patent application in an *ex parte* proceeding.⁶ If the Office issues the patent, judicial review of its validity⁷ is available only through a full civil trial in the federal district courts. Litigants can raise the issue there either

federal district courts. Once inside, the inventor supposedly has the presumption of validity on his side. *See* 35 U.S.C. § 282 (1976). But one study reports that the courts of appeals held invalid 60 to 70 percent of the patents they considered over a 30 year period. Bjorge & Behia, *Patent Validity/Invalidity Study*, in U.S. PATENT AND TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, POLICY PLANNING STAFF PROJECT 73-2 (Apr. 3, 1974). One commentator has argued that these figures are misleading. *See* Markey, *The Status of the U.S. Patent System—Sans Myth, Sans Fiction*, 59 J. PAT. OFF. SOC'Y 165 (1977). Markey, the Chief Judge of the C.C.P.A., points out that between 1953 and 1971 only 0.1 per cent of all patents issued were litigated before an appellate court, and that "[c]onclusions drawn from such a *de minimus* sample in any other field would be laughed off the stage by trained statisticians." *Id.* at 167. He also argues that the sample is unrepresentative as well as insignificant since he feels only the weakest patents are likely to be attacked. *Id.* at 169. Even if the district court decisions considering patent validity are added to the sample, however, only about 50 per cent of the patents litigated are upheld. *See* Chognard, *Patent Litigation and Validity*, 41 J. PAT. OFF. SOC'Y 291 (1959).

Professor Choate comments:

Against this background, we have the patent system, one of the main purposes of which is to encourage disclosure for the purpose of increasing public knowledge and information. This is intended to allow free use by the public of new inventions after the inventor has had exclusive protection for a limited time. Why then would an inventor or originator of a new idea have any need to rely on secrecy for protection? One reason may be that the invention may not come up to the standards for patentability Another reason may lie in what some observers consider an anti-patent trend in the courts. Protracted litigation is time-consuming and extremely costly and, if the inventor is skeptical that the validity of any patent he might obtain will be upheld, he may decide to take the secrecy route.

An awareness of the trend toward greater reliance on trade secret protection should raise several important questions Is the trend desirable or not?

If not, what might the courts or the Patent Office do to discourage the trend?

R. CHOATE, *PATENT LAW, CASES AND MATERIALS* 7 (1973).

⁶ The exception to this rule comes into play when more than one inventor claims the same idea, which is known as an "interference." *See* 35 U.S.C. § 135 (1976).

Some commentators have proposed funding of public interest intervenors to broaden participation in administrative decision making. *See, e.g.,* Cramton, *The Why, Where and How of Broadened Public Participation in the Administrative Process*, 60 GEO. L.J. 525 (1972). This proposal could have some application to the patent system. A publicly funded intervenor charged with the duty of opposing patent applications at the *ex parte* stage might help screen out many of the specious patents that are presently granted.

⁷ If the Office declines to issue the patent, judicial review is available in the Court of Customs and Patent Appeals. *See, e.g., In re Meng*, 429 F.2d 843 (C.C.P.A. 1974).

as a defense in an infringement suit or directly in an action for declaratory judgment. This system is exceedingly burdensome for the individual inventor. The risk and expense it imposes have seriously eroded the value of a patent. The unfortunate result is likely to be a trend toward trade secret protection, through which inventors will withhold their inventions from the public.⁸

This Article proposes a mandatory post-issuance opposition procedure within the Patent Office for litigating patent validity.

⁸ The basic purpose of the patent system is to encourage inventors to disclose their ideas to the public. In exchange for disclosure the inventor receives a 17 year legal monopoly. At the end of the 17 year period the idea becomes freely available. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-81 (1974).

Trade secret protection, on the other hand, exists because the invention is undisclosed. The idea will never become public property if the inventor can keep it secret. The law protects such secrets by creating a cause of action against anyone who has contracted, expressly or by implication, not to disclose the secret, as well as against anyone who obtains the secret by unfair means. *Tower Mfg. Co. v. Monsanto Chem. Works*, 20 F.2d 386, 387 (S.D.N.Y. 1927).

An example might be found in the automobile battery industry. In theory, all lead-acid storage batteries are chemically identical. Yet subtle changes in the physical design of the surface of the plates make great differences in battery charge capacity. A great deal of effort has gone into perfecting lead-acid storage battery design, yet the literature in the field reveals very little. Manufacturers are holding their designs as trade secrets out of fear that patents would not be upheld and publication would result in the loss of any competitive advantage from years of expensive research. It is difficult to estimate accurately how much further advanced the storage battery would be today if such research were effectively protected and freely circulated. It is also impossible to determine how much knowledge would now be freely available following the expiration of patents that might have been sought more than seventeen years ago.

Trade secret protection, a creation of state law, is arguably preempted by and inconsistent with the existence of federal patent law. This argument was presented to the Second Circuit in *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971). Judge Friendly was not persuaded:

The other legal theory is that protecting trade secrets in advance of the filing of patent applications is against public policy since it will discourage such applications. The district court thought this to be true because, under *Lear*, once a patent issues the patentee cannot force an unwilling licensee to pay royalties until and unless the patent is determined to be valid. Hence, it is claimed, an inventor will refrain from applying for a patent if he is allowed to benefit from a trade secret license, and the public will be deprived of learning of his invention. In analyzing this argument, it is useful to distinguish three categories— (1) the trade secret believed by its owner to constitute a validly patentable invention; (2) the trade secret known to its owner not to be so patentable; and (3) the trade secret whose valid patentability is considered dubious.

We think it rather fanciful to assume that in the first category there will be a substantial withholding of patent application in favor of trade secret agreements. A licensee will not pay as much for a license of unpatented know-how, even if it be exclusive, which carries no protection against the world The secret may leak, or be leaked in a way that cannot be proved to be a breach of the agreement

Such a procedure would allow anyone to challenge the validity of a patent and would take most substantive patent law issues out of the federal district courts. Judicial review would be preserved through provision for an appeal to the Court of Customs and Patent Appeals (C.C.P.A.), and ultimately to the Supreme Court. Similar patent opposition or nullification proceedings are common throughout the world.⁹ One commentator¹⁰ has described the

The second category affords even less reason for a rule invalidating trade secret agreements There can be no public interest in stimulating developers of such know-how to flood an overburdened Patent Office with applications for what they do not consider patentable

[A]ny case for such a rule must hinge on the third category—where the inventor is doubtful whether he can get a patent or, at least, a valid one. While a rule invalidating trade secret agreements might well have some tendency to stimulate patent applications in this category, the beneficial effect even here is by no means clear. If the patent does not issue, there will have been an unnecessary postponement in the divulging of the trade secret to person willing to pay for it. If it does, it may well be invalid, yet many will prefer to pay a modest royalty than to contest it

Id. at 223-25.

Consider the impact on this reasoning of a great decrease in the value of patent protection. At some point the balance shifts in favor of trade secret protection for inventions in Judge Friendly's first and third categories. When that point is reached the policy of disclosure embodied in the patent system conflicts directly with the nondisclosure promoted by trade secret protection. This Article asserts that the conflict is now worse than in 1971 when Judge Friendly wrote *Painton*. Despite substantial reduction in the value of patent protection, however, the holding of *Painton*—that the federal patent law does not preempt trade secret protection—remains law.

Judge Friendly's reasoning was adopted in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). Chief Justice Burger, writing for the majority, reasoned that "since there is no real possibility that trade secret law will conflict with the federal policy favoring disclosure of clearly patentable inventions partial pre-emption is inappropriate." *Id.* at 491-92. (The Chief Justice spoke of "partial" preemption since certain aspects of trade secret law, such as protection of customer lists, have nothing in common with patent law.) In view of the trend, already emerging in 1974, toward trade secret protection, the Chief Justice's assertion appears untenable. Indeed, Justice Marshall, concurring, and Justice Douglas dissenting, both disagreed with the Chief Justice's initial assumption. *Id.* at 493-94, 495-99. *Cf.* *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979) (no patent law preemption of state contract law); *Goldstein v. California*, 412 U.S. 546 (1973) (parallel case involving federal copyright law preemption issues). Chief Justice Burger wrote the *Quick Point*, *Kewanee*, and *Goldstein* opinions. For an exceptionally insightful criticism of *Kewanee*, see *Abrams & Abrams, Goldstein v. California: Sound, Fury, and Significance*, 1975 SUP. CT. REV. 147, 178-81. *Abrams and Abrams* cogently argue that the Court's assumption of minimal impact on federal law by state law is highly questionable, and that in any event the "minimal conflict" analysis employed represents an unfortunate departure from valid preemption doctrine.

⁹ For details on the operation of British, German, Japanese, and Swedish procedures, see 4 AM. PAT. L. ASS'N Q.J. 86-229 (1976).

¹⁰ See, e.g., Rich, *Forward and Comments on Post Issuance Reexamination*, 4 AM. PAT. L. ASS'N Q.J. 86 (1976). The author is Judge Giles S. Rich of the Court of Customs and Patent Appeals.

use of opposition proceedings in the United States as "an idea whose time has come."¹¹ Nevertheless foreign procedures and domestic proposals rarely go so far as the proposal made here, which would make opposition proceedings the mandatory and exclusive means for testing patent validity.¹²

¹¹ *Id.* at 86.

¹² A limited, optional, and voluntary opposition procedure now exists. This has not yet become a significant part of the American patent law system. The Patent Office initially held a "Trial Voluntary Protest Program" limited to 2,000 patent applications. *See* 924 OFFICIAL GAZETTE U.S. PAT. OFF. 2 (1974). The program was repeated on an increased scale. Both programs operated as follows:

Protesters will have a period of three months running from date of publication of the notice in the *Official Gazette* in which to file their protest in the Patent Office. Each protest must be filed in duplicate, and include the grounds which the protester believes have a bearing on the patentability of any claim contained in the published application. If the grounds are based on prior art, the protest should include a copy of the prior art together with an explanation of the relevance of such prior art to the allowed claims. In addition or alternatively, the protester will have the opportunity to comment on the manner in which the prior art of record was applied and raise any other matter which may affect the patentability of the claimed invention. In cases where prima facie evidence is presented as to prior public use, proceedings set forth in Rule 292 will be used to provide the protester presenting such evidence with an opportunity to be heard. No extension of the three month period will be granted.

Id. These procedures are "limited" because they apply only to a certain number of patent applications as a test, they are "optional" because the patentee may choose whether to have his application made part of the text experience, and they are "voluntary" because an infringer may ignore the protest system and raise patent invalidity as a defense in an infringement action.

Congress has considered similar proposals. For example, S. 2255, 94th Cong., 1st Sess. (1975) expressly envisioned that patent validity would be challenged in traditional litigation despite the availability of "reexamination" proceedings. S. 2255 provided, in part:

During the term of a patent, but not prior to twelve months after its issuance, *nor during the pendency of any litigation concerning its validity* or unenforceability, any person having an interest in the subject matter seeking to invalidate or limit the scope of or determine the patentability of any claim or claims of such patent may, but shall not directly or indirectly be required by any court or other body to request reexamination of such patent pursuant to this section.

Id. § 135A (a)(1) (emphasis added). Other proposals have been even less drastic. *See* Lee, *Whither Patents: Drastic Surgery or Simple Therapy?*, 62 A.B.A.J. 1150 (1976). One commentator recently proposed a system that would enable the courts to refer a patent back to the Patent Office if its validity was contested but would not create an affirmative duty to oppose before infringing. *See* Note, *Patent Quality: An Analysis of Proposed Court, Legislative and PTO-Administrative Reform—Reexamination Resurrected*, 1978 WIS. L. REV. 1155, 1182-94. Thus, it does not go as far as this Article's proposal. *See* notes 66-67, 104-111 and accompanying text *infra*. An affirmative duty to oppose is essential to the operation of the pro-

The goals of the suggested reorganization are to bring about greater efficiency and certainty in the evaluation of patents, save the courts and litigants expense and time, promote national uniformity in patent adjudication, and place patent practice in a position of greater public scrutiny. By improving the quality of patent evaluation the system should provide greater reward for the true inventor, and discourage the unfortunate practice of seeking patents of doubtful validity to frighten away legitimate potential competitors.

I

THE PRESENT DILEMMA OF PATENT VALIDITY ADJUDICATION

To appreciate the need for the proposed reorganization of patent practice it is necessary to consider the origins and effects of the dilemma that confronts a patent holder. Under the present system the patentee is likely to lose whether or not he litigates to defend his patent.

This dilemma is the product of the interaction and cumulative effect of six factors. First, there is a great deal of uncertainty in the standard for "inventiveness" or "non-obviousness" that is inherent in any attempt to accomplish the goals of a patent system. Second, there is a substantial de facto inconsistency in the standards that are applied in the eleven judicial circuits. Third, the recent elimination of the mutuality requirement for the application of collateral estoppel has accentuated existing inconsistencies. Fourth, the expansion of the availability of declaratory relief has enabled infringers to take advantage of existing inconsistencies. Fifth, the cost of technical and expert testimony necessary to defend patents has undermined their value. Sixth, the equitable defense of laches has placed the patentee in the position where he must take action that is costly and dangerous or risk losing his right to patent protection.

posal. Awareness that a specious patent will be promptly opposed is certain to discourage the practice of seeking patents for improper purposes. Further, this Article's proposal eliminates forum-shopping by centralizing patent validity litigation at both the trial and appellate levels. See notes 21-28 and accompanying text *infra*. It also promises to bring patent office practice into line with judicial reality by having the courts act directly on the Patent Office, and eases various other burdens that presently undermine the value of a valid patent. See notes 64-65 and accompanying text *infra*.

A. Uncertainty Inherent in the Standard for Patentability

"[A]ll improvement is not invention, and entitled to protection as such."¹³ But it is very difficult to discriminate between those improvements that justify a patent monopoly and those that do not. To be patentable a device must be "novel."¹⁴ This relatively automatic test of whether an innovation was the first of its kind does not, however, eliminate all non-patentable devices. The law also requires "non-obviousness."¹⁵ Unfortunately, this requirement is so indefinite that it fails to cure the question-begging nature of patent adjudication. We are still left with the basic question, "[g]ranted that an idea is novel, . . . does it have *that quality* which warrants protection?"¹⁶

¹³ *Pearce v. Mulford*, 102 U.S. 112, 118 (1880). See, e.g., *In re Meng*, 492 F.2d 843 (C.C.P.A. 1974). The invention found patentable involved the process of placing slices of cheese on top of each other with a slight offset at the ends so that consumers could peel off the slices more easily. The court conceded that the invention was embarrassingly simple, but held that it was nonobvious within the meaning of 35 U.S.C. § 103 and was therefore patentable. 492 F.2d at 849. The problem had hindered the marketing of sliced cheese for many years. The court commented, "[o]f course the invention seems simple, after the fact. But simplicity, particularly in an old and crowded art, may argue for rather than against patentability." *Id.* at 848.

The better part of a treatise could be written on the history of the conflicts and contradictions that have arisen in American patent practice and, accordingly, no such effort will be attempted here. See generally R. CHOATE, *supra* note 5, at 151-221, 291-371. The problem is not unique to the American experience. For example, several European states have recently joined together in the European Patents Convention. I.C. Baillie comments on the European effort to reach a common definition of the standard to be applied:

Some interpretation problems can readily be seen in a multilingual treaty. The term "inventive step" with its further explanation in Article 56 that an invention involves an inventive step if, having regard to the state of the art, it is not obvious to the person skilled in the art, may in fact be obscured by differences in the languages. None of the texts quite uses the language of any equivalent law—for instance, the German term "inventive height" is not used. Moreover, the French text uses the term "invention activity." It seems clear that the attempt has been made to avoid the "stroke of genius" concept and tests as to the genesis of the invention, and also to avoid the language of the German law. However, it is clear that a wide range of concepts of "inventive step" could exist. Here again we can expect generation of a new body of law not following any of the present European laws.

Baillie, *Where Goes Europe? The European Patent*, 58 J. PAT. OFF. SOC'Y 153, 165 (1976).

¹⁴ 35 U.S.C. § 102 (1976).

¹⁵ 35 U.S.C. § 103 (1976). The statutory requirement of non-obviousness was added in 1952. Prior to that time the case law had evolved a similar requirement. See *Graham v. John Deere Co.*, 383 U.S. 1, 3-4 (1965).

¹⁶ R. CHOATE, *supra* note 5, at 291 (emphasis added). For an interesting alternative approach, see Wyman, *Merwin on Invention and 35 U.S.C. 103*, 42 J. PAT. OFF. SOC'Y 814 (1960). Wyman suggests that "invention" is the product of imagination, and not reasoning.

The conclusory definitions that courts have given to "invention" reflect this indefiniteness. Invalidating the patent before it, one court stated that the innovation at issue was "nothing more than the exercise of *ordinary mechanical skill*."¹⁷ Another declared that "[t]o grant . . . a monopoly of *every slight advance* made . . . is unjust."¹⁸ A third admitted that "[t]o say that [a patentable invention] is a product of intuition, or of *something akin to genius*, as distinguished from mere mechanical skill, draws one . . . nearer . . . but . . . does not adequately express the idea."¹⁹ Although these phrases may convey a sense of what "invention" is, they are hardly workable definitions.²⁰

Compare Cuno Engineering Corp. v. Automatic Devices Corp., 314 U.S. 84 (1941); Chicago Steel Foundry Co. v. Burnside Steel Foundry Co., 132 F.2d 812 (7th Cir. 1943, *See also* Hallman, *Creativity, Patentability and Nonobviousness*, 57 J. PAT. OFF. SOC'Y 320 (1975). Hallman, a philosophy professor, suggests that "creativity" is the essence of invention.

Nevertheless, the courts have developed a series of "objective" tests to help determine patentability. Five such tests are most commonly used. First, did the invention satisfy a long-felt need in the area? Second, were significant efforts made to accomplish the same result unsuccessful? Third, were those skilled in the art skeptical about the success of the invention? Fourth, were the results of the invention surprising in impact or effectiveness? Fifth, has the invention been commercially successful? *See* Graham v. John Deere Co., 383 U.S. 1 (1965); R. CHOATE, *supra* note 5, at 369-71; Note, *Subtests of Nonobviousness: A Non-Technical Approach to Patent Validity*, 112 U. PA. L. REV. 1169 (1964).

None of these tests, however, are determinative. For example, if someone invents a completely new product, there may well be no long-felt need for it. No one would have ever considered it before. Judge Learned Hand expressed the frustration these tests have caused the courts in *E.I. DuPont De Nemours & Co. v. Glidden*, 67 F.2d 392 (2d Cir. 1933).

There are indeed expressions in the books which, taken literally, would exclude such work from the protection of the patent laws; there are others which would not. But we deprecate such a priori rules for determining invention. Nothing has tended more to confuse and obscure the issue than the attempts of courts to lay down generalities. The issue does not admit of such treatment, for invention is always a function of the particular situation. . . . That this is a treacherous standard is true enough, but at least it is less treacherous than easy absolutes which fit the immediate occasion, but lie athwart any realistic treatment in the next case.

Id. at 395.

¹⁷ *Pearce v. Mulford*, 102 U.S. 112, 117 (1880) (emphasis added).

¹⁸ *Atlantic Works v. Brady*, 107 U.S. 192, 200 (1882) (emphasis added).

¹⁹ *McClain v. Ortmyer*, 141 U.S. 419, 426-27 (1891) (emphasis added).

²⁰ *Hindsight* poses another problem. The inventions of 10 years ago seem obvious today. Some inventions seem obvious after only a day. The proper test for non-obviousness under 35 U.S.C. § 103 is whether the invention was obvious when it was invented. It is difficult for federal district judges who lack expertise in patent law to avoid finding an invention obvious when, at the time of litigation, it clearly is obvious. *See, e.g., United States Expansion Bolt Co. v. Jordan Indus., Inc.*, 346 F. Supp. 541, 544-45 (E.D. Pa. 1972). The

The difference between invention and novelty is not just a matter of degree; the two are distinct concepts. Hypothetically, if an inventor creates a 62.534867 watt light bulb, it will probably be the first of its kind and therefore "novel." Uniqueness for its own sake, however, does not justify a patent monopoly. On the other hand, if that light bulb has just the right power to make roses grow indoors at fantastic rates, it might have "that quality" necessary to make it patentable.

These extreme examples fall neatly into the appropriate categories, but intermediate situations are less readily classifiable. Patent cases tend to involve complex fact patterns, many of which defy pigeon-holing.²¹ The uncertainty this creates may be inherent in any system that judges each invention individually. In American practice, however, the multiplicity of forums for patent adjudication compounds the problem, because the various courts apply these uncertain standards inconsistently.

B. *Inconsistency Between the Judicial Circuits*

It is often said that certain of the circuits are "pro-" and others "anti-" patents.²² Studies of patent litigation reveal a shocking correlation between fact and rumor—over a ten year period from 1961 to 1970, Horn and Epstein report that while the Tenth Circuit upheld sixty-eight per cent of the patents litigated before it, the Eighth Circuit upheld only ten per cent, and

court found "that the prior art . . . does not teach or equal plaintiff's patented combination" but held that "such a slight modification as the rounding of the screw thread of a nail of otherwise known configuration would be obvious to an ordinary tradesman having ordinary skill in the art."

²¹ An added advantage of centralizing the patent law system, as proposed in this Article, is that the forum for adjudicating patent validity will gain the broadest possible exposure to such fact patterns. In contrast, the typical federal district judge, who tries only occasional patent cases, does not get a fair exposure to the factual complexity of the issues he decides.

²² See *Codex Corp. v. Milgo Elec. Corp.*, 553 F.2d 735, 738 (1st Cir.), *cert. denied*, 434 U.S. 860 (1977): "[I]t is well known that the patent bar believes that the hospitality accorded patents varies markedly from circuit to circuit" (footnote omitted). In the course of preparing this Article, the author interviewed numerous practicing patent attorneys in the Detroit area. All of them commented on this, but from different perspectives. Almost without exception, patent attorneys who represented corporate clients indicated that they were not terribly concerned with the failings of the patent system. On the other hand, attorneys who represented individual inventors all expressed great concern and indicated that they frequently found themselves practicing more trade secret law than patent law. Corporate attorneys may favor the present system because it provides the large ongoing companies with the free research that small inventors who cannot adequately defend their patents provide.

the D.C. Circuit upheld *none*.²³ The other circuits fell between these two figures.²⁴ Another study has reached similar conclusions.²⁵

²³ Horn & Epstein, *The Federal Courts' View of Patents—A Different View*, 55 J. PAT. OFF. SOC'Y 134, 146 (1973).

²⁴ The Court of Claims (sitting in cases where the United States was sued) upheld as many as 65 per cent of the patents litigated before it over the ten year period, while the Seventh Circuit upheld 53 per cent, the Fifth Circuit upheld 46 per cent, the Sixth Circuit upheld only 37 per cent, the First Circuit upheld only 35 per cent, the Fourth Circuit upheld only 33 per cent, the Ninth Circuit upheld only 26 per cent, the Second Circuit upheld only 24 percent, and the Third Circuit upheld only 14 per cent of the patents litigated before it.

The study is suspect because too few patent cases reach the courts of appeals in a ten year period to provide a statistically sound base for drastic conclusions. There were 669 cases during the ten year period.

²⁵ See Baum, *The Federal Courts and Patent Validity: An Analysis of the Record*, 56 J. PAT. OFF. SOC'Y 758, 762 (1974). Baum's study covers the period from 1961 to 1973. Compare Lang & Thomas, *Disposition of Patent Cases by Courts During the Period 1939-1949*, 32 J. PAT. OFF. SOC'Y 803 (1950), reaching rather indecisive results over that earlier period. In recent years, however, the record appears to support Horn and Epstein's conclusions clearly. Consider, for example, the random selection of cases discussed in this article where more than one circuit has considered the same patent. In *Graham v. John Deere Co.* 383 U.S. 1 (1965), the patent was found valid in the Fifth Circuit, but invalid in the Eighth. Horn and Epstein would have predicted this, as the Fifth Circuit upheld 46 per cent during the ten year period and the Eighth Circuit only upheld 10 per cent. In *Blonder-Tongue Laboratories v. University of Ill. Foundation*, 402 U.S. 313 (1971), the Seventh Circuit (53 per cent upheld during the study) found the patent valid, while the Eighth Circuit (10 per cent) found it invalid. Similarly in *Blumcraft of Pittsburgh v. Kawneer Co.*, 482 F.2d 542 (5th Cir. 1973), the patent was found valid in the Court of Claims (65 per cent upheld) and invalid in the Fourth Circuit (33 per cent upheld). In *Monsanto Co. v. Dawson Chem. Co.* 443 F.2d 1035 (5th Cir. 1971), the Third Circuit held the patent invalid (14 per cent upheld), and the district court in the Fifth Circuit (46 per cent upheld) found the patent valid as Horn and Epstein would have predicted. The district court reached the merits of the case, and may reasonably be presumed to have been following the general tenor of Fifth Circuit decisions. The Fifth Circuit Court of Appeals reversed, but not on the merits. In the time between the district court's decision and the appeal the *Blonder-Tongue* decision came down from the Supreme Court and mandated that the Fifth Circuit follow the earlier holding of invalidity regardless of how it would have decided it had reached the merits.

The only case in the group that happened to be considered in the course of this Article that apparently does not support Horn and Epstein is *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 586 F.2d 917 (2d Cir. 1978), *cert. denied*, 99 S. Ct. 1503 (1979). The patent in *Jamesbury* was found valid, as Horn and Epstein would have predicted, in the Court of Claims (65 per cent upheld). A subsequent decision of the Second Circuit (24 per cent upheld) did not follow Horn and Epstein's trend by finding the patent invalid. However, Horn and Epstein did not predict that the Second Circuit was so strongly "anti-" patent that it would never find a patent valid. Moreover, the patent involved in the case appears to have been a very strong patent on the merits, as the Second Circuit's opinion indicates, and several other actions pending in circuits throughout the country had been settled favorably following the finding of validity in the Court of Claims. In this factual context, the district court in the Second Circuit had granted a summary judgment of invalidity on a rather technical defense. The Second Circuit held no more than that sum-

The inconsistency of the circuits invites forum-shopping;²⁶ the law in the Tenth Circuit is much more inviting to a patentee than that in the Eighth Circuit. If the patent system is to encourage inventors to disclose their inventions, rather than practicing them as trade secrets,²⁷ the system must offer some promise of reward. How well does the present system with its inconsistencies serve this function? Judge Rich of the Court of Customs and Patent Appeals has commented on this problem:

It sometimes reminds me of a lottery. People do buy lottery tickets because of their gambling propensities and because the winners get a lot of publicity. There is a bit of that in the patent system. But the point about lotteries is that the tickets are cheap. Patents are not . . .²⁸

The differences among the circuits take on special importance in light of the factors considered below.

C. *The Expansion of Collateral Estoppel.*

*Triplett v. Lowell*²⁹ set forth the rule that a prior judgment of

mary judgment striking down the patent would be used seldom if ever when a patent had been earlier found valid in another circuit.

Additional support for Horn and Epstein's survey may be inferred from the forum-shopping cases that happen to appear in this Article. In *Rayco Mfg. Co. v. Chicopee Mfg. Corp.*, 148 F. Supp. 588 (S.D.N.Y. 1957), the infringer was trying to maneuver the case into the Second Circuit (only 24 per cent upheld); in *William Gluckin & Co. v. Int'l Playtex Corp.*, 407 F.2d 177 (2d Cir. 1969), the infringer was also trying to maneuver into the Second Circuit; in *Skil Corp. v. Millers Falls Co.*, 541 F.2d 554 (6th Cir. 1976), the infringer was trying to maneuver into the Sixth Circuit (only 32 per cent upheld); in *Codex Corp. v. Milgo Elec. Corp.*, 553 F.2d 735 (1st Cir.), *cert. denied*, 435 U.S. 860 (1977), the infringer was trying to get into the First Circuit (only 35 per cent upheld), while the patentee was trying to bring the same case in the Tenth Circuit (68 per cent upheld); in *Mattel, Inc. v. Louis Mary & Co.*, 353 F.2d 421 (2d Cir.), *cert. dismissed*, 384 U.S. 948 (1965), the infringer was trying to get into the Second Circuit; and in *Helene Curtis Indus. v. Sales Affiliates*, 105 F. Supp. 886 (S.D.N.Y.), *aff'd* 199 F.2d 732 (2d Cir. 1952), the infringer was also trying to get into the Second Circuit. None of these cases were selected for this Article for the purposes of supporting Horn and Epstein's survey; the correlation appeared after the Article was drafted.

²⁶ The proposed Federal Court Improvement Act, S. 1477, 96th Cong., 1st Sess., § 301 (1979), would eliminate this problem. The bill centralizes patent litigation appeals from district courts in one expanded court which would assume the functions of the C.C.P.A. Although this would improve the present system, many problems would remain: For example inconsistency among district courts, the high cost of litigation, the unfair impact of collateral estoppel, and initial decision making by district court judges whose contact with patent cases is sporadic and inefficient.

²⁷ See note 8 and accompanying text *supra*.

²⁸ Rich, *How Systematic Is the Patent System?*, 57 J. PAT. OFF. SOC'Y 696, 697 (1975). Compare the comments of Chief Judge Markey of the same court, note 122 *infra*.

²⁹ 297 U.S. 638 (1936).

the invalidity of a patent does not bar a subsequent suit on the same patent against another defendant. The Court observed:

Neither reason nor authority supports the contention that an adjudication adverse to any or all claims of a patent precludes another suit upon the same claims against a different defendant. While the earlier decision may by comity be given great weight in a later litigation and thus persuade the court to render a like decree, it is not *res adjudicata* and may not be pleaded as a defense.³⁰

Thus, the inconsistencies among the circuits were largely mitigated in that a loss to one infringer could be offset by victories against others. Of course this had the peculiar result that two manufacturers could make the same item side by side while only one paid royalties.

The Court attempted to prevent such anomalies in *Blonder-Tongue Laboratories v. University of Illinois Foundation*,³¹ by abandoning *Triplett* and rejecting the requirement of mutuality for collateral estoppel. With this holding the Court followed a growing trend in state law³² which recognized that mutuality allowed some litigants more than one "day in court."

The Court's decision has some merit from the perspective of patent law; if one litigant has more than one day in court, another who has not had a first opportunity is kept waiting. Unfortunately, in *Blonder-Tongue* the Court assaulted a problem that demands a legislative solution. Only Congress can change the entire structure of the patent system in a comprehensive and controlled way; judicial power is more limited. In preventing multiple inconsistent adjudications of the same patent, the Court removed a

³⁰ *Id.* at 642.

³¹ 402 U.S. 313 (1971). *Blonder-Tongue* dealt with "defensive" use of collateral estoppel, the use of collateral estoppel by a defendant as a "shield" to block a plaintiff's claim. In *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), the Supreme Court sanctioned "offensive" use of collateral estoppel, the use of collateral estoppel by the plaintiff to assert his claim. In the patent law area only defensive collateral estoppel is a major tool; infringers use it to bar a losing patentee from asserting his claim again. In an unusual case where a patentee who has lost in a prior action is still threatening to sue on the patent, an "infringer" might conceivably use collateral estoppel "offensively" in a declaratory judgment suit, or possibly even in a harassment or malicious prosecution action. The author has found no such case.

³² See, e.g., *Bernhard v. Bank of America Nat'l Trust & Sav. Ass'n*, 19 Cal. 2d 807, 122 P.2d 892 (1942) (opinion by Traynor, J.); *Coca Cola Co. v. Pepsi-Cola Co.*, 36 Del. 124, 172 A. 260 (Super. Ct. 1934).

check on the unfairness resulting from the conflicting biases of the different circuits. It also created a variety of other problems.

Consider a hypothetical railroad crash which injures 134 passengers.³³ All of them file lawsuits against the company (as does Mrs. Palsgraf, standing on the platform). The first to litigate must pay for the detailed proof that a computer operated signaling device failed. The litigation will drag on as various plaintiff's lawyers graciously allow each other to go first. Justice is still delayed, but for a new reason.

The "rule of anomaly" poses an even more troublesome problem. If the railway wins the first thirteen cases but loses the fourteenth, it may have to pay all the rest despite the first thirteen wins.³⁴ As the Court commented in *Jeter v. Hewitt*, "res judicata

³³ See Currie, *Mutuality of Collateral Estoppel: Limits of the Bernhard Doctrine*, 9 STAN. L. REV. 281 (1957). Professor Currie employs this hypothetical but with only 50 victims. An airplane or train accident could easily involve more.

Another interesting problem in this area occurs when actions are pending concurrently and one party has the option to choose which action (or appeal) to pursue first. Consider *Monsanto Co. v. Dawson Chem. Co.*, 443 F.2d 1035 (5th Cir. 1971), *cert. denied*, 405 U.S. 974 (1972).

The Monsanto litigation points up some of the problems that *Blonder-Tongue* will require courts to face. The suits against Dawson Chemical and Rohn & Haas were filed the same day: The patent was found invalid by the Pennsylvania court on February 17, 1970, 312 F. Supp. 778, 164 U.S.P.Q. 556. It was then found valid by the Texas District Court on April 14, 1970, 312 F. Supp. 452, 164 U.S.P.Q. 560. The Pennsylvania District Court denied a motion for amended findings and a partial retrial on May 21, 1970, 312 F. Supp. 798, 165 U.S.P.Q. 683. The Fifth Circuit then reversed the Texas holding . . . on June 8, 1971. The Pennsylvania decision was still subject to appeal and possible reversal at this point.

R. CHOATE, *supra* note 5, at 865.

³⁴ The train disaster hypothetical illustrates this problem, but it is not perfectly analogous to the typical patent case. The railroad is faced with automatic multiple liability due to offensive use of collateral estoppel. Only defensive use is likely to arise in patent litigation. See note 31 *supra*. After *Parklane*, however, this distinction has minimal practical effect. See note 31 *supra*.

Professor Currie suggests that once a victory has been won by the patentee, a subsequent loss could not reasonably be interpreted as the patentee's "fair opportunity to defend." Thus, the rule enunciated in *Bernhard* and *Blonder-Tongue* might be read as limited by good common sense to situations where the patentee has lost in his first action. Currie, *supra* note 33, at 286-89, 322. One commentator, writing over fifty years ago, considered the rule of the anomaly acceptable. See Comment, *Privity and Mutuality in the Doctrine of Res Judicata*, 35 YALE L.J. 607 (1926).

Currie's analysis, which makes eminently good sense, has lost out in the patent field. See *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 586 F.2d 917, 921 n.9 (2d Cir. 1978) (dictum), *cert. denied*, 99 S. Ct. 1503 (1979):

Incidentally, if we were to affirm the District Court, appellant presumably would be estopped from suing any other infringer under *Blonder-Tongue*

renders white that which is black, and straight that which is crooked.”³⁵

This problem is far more acute in patent law because of the inconsistencies involved in patent adjudication. Prior to *Blonder-*

Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, . . . even though there would then be one decision in favor of the validity of the patent and one decision against—a tie score.

See *Blumcraft of Pittsburgh v. Kawneer Co.*, 482 F.2d 542 (5th Cir. 1973). One comment in *Blumcraft*, however, suggests that the court would take Currie's approach in an extreme case:

We are not blind to the potential “problems” inherent in our decision, but we believe that through the proper application of *Blonder-Tongue* these problems can be satisfactorily resolved. For instance, under our ruling today it would be technically possible to apply collateral estoppel where a prior finding of invalidity was preceded by several rather than by just one finding of validity. In such instances there would be a red flag warning a court to apply the full and fair criteria very carefully to determine if the court finding the patent invalid had adequately comprehended and applied the appropriate substantive standards.

Id. at 548 (footnote omitted). But the court took this position hesitantly:

Ultimately, of course, there is appeal to the Supreme Court from the finding of invalidity; and, while we recognize the apparent difficulty in obtaining relief through this channel, we cannot predicate an exception to a rule mandated by the Supreme Court on the basis of our assessment of the Court's future performance. In any event, the “injustice” to the patentee in such cases is no greater and in fact is arguably less than in a situation such as *Blonder-Tongue*, where the determination of invalidity came prior to *any* validity rulings. In *Blonder-Tongue*, despite the explicit fact that, absent the application of collateral estoppel, further *successful* suits on the patent would have been possible after the first unsuccessful suit, the Supreme Court sanctioned, and ultimately the Seventh Circuit allowed collateral estoppel to be applied. It follows that the fact of a *prior* successful suit, as here, should not, in itself, be permitted to undermine the numerous policy reasons expounded in *Blonder-Tongue* in favor of applying estoppel.

Id. at 548-49. The opinion sheepishly concluded:

If litigation were costless, both to the litigants and to society, it might be desirable never to allow collateral estoppel to preclude a new lawsuit. But as with most mortal endeavors, litigation is not so blessed. Collateral estoppel is a rule of repose and as such it is not always pure or just or even cognitive. Efficiency and economy in judicial administration have their places in our judicial schema.

Id. at 549. See also *Technograph Printed Circuits Ltd. v. Martin Marietta Corp.*, 474 F.2d 798 (4th Cir. 1973), *cert. denied*, 414 U.S. 880 (1973) (patent held valid by House of Lords and invalid in United States).

³⁵ 63 U.S. (22 How.) 352, 364 (1859). Notably, however, there are cases suggesting an approach which complements the collateral estoppel effect of *Blonder-Tongue*. The theory of these cases, some of which precede *Blonder-Tongue*, is that patent validity is an issue of law and a decision upholding the patent will “bind” subsequent infringers through *stare decisis*. See, e.g., *Illinois Tool Works Inc. v. Foster Grant Co.*, 547 F.2d 1300, 1302-03 (7th Cir. 1974), *cert. denied*, 431 U.S. 929 (1977):

Tongue, "the courts, which ultimately applied the same law to the same facts, were reaching incongruous conclusions."³⁶ In *Blonder-Tongue* itself, the Eighth Circuit had found the patent at issue invalid in *University of Illinois Foundation v. Winegard*,³⁷ but the Seventh Circuit found it valid in *University of Illinois Foundation v. Blonder-Tongue Laboratories*.³⁸ *Blonder-Tongue* may establish a

In 1967 this court considered the waste of effort involved in repeated full scale trials and considerations of validity of a patent, and held that once there has been a judicial determination of validity, the party challenging validity in a later action in the same court has the burden of presenting "persuasive new evidence" of invalidity and demonstrating that there is a "material distinction" between the cases. *American Photocopy Equipment Co. v. Rovico*, 384 F.2d 813, 815-16 (7th Cir. 1967), cert. denied, 390 U.S. 945 . . . The *Rovico* rule was recently explained and reaffirmed in *Mercantile Nat'l Bank of Chicago v. Howmet Corp.*, 524 F.2d 1031, 1032 (7th Cir. 1975). The court said, "[f]or reasons of stability in the law and judicial economy, we ordinarily will not reexamine *de novo* the decision of the court in the prior case but rather will limit ourselves to a consideration of whether, assuming the correctness of the earlier decision, additional facts not before the court in the prior case require a different result. This is but an application of the doctrine of *stare decisis*."

The Ninth Circuit followed this view in a trademark case where the issues were similar (*Pachmayr Gun Works v. Olin Mathieson Chemical Corp.*, 502 F.2d 802 (9th Cir. 1974)), and the Eighth Circuit has stated that it follows such a rule (*Imperial Stone Cutters, Inc. v. Schwartz*, 370 F.2d 425 (1977) (pre-*Blonder-Tongue* action in which sufficient new evidence was found to invalidate patent previously held valid)).

Other circuits do not appear to follow such a rule. See, e.g., *Blumcraft of Pittsburgh v. Kawneer Co.*, 482 F.2d 542 (5th Cir. 1973); *Boutell v. Volk*, 449 F.2d 673 (10th Cir. 1971). The *Boutell* court reasoned:

In any event, there is nothing in the very careful opinion of Mr. Justice White [in *Blonder-Tongue*] which in any way intimates that the patentee is free to obtain a judgment of validity and thrust it upon non-participating parties in other litigation. To do so would be contrary to the very matters which were weighed and considered in arriving at the final conclusion in *Blonder-Tongue*.

Id. at 678.

³⁶ O'Rourke, *Do Unto Others Before They Do Unto You Or: Current Trends in Declaratory Judgments*, 57 J. PAT. OFF. SOC'Y 541, 541 (1975). See notes 22-23 and accompanying text *supra*.

³⁷ 402 F.2d 125 (8th Cir. 1968), cert. denied, 394 U.S. 917 (1969).

³⁸ 422 F.2d 769 (7th Cir. 1970), cert. denied, 409 U.S. 1061 (1972). Apparently several other patent conflict cases were also pending at the time *Blonder-Tongue* was decided. See *Technograph Printed Circuits Ltd. v. Martin Marietta Corp.*, 474 F.2d 798, 811 n.28 (4th Cir. 1973), cert. denied, 414 U.S. 880 (1973); *Monsanto Co. v. Dawson Chemical Co.*, 443 F.2d 1035 (5th Cir. 1971), cert. denied, 405 U.S. 974 (1972). In *Monsanto*, the court noted:

At the time the court below concluded that it was not relieved by the Pennsylvania judgment of the "judicial travail" of reaching its own decision on the merits, it was completely correct.

....

However, the proverbial slip twixt the cup and the lip occurred. On May 3, 1971, many months after the court below engaged in its ordeal of decision, and indeed, after oral argument to this court, the Supreme Court with unanimous wisdom reversed its earlier holding in *Triplett*. The Court ruled that a patent

good rule for most litigation.³⁹ But in the patent area it creates, in effect, a post-issuance opposition proceeding which can strike down a patent permanently according to any of eleven inconsistent legal standards.

Now a patent is valid until invalid. Thus a patentee may successfully surmount attacks on his property in nine circuits; however, if the tenth finds it invalid the prior victories are for naught.⁴⁰

D. *The Increased Availability of Declaratory Judgments*

Congress enacted the Declaratory Judgment Act⁴¹ in 1934, one year after the Supreme Court upheld a similar state law in

owner is bound by the judgment of patent invalidity in a prior suit against a different defendant *Blonder-Tongue Laboratories v. University of Illinois Foundation*

443 F.2d at 1037.

Even in cases of direct conflict the Court has often ignored patent issues. For example, in *Blumcraft of Pittsburgh v. Kawneer Co.*, 482 F.2d 542 (5th Cir. 1973), the Supreme Court denied *Blumcraft's* repeated petitions for certiorari in spite of the conflict between the Fourth Circuit and the Court of Claims concerning the validity of the *Blumcraft* patent. *Id.* at 544-45.

From the Supreme Court's perspective, the *Blonder-Tongue* rule was a way to reduce its caseload by apparently ending such circuit conflicts over patents. The decision may have reflected the Court's assessment of the importance of patent cases as compared to others that vie for its limited attention. It may also be an indication of the Justices' disdain for cases involving technical information beyond their comprehension. Former Supreme Court Justice Fortas commented:

Many federal appellate judges—perhaps most of them—approach patents with the kind of suspicion and hostility that a city-bred boy feels when he must traverse a jungle full of snakes. The patent system is strange and weird territory to most judges. They have never seen anything that resembles it. All patents look more or less strange and threatening to them; and since they are heavily armed with the power of the U.S. Government they frequently get the idea that it's their duty to kill everything that moves in this dangerous land.

Fortas, *The Patent System in Distress*, 14 IDEA 571, 571 (1971).

³⁹ See Currie, *Civil Procedure: The Tempest Brews*, 53 CALIF. L. REV. 25 (1965). For other comments on the *Blonder-Tongue* rule, see Halpern, *Blonder-Tongue: A Discussion and Analysis*, 53 J. PAT. OFF. SOC'Y 761 (1971); Kahn, *Blonder-Tongue and the Shape of Future Patent Litigation*, 53 J. PAT. OFF. SOC'Y 581 (1971); Smith, *The Collateral Estoppel Effect of a Prior Judgment of Patent Invalidity: Blonder-Tongue Revisited*, 55 J. PAT. OFF. SOC'Y 286 (1973); Note, *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation: Mutuality of Estoppel—A Final Eulogy*, 5 IND. LEGAL F. 208 (1971); Note, *Blonder-Tongue: Abrogation of Mutuality Requirements for Defensive Use of Collateral Estoppel in Patent Infringement Suits*, 33 U. PITT. L. REV. 287 (1971); Comment, *Blonder-Tongue Bites Back: Collateral Estoppel in Patent Litigation—A New Look*, 18 VILL. L. REV. 207 (1972).

⁴⁰ O'Rourke, *supra* note 36, at 542.

⁴¹ 28 U.S.C. § 2201 (1976) states:

Nashville, Chattanooga & St. Louis Railway v. Wallace.⁴² The purpose of the Act was to provide a prospective remedy for people who wished to know their rights before taking the risks necessary to make an issue ripe for a settlement in a traditional lawsuit.⁴³ This is particularly important in patent law because gearing up to produce a patented item often involves enormous production, advertisement, and distribution costs which arise before the product reaches the market and comes to the attention of the patentee.

When President Washington first asked the Supreme Court to give advice, it categorically refused, on questionable grounds.⁴⁴ The American courts, faithful to this precedent, orig-

In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2202 (1976) further states:

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

⁴² 288 U.S. 249 (1933).

⁴³ *But see* note 71 and accompanying text *infra*. Such a person may not have standing to obtain a declaratory judgment.

⁴⁴ In July 1793, President Washington needed legal advice concerning America's rights and duties as a neutral in the European War then in progress. Acting on his behalf, Secretary of State Jefferson submitted a series of specific questions to the Justices. In a letter that accompanied these questions, Jefferson urged that a response would "secure us against errors dangerous to the peace of the United States" and that the Justice's authority would "assure the respect of all parties." Letter from Thomas Jefferson to Chief Justice Jay (July 18, 1793), *reprinted in* 3 CORRESPONDENCE AND PUBLIC PAPERS OF JOHN JAY 486 (H. Johnston ed. 1891). Chief Justice Jay refused the request, suggesting that compliance would violate the constitutional scheme of separation of powers. *See* Letter from Chief Justice Jay to President Washington (Aug. 8, 1793), *reprinted in id.* at 488-89. *See generally* P. BATOR, P. MISHKIN, D. SHAPIRO & H. WECHSLER, HART & WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 64-70 (2d ed. 1973).

Professors Gunther and Dowling suggest two credible justifications for the Court's inaction. First, advisory opinions would place the Court in a position where its ability to act as the "sober second thought of the community, appraising action already taken, rather than as advisors in the front line of governmental action" would be lost. Second, giving advisory opinions would subject the Court to political attack. *See* G. GUNTHER & N. DOWLING, CONSTITUTIONAL LAW 67 (8th ed. 1970). A rule allowing judicial discretion might serve these objectives equally well. The courts could be free to give decisions in advance of potential errors when practical. In fact, the law of declaratory judgments, while still paying lip service to earlier doctrine, has probably reached this point. *See* notes 49-50 and accompanying text *infra*.

The constitutions of several states allow advisory opinions without any evident disastrous effects. *See generally* Field, *The Advisory Opinion—An Analysis*, 24 IND. L.J. 203 (1949); Note, *Judicial Determinations in Nonadversary Proceedings*, 72 HARV. L. REV. 723 (1959).

inally disfavored the declaratory judgment as a back-door route to an advisory opinion.⁴⁵ Courts have analyzed such issues in terms of the constitutional grant of judicial authority to hear "cases and controversies."⁴⁶ The term "controversies" suggests only that something tangible should be at stake between two parties. Contrary to sound statutory construction techniques, however, the Court has read the term "controversies" as superfluous: "The term 'controversies,' if distinguishable at all from 'cases,' is so in that it is less comprehensive than the latter and includes only suits of a civil nature"⁴⁷

In *Aetna Life Insurance Co. v. Haworth*,⁴⁸ however, the Court upheld the new Declaratory Judgment Act, claiming that it only affected the procedural posture of cases and controversies that might otherwise be brought. The transparency of this reasoning suggests that impracticality has been the death of the earlier cases and controversies doctrine. The failure of the Court to give the doctrine a decent burial, on the other hand, left a lingering confusion that has come to light with continued use of the Act.

Aetna suggested that the constitutional requirement of a case or controversy must still be met before the declaratory judgment option will be available to litigants. Taken literally, this requirement would undo the purpose of allowing declaratory judgments—to give litigants a definition of their rights *before* they incur costs associated with getting to the point of conflict. To fulfill this function, courts have become increasingly liberal in their examination of complaints for allegations of controversy. A patent litigant can now become eligible for a declaratory judgment merely by alleging that a defendant has either directly or indirectly accused him of inducing or contributing to an infringement.⁴⁹ Even conservative statements in the patent area evince a retreat from the original concept:

⁴⁵ See O'Rourke, *supra* note 36, at 551.

⁴⁶ See, e.g., *Muskrat v. United States*, 219 U.S. 346 (1911).

⁴⁷ *Id.* at 356-57.

⁴⁸ 300 U.S. 227 (1937).

⁴⁹ See, e.g., *Wembley, Inc. v. Superba Cravats, Inc.*, 315 F.2d 87 (2d Cir. 1963); *Thiokol Chem. Corp. v. Burlington Indus.*, 319 F. Supp. 218 (D. Del. 1970), *aff'd*, 448 F.2d 1328 (3d Cir. 1971), *cert. denied*, 404 U.S. 1019 (1972). The *Wembley* court allowed an action prior to actual manufacture, emphasizing the plaintiff's intent:

[I]t would be economically wasteful to require a plaintiff to embark on an actual program of manufacture, use of sale which may turn out to be illegal; on the other hand, a vague and unspecific "desire" to practice an invention if a

The touchstone is a *reasonable apprehension*. There must be, in other words, some concrete indication that the defendant patentee claims the plaintiff's activity infringes his patent, and also that he will act affirmatively to enforce the protection which he claims.⁵⁰

At least one writer is highly critical of this recent liberality because of its impact on the patent law.⁵¹ Nevertheless, the new approach to declaratory relief is entirely reasonable; its use in the patent system is unfortunate only because the inconsistency among the circuits in applying patent law creates an incentive for forum shopping. In patent litigation a range of forum choices is typically available. If a patent is commercially successful enough that the parties are going to court over it, it is likely that the parties have become large enough to be present in more than one circuit. The result is perhaps best described by the tragicomic title of a recent patent article: *Do Unto Others Before They Do Unto You Or: Current Trends in Declaratory Judgments*.⁵²

In one case, the judge felt compelled to comment:

I find these tactics deplorable. That the issuance of a patent should be tantamount to the blowing of a starter's whistle in a foot race among patent counsel is indeed a lamentable spectacle. I believe that a litigant, whether a swift first or as a prompt retaliator, is open to the charge of forum shopping whenever he chooses a forum with a slight connection to the factual circumstances surrounding his suit. Litigants should be encouraged to attempt to settle their differences without imposing undue expense and vexatious situations on the courts.⁵³

patent should turn out to be invalid smacks too much of the hypothetical and contingent and allowing the declaratory remedy in such a situation would unfairly subject the defendant to the burdens of a lawsuit.

315 F.2d at 90 (citation omitted). See generally Russell, *Some Patent Aspects of Declaratory Procedure*, 32 J. PAT. OFF. SOC'Y 504 (1950); Note, *Justiciable Controversy Under the Federal Declaratory Judgment Act and the Exercise of Patent Rights*, 22 GEO. WASH. L. REV. 63 (1953).

⁵⁰ Japan Gas Lighter Ass'n v. Ronson Corp., 257 F. Supp. 219, 237 (D.N.J. 1966). "Reasonable apprehension," however, does not appear to be broad enough to include one who has not yet infringed. See note 71 and accompanying text *infra*.

⁵¹ O'Rourke, *supra* note 36, at 544:

One of the reasons for this situation is the liberality that accompanies the interpretation of the Declaratory Judgment Act. Courts are weakening useful criteria which balance the rights of patentees and infringers and, unfortunately, the patentee is suffering from this condition.

⁵² *Id.*

⁵³ Rayco Mfg. Co. v. Chicopee Mfg. Corp., 148 F. Supp. 588, 592-93 (S.D.N.Y. 1957). For other patent cases deploring forum shopping maneuvers, see *Skil Corp. v. Millers Falls*

Counsel for the plaintiff in *Helene Curtis Industries v. Sales Affiliates*⁵⁴ appears to hold a record in the Patent Office to courthouse dash. The patent involved issued at noon on December 4, 1951. A complaint for declaratory judgment was filed in the Southern District of New York just fifty-nine minutes later. This race to choose the forum thrives on the differences in the law as applied by the different circuits. Moreover, the problem it poses is sadly compounded by the finality that results from the rule in *Blonder-Tongue*.⁵⁵

Co., 541 F.2d 554 (6th Cir. 1976), *cert. denied*, 429 U.S. 1029 (1976); William Gluckin & Co. v. International Playtex Corp., 407 F.2d 177 (2d Cir. 1969); Codex Corp. v. Milgo Elec. Corp., 533 F.2d 735 (1st Cir.), *cert. denied*, 434 U.S. 860 (1977).

⁵⁴ 105 F. Supp. 886, 891 (S.D.N.Y.), *aff'd*, 199 F.2d 732 (2d Cir. 1952).

⁵⁵ In *Codex Corp. v. Milgo Elec. Corp.*, 533 F.2d 735 (1st Cir.), *cert. denied*, 434 U.S. 860 (1977), a manufacturer allegedly infringing a patented device brought a declaratory judgment action in Massachusetts and sought an injunction against an earlier action that the patentee had brought in Kansas. According to Horn & Epstein, the First Circuit was fairly "anti-" patent, and the Tenth Circuit was the most "pro-" patent circuit in the ten year period they studied. *See* Horn & Epstein, *supra* note 23, at 146. The patent holder in *Codex* could not sue the manufacturer in Kansas; venue would have been improper. Instead, he sued a distributor located there, knowing the manufacturer would be forced to come and defend. The district judge in *Codex* denied the injunction. The Court of Appeals for the First Circuit reversed and enjoined the Kansas action, noting the deplorable battle to choose the forum:

Milgo [the patentee] argues that the Kansas action, having been filed earlier, should be preferred While the first-filed rule may ordinarily be a prudent one, it is so only because it is sometimes more important that there be a rule than that the rule be particularly sound. Accordingly, an exception to the first-filed rule has developed in patent litigation where an earlier action is an infringement suit against a mere customer and the later suit is a declaratory judgment action brought by the manufacturer of the accused devices. . . . At the root of the preference for a manufacturer's declaratory judgment action is the recognition that, in reality, the manufacturer is the true defendant in the customer suit. In spite of Milgo's vigorous protests to the contrary, it is a simple fact of life that a manufacturer must protect its customers, either as a matter of contract, or good business, or in order to avoid the damaging impact of an adverse ruling against its products.

. . . .

Venue rights, contrary, perhaps, to the view of the district court, which did not mention them at all, are important, particularly in patent litigation . . . where it is well known that the patent bar believes that the hospitality accorded patents varies markedly from circuit to circuit. With the advent of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, . . . establishing, as to patentees, the one-strike-and-you're-out doctrine, forum shopping becomes peculiarly appealing. In these circumstances, while we do not say that there should be an inflexible rule, we would recognize a rebuttable presumption that a manufacturer's declaratory judgment action, in its home forum, at least if brought no later than promptly after a customer action, should take precedence

E. *The Expense of Patent Litigation*

Patent litigation is extraordinarily costly, for a number of reasons. Patent cases tend to take a great deal of time to present and prepare because they involve so much technical information.⁵⁶ District judges generally lack the necessary technical background, and a great deal of time is spent educating the judge in the particular field involved. The litigants must hire experts to testify concerning the state of the art at the time of invention and help with the preparation for trial. Finally, the cost of discovery in such actions is often staggering. The cost of each suit to enforce a patent detracts from the value of the patent. An individual inventor confronted with this cost⁵⁷ may wonder just how much justice he can afford.

The cost of patent litigation is a weapon in the hands of a defendant. The patent law presently allows an infringer to raise so many issues⁵⁸ that he can frequently make trial expensive enough to force a patentee entitled to royalties to give up.⁵⁹ This is particularly true in light of *Blonder-Tongue*. A patentee may not be able to afford to put on too costly a presentation, but he also cannot afford to put on a less-than-best defense of his patent because one loss will be fatal.

over a mere customer action in a jurisdiction in which the manufacturer could not be sued.

553 F.2d at 737-38 (footnotes omitted). See also Note, *The "Manufacturer Forum Only" Rule In Patent Validity Litigation*, 53 NOTRE DAME LAW. 941 (1978).

⁵⁶ See, e.g., *Blonder-Tongue Laboratories v. University of Ill. Foundation*, 402 U.S. 313 (1971). The Court quoted a survey revealing that although over 90% of all civil cases are tried in three days or less, less than 50% of patent cases are completed in that time. *Id.* at 537 n.31. According to a recent note "[l]itigation costs now exceed \$100,000 in a typical infringement action where a patent's validity is contested." See Note, *supra* note 12, 1978 WIS. L. REV. at 1172 n.66.

⁵⁷ Particularly in view of the possibility of a prompt declaratory judgment action (see notes 49-55 and accompanying text *supra*) the patent owner may not have realized any royalties at the time of suit and may not have the resources to defend his patent.

⁵⁸ See notes 81-92 and accompanying text *infra*.

⁵⁹ Based on personal experience, cases where controversies arise and are settled before the case is submitted to the Courts constitute the large majority. Some sort of settlement is reached [after] the patentee decides to abandon a contemplated action realizing that the risk is too great and outbalances the expenses of litigation.

Jacobacci, *Patent Enforcement in Italy*, 57 J. PAT. OFF. SOC'Y 569 (1975). This refers to patent litigation in Italy, but the systems are similar in this regard, and the comment implies broader application.

F. *The Equitable Defense of Laches in Patent Litigation*

As if the patentee's outlook were not already sufficiently bleak, he must also contend with the doctrine of laches.⁶⁰ Laches, in the patent area, is the requirement that a patent holder not knowingly allow infringement to continue so long that others might believe he has acquiesced in the loss of his rights.⁶¹ This rule is reasonable under the present system as a patent on record in the Patent Office may be invalid and thus not worth enforcing. It is often reasonable for a business to make the investments necessary to produce a patented item if it appears that the patentee does not intend to enforce his patent.⁶²

G. *Cumulative Effects*

These six factors combined present the inventor whose patent has been infringed with a dilemma. He may not have the financial resources to marshal a strong defense of his patent, but he cannot afford to risk a less vigorous defense because one adverse decision may invalidate his patent. Moreover, he cannot risk laches or a declaratory judgment suit in an unsympathetic forum by deciding not to sue. Whatever he does is unsatisfactory. This dilemma robs patents of most of their value, to the detriment of the public as well as the patentees.

Dividing patents into three rough categories—specious, probable, and absolute—helps to illustrate this point.⁶³ A “specious” patent is only useful to scare potential competitors; the patentee knows his patent is unlikely to survive litigation. A “probable” patent is one that is sought in good faith, but subject to a risk of

⁶⁰ See note 92 *infra*; Choate, *supra* note 5, at 854. See also *Gillons v. Shell Co.*, 86 F.2d 600 (9th Cir. 1936), *cert. denied*, 302 U.S. 689 (1937).

⁶¹ See *Whitman v. Walt Disney Prods., Inc.*, 148 F. Supp. 37 (S.D. Cal. 1957), *aff'd*, 263 F.2d 229 (9th Cir. 1958). The *Whitman* court commented that “[b]y weight of authority, lack of funds is no excuse for delay in bringing suit.” 148 F. Supp. at 40.

⁶² See, e.g., *Westco-Chippewa Pump Co., v. Delaware Elec. & Supply Co.*, 64 F.2d 185 (3d Cir. 1933).

[A] uniform principle runs through all the cases. They proceed on the theory that the plaintiff knows his rights and has had ample opportunity to establish them in the proper forum; that, because of delay, the defendant has good reason to think that the plaintiff believes his asserted rights to be worthless or that he has abandoned them.

Id. at 187.

⁶³ Compare Judge Friendly's analysis in *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971), *discussed in* note 8 *supra*.

invalidity. An "absolute" patent is sought to protect a discovery so significant that it is almost certain to survive litigation.

A specious patent's value is virtually unaffected by the dilemma. Its holder has no intention of going to trial. He need not worry about *Blonder-Tongue*, litigation costs, declaratory judgments, forum shopping, or laches. The infirmities of a patent system only diminish the value of his patent as a scarecrow to the extent that they undermine respect for patents generally. A specious patent will continue to be useful for bluffing and threatening those who do not have the benefit of a patent counsel's advice or the resources to face even a sham lawsuit.

At the other extreme, the holder of an absolute patent is also only marginally affected by the dilemma. His patent is not likely to be challenged, and if challenged, will almost certainly survive. He may, however, feel pressure to settle claims because a fluke decision could invalidate his patent. Under *Blonder-Tongue* he might then lose it even if it had been upheld before. To avoid this he may have to spend more money to defend his patent than is at issue in a particular case.⁶⁴ His failure to sue, even under these circumstances, may constitute laches. Thus, even absolute patents may be settled for significantly less than their value in certain situations.

The same problems destroy the value of a probable patent almost entirely. Where an invention is novel but cursed by some related prior art, litigation is extremely uncertain. Nonobviousness is highly subjective and judges often appear to slip into a certain amount of hindsight when they consider a patent.⁶⁵ The patentee faces risk, confusion, and expense at every turn. He stands to gain little from a patent beyond its settlement value. In this respect the law presently treats him much like the holder of a spe-

⁶⁴ Quoting *Blonder-Tongue*, the Third Circuit in *Kaiser Indus. Corp. v. Jones & Laughlin Steel Corp.*, 515 F.2d 964, 977 (3d Cir. 1975) suggested that in patent litigation, the parties are always expected to litigate the case fully.

Additionally, mindful of the deliberate nature of patent litigation and the high stakes that can turn on a question of patent validity, the Supreme Court in *Blonder-Tongue* cautioned: Presumably [the patentee] was prepared to litigate and to litigate to the finish against the defendant there involved. . . ."

Thus, for patent purposes, the Court assumed away the usual mitigating exception to the *Blonder-Tongue* rule—that the stakes must be high enough in the original suit to insure that the issues were fully contested.

⁶⁵ See note 20 *supra*.

cious patent. For both, the principal value of their patent may well be as a bluffing and threatening tool.

Each troublesome aspect of the present system for contesting patents can be defended. The inconsistencies of the circuits provide the Supreme Court with a range of developed alternatives to consider. *Blonder-Tongue* will remove a great deal of frivolous or repetitive litigation. The Declaratory Judgment Act provides a remedy that probably should be further expanded to avoid unnecessary hardship. The doctrine of laches protects one who has reasonably, and at great expense, relied on a patent holder's inactivity over a substantial period of time from a surprise suit on a patent that appeared to be abandoned. Changes in one or more of these procedural areas will not restore the patent system to healthy operation. Rather, the plight of the patentee should spur consideration of new alternatives.

II

THE PROPOSAL

A. *The Mechanics of the Proposal*

Under the proposed system, the Patent Office would consider the inventors' applications *ex parte* and accord the patents that it issues a presumption of validity.⁶⁶ Anyone who wants to produce an item protected by a patent that may be invalid would *first* have to prosecute an "opposition" to the patent before the Patent Office. To promote the use of this opposition procedure, an infringer would be required to file an opposition promptly after he becomes aware of the patent and of the art that tends to defeat it.

A duty to investigate diligently would also be imposed so that an infringer could not escape liability simply by remaining ignorant of the patent. The courts will have to develop the boundaries of this duty on a case-by-case basis, with the realities of the business world in mind. It is clear, however, that once the patentee actually notifies the infringer of the patent, he has a duty to oppose. The facts in certain cases may dictate a duty to oppose that begins at an earlier time. For example, if the patent is well known, or if the item is well known and prominently displays its patent,

⁶⁶ The presumption of validity is provided for in 35 U.S.C. § 282 (1976). It is now supposed to be applied by the courts. *But see* note 5 *supra*.

such a duty should arise. To enforce this duty and to ensure prompt oppositions, an infringer who did not make a reasonable effort to discover a patent's existence, or who knew of it but did not file an opposition immediately, would be liable for interim royalties from the time he began to infringe until he filed.⁶⁷ This liability would accrue whether or not his opposition was ultimately successful.

The opposition process must be as informal as possible to avoid deterring oppositions. The Patent Office examiner should consider any submission of material, and he should have an affirmative duty to ensure that the opposition is fully considered.⁶⁸

Anyone could file an opposition, without regard to the judicial doctrine of standing.⁶⁹ Completely disinterested persons might have some information to offer, and there is no reason that the Patent Office should not consider it. The patent holder is not in danger of harassment because he is not involved in this early proceeding.⁷⁰ Moreover, many persons have valid reasons for wishing to challenge a patent but can not bring a declaratory judgment action under the current interpretation of the "case or controversy" requirement.⁷¹

An opposition could be made at any time during the life of the patent, and the same person may file any number of oppositions.⁷² The Patent Office would have a specified amount of time

⁶⁷ After the date of filing, any delay may be attributable to the Patent Office or the courts (on appeal), and therefore should not be charged to the opposer. Some abuse of the system may creep in at this point, but no other solution seems feasible. Any infringer who has not challenged the patent should be charged with royalties until the patent is finally adjudged invalid.

This interim royalty provision mirrors the present concept of laches (*see* notes 60-62 and accompanying text *supra*) which presently penalizes a patent holder who fails to enforce his patent diligently. The reasoning behind the doctrine of laches is that the patentee will have induced investment or other acts of reliance by his inaction. Under a system that provides an opposition procedure an infringer ought to be similarly punished; his tardiness may cause patentees and licensees to take costly action in reliance on an apparently valid patent.

⁶⁸ The Patent Office should be provided with subpoena and discovery powers for these purposes.

⁶⁹ Licensees would, of course, be entitled to submit material in opposition as a matter of public policy. *See* *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

⁷⁰ *See* note 76 and accompanying text *infra*.

⁷¹ *Compare* *Sticker Indus. Supply Corp. v. Blaw-Knox Co.*, 367 F.2d 744 (7th Cir. 1966) *with* *American Needle & Novelty Co. v. Schuessler Knitting Mills, Inc.*, 379 F.2d 376 (7th Cir. 1967). *See* notes 41-51 and accompanying text *supra*.

⁷² Nor should he be required to cite new material; he might wish to argue that patent law has changed, by statute or decision, since he last filed an opposition.

after filing in which to act on the opposition. If the Office rejects an opposition and upholds the patent, the opposer would have a right of appeal to the Court of Customs and Patent Appeals,⁷³ and from there, by discretionary appeal, to the Supreme Court.⁷⁴ If the Patent Office failed to act on the opposition during the allotted time, the opposer could choose either to keep his petition active in the Patent Office or to consider it rejected by default and pursue his appeals.⁷⁵

At the time of filing the patentee would receive nothing more than a notice of the pending opposition with a copy of the papers filed in support of it. He could choose to rebut immediately, but the proposal contemplates that he would not ordinarily do so.⁷⁶ If, however, the Patent Office accepted the opposition and declared the patent "tentatively invalid," the patent holder would have a brief time to counter the opposition within the Patent Office.⁷⁷ If he counters, but is unsuccessful, he would then have a limited time for judicial appeals.⁷⁸

In countering an opposition or pursuing an appeal, a patentee whose patent is still tentatively invalid would have the option to restrict his claims and obtain a more limited reissue of his pat-

⁷³ This removes most patent litigation from the United States District Courts and Courts of Appeals (*see* notes 81-95 and accompanying text *infra*) which would prevent forum shopping and the use of inordinate delays to pressure certain litigants for unjustified settlements. *See* notes 22-28, 52-55 and accompanying text *supra*.

Some cause for concern may arise from the fact that the C.C.P.A. is considered one of the "pro"-patent courts. *See* notes 22-28 and accompanying text *supra*. This concern should dissipate if the proposed reform is enacted. The C.C.P.A. would become the central forum for patent review, and the Supreme Court would therefore subject it to somewhat greater scrutiny. A similar role change would probably affect the quality of the Patent Office's procedures. *See* notes 117-121 and accompanying text *infra*.

⁷⁴ This is available now in actions before the C.C.P.A. *See* *Brenner v. Manson*, 383 U.S. 519 (1966); 28 U.S.C. § 1256 (1976).

⁷⁵ The courts should not give a rejection by default any of the deference they might accord an actual Patent Office determination. The two options are provided since the opposer may or may not have the motivation and resources to pursue the appeal. Those who do not would prefer to remain at the Patent Office stage where the examiner has an affirmative duty to pursue the opposition for them.

⁷⁶ In fact, any such response would be by way of friendly suggestion to the Patent Office. The patentee, because of the intervening steps discussed below, is not threatened with any adverse action at this point and, accordingly, would not be a party to such proceedings.

⁷⁷ Since the patentee is aware of the opposition, a short period is reasonable; he is on notice to prepare if he feels the opposition is likely to be successful.

⁷⁸ This appeal would also be to the C.C.P.A. and possibly from there to the Supreme Court.

ent for the remaining portion of its term. On either the patentee's failure to counter the opposition or to take an appeal, or on a final adverse decision, the tentative invalidity would become permanent and the patent could not be reinstated.⁷⁹

The time allotted the Patent Office for responding to an opposition, and the patentee for taking his appeals, must be as short as is fair and practical. During this period of delay manufacturers must operate in uncertainty. If the patent is upheld, they will be liable for infringing it while the opposition is pending even if they have filed promptly. This will deter manufacturers from producing the patented item, imposing an unnecessary cost on society.

Under the proposal patent infringement litigation would remain in the federal district courts.⁸⁰ The issues that litigants could contest there, however, would be sharply limited. At present, an alleged infringer may raise the following issues in his defense: (1) noninfringement, absence of liability for infringement, or unenforceability;⁸¹ (2) nonpatentability of the subject matter;⁸² (3) lack of novelty in the claimed invention;⁸³ (4) delay in filing the patent application⁸⁴ (statutory bar); (5) abandonment;⁸⁵ (6) improper foreign filing;⁸⁶ (7) that the patentee is not the "inventor at law";⁸⁷ (8) lack of utility;⁸⁸ (9) obviousness;⁸⁹ (10) insufficiency of the patent specifications;⁹⁰ (11) breach of responsibility to the Patent Office;⁹¹ and (12) laches.⁹² Of these issues, those which go to the "scientific" appropriateness of the *issuance*

⁷⁹ The system would otherwise have to provide for the legitimate concerns of those who begin manufacturing, selling, or using the product in reliance on the final judgment of invalidity.

⁸⁰ The federal courts have jurisdiction in patent cases by virtue of 28 U.S.C. § 1338 (1976).

⁸¹ 35 U.S.C. § 282(1) (1976). *See also* *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966).

⁸² 35 U.S.C. §§ 282(2), 101 (1976).

⁸³ *Id.* §§ 282(2), 102(a).

⁸⁴ *Id.* §§ 282(2), 102(b).

⁸⁵ *Id.* §§ 282(2), 102(c).

⁸⁶ *Id.* §§ 282(2), 102(d).

⁸⁷ *Id.* §§ 282(2), 102(e), (f), (g).

⁸⁸ *Id.* §§ 282(2), 101.

⁸⁹ *Id.* §§ 282(2), 103.

⁹⁰ *Id.* §§ 282(2), 112.

⁹¹ *See* *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945).

⁹² *See* *Baker Mfg. Co. v. Whitewater Mfg. Co.*, 430 F.2d 1008 (7th Cir. 1970), *cert. denied*, 401 U.S. 956 (1971).

of a patent for a given "invention"—patentability of subject matter, novelty, inventorship at law,⁹³ obviousness, abandonment, utility, and sufficiency of patent specifications—would no longer be litigated before a court of general jurisdiction.⁹⁴

Such issues require special technical expertise and are pertinent to whether the Patent Office should issue or continue a patent. Their resolution involves a full analysis of the inventive essence of the new process, art, machine, method, use, manufacture, material, or composition of matter at stake. The issues reserved for the courts, on the other hand, are more like traditional issues of fact and applied law that lie within the competence of the courts. Adjudicating the occurrence of infringement is similar to finding whether a duty has been breached in a tort case;⁹⁵ laches, unenforceability, and fraud sound in contract; and delay in filing or improper foreign filing resemble civil and criminal procedural problems. Thus, the proposal effects a sensible division of responsibility.

B. *The Effects of the Proposal*

By centralizing all patent validity proceedings into the Patent Office with appeal to the C.C.P.A., the proposal seeks to create as uniform a law of patents as possible. Centralization would bypass

⁹³ Inventorship at law appears, at first glance, to be a traditional issue of fact. Nevertheless, the concept involves so much analysis of what acts would constitute sufficient reduction to practice, etc., that it is largely technical.

⁹⁴ One might even consider eliminating the role of the district courts altogether. This proposal does not restrict patent litigation to the Patent Office for several reasons. In some instances there may be jury-triable issues such as damages (*see, e.g.*, *Railex Corp. v. Joseph Guss & Sons, Inc.*, 40 F.R.D. 119, 123 (D.D.C. 1966)) which some might prefer to preserve. *See Note, Application of Constitutional Guarantees of Jury Trial to the Administrative Process*, 56 HARV. L. REV. 282 (1942). Also, counterclaims may complicate an infringement action. *See, e.g.*, *Eli Lilly & Co. v. Generix Drug Sales, Inc.*, 460 F.2d 1096 (5th Cir. 1972). Moreover, it is best to proceed with novel ideas step by step. If the Patent Office can inspire public confidence in its operations, under the authority proposed here, perhaps that authority should be extended. This Article suggests that the Patent Office's role under the present proposal would tend to increase public confidence in the patent system greatly. *See notes 117-121 and accompanying text infra.* Thus, further expansion of the Office's role may be warranted in the future.

⁹⁵ Nevertheless, the issue of infringement is a borderline case. It requires understanding of the essence of the inventive idea to decide how similar a product can be to a patented invention without infringement. The courts have handled this issue well to date. Either the courts or the Patent Office would be an acceptable forum for its resolution. Infringement has not generated the controversy and inequity that have grown out of the judicial experience with patent validity.

inconsistency among the circuits. It would also reduce inconsistency that grows out of ambiguity in the standards courts apply, because the Patent Office and the Court of Customs and Patent Appeals would acquire a fluency in making subtle factual distinctions that the district courts lack.⁹⁶ The proposed system would not only create uniformity in adjudication, but also between adjudication and administration because the Patent Office would interact directly and routinely with the C.C.P.A. In this sense, the proposal does little more than bring patent law into step with modern administrative law.⁹⁷

In *Blonder-Tongue* the Supreme Court attempted to deal with the desperate need for finality, uniformity, and judicial economy in the administration of the patent law.⁹⁸ By eliminating the mutuality requirement for estoppel the Court, in effect, created a judicial post-issuance opposition procedure⁹⁹ which could strike down patents permanently. This solution was far from ideal. The finality it created was subject to limitations.¹⁰⁰ The uniformity it produced by ensuring that different circuits would no longer reach different conclusions as to the same patent after one found it invalid was superficial. The circuits have gone on applying different de facto legal standards. The litigant who sues first, thereby gaining the choice of forums still determines which law is applicable. Further, as the courts do not at present directly review the Patent Office, dead patents can hang indefinitely in Patent Office lists as scarecrows¹⁰¹ to frighten away potential inventors. The proposed system serves the same purposes as *Blonder-Tongue* without any of these drawbacks.

The concerns that prompted the Declaratory Judgments Act are even better served by the proposal. The availability of declaratory relief under the present system remains uncertain because of the lingering "cases and controversies" requirement. Some courts still interpret this more strictly than others,¹⁰² and

⁹⁶ See note 21 *supra*.

⁹⁷ See notes 2-5 and accompanying text *supra*.

⁹⁸ See note 31 and accompanying text *supra*.

⁹⁹ The "opposer" can invoke the process through the use of declaratory judgments, and collateral estoppel will virtually always apply in patent actions. See notes 34, 64 and accompanying text *supra*.

¹⁰⁰ A court might find that a litigant had not a full and fair opportunity to litigate the prior action. See Currie, *supra* note 33. But see note 64 *supra*.

¹⁰¹ See *Bresnick v. United States Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943).

¹⁰² See *American Needle & Novelty Co. v. Schuessler Knitting Mills*, 379 F.2d 376 (7th Cir. 1967) (patentee's request to examine possibly infringing article held not sufficient to

deny would-be competitors a timely declaration of their rights. Consider the plight of the person who wishes to begin manufacturing widgets, which are protected by a dubious patent. He needs to borrow five million dollars for a widget factory but he cannot until the banks know whether the patent is valid. Nevertheless, he probably lacks standing to bring a declaratory judgment action. He has not yet manufactured widgets nor has he been threatened with infringement proceedings.¹⁰³

The proposed Patent Office opposition procedure, on the other hand, guarantees a convenient and timely determination of the question of patent validity. The procedure could be invoked by any person, even one who does not anticipate infringing the patent but has some information to offer. No one would have to gamble a heavy investment on the chance that a court will hold a patent invalid; the proposal wastes neither judicial nor economic resources.

The high cost of patent litigation may seem irremediable. The proposed system, however, might reduce costs, both to the litigants and to the judicial system. Institution of the opposition procedure would reduce judicial costs because it will greatly reduce litigation in the federal district courts. The range of issues that litigants could raise in conjunction with each trial would shrink, and certainty as to patent validity would result in greater rates of settlement.¹⁰⁴

Some may argue the proposal would merely transfer the litigation saved in the district courts to the Patent Office and the C.C.P.A., at the same net expense. This argument ignores the redundant patent validity litigation which goes on despite *Blonder-Tongue* because successive infringers can still raise the issue as a defense. It also fails to consider the advantages of administrative flexibility. Patent Office procedures would probably be less time-consuming and expensive than those of the courts. Finally, the argument fails to consider the effect of the expertise that the Patent Office and the C.C.P.A. would gain. This should drastically reduce the need for detailed oral proofs and explanations, as well as improving the quality of the decisionmaking process. Issues

create reasonable apprehension of suit). This case is a textbook example of how to threaten an infringer without threatening him enough to allow a declaratory judgment action.

¹⁰³ See notes 41-49 and accompanying text *supra*.

¹⁰⁴ See Ehrlich & Posner, *An Economic Analysis of Legal Rulemaking*, 3 J. LEGAL STUD. 257, 265 (1974).

that now require a complex trial involving several days of testimony might be resolved by the submission of documents and possibly a brief supplemental argument.

The eminent jurist David Bazelon recently commented on the extent to which federal judges are unequipped to hear cases that turn on scientific issues: "I suggested . . . that judges are, for the most part, 'technically illiterate,' and I certainly include myself in that category."¹⁰⁵ He also pointed out that a judgeship in the federal courts is not the place "for on-the-job training."¹⁰⁶ Patent practice is, along with admiralty, one of only two specialties that the bar recognizes.¹⁰⁷ How does a lawyer who is incapable of trying patent cases become competent to decide them when Congress makes him a judge? One well respected district judge has seriously pondered the propriety of his role in deciding patent cases:

I am otherwise an experienced trial judge equipped to handle any type of case which might arise, having presided over thousands of trials during my fourteen years as a trial judge in the state courts and my twelve years as a federal district court judge—in addition to almost 25 years experience as an active trial lawyer. Why then do I fear patent cases and things that go "bump, in the night?"¹⁰⁸

The proposed system would also reduce the cost to litigants, for the same reasons. Court time is time the litigants must also

¹⁰⁵ Bazelon, *Coping With Technology Through the Legal Process*, 62 CORNELL L. REV. 817, 817 (1977) (footnote omitted).

¹⁰⁶ *Id.* at 822.

¹⁰⁷ See R. CHOATE, *supra* note 5, at 602. The specialized judges of the C.C.P.A. would not only expedite suits with their technical expertise, but they would also bring perspective to their judgments based on experience. This is especially important in the patent field because cases often turn on the characterization of facts, rather than on legal analysis.

¹⁰⁸ Marovitz, *Patent Cases in the District Courts—Who Should Hear Them?*, 58 J. PAT. OFF. SOC'Y 760, 761 (1976). Judge Marovitz sits on the busy United States District Court for the Northern District of Illinois. He continues:

[W]hen I drew an antitrust case, a multi-defendant criminal case, or an involved securities case, I was unperturbed. Nevertheless, when I drew a patent case, to be perfectly honest, I was less than overjoyed. I envisioned inordinate amounts of trial time, mountains of documents, reams of testimony, countless mysterious diagrams, and endless verbal duels between experts who speak in a foreign tongue and write in an alien language. I was overcome by a feeling that I was being compelled to perform in a role for which I was dreadfully ill prepared, and to witness the judicial system operating at its poorest. I might venture to guess that these feelings are not unusual among patent-inexperienced judges in the federal judiciary.

Id. at 761-62.

invest, and preparation time is directly related to court time. Moreover, discovery costs would probably be more modest in patent office proceedings. Litigants often use discovery as a weapon to force unjust settlements. This would not be possible in the proposed administrative proceedings, as those proceedings would be brought long before any litigation of royalties. This would deter costly frivolous discovery. Also, the usual battle of the experts would be avoided by tapping Patent Office expertise.

The proposal would enhance the value of valid patents and destroy the utility of specious ones. It truly presumes that a patent is valid. A patentee need not defend his patent until an opposer convinces the Patent Office that there is good reason to question it.¹⁰⁹ Under the present system an infringer can force a patentee to settle for less than the value of his claim by raising patent invalidity as a defense and threatening an expensive trial. The proposal would block such threats by requiring prompt opposition and enforcing the requirement with a provision for assessing interim royalties against dilatory infringers.¹¹⁰ This change is particularly significant to the individual inventor whose resources may be limited.¹¹¹ The same provision would deter specious patent applications. Under the proposed system a weak patent would probably not go unopposed long enough to be a useful bluffing tool.

Finally, the proposed reorganization would allow Congress and the public to scrutinize the patent system more effectively. This may be its most important effect. Patent Office records catalogue patents without regard to whether the courts have been willing to award damages for their infringement. There is simply no way to tell what percentage of the issued patents are valid. Under the proposal the Office would void patents that failed to survive an opposition. Moreover, the C.C.P.A. would reverse it to

¹⁰⁹ See note 76 and accompanying text *supra*.

¹¹⁰ See note 67 and accompanying text *supra*.

¹¹¹ For example, the patent law system rewards the first inventor to conceive of an idea provided he exercises "due diligence" in reducing the idea to practice and filing an application for a patent. *Mason v. Hepburn*, 13 App. D.C. 86 (1898); 35 U.S.C. § 102(g) (1976). A first-to-file system would reward an institutional inventor who could complete an idea and bring it to the Patent Office before an individual inventor with limited resources who had invented it first. See generally R. CHOATE, *supra* note 5, at 142-51; Moffit, *Is a First-To-File Patent System Constitutional?*, 50 J. PAT. OFF. SOC'Y 754 (1968). Canada and the Philippines appear to have the only other patent systems with the first-to-conceive rule. See R. CHOATE, *supra* note 5, at 150. This unusual burden is tolerated in our system because of a commitment to the small inventor. The same concern should dictate that the patent system provide him with a remedy regardless of his ability to pay for patent litigation.

void the patent at issue. Thus, Patent Office files would reflect the actual status of patents, which would make the system more susceptible to political supervision. Centralization of patent adjudication would also promote scrutiny. The public cannot focus on the law in its current fragmented state. Reorganization would encourage Congress and the public to participate in defining the policy of the patent system.

C. *Objections to the Proposal*

The discussion of this proposal for changing present patent law practice would be incomplete without consideration of some of the foremost concerns such a proposal might raise. This Article will examine three of these: (1) concern that there will be excessive delays during decisionmaking and appeals; (2) concern that the additional responsibility will overload the Patent Office; and (3) concern that the Patent Office will look too favorably on patent applications.

1. *Delay*

The proposal is less likely to cause delays than the present system, for a number of reasons. First, it limits the time that the Patent Office has to act on an opposition, and the time the patentee has to come to the defense of his patent once it is declared tentatively invalid. Second, the Patent Office can give its full attention to patent litigation. The district courts must find time for patent suits in between other more pressing cases.¹¹² Third, the interim royalty provision forces prompt action by infringers. Finally, if delays did occur, opposers would have the option of seeking judicial determination in the C.C.P.A. after a short statutory period.¹¹³

The possibility that the proposed system could result in delays does not render it unserviceable. The present system causes greater delays without generating any certainty as to patent validity. The delays and costs of full civil trials and appeals are the yardstick by which the proposal must be measured.

2. *Overloading the Patent Office*

The Patent Office has significantly decreased its backlog of

¹¹² For example, the district courts must deal with criminal cases first.

¹¹³ See note 75 and accompanying text *supra*.

cases over the last several years.¹¹⁴ Moreover, the Patent Office could consider an opposition with a minimum expenditure of man-hours by assigning an examiner to it who is already familiar with the kind of issues it presents. Some additions to the existing staff of the Patent Office would be necessary, but this cost should be small compared to the funds saved by the decrease in the judicial caseload. Finally, by deterring the filing of specious patent applications, the proposed procedure may save the Patent Office untold man-hours.

3. Patent Office Leniency

A great debate rages in patent circles over whether the Patent Office is too lenient or the courts are too strict in deciding on the patentability of inventions. Since patent law is the product of isolated and scattered decisions of a variety of courts applying differing standards, it is difficult to say with any certainty where the law stands.¹¹⁵ In any event, the debate seems to assume that *either* the Patent Office is too lenient *or* the courts are too strict. In fact, both are probably true. As Mr. Justice Jackson stated, dissenting in *Jungerson v. Ostby & Barton Co.*:¹¹⁶

I doubt that the remedy for such Patent Office passion for granting patents is an equally strong passion in this Court for striking them down so that the only patent that is valid is one which this Court has not been able to get it hands on.¹¹⁷

It can hardly be denied that the Patent Office allows many doubtful patents. This is so, however, because of the peculiar role that the Patent Office presently plays. The Patent Office does not actually *decide* the validity of patents; it merely initiates them into the system, acting only as a filter. A recent article by former Commissioner of Patents Brenner displays the attitude that it is not for the Patent Office to settle the validity of patents

¹¹⁴ Compare Brenner, *Patent Law Revision—How Much Do We Really Need?*, 58 J. PAT. OFF. SOC'Y 306 (1976) with *Graham v. John Deere Co.*, 389 U.S. 1, 18 (1966). In *Graham* the Supreme Court sympathized with the Patent Office's caseload—100,000 applications a year and a backlog of over 200,000 applications in 1965. Unfortunately, the Office's backlog has begun to swell again, largely due to budget cutbacks. "About 10,000 examined applications are awaiting action; a year ago the backlog was close to 1,000." N.Y. Times, Oct. 6, 1979, at 38, col. 1.

¹¹⁵ In any event, less than one percent of all patents are ever litigated. Abramson, *Should the U.S. Adopt A Re-examination System*, 52 J. PAT. OFF. SOC'Y 406, 409-10 (1970).

¹¹⁶ 335 U.S. 560 (1949).

¹¹⁷ *Id.* at 572. Compare Fortas, *supra* note 38, with Note, *supra* note 12, 1978 WIS. L. REV. 1155.

in what he calls "the grey area"—the unclear cases. Since the system at present leaves the issue to the courts, the Patent Office may feel that any patent that might be upheld should be "given a chance." Otherwise it would be depriving the courts of an opportunity to set forth the law on such cases. Since the courts have the added input of an adversary, the true test of patent validity is to be conducted there.¹¹⁸ Also, since the courts do not appear to take a consistent line, it may well be impossible for the Patent Office to 'follow' judicial decisions on patents. Under the proposed system, none of these considerations would restrain the Patent Office. Moreover, the Patent Office would have to face constant reversals if it were to maintain too lenient a position.¹¹⁹

The proposal would also remove another impetus for careless Patent Office action:

The Patent Office system encourages the granting of patents even under circumstances where the expert Examiner does not believe invention exists. The Patent Examiner is and for many years has been rated based upon "dispositions," i.e., cases of which he has disposed; generally this yardstick of his performance does not take into consideration factors such as the

¹¹⁸ See Brenner, *Patent Law Revision—How Much Do We Really Need?*, 58 J. PAT. OFF. SOC'Y 306 (1976). This suggestion is from the tone throughout the article. One illustrative example from which the reader may find such an attitude is as follows:

The charge that there is a major problem with the patent system because approximately half of the litigated patents are held invalid is misleading, it is submitted, since it really is no more a problem than exists in any other field of law. More particularly, our country is always going to have litigation in contested cases and some of these cases will be won by the plaintiffs and some will be won by the defendants. Further, patent quality is not "perfect" and never will be, at least as long as human beings are involved in the process of filing, prosecuting, searching, examining and adjudicating patents. Judgments of reasonable people can and do differ. Also, usually only the doubtful or "grey area" patents reach trial and adjudication.

Further, there are those who would erroneously try to extrapolate the patent litigation statistics in an attempt to contend that half of the patents issued by the U.S. Patent Office may be invalid. This is clearly in error and is somewhat akin to the illogical conclusion that because, say 50% of criminal defendants are found guilty, therefore 50% of the citizens of our country are criminals.

Id. at 311-12. Such calm acceptance of judicial invalidation indicates a low expectation of finality. By way of contrast, a district judge who is overruled in 50% of his appealed cases would be far more concerned.

¹¹⁹ The proposal would also make the C.C.P.A. less likely to look too favorably upon patents. A central intermediate appellate court would be the Supreme Court's sole focus when it turned its attention to patent law. The author is not aware that any writer has ever accused the Supreme Court of looking too favorably upon patents.

time which the Examiner has spent, nor the correctness of his decisions in a given case. Thus in face of an obviously persistent, albeit "wrong" applicant seeking a patent, a Patent Examiner is in effect, encouraged to allow a patent, rather than to finally reject it. The allowance results in a "disposition"; any other course of action results in an appeal—not a disposition. In the case of an appeal, the Examiner, in response to the applicant's brief, is required to file an Examiner's Answer—often a time-consuming task—and since it is a non-"disposition," in his view, a thankless task. Is it any wonder that many Examiners adopt the attitude of "not bucking the system"; if "invention" or lack of it is a matter of *some* judgment (and surely all would agree that it is), then why not in a close case, (or one somewhat close) give the applicant the benefit of the doubt, get a disposition by allowance and go on to the next case, thus increasing the Examiner's production on performance.¹²⁰

Under the proposed system, on the other hand, the examiner's allowance of a patent could be reversed, and he would then be called to defend in a later opposition appeal. Thus, the path of least resistance would no longer be safe.¹²¹

CONCLUSION

The costs that the present patent system imposes are prohibitive. Its fragmented, inconsistent adjudication promotes forum shopping, which adds to the regrettable image of American justice as a procedural plaything of lawyers who have forgotten the essence of the game. It also commits the decision of complex technical patent cases to inexpert judges.

The benefits of this proposal consist largely of curing these

¹²⁰ Horn & Epstein, *supra* note 23, at 139-40.

¹²¹ In response to this problem, Horn and Epstein suggest the possibility of a post-issuance opposition procedure but fail to elaborate.

Consideration should be given to the President's Patent Reform Commission in 1968 recommendations, that oppositions be permitted to would-be patents somewhat similar to the Dutch and German systems. It is not suggested that either of those systems should in toto be adopted by the U.S., but serious thought ought to be given to having some sort of input by the industry prior to issue. Such a procedure has long been in effect under the trademark laws in the United States and successfully administered by the Patent Office where there is not only an opposition proceeding procedure before issue, but a proceeding possibility available to cancel the trademark after issue.

Id. at 142.

failings. It provides for centralized decisionmaking in an expert forum. By decreasing costs to litigants it should enhance the value of a patent and equalize the individual inventor with his corporate counterpart. Finally, Congress and the public could scrutinize the proposed system effectively. Patents of doubtful validity would no longer cloud the Patent Office records indefinitely. The single forum hearing patent cases could develop a coherent policy which would be visible and thus subject to public criticism. These benefits far outweigh any disadvantages the proposed system might have.

The present system, on the other hand, must be judged by its ability to accomplish the goals for which it was created:

[P]eople certainly have to be persuaded that they stand to get something from the system if they use it. The chance of getting the economic reward it holds out is so remote in both time and probability that people have to have something akin to a religious belief in it or the system won't work at all.¹²²

¹²² Rich, *supra* note 28, at 697. Compare Markey, *supra* note 5, at 5 (from speech before European Study Conference held in London, January 25, 1977). The speech purports to be optimistic about the state of the American patent law system:

The current ferment surrounding massive legislative proposals for total overhaul of our patent system may well shake down into limited, but solid, long range improvement.

Like the referees in boxing rings, judges must be neutral, favoring neither boxer. Hence, I will have no comment pro or con any current proposal for change in the system. Charged with the duty of interpreting and applying statutory law after it is established, judges have no role in writing the statutes and, unless requested by the Congress, no say in what the statutory law should be. It is, on the other hand, perfectly proper, and perhaps useful, for a judge to clear the existing legal air occasionally, to bring a little perspective to the dialogue.

You may have heard recently what happened when the college girl wrote her parents saying that she was living with a boy without benefit of clergy, that she was pregnant, that she had flunked math, that she had been suspended from school and was about to be expelled. At the bottom of her letter appeared this P.S.—“Dear Folks, I am not living with a boy, I am not pregnant, I am not suspended and I am not about to be expelled, but I did flunk math. I just wanted you to have things in perspective.”

The first thing to realize, in gaining a perspective on what appears to be a current disenchantment with the patent system in the U.S. is that the controversy is not new. . . .

With that incredible “perspective” in mind (it would appear that Chief Judge Markey is prepared to concede that the patent law system has “flunked math,” so to speak . . .) he concluded his remarks:

When all is said and done, if I were standing on the steps of the United States Patent and Trademark Office and an inventor, foreign or domestic, approached me, I would say to that inventor, “Jump in. The water's fine!”

