Fourth Biennial Patent System Major Problems Conference Saturday, May 22, 1993

Transcript

"PTO AS INDEPENDENT GOVERNMENT CORPORATION"

MR. WAMSLEY: I don't know if there's any way to make this as exciting as prior user rights, but I'll take a shot at it. I want to assure Judge Lourie and Francis Gurry from the World Intellectual Property Organization that I am not proposing to reform their branches of government. The judiciary and international organizations function much more effectively than the executive branch of the United States government. The PTO as an independent government corporation - this is an idea that's been around for a while. This is not as much a legal topic as it is public administration. It has to do with reinventing the Patent and Trademark Office. It is a proposal to reform the administrative machinery and the management structure of the PTO. The concept is to change the PTO into an organization that operates more like your company or law firm. I believe most of you would agree that companies and law firms function more effectively than the PTO. The proposal would give the PTO statutory authority similar to that of government entities called government corporations, which include the Tennessee Valley Authority, the Federal Deposit Insurance Corporation, and Federal Prison Industries. Many of these agencies are not subject to all the regular rules of the federal civil service system. There is no existing government, on the other hand, that is a perfect model for the PTO. The PTO has a unique set of problems. We're talking about inventing a new structure for the Patent and Trademark Office.

MR. RINES: Not like the Post Office.

MR. WAMSLEY: People always bring up the Post Office. The Post Office is not a good example of a government corporation. It is in a labor management straight-jacket and has a lot of bureaucracy. You have three items in the handouts: (1) a draft bill which shows one possible set of amendments to Title 35; (2) a very good report by the American Intellectual Property Law Association; and (3) a report by the National Academy of Public Administration. The National Academy report concludes that the Patent and Trademark Office is suited for government corporation status because it's self-sustaining from fees and it has to vary the amount of work it does depending on market

forces. For those kind of government entities, sometimes the U.S. Congress has been willing to make some exceptions to the regular rules.

Why are people taking about doing this? Two surveys by the AIPLA have shown deficiencies in the quality of patent examination and clerical services. Many people are concerned about sharply rising fees in the last few years.Under current law the Patent and Trademark Office lacks ability to make large capital expenditures for automation and new buildings without paying for it up front with a massive increase in fees. Finally, I think it's fair to say that many people perceive a general lack of responsiveness of the PTO to its customers and the general public.

Now, I will mention a few of the features in the draft bill. The draft bill would remove the Patent and Trademark Office from the Department of Commerce and make it an independent agency. One obvious benefit of that would be to remove several layers of review and unnecessary employees. This particular draft bill sets by statute the annual compensation of the U.S. Commissioner of Patents and Trademarks at $300,000 a year, and the compensation for the Deputy at $200,000 a year. It provides for appointment of the Commissioner and the Deputy for six year terms by the President of the United States, removable for cause. It also provides some authority for paying higher government salaries than the regular schedule for certain employees of the office. The bill would remove the PTO from under the General Services Administration and give the PTO authority to manage its office space and build new buildings. The bill removes some of the controls of OMB over the PTO and gives the PTO greater flexibility to contract for services. There are many functions of the PTO that could be contracted out. In some cases the savings from contracting for services could be substantial. The bill also authorizes the PTO to establish its own personnel system. It gives the PTO substantially more flexibility in hiring and firing employees. The present bill, however, would not permit negotiation over wages, and would not allow strikes by employees. The Patent and Trademark Office would be able to issue bonds to the extent of a few $100. This borrowing authority could be used to pay for the capital expenditures of automation, now costing about a $100 a year. The automation program primarily will be of benefit in the future, but users of PTO services are paying for it now. The PTO also could borrow to build buildings and could borrow to restructure the patent fee system. Many people think the front end fees in the United States - the filing and issue fees - are too high. In other countries more of the money is raised from maintenance fees. If you want to convert to that kind of system, however, you have to come up with some cash, because you're going to have a temporary revenue shortfall if you lower the front end fees and raise the back end fees. The bill would enable the PTO to cover the revenue shortfall with borrowed money.

Finally, the bill provides for an eighteen member Patent and Trademark Office Management Advisory Board with members appointed by the President of the United States for six year terms. This board would have a significantly stronger voice than any government advisory committee I know. It would have its own staff. It would set its own agenda. It would make annual reports to the Congress and the President. It would have access to information that's not available to the public today concerning budget

plans and the like. The Management Advisory Committee would not be a board of directors. It would not have authority to hire or fire the Commissioner.

During this conference you ought to talk about the concept of reinventing ... restructuring the Patent and Trademark Office. Is it a worthwhile concept? Can the executive branch of the government be improved or is it hopeless? If it's not hopeless, then how should it be structured? Based on your experience with law firms and companies, what is it that makes your organization more efficient than the Patent and Trademark Office?

In Washington the climate is more favorable for government reform now than it has been in my memory. An advisor to President Clinton, David Osborne, wrote a book called Reinventing Government. It was on the best seller lists for a while. David Osborne is now advising Vice President Gore. They're studying possibilities for major improvements in government. If someone can tell them how best to improve the Patent and Trademark Office, maybe they'll do it.

MR. MACKEY: I believe I understood in skimming through some of the materials on this proposal and in speaking with Herb Wamsley earlier this afternoon that in my view, one of the great concerns with this proposal is that it is not at all clear that a new corporation can set up a system that will not carry with it all of the personnel problems that the Patent Office is now facing, both from the point of view of unions and the point of view of flexibility in handling employment and employees. The second comment that occurs to me is this: That I, for the first time, focused on the attractiveness of this proposal for the Clinton Administration in that it provides a vehicle for off-balance sheet borrowing, which reduces the fees, which is an attractive thing. But it also permits more off-balance sheet borrowing by the Administration through the vehicle of borrowing by the individual corporation. I question that this is desirable. Thank you.

MR. ARMITAGE: No matter how skeptical one might be about this proposal, it cannot conceivably make the situation we now face any worse and that alone may be its greatest merit. Currently, the Patent Office pays all of its own expenses out of its fee income. The Patent Office and the people who support the Patent Office in the Congress and in the user community, are so unable to lobby effectively that we now don't even keep all the money we raise in fees. Some of our patent fees go back to help reduce the federal deficit. We also know that there is no way anyone in this room can affect what the Commissioner decides to do on many of the major policy initiatives in the office. Herb Wamsley, Dick Witte and I had a chance to talk to Harry Manbeck the last time major increases in patent fees were proposed. Harry gave us the full documentation for these fee increases that went to the U.S. Congress. I was a couple hundred pages of text ' and numbers, actually mostly numbers. When you carefully analyzed everything that the Patent Office gave to the Congress, you came to only one conclusion: no matter what the Patent Office faced, it would cost more. If assumed applications filing rates went down, the Patent Office became less efficient and, therefore, had to charge more per application.

If application filing rates went up, the incremental costs went up even more and the Patent Office needed to charge higher fees. It was the most unbelievable, inscrutable document you can imagine and yet, this is the only document that Congress saw and this is the only document anyone in the user community was able to see. We know that the $400 million automation program, or now $500 million automation program if you count this fiscal year's expenditures, has not been handled in a way that anyone in business would consider to be economically justified, cost effective, even rational. We know that the Patent Office's own cost justification figures suggest that they're doing this program exactly and precisely backward. In other words, they are first doing the things that they believe will cause no gains in productivity and, in fact, may cause retrograde decreases in productivity. Only now, only as we speak, only during this fiscal year, are they beginning to spend a few million dollars a year on that part of the program that they project will yield all the financial return to the Office. Yet, over the last two years when this issue was raised with the Commissioner, the Commissioner has simply said this is the way we're going to do automation, something that no president of a company could ever take to his board of directors and survive a single board meeting. I can only conclude that, even if government corporation status is not a panacea, things couldn't possibly be any worse in terms of Patent Office management, fiscal and otherwise, than they are now.

MR. GRISWOLD: Yeah, well, the thing that makes most companies and law firms work is their customers. If they don't do a good job the customers walk and go somewhere else because they have alternatives. So a vision of harmonization is to have a cost effective, uniform, predictable and forgiving global patent procurement system responding to the full spectrum of inventors and patent owners. That means that if we get the same set of rules, eventually the prices will go down, we'll give full faith and credit to the operations of other patent offices and we can have most of the work done in one place. That's the long term and already we're doing some of that. That's the kind of thing Dr. Bishop wants, an inexpensive system to work under so you can get global patent protection easily and predictably. But in the near term, I think we have to have something that does somehow correspond to the needs of the customers and perhaps the government corporation is the way to do it with the eighteen person board, having enough pay for the Commissioner to put somebody in there that would respond to $300 thousand. Without heavy input from an advisory group and a true willingness to listen to the customers, without having the opportunity that we all have in business to have customers go somewhere else, we're going to continue to have the same problems we have now.

MS. SHAPER: Sue Shaper. I think the goal of reorganizing the management of the PTO so it's more efficient, cost effective and fiscally responsible, that's God, mother and country. Who could be against that? And then we have a plan, but here in the plan I've picked up two points. One point of it is borrowing and deficit financing and I sit there and say, is that fiscally responsible? And another point is adding another layer of management, an eighteen member board and then staff and I say, is that cost effective?

And what strikes me is that we're not management specialists. We don't pretend to be economists and we shouldn't pretend to be management specialists and in between or in addition to taking the goal and adopting a plan, this needs to be reviewed by management consultants to find out ... I can't imagine any operation the size of the PTO, any private corporation, daring this sort of radical reorganization without calling in some third party consultants to tell them whether their plan looks like it's going to work or not and if it's not, to perhaps propose some alternatives. That was my thought.

MR. WEGNER: First, and again I will say that I want to keep an open mind on this. I'm not in any advocacy mode and I think the papers you've provided and the management consultant reports you provided are very helpful and useful. Some of the questions that I have - first, we look at the Patent Office and you think of converting the Patent Office into the U.S. Postal Patent Service or whatever, with Cliff Claven as Commissioner. Are we taking the entire Patent Office, need we take the entire Patent Office? The automation mess, search operation, do we need to have this in a government patent office? So historically, it was necessary to have search files. It was necessary to have examiners do searches. Question: With electronic availability of patent files, can't inventors search themselves? Can't independent entrepreneurs, bonded entrepreneurs search? Can't we carve off a huge chunk of the Patent Office and spin it off like a bad investment? Secondly, and Gary Griswold pointed to what I have testified to as patent work sharing treaty, let's have one examination for global protection. Can't we carve out and eliminate examination of foreign based applications through a common treaty and where will that leave us? As a side comment, it sounds like we've had some bad leadership in the Patent Office. Well, I'd rather have the present system where the President can fire the Commissioner, than to have a system where the postal board or patent board can't fire the Commissioner and the third area is the needs of the customers, need be stressed. The customers will be patentees and patent applicants and I am pro-patent, butnot in every case necessarily pro-patentee. We need a reliable patent system and that doesn't always mean helping the patentee. There has to be some balance. What happens when we have the staff, this board has the staff, is it going to lobby Congress, are we creating a monster, a self-effectuating monster? Fourth, will this fly with the present administration? There are discussions about creating a patent, trademark and copyright office. I'm not saying I favor that either, but what will the reaction of the present administration be, how firmly fixed are the goals of the new Assistant Secretary? I don't know. I'm not privy to those goals. I will say that Mr. Lehman is a politically very savvy person. Maybe he'll have a little better chance in dealing with Congress. I don't know the answer to that, but I'd like to leave that open. So those are some general questions I have and want to put on the table. Thank you.

MR. BRUNET: Bill Brunet. I just wanted to mention that a few years ago I had been thinking of the idea of separating the search and the examination functions in a manner similar to what is being done in Europe. I was told, and I forget by whom, but somebody from Europe said that as a matter of fact the Europeans are thinking now that that is a very inefficient system; and they want to combine the search and examination. I had

thought possibly you could go into the Patent Office with a search and the Patent Office would just perform the quasi-judicial function of conducting an examination; and the investigative function of conducting the search could be done on the outside. I guess in theory it sounds fine but I've heard that that's not a workable process.

MR. BENSON: When all of these electronic experts and computer experts get through with the system, you're going to be able to input your invention in the computer and then punch search and it's going to come back and tell you whether or not you can get a patent.

MR. SHAW: I have a question on this. Are we talking about requiring the applicant to have a search made?

MR. BENSON: I don't think anybody was really addressing that.

MR. SHAW: I thought that that's what Brunet was saying.

MR. BENSON: Okay. You were talking about that?

MR. BRUNET: Yeah. To elaborate just for twenty seconds more, I think you should be given the option of either having the bonded searcher provide the search or a foreign searcher and coupled to all of this, of course, you'd have to have a strong re-examination or opposition system at the end.

MR. BENSON: For the important patents.

MR. BRUNET: Absolutely.

MR. GHOLZ: Under Rule 56, probably, right?

MR. PRAVEL: It just occurred to me that for the record, we at least ought to state that the American Bar Association Patent, Trademark, Copyright Section and now the Intellectual Property Law section, has voted in favor of resolution approving the corporation set-up, so I think that ought to be made part the of record. I know the AIPLA has a similar policy.

MR. ARMITAGE: Yes, I was assuming when I finished my comments the first time that I would get to do the affirmative case later on. Can I have a few more moments?

MR. BENSON: Sure.

MR. ARMITAGE: AIPLA obviously supports strongly all of the concepts that Herb outlined in the legislation. We will never, with the existing structure of the Patent Office, have a Commissioner who will get on top of the bureaucracy long enough to undertake institutional changes needed within the Patent Office. Given the mechanics of the way the Patent Office is organized and operated, I just think it is not in the cards. History bears that out. We've had Commissioners with short tenures and long tenures, you can use whatever example you want, but we know the current system just has not worked. We also know that we will never have quality examination in the Patent Office unless we decrease the turnover of examiners and improve the way they're trained and motivated and the way they're supervised. We simply don't have the flexibility to get into the guts of the examining corps and make the examiner's life better, given the way the priorities of the patent office are now set. If you think about the revolution in the average law office over the last decade, we have faxes, voice mail, computers on every desk and electronic mail. What do patent examiners have and what's happened to their officers over the last decade? It isn't as though relative to the business world they've kept up. Relative to the business world, they've gotten behind and they're going to get farther and farther behind because they don't have a management structure that is responsive to what I consider to be real world strategic planning. If you go talk to examiners about their careers and their lives in the Patent Office, you find not a lot of people who are excited about being a patent examiner, encouraged about their future within the Office. Obviously a lot of them aren't staying around. You simply can't run an examination system without paying much more attention to people. How are you going to do this unless you do something really dramatic to the Patent Office and how many options are there for doing something really dramatic with the Patent Office? I'll go back to what I said initially - we don't have too much to lose. The Patent Office isn't getting better. The Patent Office isn't even, in many respects, treading water.

MR. THOMPSON: I was simply dreaming here, but I wanted to respond with that dream to a part of Bob's question. It struck me that there is perhaps one other option that we ought to be thinking of. As we give birth to the North American Free Trade Association which is generally conceded to be just the starting point in this hemisphere, a new opportunity is presented. That is, both the past administration and the present administration are working on linkages to include the rest of the South American countries at some more distant time in that kind of arrangement. We could be thinking about a regional office of the type that exists in Europe with the Western Hemisphere and my thought would be that like in Europe that it be an office in competition with the present office. I think that competition over there has made both offices ... has benefited both the EPO and the German Patent Office as more user oriented offices and we're on

the verge of having that kind of rationale. So perhaps there is another option that we should put on the table.

MR. BENSON: Bill, because about fifteen years ago I was on somewhat of Hal Wegner's kick and I said that eventually there's only going to be three patent offices in the world - the Russians, the Europeans and the Americans and I said that there's absolutely no economic justification for the Canadians to maintain a patent office because more than 90% of the patent applications that are filed in Canada are also filed in the United States. But I agree with you, the time will come with the increased capability of searching. The Europeans have already demonstrated this. The Europeans had, thirteen or fourteen examining offices twenty years ago? And what do you have now, one?

MR. BARDEHLE: The total we have in Europe, six or seven for the Germans, the Austrians and four Scandinavian patent offices.

MR. BENSON: But they don't really do a lot of searching.

MR. BARDEHLE: No, they don't do very much. The Scandinavians just rely on that what the other patent offices have already done, that's true. There is, a certain competition between the European and the German offices and this has a very positive aspect on both patent offices and this does not necessarily mean that they grant patents on everything. Sometimes they say so but that is not true because we have the second instance, the opposition in any case, so I think the competition has a stimulating effect for both patent offices, and we are happy that this is so because we fear if, for instance, the German Patent Office would disappear, and with it this competition effect, we would fear that some particular not very pleasant stipulations in the Rules of the European Patent Convention would be used more strictly against the applicant. There's a famous Rule 86/3 which stipulates that ... after the second office action, the applicant is only permitted to amend his claims a second time with the consent of the examiner. This is used not in the examination division so much but in the appeal level to some extent with a very disastrous effect because in opposition cases it leads automatically to the capital punishment of granted patents in which there would be still some patentable matter. The existing competition avoids definitely a too rigid use of that stipulation. So this is also an aspect of commercialization of the Patent Office. Another piece of information for you that might be interesting: The President of the EPO wishes to combine search and examination. That is a so-called "BEST-program", bringing examination and search together. I'm strictly against it because the examiner who did not make the search is more likely to have an objective view than the examiner who has made the search. It might be different in this country. I don't know. The President thinks that this would reduce the workload. I think that it's not quite true because search has to be made, examination has to be made and after the search is made and the first office action is done, there might be a need for a second office action. Then the examiner has to make a

study of the application again because he cannot remember everything that he has done one year ago. So I think there is not very much reduction, but the serious consequence could be that the separate search is the basis for time sharing between examining patent offices. If different searching authorities could exchange the searches, it would be also an advantage for your Patent Office where search and examination is done together. The examiner could take over searches from other searching authorities. That's why we also are in favor of maintaining the separation of search and examination.

MR. BENSON: Are we talking about the PTO as a corporation?

SPEAKER: I was going to respond to Bill's comment.

SPEAKER: How many of you agree with Herb and Bob who said, in effect, we ought to give her a go and try to set up and see whether or not we can't improve the system? How many agree? Okay, how many disagree? One, two, three, okay. That's four? Okay, four.

MR. SHAW: I just would suggest that IDEA cannot count hands.

MR. BENSON: What I'd like to do is just go around the room, and ask, "What's the most serious problem facing the patent system today?"

SPEAKER: The inability to do a really competent search.

SPEAKER: I think it's an ever present problem. The quality of searching is decreasing and the quality of examination is decreasing.

MR. WAMSLEY: The greatest problem facing the patent system today is the low quality and poor services and lack of responsiveness of the U.S. Patent and Trademark Office. You took the vote before I got to close, I did want to say that you can't attribute the problems of the PTO to bad management or bad people. The PTO has good people caught in a bad system. You may want to revolutionize what the Patent and Trademark Office is charged by law with doing. There were some good comments about that here today. Whatever kind of patent system you're going to have, however, you've got to have effective administration and management in the PTO. Competition in the PTO is one of the keys. The government corporation proposal would inject some competition. I think the proposal addresses the biggest problem facing the patent system in the United States today.

MR. BENSON: Is it a better system if you do what Hal and some of these other people suggested and make it a regional system?

MR. WAMSLEY: That's a different topic?

MR. BENSON: Okay. Sue?

MS. SHAPER: You said the patent system, I said cost and enforcement.

MR. BARDEHLE: Would you please repeat that question.

MR. BENSON: The question is simply what's the biggest problem in the United States patent system today.

MR. BARDEHLE: It's difficult for me to say as a foreigner here, but I have the feeling at least when I go into the Patent Office there are, with all due respect, there are too many people who move too slowly.

MR. BALMER: I agree with Chico. It's going to be the burgeoning prior art and there will be an inability to conduct prior art searches which are comprehensive.

MR. BENSON: You mean computerized searching isn't going to solve it.

MR. BALMER: You get little bites of information in computer searching. It's just like a presidential campaign. You make the decision on bites of information, not on the entire picture.

MR. WEGNER: In one word, it's personnel, the examining corps, the morale is poor, there's high turnover, legal training is virtually nonexistent. We could go on and on and I do have to say in response to Mr. Wamsley that the managers are responsible for some of the problems and I won't go into that right now, but if you'd like I could add about twenty pages single spaced to the record.

MR. HENNESSEY: Information management and the related question of increasing the quality of examination.

MR. BENSON: Francis, do you have an opinion?

MR. GURRY: Thank you, Bob. Yes, I'd like to express a personal opinion and one from an international perspective rather than addressing the U.S. system. I think the major problem is backlogs, backlogs of accumulated, unexamined applications. The problem that is causing for acquiring rights and the need that that raises to be able to assess the way in which there can be some rationalization of the search and examination process. To an extent, we can expect this problem to be aggravated in the future because the number of countries that are in existence increases almost daily; that is to say, there are now 185 member states of the United Nations, whereas there was a 150 merely two years ago and all of these independent states or a lot of them are taking the view that they have to have their own system, which is quite understandable, but they have to do their own examination, their own search and examination on respective applications. Some of these countries have a population of three million people in which skilled personnel is a scarce resource. Are they all going to set up independent search and examination systems, and how do we deal with that? The approach that we are taking certainly from WIPO is to recommend that they do not do substantive examination, that they grant titles and that they rely on the results that are coming out of other examining offices. And just perhaps one final comment to make - of course, it's easy to say rationalization of search and examination, but to put it into practice is a very difficult thing. We floated a proposal about two years ago for an idea of a super search under the PCT; that is a search that would cost more to obtain but it would be given the applicant the result of a search jointly sanctioned by the USPTO, the JPO and the EPO. The problems that were raised in the course of the discussions, the few discussions that did take place on that proposal, indicated that this is really a difficult area in which to start to achieve some agreement. Thank you.

MR. WITTE: I agree with Sue. I think the greatest problem is enforcement, but I'd go farther than just cost. It's the difficulty of enforcement. It does cost a lot, but you still have the Rule 56 problems, the best mode problems, and other problems that make it tough to enforce. I also agree with the quality thing, but to me that's secondary because if you have the resources, an applicant can make his own searches and make sure that he has a good record, but that isn't available to everybody.

DR. BISHOP: Probably the inability to execute an accurate search. I'm appalled when I read the status of the automated patent system, that it is where it is today. I think that may be indeed part of the reason why we're not running or can't produce an accurate search in the amount of time I'd expect one could. Maybe we should bid on a contract to update it.

MR. GOLDSTEIN: I would say the biggest problem in the Patent Office right now is that its driving force (i.e. quality of output and short pendency times) is contrary to the needs of its customers (i.e. strong defensible patents). It's a system which exults quantity over quality of work done.

MR. SHAW: I agree with many of the comments that have been made and I think the unevenness of the performance of the Patent Office is a problem and one of the things that happens in Europe that does happen in the United States, but not frequently enough, I think, is that the examiners there tend to work with the applicants at some point to try to get what the applicant deserves in a particular patent and I think that it's less adversarial in many respects and I think it would be helpful and useful to have more of that kind of thing in the United States.

MR. THOMPSON: Bill Thompson. Well, I agree with a lot of the points that have been made. I would simply choose to emphasize the need for international coherence consistent with what has been the real development of a global marketplace since World War II. We have fragmented rights, we have the prior art problems, we are approaching virtually a tower of Babel as more countries become industrially active and create ideas in different languages. Perhaps right at the top of that list is the language problem, which we somehow have to get our arms around at some point. Heinz is a far better spokesman on that issue than I am because he has a better pedestal. But if we were sitting here today trying to propose a system of fragmenting our system to 50 states or one for each judicial circuit, we'd say what a stupid idea that is. It's exactly contrary to where the market is going, but here we sit today with the market having become transnational, not only for large players but for small ones. We see the biotechs are instantly involved with development in Japan and England and Germany and the consumer electronic center of gravity has really moved to Japan and many start-ups in those areas. Everybody is aware and everybody is poking into every market. I think Milton Freidman said anybody can make anything any place from any base and sell it anywhere and that's the market we're in today. Thank you.

MR. PEGRAM: I would put a number of these comments together under an umbrella of what I would say is an issue of predictability. We have a problem with predictability, both in terms of what do you have when you get the patent - because of the searching problems - and being able to get your arms around the whole data, and also from the side of litigation. On the litigation side, I would mention two things - one is just simply the immense cost that becomes involved, both for patent owners and for people who become defendants. That has led us into some litigations which are simply brought for the purpose of harassment. Furthermore, I believe contrary to some of the comments that we should not necessarily have more mediation and more arbitration. Ninety to 95% of our cases are being settled. That involves some form of mediation or go-between. I'm going

to suggest to you an unusual thing. Maybe that's too high, because in order to be able to settle our cases we need to have the decision-making by the courts on the important issues. At this time, sometimes, when we have important issues, we can't afford to get them before the court and have the court decide them; therefore, we are not getting the precedents that help us resolve some of these issues ourselves.

MR. GRISWOLD: I spend a lot of energy worrying about enforcement and the cost and the timeliness of that, I think probably the most important thing from an overall business point of view is attaining this vision that I talked about earlier and that relates to this cost effective, uniform, predictable and forgiving global patent procurement system that responds to all sorts of inventors. We don't have that and I think we really need to have that to get the benefit and the level of invention we need because we do have a global environment. The competitors come from all over the world and you can't isolate yourself in the United States. You have to think globally. I think that's what we really need to put our energy on. If you have that, you'd probably get a lot of help on the other end, on the enforcement side.

MR. FIELD: I'll mention something that's been bothering me since the fees went up: The little guys, the small inventors. The prices go higher and higher and higher, and these guys are being squeezed out of the market. It seems to me, although I'm not sure that this is squarely within the "patent system", that they need better mechanisms for evaluating what they have and evaluating how much protection it merits.

If you've got something that is worth a half a million dollars, $15,000 to protect it is a good investment. The little guy frequently has absolutely no idea of what it's worth or any place to get such information (For example, see my booklet for independent inventors, "So You Have an Idea" (1992)).

MR. ARMITAGE: I think the biggest problem with the U.S. patent system today is that it disadvantages the small entity inventors in this country by virtue of the inherent complexity of U.S. patent law, coupled with the pervasive secrecy of the examination process, with the result that we're unnecessarily burdening innovation in this country with cost and uncertainties that shouldn't be there. Clearly what we need is to see our way to a patent system whose virtues are its simplicity, its certainty, its inexpensiveness and its promptness. Frankly the only way I see that happening, the only and maybe last great hope for that happening in our professional lifetimes, may well be the patent harmonization process.

MR. BRUNET: Bill Brunet. I echo the sentiments of the others who have said that expense is the biggest problem. I think it is both in obtaining patents and enforcing patents and defending against patents which are asserted against you. That's the easy one to identify. The other problem in my mind is that of claim interpretation. It's difficult to

advise your client whether or not your client's product is going to be held to be an infringement or not. This is because we do not have a well defined or well developed doctrine of equivalents.

MR. PRAVEL: Bill Pravel. I think Bill Brunet and I are on the same wavelength here. One of the things that I've noticed is that particularly with the smaller companies and the individual inventors that I've worked with for many years, they are shocked when it comes to the cost of filing foreign patent applications. Most of them accept the fees and costs for filing a U.S. application as being relatively reasonable and compared to the cost of filing the foreign applications that correspond to the U.S. cases, there's no difference... I mean, no comparison. I meant, the costs are astronomical for filing foreign applications. That's one of the reasons that in my experience, the harmonization at least provides the opportunity at some point in time perhaps to have that cost reduced. So that's why I have primarily favored it and I think that the experience also runs true with respect to corporations, even big corporations. I mean, the cost is just prohibitive when you have all this duplicative work that you have to do for the same invention to get worldwide protection and that's really what the companies want, individual small companies, individual smaller companies, and it's becoming more and more of a factor, little companies that come to us and say well, I have a possibility of some customers over in Russia. Well, my goodness, they're thinking when they have to pay $5,000, we'll say, for a U.S. application, that that's exorbitant to them. When you tell them well, maybe you're in the hundred thousand dollar number when you start talking about foreign patents, they just say forget it. So if we're going to provide the opportunity for worldwide type of protection, somehow or other we have to get that cost to the point where it is within the reach of some of these smaller companies and individuals. Thank you.

MR. EVANS: I can't disagree with anything that's been said. I would like to add that in the licensing area - as most of you know I'm involved in the Licensing Executives Society International. In this area the main thing that we look for is predictability, security, evenness of enforcement. These things seem to be lacking in one way or another in the patent system today, particularly in the U.S. The time, cost and complexity of litigation in the U.S. is, to me, the biggest problem. In licensing, certainty and timing are essential. As John Pegram points out, I think all these things are tied together. I'd like to see improvements in the overall system which would lead to more predictability and more stability in the U.S. patent system.

MR. CROOKS: Bob Crooks. Bob Armitage said it much better, but my principal concerns are the day-to-day concerns of dealing with the Patent and Trademark Office. My experience is that the examiners simply refuse to do their job. In the first place, you can't get any meaningful examination until after you pay two filing fees and even then you just get a bunch of form paragraphs printed out that are meaningless. It's very difficult to get the examiners to focus on what is actually claimed and apply a reference

in a way consistent with the rather clear decisions of the Court of Appeals for the Federal Circuit. They refuse to do it, and taking an appeal is not generally a feasible remedy for most clients in this part of the country where the costs and the delays are just not acceptable.

MR. BROOK: I certainly agree with all the comments around the table about the problems in litigation, but in terms of the most fundamental problem in the U.S. patent system and how it could be improved, in my viewpoint, we ought to start with any way we can think of to always demand that we get consistent, high-quality examination and I don't think we get high quality or consistent in many instances. Now, it seems to me before we have that, we're not really doing what the U.S. patent law, which is an examination system, demands and what we've set up a huge government bureaucracy to do. My observations on why it's true that we don't get a consistent, high-quality examination are that first of all it's a multi- faceted problem. You can't pin it on one reason. It certainly has a lot to do with the training of patent examiners. It certainly has a lot to do with how long they stay in the Patent Office so that they can get training. It has a lot to do with their inability to search and find the best prior art. My own impression of most patent examiners in the U.S. is that if they have the best prior art, if you put it before them, they will do a reasonable job more times than not, but more times than not they don't have the best prior art before them and I wouldn't be opposed personally to doing whatever we could, including making applicants for patents get some sort of search at a competent searching organization. I guess lastly it does have to do to some extent with just the person involved.

MR. MACKEY: Len Mackey. I have no reason to disagree with just about everything that has been said already. I think that I would highlight the predictability of patent protection, not only in this country, but worldwide in terms of trying to deal with a patent property and deal with your clients. Subsets of that which have already been mentioned are quality of the patent that is granted, the adequacy of the search facilities and the ability to do a good search job, the cost and difficulty of enforcement if you come to that, and certainly a fact that I alluded to earlier with respect to the U.S. Patent Office. I think it has a horrendous personnel problem. I'm not at all clear that this body can do much about it.

MR. JORDA: Did you notice how the speeches got longer and longer as we went around the table? Mine should be the longest, shouldn't it? The biggest problem in my mind facing the patent system is that we have a horse-and- buggy patent system. It goes back at least a 150 years when inventions were simple gadgets and there was no chemistry much less biotechnology and no electrical science, much less electronics and computer science, etc., etc. We ought to bring it into the twenty-first century. We should simplify it. We should modernize it. We need to internationalize it and if we do all that, we are going to improve the Patent and Trademark Office and its operations. No question about it. A few years ago at a John Marshall Program, I presented my vision of

what an ideal, perfect, modern patent system should be like. The fact is that our patent system served us well, no doubt about it. It was part of the infrastructure of the country from the very beginning and this is the way it should be. It is ironic that many developing countries as well as countries emerging from Communism, are legislating nowadays modern patent systems. If we did have a twenty-first century type patent system, all of the ills, deficiencies and problems that were mentioned around the table would be solved or reduced. As regards the problem of escalating expenses, which Bob Crooks alluded to, one used to be able to prosecute a case after final rejection. Now after final rejection one doesn't have that choice anymore. One has to refile and pay a second filing fee. In other words, the PTO are not only squeezing very, very high filing fees out of applicants, but they multiply them. They force one into filing continuation upon continuation to conclude prosecution. So there are a lot of general and specific problems.