FRANKLIN PIERCE LAW CENTER SECOND PATENT SYSTEM MAJOR PROBLEMS CONFERENCE THURSDAY, MARCH 23, 1989

INTRODUCTION
BY HOMER O. BLAIR

On March 23, 1989, Franklin Pierce Law Center, in cooperation with the Kenneth J. Germeshausen Center for the Law of Innovation and Entrepreneurship and the PTC Research Foundation, both of which are located at Franklin Pierce Law Center, held its second conference on the major problems of the patent system.

The conference attendees included faculty from Franklin Pierce Law Center and twenty-seven invited guests from the judiciary and the patent bar.

There were no prepared speeches. The purpose of the conference was to get the opinions of people experienced in the patent system as to what could be done to solve or alleviate what some see as major problems in the present U.S. patent system.

The attendees are set forth below:

ATTENDEES:

Dennis Allegretti, Esq.
Allegretti & Witcoff Ltd.
Chicago, IL

Rudolph J. Anderson, Jr., Esq.
Of Counsel
Fitzpatrick, Cella, Harper and Scinto
Stowe, VT

Donald W. Banner, Esq.
Banner, Birch, McKie & Beckett
Washington, DC

Professor Homer O. Blair
Franklin Pierce Law Center
Concord, NH

Judge William C. Conner
U.S. District Court
New York, NY

William H. Duffey, Esq.
General Patent Counsel
Monsanto Company
St. Louis, MO

Donald R. Dunner, Esq.
Finnegan, Henderson, Farabow, Garrett and Dunner
Washington, DC

Harold Einhorn, Esq.
General Attorney, Technology
Exxon Chemical Company
Linden, NJ

Professor Thomas G. Field, Jr.
Franklin Pierce Law Center
Concord, NH

Thomas E. Fisher, Esq.
Watts, Hoffmann, Fisher and Heinke
Cleveland, OH

Joseph M. Fitzpatrick, Esq.
Fitzpatrick, Cella, Harper and Scinto
New York, NY

Charles L. Gholz, Esq.
Oblon, Spivak, McClelland, Maier and Neustadt
Arlington, VA

Professor William Hennessey
Franklin Pierce Law Center
Concord, NH

Karl F. Jorda, Esq.
Corporate Patent Counsel
Ciba-Geigy Corporation
Ardsley, NY

William L. Keefauver, Esq.
Corporate Vice President, Law
AT&T
Berkeley Heights, NJ

Robert C. Kline, Esq.
Chief Patent Counsel
E. I. duPont deNemours & Co., Inc.
Wilmington, DE

Leonard B. Mackey, Esq.
Vice President, General Patent Counsel
International Tel & Tel Corporation
New York, NY

Chief Judge Howard T. Markey
U.S. Court of Appeals for the Federal Circuit
Washington, DC

Roy H. Massengill, Esq.
General Patent Counsel
Allied-Signal, Inc.
Morristown, NJ

Michael N. Meller, Esq.
Michael N. Meller & Associates
New York, NY

Judge Pauline Newman
U.S. Court of Appeals for the Federal Circuit
Washington, DC

Thomas I. O'Brien, Esq.
Chief Patent Counsel
Union Carbide Corporation
Danbury, CT

Robert T. Orner, Esq.
Vice President & Associate General Counsel — Intellectual Property
GTE Service Corporation
Stamford, CT

Donald J. Quigg, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks
U.S. Patent and Trademark Office
Washington, DC

President Robert Rines
Franklin Pierce Law Center
Concord, NH

Donald M. Sell, Esq.
Chief Patent Counsel
3M
St. Paul, MN

Professor Robert Shaw
Franklin Pierce Law Center
Concord, NH

Vic Siber, Esq.
Corporate Counsel, Staff Services
IBM Corporation
Purchase, NY

William S. Thompson, Esq.
Manager, Patent Department
Caterpillar, Inc.
Peoria, IL

Richard G. Waterman, Esq.
General Patent Counsel
Dow Chemical Company
Midland, MI

George W. Whitney, Esq.
Brumbaugh, Graves, Donahue & Raymond
New York, NY

Richard C. Witte, Esq.
Chief Patent Counsel
Proctor & Gamble Company
Cincinnati, OH

The attendees were also given, previous to the conference, copies of the following items*:

1) Agenda
2) Judge William C. Conner, "A Proposal for Quick and Inexpensive Resolution of Patent Controversies."
3) Judge William C. Conner, "A Supplement to the Proposal for Quick and Inexpensive Resolution of Patent Controversies."
4) Homer O. Blair, "Pre-Litigation Patent Dispute Resolver System."
5) Chief Judge Howard T. Markey, "On Simplifying Patent Trials" 116 F.R.D. 369 (1987).
6) Excerpt from *Constant v. Advanced Micro-Devices, Inc.*, 7 USPQ 2d 1057 at 1060 (Fed. Cir. 1988).
7) Reexamination Filing Data, U.S. Patent and Trademark Office, 2/28/89.

Second Patent System Major Problems Conference
Thursday, March 23, 1989

SUBJECT MATTER AGENDA

1) **Dispute Resolution**
   A. Judge Conner's Proposal
   B. FPLC Dispute Resolver Proposal

*Items 1, 2, 3, 4 and 7 are printed immediately hereinafter.

2) **Patent Trial Simplication**
   A. Bob Benson Suggestion #1 (Patent "Small Claims" Proposal)
   B. Bob Benson Suggestion #2 (Mandatory Reexamination)
   C. Judge Markey's Trial Simplication Proposal
3) **Dispute Resolution** (Continued)
   A. U.S. Government Patent Disputes

A PROPOSAL FOR QUICK AND INEXPENSIVE RESOLUTION OF PATENT CONTROVERSIES*

BY JUDGE WILLIAM C. CONNER**

When I was practicing patent law, I spent most of my time trying patent infringement actions, although in later years an increasing share was devoted to rendering opinions on infringement and validity. A client would send me a copy of a patent and its file history, the most relevant prior art and, where appropriate, a disclosure of a product, machine or process suspected or accused of infringement. I would study the materials and render a written opinion as to whether the patent was valid and/or infringed.

I see no reason wny a similar procedure could not be used *inter partes* to resolve patent controversies much more rapidly and economically than through the usual process of litigation. On agreement of the parties involved, the issues could be submitted to an independent patent attorney (the "judge") for binding decision. Each party would submit to the judge the documents and physical exhibits it believed relevant, together with affidavits setting forth any other material facts. No live testimony would be taken unless the judge found that the affidavits were in conflict as to critical facts. The parties would also submit written briefs in support of their respective contentions. There would be no oral argument and normally no need for in-person conferences. The judge would issue a tentative written opinion containing his findings of facts and conclusions of law and the parties would have a brief period to point out to the judge what they consider to be errors of fact or law in the decision before it became final and binding. The foregoing procedure would be set forth in a set of permanent Rules which would be incorporated by reference into a written agreement to arbitrate signed by the parties.

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*March 31, 1987.

**United States District Judge, Southern District of New York.

The judge's final decision would be enforceable in a United States District Court, like any other arbitration award, pursuant to 9 U.S.C. § 4. The court judgment would provide for an injunction where appropriate and for the payment of the judge's fees by the losing party as determined by the judge. The patent owner would waive any claim for damages for past infringement unless the parties agreed otherwise. The judgment and the underlying opinion would be binding only as between the parties, as provided in 35 U.S.C. § 294, and could not be cited in any proceeding involving other parties.

I envision a roster of available judges consisting of patent attorneys who have fully retired, since they would less likely be influenced by any expectation of getting future work from one of the parties and because their freedom from office overhead costs would make it possible for them to serve at relatively modest hourly rates (e.g. $100 an hour). They would take an oath to conform to the Code of Judicial Ethics and to follow, to the best of their ability, the applicable law as declared by the Court of Appeals for the Federal Circuit or, where that Court has not yet declared the law, the weight of opinion in other circuit courts.

I also envision a National Advisory Board consisting, for example, of the most recent past presidents of the APLA, the New York PTCLA and the Chicago PLA. The Board would maintain the roster of judges, set their uniform hourly compensation rates, consider and rule upon proposed changes in the Rules of Procedure, after adequate opportunity for public comment, and resolve controversies as to the application of the Rules which arise prior to the designation of a judge. Thereafter, the judge's rulings as to the application of the Rules would be binding for purposes of the specific matter concerned.

To select a judge for resolution of a particular controversy, the parties would exchange lists of at least three persons on the roster of judges who would be acceptable to them. If one person was on both lists, that person would become the judge. If two or more persons appeared on both lists, one of them would be chosen by lot. If no person appeared on both lists, and if neither party agreed to accept a person on the list of the other party, the Advisory Board would designate the judge.

I believe that the foregoing procedure would allow most controversies to be finally resolved within six months to a year, while a typical patent infringement action would still be in an early stage of discovery, and for a cost of less than a third of that of a federal court trial and appeal.

A SUPPLEMENT TO THE PROPOSAL FOR QUICK AND INEXPENSIVE RESOLUTION OF PATENT CONTROVERSIES

At the conference on major problems of the patent system held at Franklin Pierce Law Center on March 31, 1987, I submitted a memo-

randum proposing a modified form of arbitration using patent attorneys, preferably retired, selected from a roster of attorneys who had signified their availability to act as "judges" in such matters by registering with a committee to be established, for example, by the AIPLA. The committee would formulate a code of ethics for the judges, establish rules of procedure and mediate controversies.

Homer Blair had suggested that at the follow-up conference on March 23, 1989 I submit a supplemental memoradum fleshing out that proposal with greater detail. I am delighted to do so, because I share the belief, expressed by many others, that the delay and high cost of litigation is the most serious problem confronting the patent system.

Like conventional forms of arbitration, the system I propose would be based entirely upon the mutual consent of the parties. They would have a wide range of choice not only as to the procedure to be followed but also as to the effect of the judge's decision. For example, I envision that the governing committee would provide a list of alternatives including at least the following:

Effect of the Decision.

OPTION I. The decision would have no binding effect on either party, but would merely allow them to make better informed decisions as to their future actions, or serve as a catalyst and guide for settlement negotiations. As one example, if the judge ruled that the patent in controversy was valid and infringed, and the accused infringer decided to continue the activity in question notwithstanding the decision, this could form the basis of a charge of willful infringement in any subsequent litigation between the parties.

OPTION II. The decision would be treated as an arbitration award and the winning party could petition in a United States District Court for confirmation of the award under the Arbitration Act, 9 U.S.C. Judgment could be entered on the award by the court and, if appropriate, could include provisions for an injunction and damages, supporting such ancillary remedies as contempt, execution, and the like. Like any other arbitration award, the decision would not be reviewable by the court, except for a contention that the arbitrator had exceeded the agreed scope of his authority.

OPTION III. If an action for alleged infringement or for declaratory judgment of invalidity and/or non-infringement is filed before the parties have agreed to this alternative form of resolution of the controversy, they could file a joint motion asking the court to appoint one of the judges available under this system as a special master, pursuant to Rule 53, Fed. R. Civ. P. Under Rule 53(c), the special master is given "the power

to regulate all proceedings before him" and could thus follow any of the simplied procedures contemplated herein. Rule 53(e)(2) provides that the master's decision shall be accepted by the court "unless clearly erroneous." However, the parties could stipulate that the master's decision would become the decision of the court, leaving it unreviewable except on appeal to the Court of Appeals for the Federal Circuit. As still another alternative, the parties could agree that the decision would be binding without any review.

Procedure.

OPTION A. There would be no discovery from the opposing party. All evidence, except physical exhibits, would be submitted in written form (documentary exhibits and affidavits) in the usual order (the patent owner's case-in-chief first, followed by the accused infringer's case and the patent owner's rebuttal case). If there are conflicts in the evidence that cannot be otherwise resolved, the judge would have the option to require live testimony on the disputed issues to permit the evaluation of the conduct of the witnesses and the asking of questions by opposing counsel and by the judge. After the closing of evidence, briefs would be filed by counsel either in the usual order or by simultaneous exchange of main briefs followed by answering briefs. This would be by far the least expensive option, because it would involve little or no travel.

OPTION B. Same as Option A except that evidence would be submitted at a hearing before the judge, just as in a conventional arbitration.

OPTION C. Same as Option A except that discovery in the form of interrogatories and document requests would be permitted. Discovery disputes would be submitted to the judge in written form.

OPTION BC. A combination of Options B and C.

OPTION D. Full discovery as provided by the Federal Rules of Civil Procedure would be allowed. Evidence would be presented at a hearing before the judge. Although this option would be the most expensive one, it would still have a number of advantages over litigation in a federal district court: (1) accelerating the resolution of the controversy by avoiding court backlogs and delays in decision; (2) providing a judge experienced in patent law and preferably trained in the particular technology involved, and (3) thereby substantially reducing both the cost to the parties and the possibility of a decision based on a misunderstanding of the technology or a misapplication of the law.

Depending upon the nature of the controversy, the extent of their resources and their individual preferences, the parties may select any combination of the various "effect of decision" and "procedure" options

described above, or any modification thereof to which they can mutually agree. They may agree in advance that the judge's fee will be shared equally or that the losing party, as denominated by the judge, will pay all or a predetermined major percentage of the fee.

The use of a patent attorney who has retired from active practice has two substantial advantages: (1) the freedom from the burden of office overhead will allow the charging of lower hourly rates, so that the total cost will be kept below that of court litigation; and (2) the independence and objectivity of the judge will be preserved because there would be no expectation that the judge might ever be asked to perform legal services for or against either of the parties.

I do not expect my proposal to render court litigation of patent controversies obsolete; in many disputes, feelings run too high to allow agreement on alternate forms of resolution, no matter how much faster and cheaper they may be; indeed, a well-heeled litigant might not wish to give up the advantage it has over a less affluent adversary; an accused infringer may actually desire delay; and there will be understandable concern about the wisdom of trusting the resolution of such important matters to a new and unproven extra-judicial process. However, I am firmly convinced that ADR is the irresistible wave of the future, and I strongly urge the patent law associations to take a more active role in creating a structure for it and promoting its use and acceptance. The specific suggestions I have advanced are intended merely to initiate discussion. Undoubtedly, they will be refined before they are implemented. But the need is too great to procrastinate any longer.

William C. Conner
Dobbs Ferry, N.Y.
February 20, 1989

PRE-LITIGATION PATENT DISPUTE RESOLVER SYSTEM

BY HOMER O. BLAIR*

Background

The American dispute resolution systems in the courts and various alternative dispute resolution mechanisms are based on our U.S. adversarial system of law. Two parties present their positions, usually quite extreme, to a third party who either makes a decision or attempts to get the two parties together and work out a solution.

However, when we are attempting to make a decision in a number of other matters we use a different technique. For example, when a corporation is trying to decide whether or not to file a patent application on an invention disclosure: (1) the relevant market, (2) the company's plans for development of the invention and related technology, (3) the patentability of the invention, etc. are investigated in a non-adversarial context. A decision is reached after these items have been considered and analyzed.

This is also true when a lawyer is presented with a client's problem. The lawyer will investigate both the facts and the law of the situation and will then give advice to the client based on the lawyer's experience and investigation.

Would it not be appropriate to try such an investigation mechanism to attempt to resolve disputes in patent problems, and other problems?

While this mechanism might not work in all cases, such as in a tremendous patent conflict such as *Polaroid v. Kodak* where hundreds of millions of dollars and a fate of a large product line is at stake, it appears to be a system which might either help resolve disputes or reduce the area of controversy. However, it should be noted that IBM chose to resolve a multi-hundred million dollar dispute with a number of Japanese companies by a non-litigation technique (See Wall St. Journal, 11/3/88).

*Franklin Pierce Law Center.

Pre-Litigation Patent Dispute Resolver System

1. *Agreement to Use Dispute Resolver System*
   In our proposed system entities would agree, on a non-binding basis, to attempt in good faith to resolve patent disputes with others by means of this Pre-Litigation Patent Dispute Resolver system.

   Of course, any two parties could agree to submit their particular dispute to the system at any time. However, if it was known that an entity normally would agree to such a process it might help to reduce some initial litigation.

   This aspect of our system is similar to the "Corporate Policy Statement" provided by the Center for Public Resources, Inc. in New York.
2. *Administrator and Panel*
   Our system would involve an Administrator, who would maintain a list of names of available people who had the ability, capability and desire to act as a "Dispute Resolver." Two parties would apply to the Administrator who would select a Dispute Resolver from the available panel. Each party would be permitted to veto the selection twice. There are other mechanisms for selecting the Dispute Resolver, such as those proposed in Judge William Conner's proposal.

   The Resolver's fees and any other costs would be shared by the two parties.
3. *Initial Statement and Request for Information*
   Each party then submits an initial statement of its position to the Resolver, together with a request for information it wants the Dispute Resolver to obtain from the other party. The attorneys submitting these statements and requests for information personally certify, to the best of their knowledge, that all facts, opinions and requests are complete, factually correct and are made in good faith.
4. *Resolver Obtains Information on Resolver's Initiative*
   The Resolver asks each party for information that the Resolver wants to obtain. These requests may be based on:
   (a) the statements filed by each party and/or
   (b) the Resolver's experience and knowledge but are not limited thereto. The Resolver may ask questions and take actions on the Resolver's own initiative* without having to rely on one party asking questions of the other party.

The Resolver could disclose information found to either party and ask for further comments, questions, etc., to be submitted to the Resolver.

5. *Preliminary Opinion*
At the time the Resolver felt that sufficient information had been obtained, the Resolver would prepare a preliminary opinion.

Each party would have an opportunity to submit comments on the preliminary opinion to the Resolver.

6. *Final Opinion*
The Resolver would then prepare a final opinion.

7. *Post-Opinion Actions*
If the parties did not settle the dispute on the basis of the final opinion, they would be able to go to court. In each case the resolver's opinion would be submitted to the court but would not be binding on either party.

It is submitted that the time and cost involved would be much less than that of the present adversarial proceedings. If the panel of Resolvers was restricted to people of significant experience and capability, such as retired judges, patent litigators, etc., in many cases the Resolver's opinion would result in settlement of the dispute.

8. *Additional Comments*
In our adversarial proceedings, our present techniques of having the lawyers get information to the judge or other person by depositions, interrogatories, etc. are very time consuming and are slow, tedious and expensive. If the experienced and capable Resolver were able to dig into the matter, possibly in an analagous way to a lawyer digging into a problem of the lawyer's client, it would be much more effective, efficient and cheaper to investigate the situation and, in the case of an experienced Resolver, provide an opinion.

While this system will not solve all the dispute problems of the world, it would seem to be a technique which could be used in many cases to resolve disputes in a comparatively inexpensive and timely fashion.

9. *U.S. Government Patent Disputes*
A possible modification might be that the U.S. government could be convinced to agree to use such a Dispute Resolver technique in all cases where the U.S. government is a

defendant in a patent infringement suit. As you know, at present, the U.S. government administrative claim procedure is not effective and too large a percentage of infringement problems, where the government is alleged to be an infringer, must be resolved by court proceedings.

HOB/RUH/32
3/1/89

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UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

Reexamination Filing Data - February 28, 1989

1. Total requests filed since 7/1/81 1722

a. By patent owner	733	43%
b. By other member of public	972	56%
c. Commissioner ordered	17	1%

2. Number of filings by discipline

a. Chemical	615	36%
b. Electrical	511	30%
c. Mechanical	596	34%

3. Monthly Reexam Filings

Prior Six Mos.	No. of Filings
Sep. 1988	18
Oct. 1988	21
Nov. 1988	24
Dec. 1988	29
Jan. 1989	20
Feb. 1989	18

4. Annual Reexam Filings

Fiscal Year	Annual Filings	Fiscal Year	Annual Filings
1981 (3 mos.)	78	1989 (YTD)	112
1982	187	1989 (Projected)	(270)
1983	186		
1984	189		
1985	230		
1986	232		
1987	240		
1988	268		

5. Number known to be in litigation 394 23%

6. Total no. involved in interference 37 2%

7. Average age of patent 5.4 (years)

8. Age range of patents 0 days - 22.6 years

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(2)

9. Average no. of claims per request	15.0		
a. Low		1	
b. High		184	
10. Average no. of prior art citations	9.5		
a. Low		1	
b. High		201	
11. Reexam conducted by original examiner			
a. Total certificates issued	1018		
b. Yes (same examiner)		534	52%
c. No (different examiner)		484	48%
12. Decisions on determination of requests	1661		
a. No. granted	1410		85%
(1) by Examiner		1364	
(2) by Director (petition)		46	
b. No. denied	251		15%
(1) by Examiner		236	
(2) ordered vacated		15	
13. Analysis of Total Examiner Denials (Total no. includes initial denials reversed by Director) [12a(2) + 12b(1)]	282		
a. Requester identity			
(1) Patent owner requester		143	51%
(2) Third party requester		139	49%
b. Denial by original or different examiner			
(1) Original examiner		201	71%
(2) Different examiner		81	29%

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(3)

c. Initial denial reversed by Director 46

(1) Original examiner 36 78%
(2) Different examiner 10 22%

14. No. certificates issued 1018

15. Overall reexamination pendency
(Filing date to certificate issue date)
a. Average pendency 17.8 (mos.)
b. Median pendency 14.9 (mos.)

16. Reexam certificate claim status

a. Total certificates issued 1018

(1) No. with all claims confirmed 232 23%
(2) No. with all claims canceled 132 13% } 77%
(3) No. with claim changes 654 64% }

17. Reexam claim analysis

	Same Exmr.	Diff. Exmr.	Overall
All claims confirmed	22%	23%	23%
All claims canceled	13%	14%	13%
Certs w/claim changes	65%	63%	64%

	Owner Requester	3rd Party Requester	Comr. Init.	Overall
All claims confirmed	19%	26%	7%	23%
All claims canceled	9%	15% } 74%	29% } 93%	13%
Certs w/claim changes	72%	59% }	64% }	64%

TRANSCRIPT

Thursday, March 23, 1989

(9:05 a.m.)

MR. BLAIR: Good morning. A few brief words. You will find there are a number of microphones. I'm informed that you don't have to speak into a microphone; they will pick up what you say for the transcriber. These are not microphones that are going to amplify what we say. I'm sure all of us, being lawyers of some sort or another, can speak loud enough so the people at the tables and in the audience can hear.

This meeting will be transcribed. Don't worry too much about what you say, because you will have a chance to edit your comments. Hopefully you won't edit the substance; you'll just edit the syntax. I know I'll be editing my syntax.

I'd like to start out first by introducing Robert Rines, the President of Franklin Pierce Law Center, who's also the founder of our school. There aren't many patent lawyers that have founded a law school. Over the last 16 years or so Franklin Pierce has grown and become quite successful in the patent field, among others. Of course, most of the graduates of Franklin Pierce are not patent lawyers. I'm told that now a significant percentage of the lawyers in New Hampshire are Franklin Pierce Law Center graduates. We are the best law school in New Hampshire. We also happen to be the only law school in New Hampshire, but that's all right. Nobody else is anywhere near as good as we are.

So I'd like to introduce our President, Bob Rines, who has a few comments.

Bob?

MR. RINES: Thank you, Homer. For those of you that missed yesterday, we had a wonderful opportunity to honor our good friend on my left here, Judge Howard Markey, who has made such a substantial contribution, I think, to turning the United States around, at least to provide an opportunity to regain its former greatness, if we have the will.

This is, of course, the second conference of this type that Homer Blair, with his great wisdom and his great friendship for so much of the bar and bench in this country, has been able to put together. I hope it is not the last. Because, as I compare the last conference's pro-

ceedings with what we hope to do today, we seem to be zeroing in on some very good ideas, and ideas that may indeed be able to be translated into action for the betterment of the administration of the protection and utilization of the rights of technology in the United States and perhaps the world.

So it's with a great deal of pleasure and a great deal of humility, really, that I welcome you. As you look around, there is such a "Who's Who" of the important and influential practitioners in this field, of both bar and bench. The thing that delights me particularly is that we have representatives of the bench here who don't just do their job on the bench but are really concerned about the system and not timid about talking about change. And that again is, I think, a great beacon light to what our future can be, as I said a little earlier, if we have the will.

I want to congratulate Homer again. The only sad note is that Homer thinks he wants to retire. And I put quotes around the "thinks." He says he has a lot of things he wants to do, and he and his lovely wife are going to become Texans, I believe, in retirement. But I think from the pressure of our group here, if we can persuade him at least to keep one job, mainly to keep this an ongoing conference until we really do something, that you will have made a great contribution to Homer's future, to our future, and perhaps that of all of us concerned with patents.

So, welcome. And congratulations to you.

MR. BLAIR: Thanks, Bob. Many of the participants know each other; but for the benefit of the audience and the transcriber, I think each of us should say our name, where we're from, and our affiliation.

Don Dunner, will you start off?

MR. DUNNER: I'm Don Dunner. I'm with Finnegan, Henderson, from Washington, D.C.

MR. MACKEY: I'm Len Mackey. I'm with ITT Corporation, New York.

MR. SHAW: Bob Shaw, Franklin Pierce Law Center.

MR. WHITNEY: George Whitney; Brumbaugh, Graves, Donohue & Raymond in New York; soon to retire to the world of New Hampshire and an interest in the subject that we're talking about today.

MR. MASSENGILL: Roy Massengill; Allied-Signal Incorporated; Morristown, New Jersey.

JUDGE NEWMAN: I'm Pauline Newman; Court of Appeals for the Federal Circuit.

MR. ANDERSON: Rudy Anderson; Stowe, Vermont; of counsel to Fitzpatrick, Cella in New York, and former patent counsel of Merck and Monsanto.

MR. KEEFAUVER: I'm Bill Keefauver; AT & T now, but retiring the end of this month.
MR. FITZPATRICK: Joe Fitzpatrick; New York City; Fitzpatrick, Cella, Harper and Scinto.
MR. SELL: I'm Donald Sell; 3M. And I'm not retiring.
MR. WITTE: This is Dick Witte; Proctor & Gamble; Cincinnati, Ohio.
MR. QUIGG: Don Quigg; U.S. Patent & Trademark Office; Washington, D.C.
MR. JORDA: Karl Jorda; presently with Ciba-Geigy Corporation; Ardsley, New York; but soon to join the faculty of Franklin Pierce.
MR. BLAIR: Homer Blair; Franklin Pierce Law Center.
JUDGE MARKEY: Howard Markey; Court of Appeals for the Federal Circuit.
MR. RINES: Bob Rines, Franklin Pierce Law Center.
MR. KLINE: Bob Kline; Dupont Company; Wilmington, Delaware.
MR. WATERMAN: Dick Waterman; Dow Chemical; Midland, Michigan.
MR. GHOLZ: Chico Gholz; Oblon, Spivak; Arlington, Virginia.
MR. THOMPSON: Bill Thompson; Caterpillar; I'm going to stick around with Don and solve these problems.
MR. BANNER: Don Banner; Banner, Birch, McKie & Beckett in Washington, D.C.
MR. HENNESSEY: Bill Hennessey; Franklin Pierce Law Center.
JUDGE CONNER: William Conner; the U.S. District Court for the Southern District of New York.
MR. ORNER: Bob Orner; GTE; Stamford. And I'm going to stick around and create problems.
MR. FISHER: Tom Fisher; Watts, Hoffmann, Fisher & Heinke; Cleveland, Ohio.
MR. DUFFEY: Bill Duffey; Monsanto Company; St. Louis, Missouri.
MR. FIELD: Tom Field; Franklin Pierce.
MR. ALLEGRETTI: Dennis Allegretti; Allegretti & Witcoff, Chicago.
MR. EINHORN: Harold Einhorn; Exxon Chemical; Linden, New Jersey.
MR. MELLER: Mike Meller; Meller Associates in New York, and also Franklin Pierce Law Center.
MR. O'BRIEN: Tom O'Brien; Union Carbide; Danbury, Connecticut.
MR. SIBER: Vic Siber; IBM Corporation; Purchase, New York.
MR. BLAIR: Thank you.
MR. WHITNEY: Homer, could I take a gauntlet up for those of us that have talked about retiring? I don't think any of us are talking about not sticking around for the problems and discussions that we're having here.

MR. BLAIR: Fair enough. In the past we haven't had large numbers of people in intellectual property retiring to New Hampshire. We're very pleased that we're getting people like George Whitney up here and Bob Crooks from American Standard and Hugh Chapin and some other very good people. We're also very pleased that we have people like Dennis Allegretti, who is smart enough to have a son in Concord who's a lawyer, and this gives him a chance to visit his son once in a while. So we think it will work out quite well. We certainly plan to use the retirees in this area a lot, because I think their experience and background will be very useful to our students.

As you know, we are having no prepared speeches today. I wouldn't be surprised if we got an unprepared speech or two during the day. And we're going to operate under "Blair's Rules of Order," which means that if you want to speak, hold up your hand and I'll recognize you. This is to help the transcriber, because we want to make sure that we get all your comments down.

If someone makes a point and has a pretty good reason for it, I'd appreciate it if other people would not make the same point. Maybe they want to say they agree; that's fine. But if all of us around the table each say the same thing, I don't think the conference will move along very quickly.

I'd also prefer to have no one speak more than twice on any particular subject until everybody's had a chance to say what they want to say. If someone has comments then, they are welcome to make them.

There will be a morning break about 10:30. We'll have lunch about noon, a break in the afternoon, and then we will finish at 4:30. I will have my alarm watch set for that time. I realize there are a few of you that may have to leave a little early in order to make connections at the airport. That's fine; and when you have to leave, you have to leave.

The audience you see back there is primarily Franklin Pierce Law Center intellectual property students. Most of them are in our J.D. program. We also have ten people that are in our Master of Intellectual Property program, who are here for one year. They are from a variety of countries including Saudi Arabia, People's Republic of China, Japan, South Korea, Taiwan, and Tanzania. They are not only learning about law at Franklin Pierce, they're getting a chance to see you people and they're getting a chance to live in Concord, which frankly is a very good place to learn about the United States. I think it's much better than some of the large cities where you get lost in the shuffle.

So — as I mentioned earlier, we will try to speak so that both the transcriber and the audience can hear.

I'd like to start out with a few introductory comments. One comment I'd like to quote is from Judge Markey's article in the materials that you have. (On Simplifying Patent Trials, Howard T. Markey, 116 F.R.D. 369 (1987). I'm going to make a minor change in Judge Markey's comment by changing one of the words, but I don't think he'll object. He points out that, "Patent trials are perceived by courts as complex and by clients as costly. The complex-costly perception bids well to eliminate patent trials and may one day lead to out-of-court resolution of all patent disputes."

Then later he says, "Put another way, the simplifying of patent-dispute (resolution)," which I've substituted for "trial," ". . . is a duty of the bench and the bar that is today too often unmet."

Later he says, "If patent disputes are ever to be reduced in complexity and cost, however, the time has come to begin the work of simplification."

Now, we all know there are a number of alternative dispute-resolution systems available. Some of us have used these. There have been a lot of materials put out about ADR of different sorts. You have the various arbitration, mediation, rent-a-judge, mini-trial, etc. proceedings. We don't plan to discuss these known systems today; although I think it might be useful if anyone has suggestions on how to encourage people or to give incentives for people to use those systems more. There's still an awful lot of litigation. All of us in this room know that litigation gets more and more expensive as time goes on. I'm willing to predict the future and say it's not going to get any cheaper.

I also want to quote from Judge Conner's paper on page five, where Judge Conner says that, "The delay and the high cost of litigation is the most serious problem confronting the patent system." I agree with that.

I'd like to see if the conference today can come up with some incentives or develop any consensus for any of the schemes that will be discussed today. Our purpose is to see if we can find something that might be worthwhile — to move a little bit forward — what would make some of you more receptive to some kind of an alternative dispute resolution, to settle the matter more quickly, more cheaply, and in many cases not use up the resources of the various combatants by doing all the tests, research, depositions, etc.

I certainly don't expect to do away with all patent litigation. Patent litigation will be with us for many, many years; forever, probably. Certainly, when you have a situation like the *Polaroid v. Kodak* situation, where you have a significant product line that one party

is trying to eliminate and the other party is trying to retain, when there are hundreds of millions of dollars involved, most of the time you will end up in litigation.

I should note, however, your material mentions the very large settlement between IBM and Fujitsu, which was over 800 million dollars. That amount, even today, is a fair amount of money. So sometimes the large amounts can be worked out; but they can't always be worked out.

I want to mention, before we get into other things, a book I've been reading, which I have in a plain yellow wrapper at the moment. Occasionally I like to read spy novels for relaxation. I was reading this recently — and believe it or not, it isn't a put-up job. About a week ago, I got to the point about 300 pages along in the book where they got to the point I'd like to mention. I finished the book two nights ago. This is a book involving the CIA and the KGB and all kinds of spies and all the good things they like to do, trying to kill each other and so on.

In the first part of the book, the deputy director of the CIA has just shot and killed an American multi-millionaire in Georgia. He admits it. They put him in jail. But he isn't saying anything about why he killed the victim, who was very well known in the United States.

The main character in the book is a lawyer who is representing the killer. It turns out that his fees are being paid for by the CIA, but he's made it very clear to the CIA that his primary interest is in defending the defendant, not in doing things for the CIA. Apparently in the past at some time he had been in the intelligence field, but he'd been out practicing law for a number of years.

So you go along through the book for 300 pages. Finally, the lawyer gets in touch with some KGB people over in Europe. The lawyer keeps finding out little bits and pieces of information. It turns out that there's been a plot for the last 30 years where the Soviet Union is trying to bring about the downfall of the United States. The multi-millionaire is the person in the U.S. that's been really pushing the plot forward. His hundreds of millions of dollars have all been supplied over the years by the KGB. The Soviets have a number of businesses in different parts of the world, and a little percentage of all those businesses was going to this person as part of the Soviet plan.

The millionaire supported people running for office, particularly people running for legislatures and Congress. He would give them money. You might say, "Well, it looks like a plot where they're giving him money because these people are Soviet spies. When they get to the Congress, they're going to vote for things for the Soviets." Not true

at all. Or you might suspect, "Well, maybe what they're doing is getting people that are extremely conservative, way over on the radical right, and maybe there'll be a reaction against them, and so the Soviets might be able to get some mileage out of that." That's not true, either.

It turns out this person has been supporting both Republicans and Democrats. The money has been given with no strings attached. The recipients have one thing in common, and the book goes on for quite a while before you find out what this one common criterion is that all these people have, and which is what the Soviets feel will bring down the United States.

These people are all lawyers. The name of the book is *The Attorney Conspiracy* by C. Terry Cline, Jr., published by Fawcett Onset/Ballantine in 1984. Let me read a paragraph from page 326 of the book. The wife of the multi-millionaire, who has also been involved in this plot all the time, says, "I understand what I read in the *Federal Register,* Mr. Bacon. It is now over 10,000 pages a year of new regulations. Watch how it grows. And when it reaches 30,000, think of us. When it reaches 80,000 pages a year of new regulations, think of us. We did that. Every time we helped an attorney attain public office, we contributed to America's ultimate and inevitable downfall. It was a conspiracy of attorneys, a coalition of selfish men determined to do what attorneys do: complicate, regulate, extend every phase of the government, create a maze of gibberish. When you hear a politician mouth words that sound educated and informed, but which make no sense, he's a lawyer."

It's an interesting book, and I'm not necessarily touting it. As spy books go, it's not bad. It won't win any big prizes or anything. But I got through with my tax forms last week, and, you know, I wonder if maybe this is a real plot. Is the KGB financing the Congress so we can have all these complicated rules and regulations?

I don't think it's quite as bad in the patent-dispute business. But the next time you see a very complicated regulation coming out from the government, you might think of the KGB.

I'd like to start with some of the subject matter that you were given a few weeks ago. The first item I'd like to take up is Judge Conner's proposal, which you'll find on the first seven pages. I'm assuming that the people here have read this material. This material has also been passed out to those people in the audience, who I'm also assuming have read the material.

Therefore, I'd like to ask Judge Conner for a brief comment, and then I'd like to have anybody that wants to say something after that put up their hand, I'll recognize them, and we'll see how we go.

JUDGE CONNER: I don't have too much to add to what I've already put down. My original idea was a very simple one, and that is to have an inter partes expression of opinion by experienced patent attorneys who would, in effect, sit as judges in a very informal proceeding, receive from both sides written submissions, render an opinion in tentative form. After the two sides have expressed their comments on it, then he'd render a final opinion, and that could either be binding on the parties, subject to an agreement in advance; or it could be treated by them as purely advisory and form the basis of their making decisions as to what their respective companies would do, or it could be a catalyst for settlement negotiations.

Then, as I thought more and more about it, I decided that it was too simple, that a lot of people would not like it for that reason. And so I came in with my brief supplemental paper explaining modifications, each one of which made it a little more complicated, but perhaps a little more acceptable to companies who would be making decisions involving many millions of dollars of business and would like something a little more akin to a traditional lawsuit and trial.

But there are various levels of proceeding and also various levels of binding effect. And like ordering a Chinese dinner, you can take one from Column A and one from Column B in any combination. You can decide, for example, to have the very informal proceeding with everything submitted in writing: no oral arguments, no depositions, no discovery and have agreed in advance that this is going to be absolutely binding on the parties with no appeal. Or you can agree that it will be treated like an arbitration decision, and you can file under Title 9 of the U.S. Code to have it confirmed in the district court. And then once that's done, you could even appeal to the court of appeals for the federal circuit. But those appeals, of course, if it's under the Arbitration Act, would only be as to whether or not the arbitrator had exceeded the scope of authority that had been conferred on him by agreement. So you can really choose the type of procedure you want and you can choose the binding effect.

What I hoped to do was to induce the AIPLA or one of the other patent law groups to get interested in this and to propose rules that would implement these various options and provide procedure, also keep the roster of attorneys who were willing to perform this service as judges and mediate disputes that might arise concerning the procedures or the binding effect.

I think that something really must be done, because every month I hear news of a new way of increasing the cost of patent litigation. Last week I had dinner with a former law clerk, who was in charge

of a very, very big litigation out in California where Shell Oil was suing the insurance companies that had given it liability insurance. And they were claiming that there was coverage for the money they would have to spend to clear up waste-disposal sites. There were several billion dollars involved in the lawsuit, so no limit on the amount that could be spent in litigation.

And at the trial, the examination of every witness was videotaped, and the video tape was edited so that they could punch up on a video screen before the jury any part of the examination. So during cross-examination, they could punch up something the man had said on direct. You wouldn't have to quote or go back to the record: Here he was. And at final argument, they were prepared to show the inconsistencies between direct and cross — "Here's what Witness A said on direct, and here is he saying it. Now, here's what he said on cross," and here it was on a large projection screen, right in front of the jury. They could re-observe the demeanor of the witness and the way he floundered and the way he contradicted himself.

I asked, "That must have taken a lot of preparation." "Oh, yeah, it was a Hollywood production." They had three cameramen in the courtroom so they could have one focusing on the attorney, one on the witness, and one roving camera. They had to have a crew of editors to edit this and arrange so that they could immediately project on the screen any part of it by punching the appropriate button. So there was a crew of about six or seven there for the entire trial.

And every month, as I say, I hear of a new technique like that which just greatly increases the cost of litigation. And something really must be done so that smaller companies, and even individual patent owners are not completely frozen out of the process of justice.

There may be other suggestions. My suggestion is only meant to get discussions started. And it's certainly going to be subject to refinement. But I think something must be done, and done, I hope, promptly.

MR. BLAIR: I might make a comment for people in the audience that don't realize that Judge Conner is unique. As far as I know, he's the only patent lawyer that's been a U.S. District Court judge. So he's been a lawyer-litigator; he's also been a judge and seen litigation from the other side of the bench. When I was at Itek Corporation, and before Judge Conner became a judge, we used him for advice and for litigation. It's a real pleasure to deal with somebody to whom you can send information and who will go through it in a very reasonable time. Then we would meet with him and discuss the whole situation and get an excellent opinion. I was, frankly, not too enthused when he became a judge; because we'd lost a good outside counsel. You can't win them all, I guess.

The point is that he's been a trial lawyer, and was a very good trial lawyer, for a number of years. He's now been a judge for a number of years, so he's seen both sides. Patent lawyers have not had that opportunity to be a trial judge. So I think his comments should be given a lot of weight. I'd be interested in hearing some comments from others as to whether there are things they like about his idea, things they don't like, suggestions, improvements, or whatever. George?

MR. WHITNEY: I'd like to challenge the 13 corporate representatives, according to my rapid count looking down the list, that are here with respect to the subject we're talking about on alternative dispute resolution.

From what we see and the comments and proposals that have been made by Judge Conner, others, the formation of the committee Tom chairs in the P.T.C. section, the AIPLA is forming a committee on alternative dispute resolution, you've got the CPR business, you've got a lot of corporate people talking about the fact that this is a nice thing to do. We are either at or approaching a point that my colleague about three or four seats down on my left took a position opposite to mine, but he took it very successfully in the formation of something called the Federal Circuit Court of Appeals about 11 years ago or so that they — this is something that the time has come.

I think and believe that the time has come that we do something like this. But it's also tied in with something like re-examination. When I was president of the AIPLA, or then APLA, the proposals for re-examination were coming through, and Don Dunner was also on there. You had much strong support, with the driving force of Bob Benson and others in the corporate world saying, "We need — we must have re-examination. It is essential to keep the whole thing going." This came out of the presidential proposals and that sort of thing.

Look at what has happened since we've had re-examination. The world is not using the system. Most of the proponents have not bothered to put it to much use. Yes, there are some; but people are not doing it.

We have talked about the world of arbitration. We have had many panels. Many of us here have participated on those panels, looked in things. Many of us have been members of the arbitration panel of the triple A for decades. Many of us here have chaired arbitration panels in patent litigation. And the corporate world made a lot of noise about the fact of, "Yes, this is something we want." They have signed all sorts of agreements saying, "This is how we'll propose to do things." But when it comes down to fish or cut bait and to doing something, they don't use the system.

And today, with alternative dispute resolution, I think that it's something that can and should be done for reasons not only to supplement what Judge Conner said as to the need for this sort of thing, but the very backlog of time in the district courts with respect to getting to cases. I was being considered last fall with some other people to be a special master in a case down in Houston, Texas between two major Fortune 500 or 100 corporations who had a litigation pending for three or four years in the district court down in Houston. And they weren't able to get to that case. I can look around this table, and there are others who were also considered for that activity.

One of the things that comes up with arbitration, and with alternative dispute resolution is the idea of a special master. Do you, the corporate people, want special masters who are conversant with the technology? I was one of the ones, I was told, who was in the running toward the end; and the problem they had with me was the fact that I happen to be conversant with a fairly sophisticated technology and had been for the past 34 years. When I first started practicing, I got into that particular field. I happened to be involved in the representation of a major client in that field, not one of the parties to this litigation. The plaintiff's team wasn't bothered by that, even though they knew that I might well find against them at that point; but the defendant apparently was concerned because I might have pre-conceived ideas. Isn't that one of the things I read in Judge Conner's comments and in the comments of others, to the effect that "Let's get people who are conversant with, or have backgrounds that enable them to understand, sophisticated technology."

Those are just some of the problems that are there. But I think it is a challenge to the corporate world, in particular — and they're not the only ones that are involved in litigation, but they are major factors in the litigation — are you willing to gamble on these systems and actually support them? You did not with re-examination; you are not doing it with arbitration. You make lots of noise about the agreements of what you will do. But this is something that really can make sense. Are we going to do it? Maybe there are reasons why we don't. I, for one, would like to hear from our corporate world in that way.

MR. BLAIR: Len?

MR. MACKEY: Let me pick up your challenge, George. We dislike, in the corporate world, having to pay for trial counsel a great deal. If we can reach a settlement short of litigation, we're more than happy to do so.

Those circumstances where the parties are so much at odds that they end up in court, or with an exception I'll come to in just a moment, the prospects of agreeing on terms for alternate dispute resolution, whatever the mechanism, are very dim. Therefore, we've become quite skeptical about the benefits that can be realized from any of the dispute-resolution systems.

There also are some circumstances where you have an infringement, for example, of a trademark, and the only satisfactory resolution is an injunction. And I don't see how you're going to arbitrate that.

In short, I believe there are some circumstances where some of the dispute-resolution mechanisms will work. But those are the circumstances where the parties have not gotten themselves into court.

So my counterchallenge is: How do you solve a situation — a situation where you have parties at sufficient odds so you have to conclude the suit cannot be settled?

MR. BLAIR: Tom Fisher, you had a comment?

MR. FISHER: Yes. First, if we're gong to make ADR work, I think it has to start in this building and in the other law schools around the country. We've seen the growing generation of new lawyers who believe in the variant of the old story about if you have the law, argue the law; if you have the facts, argue the facts; if you don't have the law and the facts, just argue. There is a modern option: If you don't have the law or the facts, you attack the other lawyer.

There is, I think, a root problem that underlies the issues we're talking about. Dennis and I were talking about it this morning, about a time I went to see his late partner, Will Freeman, who said, "Does your actuator have a filled lubricant chamber?" "Well, why do you ask me?" "Well, that's the issue. That's what this patent's about. If you've got it, we've got a problem. And if you don't, I'm going home." The man leaned back in his chair and sort of looked at the ceiling and looked around and shook his head and just, "God, this is refreshing!"

Then Dennis goes on to point out you can't do that any more. With most lawyers, if I go in and say that, they won't believe me.

I think, first of all, we've got to start with the lawyers recognizing their duty is to the client and to the client's best interest. And if your duty is to your client and you're thinking of your client's best interest, in the years I've been in business practicing — it will be 39 years in June since I finished law school — I can still count the cases on one hand where I knew the facts, either because I was involved or because I was watching the case closely, that justified patent litigation. And there have been few times in the 35 or so years I've been in private

practice when I could count on one hand the active cases in which I was a counsel of record. Most of them should not have been tried.

I think we must look at imaginative ways to get the parties together, recognize their relative strengths and weaknesses to resolve a case short of litigation. It requires a great deal of imagination. You don't just go to the Center for Public Resources and say, "Well, here's a format; we'll follow it." Or you go to American Arbitration Association, you arbitrate according to their rules.

You take Judge Conner's or some variant or you start using some imagination about how can we resolve this particular conflict?

I've done 'em by saying, "Hey, I think you infringe." Maybe the guy agrees he infringes but says the claims are invalid and here's why. Now if I've got that problem, I'll tell you what I'm going to do, Homer Blair. I'm going to submit this to re-examination, and I will permit you to participate beyond what the rules allow, if you want. I'll let you write protests, I'll attach your papers as codicils to my briefs, I'll do whatever you want. We will re-examine. And if I come out of the re-examination with a claim your client's product infringes, you pay me. If I don't, you don't. I've done that four or five times, and the only time it didn't work is when the guy on the other side represented a company that got sold, the people that bought it said, "We wouldn't agree to such an idiot procedure." That was five years ago, and the lawsuit's still pending.

Bear in mind, in the same vein, that if you and your client want to submit to some form of alternate dispute resolution, then you put together a package plan that's fair and say, "Here's a way to do it." The lawyer on the other side should not block it, because that's often a problem. When I come back — I think a lot of the problems are the lawyers. There are a lot of other problems, but that's one of them. That lawyer, your opponent, has the duty to convey the offer to his clients. And you make damn sure he does it. And there are places to go if he won't.

We had an interference — I can think of two of them. People were talking on one of these programs I was at not too long ago about the cost of interferences. And I was saying that I — I've forgotten the number — but I had an estimate of how much I'd collected in fees over the years for interferences. One, we had a basic patent, a blocking patent — I don't know how basic; the other guy had an improvement. His client made the product; our client used the product. And we sat down and struck a deal which said, "We will assign our rights to you and we will submit this to arbitration." We named the arbiter and I — Dennis, I need your help — great old guy from Chicago who's the

expert on interferences — it's Dick something — he's about 80 now.

MR. DUNNER: Trexler.

MR. FISHER: Trexler. We agreed that Trexler would be the arbitrator. We struck a deal that said, "If they prevail, they pay us X, and they have all the rights. If we prevail on the count, they pay us X plus Y and Z, a percentage for what he's collecting."

Went to Dick Trexler and said, "Dick, we've hired you. You submit two bills: 50 percent to him, 50 percent to me. You get paid. You have the free run of both facilities with warning. But we want you to go out and talk to all the prospective witnesses. Here are our documents. You generate the facts to your own satisfaction and render a decision."

Dick very kindly found my inventor was first. Our total expenditures were — this is some years ago — our total expenditures, with a California and a Cleveland company and a Chicago lawyer, including travel expenses, were under $20,000. The entry fee they paid us and what my client's collected since was about a quarter of a million.

What's wrong with that? It's just a matter of working with the other lawyer and the other side and being imaginative about saying "How can we do it?" And if you find ADR satisfactory, look in the mirror, because maybe you aren't approaching it right.

MR. BLAIR: Dennis?

MR. ALLEGRETTI: Having been cited in several of Tom's footnotes, maybe I can pick up on what Len Mackey said.

In trying to explain to a business executive the factors to be weighed in determining whether or not to start a lawsuit and whether or not to vigorously defend a lawsuit rather than to attempt to resolve it, there are four principal areas that I generally emphasize.

The first, and most significant, is time. Time is very important, and it can be a very long time period once litigation is initiated.

The second is cost. And I know that's a principal concern for all of us, but I find it of the least consequence to the business executive who's making the decision. And I think that's because he comes out of a business school training where time-cost analysis is regularly and perpetually performed. And cost translates into other factors, and it turns out to be determined by what benefit or effect he gets from the cost he spends, not the amount of it.

The third factor is discovery and the burdens upon his people and himself and the revelation of the corporate files.

And the fourth, of course, is the uncertainties of a jury. And jury trials are becoming the rule rather than the exception in our field.

Now, in discussing this with the average business executive, I find that it's the foreign clients that are desperately concerned about

discovery, which is alien to their judicial procedure. They're terrified by the open books that we keep here and the jury, the uncertainty of a bias against a foreign party. And they're strongly influenced by those two factors and may very much want to seek alternate dispute resolution.

But my experience with the business executive is that discovery is not new to him. The great medieval patron saint of all patent trial lawyers is "Ethelred the Unready." Patent trial lawyers are never ready to try a case; they'll discover it forever. And he knows that; it's just part of the cost and part of the time. The jury? Well, that's an uncertainty factor, but what are the odds?

So he weighs all of these things, and he looks at what the recent events have been in litigation in our field. And perhaps the most significant is what I would call the "killer verdict." This is where a jury renders a verdict in a nearly astronomical amount. And a number of factors come into play. Number one, the law says — and, I think, soundly and correctly — that if you can calculate arithmetically lost profits, that should be the measure of the damages. And they can be gigantic, especially when we extend it over a long period of time for the pending litigation.

The second, the Supreme Court's determination of the entitlement to pre-judgment interest. Time's no longer a problem; time equals money.

Finally, the businessman knows that, apart from the money, if he wins, as a plaintiff he's going to get an injunction. He says, "Does that put my competitor out of his field?" "Yes." "Good heavens! I can have 200 salesmen working full time thoroughly violating the anti-trust laws and not accomplish that, and here I can do it legally! What are my odds?" "Ten or 20 percent for success." "Can we pursue it in good faith?" "Yes." "Full steam ahead." Because what's at stake is so immense and so gigantic that the business-trained executive who got where he or she is — because we're talking about pretty tough cookies — feels that it is a worthwhile enterprise, and the cost is not relevant.

Time even becomes irrelevant, because many business executives don't want things to happen on their watch. And so they'd just as soon keep the lawsuit pending almost indefinitely. I've had a president of a very major corporation say, when settlement terms were proposed to him by me, "Here's how I can get rid of your question for you. You're missing the point. Close your eyes." "Close my eyes?" "Yes, close your eyes because you won't be able to perceive what my instruction to you is." I closed my eyes. He says, "Blind pursuit. Just keep going

at it. Blind pursuit."

And that's not an unusual business executive. And he's doing what he thinks is best for the stockholders. Here's an asset. It has a potential. He isn't told he's wrong; he isn't told he's in bad faith. All he's told is the odds are against him. But the stakes are gigantic. And I think in those instances, alternate dispute resolution is a hopeless thing to even suggest.

By the same token, if we reverse it, what's the poor defendant to do? Len Mackey and I have a lawsuit now we desperately want to settle. We're offering huge amounts of money to settle it; but nothing is enough for the plaintiff.

MR. MACKEY: Justice.

MR. ALLEGRETTI: Nothing is enough. He wants justice with several billion dollars to ensure that it's understood. You can't settle it; there's just no way. You have to fight it.

So the only times I've found that alternative dispute resolution effectively works is when there's a receptive attitude by the business people.

And I'm reminded of a statement Mr. Justice Potter Stewart once made. He said that "We love certainty in life." We like to believe, as lawyers — and particularly as technically-trained patent lawyers — that every problem has a solution, and a correct one. "But there are problems. . ." — and he was speaking at that time of affirmative action activites — ". . . that have no one right answer." And we shouldn't dismiss them as insoluble; we have to work toward solving them. I would suggest this (meeting) is a terrific place to begin, but we've got to get some help from the business schools and how they crank out the executives that believe that their mission is blind pursuit. And what do we do about the killer judgments, which put so much at stake that no one can settle, not on either side?

MR. BLAIR: I have a couple of comments. There are really three parties on each side in each of these disputes. You have the outside lawyer; you have, in the case of corporations of some significant size, the inside corporate patent counsel; and then you have the business manager, who is the one that makes the final decision.

Now, certainly, both the outside lawyer and the inside patent counsel make recommendations to their clients. That does not mean necessarily that the business executive will follow the recommendations. But they're certainly more likely to if both their outside and inside people recommend a particular procedure.

I think it behooves those of us that are in the litigating field and those of us that are on the inside corporate field, when things look

like they can be resolved in some reasonable way — even when a fair amount of money is involved — to see if something can be done.

Now, I realize, certainly in some cases, there won't be any chance of alternative dispute resolution. But I think in the majority of cases there will be if the inside and outside counsel of both sides recommend it.

Chico Gholz had a comment.

MR. GHOLZ: I'd like to go back to something Judge Conner had to say about the video screen business, which he obviously — which I think he gave us an example of something that was outrageously disproportionate. I really don't think it is. You have to keep in mind a ratio of the cost of the gimmicks to the amount in dispute. And with the "killer verdicts," as they are called, with the enormous amounts of money and the enormous value of some of the injunctions that are at least potentially available and the steadily decreasing cost of that kind of gimmick, they are becoming reasonable techniques to use. The costs of the gimmicks are going down, and their relationship to the cost of the amount in dispute is going down even more, because the amounts in dispute are, practically speaking, going up.

You have to compare that ratio to the inherent uncertainty of litigation. And litigation is enormously uncertain. I'm fond of telling clients that in litigation nothing is more probable than 90 percent or less probable than 10 percent, nothing — particularly if you can get the thing to a jury. And the whole point of asking for a jury — not for anybody in this room, but for many people — is to get an irrational, unpredictable result.

If you bear in mind these two factors, it seems that the clients are willing to pay for that kind of gimmick. I've never heard of that gimmick before, but it sounds...

(Laughter)

MR. GHOLZ: I can see the value of that technique. It is really very, very useful. I'm sure that your son is going to make a lot of mileage out of that. And in cases where there's a lot of money at stake and there is a significant uncertainty factor, of course we're going to use things like that. Clients often don't want a cheap resolution. If there's lots of money involved, they are willing to spend lots of money on litigation, because what they don't — when I say "client," I'm thinking of the corporate patent attorney that I'm dealing with — what they really don't want is to lose the suit and have any suggestion that the suit was lost because they didn't try everything that could be tried, everything that made any kind of sense.

So I don't see much use of alternative dispute resolutions techniques, and certainly not re-examination, as being likely except on very, very small cases. If the client comes to you and says, "For God's sake, do something, but don't spend more than $10,000," well, all right, then we can talk about re-examination or ADR or something like that. But where real money is involved, they expect a real effort to be used, and that leads to big-time litigation.

MR. BLAIR: Bill Keefauver?

MR. SELL: Homer, I just. . .

MR. BLAIR: I called Bill Keefauver first. I'll get you next, Don.

MR. KEEFAUVER: First, I just wanted to comment that I think Judge Conner's proposals make a useful addition to the menu of possible ways of avoiding litigation. And to me, ADR is a very broad term which encompasses all of them.

Secondly, I wanted to make a more general statement that concerns all these systems. There is one aspect which I think deserves more focus — and Tom Fisher was speaking to that point — and that is the role of the attorney. I watched one of the recent Fred Friendly hosted programs on television which dealt with ethics, particularly legal ethics, and they were discussing this question of what is the role of the attorney: to represent the client at all costs or to attempt to seek justice; and this shift in the legal profession, which Tom was alluding to also, toward the former view, that their role is to support the client and whatever the client at that time may seek.

MR. BLAIR: Excuse me. Can those of you in the audience hear very well?

AUDIENCE: No.

MR. BLAIR: Speak up a little more, Bill.

MR. KEEFAUVER: So in common to all of these systems, in my view, is that very important ingredient, the role of the attorney. And I think the legal profession and attorneys individually need to take a much harder look at themselves when they are faced with a potential conflict — with a conflict which potentially could lead to litigation — and make certain that they are taking all reasonable steps to avoid it.

Now, George Whitney commented that he didn't see much interest in ADR in the corporate community. I can only comment on one corporation, and we have a lot of interest in it. We use it quite a bit. When I say "it," I'm talking about ADR in its broadest definition. Because we have, in many cases, been able to avoid litigation merely by talking lawyer to lawyer. And I must confess it's easier when it's corporate counsel to corporate counsel.

I settled — or triggered a settlement of a three-way interference, which somehow had gotten into federal district court, at a coffee break at an association of corporate patent counsel meeting where I was talking with my friends from IBM and RCA. I said, "What are we doing in federal district court in this dumb interference?" And they said, "Darned if we know." I said, "Why don't we settle it?" In ten days we had it settled.

It won't always be quite that simple, obviously — but quite often it will, as Tom says, hinge on whether one attorney or the other takes a risk — and there is a risk involved — to calling up counsel for the other side and saying, "Hey look. This can go any one of a number of ways. At the very least, let's narrow it down to one or two issues. And if we agree on what they are, perhaps we can submit them to some form of arbitration, maybe just have a single expert decide that fact, if it's a technical fact." And often in our case, they've been technical facts. Or, perhaps an independent patent attorney-type arbiter can make a judgment on the agreed legal issue.

So I think clearly there's corporate interest in ADR.

And just a footnote to Dennis's four points, I would add a fifth one. Maybe it was encompassed in the fourth — but we have most success in getting clients to agree to ADR procedures by pointing out that they are going to have to contribute people to support litigation. Now, that may be one of his dimensions of time. But he's right: They don't understand cost too much, because it's going to be out in the future sometime, and maybe they'll get help elsewhere in the corporation and so forth. But if you say, "You're going to have to provide me with two, three very good technical people to work with us throughout this litigation," then they get very interested, because they may be key people in a development project they have right now.

And, as a small footnote to Len Mackey, we've even negotiated and informally settled both trademark and trade secret cases with injunctions. So that can be done, too.

So I think the field is very wide open, and I think the role of the attorney in the process deserves greater attention, greater focus. Sometimes we cop out too easily because our clients are pushing us one way or the other or because of this fear we might be foregoing some gigantic win, and we might be. On risk assessment, I agree with a maximum of 90 to 10; in fact, I think it may be 80-20. I don't think you fine-tune these risks much greater than that.

So I would suggest that the bar needs to look very hard at itself. There are plenty of opportunities. There are plenty of procedures and the menu is growing. Judge Conner's contributions are a useful addi-

tion. There are many ways, and you just have to tailor one to the particular type of dispute and to the particular type of party with whom you're having the dispute because that too, of course, plays a major role in the type of agreement you can structure.

MR. BLAIR: Don Sell?

MR. SELL: Just speaking from the corporate point of view, and particularly the corporation I'm with, I think one thing that could really stimulate arbitration, which hasn't, to my mind in all the years I've been in this, been looked at solidly enough is getting the attorneys on both sides together often to try to limit discovery to the issues that are raised by the patent. Discovery has gone too far afield. And if you're a large corporation where 10,000 documents becomes a small discovery problem, and discovery can reach back years before the invention claimed in the patent and go way outside the subject matter of the patent — Yeah, I get worried about that. It costs corporations a lot of money. They don't need that kind of expense; they don't want it, either. It stretches cases out.

And to my mind, one thing that could be done to help out a lot is to get the judges more involved, really involved, in this discovery process to try to limit discovery on both sides. I think that would help in a whole bunch of areas, and particularly, if it is limited and time constraints are put on it, it will lead to more use of these alternate dispute resolution techniques.

MR. BLAIR: Rudy Anderson?

MR. ANDERSON: Homer, I would like to make a couple of observations. With respect to George Whitney, those of us who prompted the activity of reexamination, George, feel that it is being used to the extent that we expected it to be used. There are a number of them, and the purpose of a case like Tom Fisher's case — was a good example of what we hoped might occur.

I'm very strongly in support of Bill Keefauver's issue. And that is that I'm sure sitting here at the table a number of us have had some sort of an ADR conversation with each other as patent counsel and have resolved disputes. I would suspect it's many, many more disputes than ever have gone to court.

And I do support Don Sell. I would like to propose that the group now address not the overall subject of ADR, but ADR that goes on beyond the point where we as internal patent counsel have been able to resolve the issue between Dow and Monsanto or Merck and Pfiser and so forth, and address the issue of the formality of proceedings, whether they be the American Arbitration Association or the district court; but get to the point now of what goes on in that formal pro-

cedure. And, of course, Mr. Sell's point of discovery is at the heart of each of the elements that you have outlined, Dennis, of time and money, of course.

MR. ALLEGRETTI: Discovery is important.

MR. ANDERSON: Many of us had to justify a budget to run a patent department and put in in January what you thought was going to be your, quote, "litigation budget," unquote. We put in a couple of million dollars when you had no lawsuit but just in case one came along. You'd have to have a couple of million dollars in that budget if litigation ensued or else you'd be in real trouble in December when the chairman of the board said to you, "How come you ran over your budget?"

So let's perhaps focus this morning on the question of discovery. Because your ADR proceeding, Judge Conner, often has too much discovery. How can we courageously determine that discovery should be controlled better than it is by whatever magistrate is involved?

And even yours, Judge Markey, on the question of — let's start with the question of issue of infringement first. Before we have to worry about the expenditures necessary to look at infringement and, thereafter, validity, we're in discovery. That validity discovery is killing us, right from the beginning of a suit. And you can't get to infringement until the discovery on validity is over. And once you've — I'm sorry; that's the way the system with discovery is working — and once you get to the point of having done the discovery for infringement and validity, who cares how long the trial with its expense takes?

MR. BLAIR: Don Dunner?

MR. DUNNER: Actually, I would love to talk for two hours on discovery. We should probably have a separate conference on that; and maybe — Karl Jorda, this is your cue to pick up for the next conference. I agree that discovery is at the heart of the problem. I'd like to say just a little about that but then get back to the Conner proposal that we've been talking about.

I think the solution to the over-discovery and abuse of discovery is clear. But unfortunately, the people who can solve the problem refuse to solve it. And those people are the judges. The rules provide amply for the judge to take early control of the litigation. The Federal Rules of Civil Procedure provide expressly for an early conference where the judge will lay out pretty much, in cooperation with the parties, exactly what's going to happen in the litigation.

And the judges don't do it. I'm not saying all judges — I will exclude those present in this room. I tried a case before Judge Conner,

and he doesn't have anything to offer me, because I don't have any cases in front of him, but it was a pure delight.

But with respect to many judges I've tried cases before, it was not a pure delight; it was agony. You file papers asking them to control discovery or to cut off discovery; they don't have time, they won't take time. I'm sure many of them are burdened and don't have the time, but I think many of them do.

And there are certain jurisdictions, such as Delaware, under the leadership of Judge Schwartz, and such as Virginia, which have fast-track systems under which there isn't time to abuse discovery. They give you 90 days; maybe they'll give you 180 days. But you can't drag out discovery for two, three, four years, at least if the judge is operating properly under that system.

And I've tried cases in those jurisdictions where the price has been kept down only because the judge or a magistrate or a master that he's been willing to appoint has control of the litigation. And I think that probably will eliminate much of the problem, if it is not the total solution. But since I'm not a believer in miracles, I don't expect that to happen immediately. It will happen here, it will happen there, and in some places it may never happen.

Again, I think that's the subject of a separate conference.

I'd like to just go back for a moment to the subject at hand. And I would note two things. One is that I read Judge Conner's proposal with interest. But when I read it, my conclusion was that what he says, though eloquently set forth, is pretty much in place today. You can have any of the things that he proposes right now; you don't need any more. Each one of these things has to be tailored to the specific problem. And therefore, I don't think we can have — and I don't think he contemplates — a rigid set of rules.

I think his Chinese menu analogy is probably a good one. There are lots of things to choose from. There are times when you will want patent attorneys sitting in review of your case in an ADR situation; there are times when you won't want patent attorneys. We have many cases where we feel what is required is just pure, plain common sense. And we think of people like former Judge Lacey, who may or may not be available. Or former Judge Meanor, who may or may not be available. Both of them have considerable experience in patent cases and are very savvy. And there are times when we talk with clients about having an ADR procedure and we will suggest away from a patent attorney.

On the other hand, Judge Conner's suggestion of having a roster of attorneys, perhaps supervised by the bar groups, sounds very intri-

guing to me. And I think we should follow that, because there will be people who want to use it.

Now, as to whether you will want some discovery or none; as to whether or not you want live testimony or none; as to whether or not you want oral argument or none, each of these cases has to be hand-tailored to the precise situation you have.

To me, the bigger problem is: How do you get people interested, how do you get parties interested in the procedure? And on the one hand I think Dennis Allegretti is undoubtedly right for many cases — although I read with interest the material about the IBM-Fujitsu alternate dispute resolution involving $832 million and a lot of significant technology. It was done there; I guess it can be done elsewhere.

It seems to me that the most likely vehicle to get clients to consider this kind of procedure may well be the corporate policy statement, which appears in the booklet of materials that you handed out. I've seen that actually happen. I've seen it happen with my clients. I've seen a client faced with what seemed to be an almost imminent litigation tell me that the company had a policy, that they had signed up on this corporate policy statement which committed them, in good faith, to at least try to talk to another company that had similarly signed up, to try to settle the case before it went to litigation. I don't know whether those cases will settle in every case or in any of those cases.

The beauty of this kind of system is that it commits people to talk without fear that their talking will be regarded as an act of weakness, which is one of the reasons for the signing up in advance.

And it seems to me further that this is a very useful means of getting people to think about it and not to be afraid of the implications of participating in it. I'm sure we need more than that. I think the big problem is that ADR has been around for a good while and is not used nearly enough. But I think it's used more than some of us would think right here at this table.

MR. BLAIR: Tom Fisher. And then we'll go to Len Mackey

MR. FISHER: I wanted to follow up on a couple of points here. I fully agree with what Dennis is saying and Bill. The point, I think, of the Center for Public Resource's program that Don was just talking about is, first of all, when we had contemplated in recent times bringing some actions against ABC Company, there have been several occasions when we checked with CPR to see whether the prospective opponent had signed up. And I have encouraged clients to go sign this so we can have an environment where we sit down and talk; and most important, where the business people sit down and talk.

I was talking before about the lawyers are a problem. But Dennis brings up, and so did Bill, the business people and the cost benefit. And you get the — if you can get the two businessmen in the room where they start comparing notes on their cost-benefit analysis of this lawsuit — and Charlie can say, "Bill, he told you he was only going to charge you $250,000 for this lawsuit? We had one like it last year, it cost us three times that!"

And you get them talking the cost-benefit relationship — Phil Conterras, who's general counsel of Ferro, loves to tell the story about where he and his counterpart on the other side decided it was really a business dispute and not a legal dispute. They agreed to and did go to their respective division heads and say, "This is a business dispute and not a legal dispute. You two guys sit down in a room and resolve it." They are now fast personal friends. They found out that each makes a product the other could buy. And they're now exchanging several million dollars' worth of business a year. They resolved the damn dispute in a matter of about an hour, found out that really — you know, the word they had was wrong. But you've got to get all these factors together. And the reason I like to see APR approaches, the lawyers are in there for a brief time to get their presentation so they can get their licks in. You throw them the hell out of the room and let the business people talk with a mediator. You can resolve a lot of things if you get them together and just ventilate the issue.

MR. BLAIR: Len Mackey?

MR. MACKEY: In the company that I've been with for a long time, it's always been our philosophy to try and settle rather than litigate.

The existence of the various techniques in more recent times has not changed our philosophy. And it has been our experience — and I'll be interested to know what other persons' experience has been — that the existence of these techniques has not really changed our results or those situations where we can reach a settlement and those situations where we cannot. We haven't gotten much good out of these techniques, is what I'm trying to say.

Where we can reach a settlement, we don't need these techniques. Where we can't reach some sort of an accommodation between the parties, it doesn't matter what technique exists, we do end up in court.

MR. BLAIR: George Whitney?

MR. WHITNEY: On settlement, I think it's the problem and the desirability of settlement also directly affects the involvement of judges. And I think I remember a judicial conference that Judge Markey had where Judge Robert Hill of the Northern District of Texas, now on the Fifth Circuit, was a speaker; and a judge from the

District Court in Alexandria, Virginia was a speaker. And they were addressing the problem of judicial involvement. And it goes to the substance, say, of Rule 16, which many of us and most of us probably have gone to our district court judge and said, "Let's get involved. We can — we want to keep these things down. It's ridiculous to get off on all of this bit."

Judge Hill came out and favored, at that time, judicial involvement. The judge from Alexandria, Virginia, who most of his trial time had been with jury trials and that sort of thing, his approach, which he said directly in the panel, and which is part of the — it's recorded in the Federal Rules decision's report on that panel — "I'm not going to get involved in something that's going to get settled! I'm not going to get involved in something that is going to go to a jury trial where my role is to address the question of the admissibility of evidence and that sort of thing! And I, the federal judge, am not going to get involved in worrying about the merits of this highly-sophisticated technological development that I don't understand and I don't intend to understand!"

Now, you can say they're extremes of a spectrum, but there are an awful lot of judges today of our — what is it? — 500 district judges or something that we've got in this country, who, with the pressure of the criminal expediting act and all the other — of the load upon them, you can come at them, and they may even mouth adherence to the concepts of Rule 16. But all you have to do is statistically look at the number of cases that are brought in the intellectual property area — not just patents: trademarks, copyrights — and see the number that ultimately get to trial.

Why, if you are an over-burdened federal judge, do you want to get involved in something unless, by God, you're drawn in there and forced into that situation? Even as you approach the beginning of trial, when you're — and getting into the final stages of this discovery, there isn't the incentive for the majority of our federal judges to do so. Some do, and it helps a heck of a lot.

Another point that I think we should address is: What do you want from ADR? Do you want resolution of the problem? Then adopt an arbitration type of approach. For in the years I've served as — I've chaired about five fairly substantial arbitration matters in chairing a panel. I'm currently doing one. The advantage of it, from an arbitrator's standpoint, is I'm not going to have to write a detailed opinion. I'm not going to spend hours and hours and days and days of time to do it. We're going to come out with that one-page or one-and-a-half-page thing that's going to be my opinion. It can be attacked

solely on the basis of things that are completely ancillary to the subject of what was my decision.

Or do you want a written opinion, i.e., accept the special master type of approach, where the special master is going to go — and there are people in this room who have served as special masters — but, by God, you have to write as detailed and careful, and probably more careful, an opinion, even, because of your knowledge and involvement in some of these areas, than the district court judge, so the district court judge can then have it before him and have it attacked and that sort of thing and still go on up for appeal.

Those are two ends, again, of the spectrum of what do you want from ADR, and it's something you have to seriously consider. And don't think that just — that there's one simple approach to it.

MR. BLAIR: Bill Duffey, and then we'll take a little break. Go ahead, Bill.

MR. DUFFEY: From the corporate viewpoint, Homer, let me say that our company is signatory to the CPR Corporate Policy Statement. In fact, our general counsel is on the board of CPR. It has not been used all that much by Monsanto for some of the reasons that have been given today.

But I wanted to restate the obvious fact that many of the corporations represented in this room are multinationals. I guess they're all multinationals. In our own case, probably 50 percent of our sales take place outside the United States. And I'd have to say that typically the first contact on an inter-partes matter will be offshore for us, often an enforement situation, maybe involving a regulated product like a herbicide. So we often sue first in a foreign jurisdiction. And very often it will be a foreign national that we're suing.

Therefore, we've already gone to battle and maybe have several judgements, e.g. Germany, U.K., etc., before we even look at the U.S. situation. So the train has left the station in many cases before the U.S. conflict begins.

I wanted to leave the perspective here that we're often dealing with foreign nationals — and Dennis Allegretti earlier mentioned their fear of discovery. I'm not sure they're that conversant with ADR, either.

So I just wanted to make the point that we do very often settle, like Bill Keefauver and Rudy Anderson pointed out — we settle a lot of these cases in our own way. But so much of this occurs offshore in our particular company.

MR. BLAIR: Okay. Let's take a break. When we come back, we'll hear Tom O'Brien first and then Rudy Anderson.

(Explanation about coffee, smoking areas, rest rooms, etc.)

We'll start back here at 10:45.

(Brief break)

MR. BLAIR: So we'll start out again. And the first person that's on my little list is Tom O'Brien. Tom?

And, by the way, if we can, speak up as much as possible so the audience can hear as much as they can.

MR. O'BRIEN: I can agree with a lot of the things that were said today. And I think one of the things that would be of interest — more of interest here today — is how much use is really being made of ADR. ADR has now been around a long time. Some of the techniques are fairly young, fairly new, maybe not fully mature yet. But ADR, as has been noted today, has been around for a long time. And people have used ADR.

I think a new concept which has been injected into one of the more recent systems of ADR, is that all these disputes are business disputes. They're not legal disputes; they're business disputes. And businessmen are problem solvers. One of their principal functions — in all their work — is to solve problems. And a problem involving patents is just another problem for a determination whether they can solve it or not on a business level. ADR may be a very useful way to help businessmen to see if they can solve the problem. It gives them an opportunity, which is a little different from litigation, to approach a problem in an effort to solve the problem themselves, or perhaps through the use of an adviser. They may not go to a binding arbiter, but certainly can make good use of an adviser in patent cases.

As far as my company is concerned, we have been a strong proponent of ADR. We have been a member of the Center for Public Resources, and we have attempted to use ADR numerous times. I can't say that we've had a great deal of success with it, but we've had some success with it. We have not had success with it in the patent area. We have had success with it in the product liability area.

We have attempted ADR in patent cases and I can give you an example of what we've done. We had one particular problem where we went through a complete ADR mini-trial with a key top executive. After all that was over with, we reached a point where the executives agreed they couldn't resolve the problem; they needed someone else to resolve it for them. And we went back to court, and we had a full trial. The experience was very insightful to the executive, and proved most useful in later negotiations between the parties.

So I think we may be looking at ADR as something that's going to provide more — far more than is intended. These disputes are business disputes. Some of them are amenable to resolution by ADR,

some of them are not. And as has been noted, the more difficult the problem that's involved with the conflict, such as when one party is out for an injunction to shut the other party down, the fight is going to be a tougher fight.

MR. BLAIR: I think you're right, Tom. I think there's one problem. I don't think that ADR's going to take the place of litigation; you're going to have some litigation. I think my concept would be if we can get the cases that are amenable to being settled by some mechanism in ADR and get those settled, there still will be, I'm sure, adequate litigation to go around. If we can reduce the amount of litigation with our continuing inflation, I think it will be helpful.

Tom has one more comment.

MR.O'BRIEN: I'd just like to add one further comment. In our looking at and trying to use ADR, it seems that the one thing ADR can do for you that litigation really doesn't do is to permit and force the parties to narrow the issues. Because usually ADR is on a fast track — we're interested in ADR when we want a fairly expeditious resolution. And when we do want that, we're usually interested in narrowing the issues. And when you narrow the issues, you narrow the dispute.

MR. BLAIR: I've got a little list here, which I'll read. I've got Rudy Anderson, Don Quigg, Bob Rines, Bob Kline, Karl Jorda, Don Banner, Bill Thompson, Harold Einhorn, and Vic Siber.

So next will be Rudy Anderson. We'll add Pauline Newman and Dick Waterman. Fine. Okay.

MR. ANDERSON: I would like to follow on a little bit to Bill Duffey's comments about the international implications. Technology crosses the borders very rapidly, and the patent systems have a geographic constraint. And I suspect we're paying more attention, for example, to the IBM-Fujitsu case as a "U.S. case," quote and unquote, than is warranted.

There you have a situation where you have two companies facing the law of multiple jurisdictions: It isn't only Japan and the United States, but multiple jurisdictions being applied to the same technical questions. And I think it has implications — Judge Markey, to your comments yesterday, that we have to take into account some way that the dispute resolution between companies can be done with the U.S. law, the British law, and the German law, etc., all mashed together, coupled with such an understanding on the part of the managements of Bayer, and Merck or Hoechst and Dupont and any other multinational company.

MR. BLAIR: Okay. Thank you. Next is Don Quigg.

MR. QUIGG: First of all, I fully subscribe to the ADR approach, if we can make it a workable program. I would point out however, that to make it workable, we are facing a massive education program for our attorneys and corporate managers.

We can start with the fact that a patent gives to the patent owner the exclusive right to exclude all others from making, using or selling the claimed invention. This is a fact that management has tucked in the back of their minds. So when a litigation or infringement action comes up, they call the patent attorney and imemdiately ask, "What are our chances?" Well, I don't know how many chief patent counsels will go out and say, "Oh, we've got a 90 percent chance." I never did that, but it does happen. And once that happens, that attorney is locked into a position: It's win at any cost; your job's on the line.

In connection with mini-trials, one of the problems that I've heard expressed most often is that when you get to the actual hearing where the chief executive officers are present and they hear for the first time all the facts that support the other side's position, they are suddenly in a position to say, "Had I known that, we could have settled this thing." So we have a problem.

As for injunctions, they are going to be tough under the ADR. But as I think Bill said earlier, they have succeeded in getting and negotiating injunctions. I think it's simply a matter of negotiation capabilities.

One thing that bothers me — and in reading Judge Conner's paper I kept finding the phrase, "Yes, it's very interesting but. . ." In the middle of the last paragraph on page seven, I came to a statement that had been bothering me: it says, "A well-heeled litigant might not wish to give up the advantage it has over a less affluent adversary." How do you get the other party, the one who has the monetary advantage, involved in these things?

Just last week, a young lady from California came into my office. She had obtained a patent in the cosmetic industry. She said, "I have your signature on my patent, and I have it pinned up over my desk. I want you to go out and tell those people that are infringing my patent they can't do that. You issued me a patent." "Well," I said, "the system doesn't quite work that way." Her response was, "Why do I get a patent, then?"

Her experience was she had filed two lawsuits. One, she managed to settle for peanuts; in the second, she obtained an injunction. That company immediately took bankruptcy. Although the injunction had enjoined the company and the parties involved with the company from

further infringement, one of the parties bought the assets of that company, took them to another state, and started competition. I asked what her attorney had done about it? She said, "He says there's nothing I can do unless I want to file another lawsuit."

One other point, as far as putting the control of the panel under a bar association group, I would suggest the possibility of trying to tie it into maybe the American Arbitration Association. A bar association group may not be geared up to handle this responsibility.

Last of all, as I tell the people in the patent office, "Let's forget about conventional thinking; let's see if we can't come up with something unconventional that would solve the problems." Even though you may choke on what I am about to say, "Is this a time to consider, at some point in the term of a patent, making it incontestable? As Tom O'Brien said, every time you eliminate one of the elements of the litigation, you reduce the cost of it. And that's one possible way of eliminating one element.

MR. BLAIR: Bob Rines?

MR. RINES: I thought, Don, you were going to say, "Is this the time when we ought to wonder whether the current legal system has outlived its usefulness and is a detriment to society the world over?" And maybe what's at fault is our exclusive win-lose philosophy — that we have indeed outgrown this, or that our economy and our world relationships no longer permit us that luxury of exclusive win-lose philosophy that underlies our jurisprudence and most of the jurisprudences of the world.

We see here, for example, the extreme pointed out that, if the patent is to be used for its injunctive purpose, how can there be a settlement unless the other side's going to quit? So we need the strong arm of some arbiter that has the power of government to say, "Stop!"

But, really, was that ever intended? Have we forgotten that the whole patent system, as it applies to the legal system, which was handed down to us from Anglo-Saxon jurisprudence, is based in equity. And, indeed, there are supposed to be doctrines alive about balancing of equities. So that even in some circumstances, if someone is in the right, there may be instances where those with the power do not apply the complete injunctive relief.

And this has troubled me through the years, since about 12 years ago, when Polly Newman came to our PTC Research Foundation joint conference at MIT, on Alternatives to Dispute Resolution in Technical Matters. We didn't dare tackle it, the legal system, as a whole. So we pretended we were talking about this selective area of technical matters.

At that time do you remember how many of us were putting clauses in contracts about arbitration of patent disputes? And yet it was held by the courts to be illegal for us to arbitrate patent validity? Have you forgotten that? We created this Procrustean bed for ourselves! It is only very recently that we could go to alternative dispute resolution if we were talking about arbitration of validity. That's how recent this is.

And I hate to say it, but my recent association in China over the past few years, looking at a society that had no lawyers — sure, they've had a lot of things we wouldn't want to emulate — but indeed the way they were able and are able today to resolve disputes — and will do it in their so-called intermediate people's courts. They — and have no illusions, those of you that are dealing in China — are not going to have a patent trial there like we have here. It's going to be mediation.

And although people refer to it here, I don't think many of us know what mediation means. Mediation means there is no exclusive win-lose anymore. Mediation means equity. Mediation means looking at the total — not only the litigants, but of society and of public policy. The mediators decide how are they going to balance things, how are they going to be fair. Sometimes it's Solomonic; but we certainly don't want that if we have a patent and we want to use the exclusive privileges of it.

But, on the other hand, I think our dilemma is a philosophical dilemma. I think society has outlived our legal system and our way of looking at it. And when I say "our," I mean the whole world. I don't believe any longer — and I say this as a capitalist — that we can ignore the public interest. We heard today — and nobody put his finger on it — the business people are telling us, "Close your eyes. Full steam ahead." Is it our obligation as lawyers and judges to allow the legal system to be used by the business community because they want to make a business decision? Or do we have other obligations to society, not just to our clients — are we just a hired gun? — to have a legal system that responds to society's needs, which we aren't doing in any phase. And I think that's our dilemma here.

We're saying — we're looking for something universal, when every other discipline has all these different compartments and shades of gray. And we want to have one answer, one genus for everything, because that's the way we went to law school. That's the way we've been brought up, and that's what our decisions tell us: Somebody's got to win, somebody's got to lose.

But I do submit to you I think the reason for our dilemma is we don't have what Don Quigg said; we haven't gone back to the drawing board

and started to reinvent. We haven't really started to question ourselves in this whole dispute resolution area, and we have almost totally ignored mediation, which is putting our trust for dispute resolution, not just in the hands of someone that's going to give us a legal analysis, a technical analysis, but someone who is going to look at the parties, their contributions, their positions, to society, to public policy. And, by gum, folks, that's the hat we as lawyers, I think, have forgotten we wear.

You had all those nice words: We're officials of the court; we're the defenders of the public and so forth. Well, you aren't, when the chairman of your corporation says, "Close your eyes. Full speed ahead. Give me that 20 percent chance." Have we no conscience? Have we no responsibility to society and the public and the way the courts are being used? And because we allow that to happen, we're in the dilemma that we are in today.

So I submit to you — not that I'm so smart that I know all the answers — I think there's a very much deeper problem here. I think in the first phase we do have to use the tools that we have that we aren't using, as Don Dunner says. The judges can limit discovery. There's no question about it. They can control time. You know, we play this game, folks, but we're carrying things out to the 15th decimal place where the data isn't accurate to the first. I mean, let's face it.

Let's be honest for once with ourselves and what we as lawyers — never mind we're employees of corporations — but we as lawyers owe, not only to the client, but to society, to our profession, to our country, which we have almost destroyed by our legal system. Homer's book is a fanciful story, but we'll all admit we're destroying this country.

And the last point that I'd like to bring out is: All right, Rines, you make all these wonderful statements and so forth, what are you going to do about it? Well, a number of students and I have put together an idea — and I want to call your attention to Volume 29, No. 1 of *IDEA, the Journal of Law and Technology.* This isn't the greatest shakes in the world. And we didn't undertake the patent system, because we're set in our ways here. It's going to be a long time for us to change the rest of the world. We picked something that's in its infancy: the computer world — all right? And we immediately said, "We're not going to sit here and wait for pronoucements from on high! We've outlived the common-law tradition, in many aspects, and we're not going to wait and can't afford to wait for 50 different 'countries' to come up with 50 different sets of ideas of what the copyright law means and then to wait till I have a beard or I'm dead, before some major court decides what is the copyright law and what

it isn't. We've go to do business now! We're not serving society."

So we've made a proposition of a different type of legal system going back to Article I, where Congress has the power constitutionally to do a lot of things, and we don't get into the "due process" trap of what the Article III courts think necessary.

And we've proposed — because we can't take away the right of somebody to have his day in court, this wonderful thing we talk about — both a court tribunal and a mediation tribunal set up by Congress. So you can go your route of litigation under the rules of law but if you lose, you get hit so hard that you're going to think twice about using the judicial panel, so-called, as distinguished from your other alternative of a mediation panel.

And the mediation, in our judgment, would be having the wise people, knowledgeable in the technology, knowledgeable in the business aspects, people not appointed for life, and people coming from this discipline that are recommended by the professional societies: coming from the patent law societies, coming from the business community and so forth, that sit on these particular panels and mediate what we are going to do with computer software. Not necessarily giving any exclusive privileges for a century. If you do want some protection for software, you'll have to agree that the mediation panel will have the last word on what is done; whether you have it exclusively, whether you have it for certain years, whether and when you have to license, or whatever it may be.

This is not socialism, it's not communism. It's just that we've become so big and so enmeshed in these rigid rules given to us by someone up on high that I've never been able to find yet, that we can't change anything. We can't change even though society and our business has made us a very different environment than when our legal system was created and developed. It's "against the law." That's curious. We should make the law something that society needs and wants. And it doesn't need what we're doing, either in patents or in copyrights.

So I don't say it is the solution. There's a lot of thought gone into it. I'd like to ask you to pick up your old *IDEA,* Volume 29, No. 1. See if you get some ideas. And particularly, please, when you say ADR, it doesn't have to be law, legal rules. ADR can be mediation.

I just wrote a contract the other day with a small law firm in Portland, Maine. And I represent a New Hampshire client in the fish farm business, joining forces as a partnership with a Maine fish farm for Atlantic salmon. And there's so many quetions we can't presently answer. Of course, the conventional way, this lawyer was going to put in all sorts of arbitration clauses. And I said to the two clients:

"Do you know somebody you trust?" They said, "Yeah." "Would you trust him to decide things like this if we came to an impasse?" "Yes." So we have one arbiter.

Now, we're not thinking like lawyers: a hundred years down the pike, what do you do for a successor, or this or that? We're talking about today and the immediate tomorrow. So a contract was written. My goodness! It took us ten minutes to finish up all these things. And we said, "All right. If we've got a dispute, Joe Jones of such-andsuch a society will decide it." Boom!

So, indeed, can we bring the corporate sector to have some measure of public responsibility, which I do not believe it has when it says, "Gee, for my stockholders I'm going to have a 20 percent chance. Go fight, fight, fight." Corporations are chartered by the people and are given special privileges by the people. There is no justification for a corporation except that it is serving society in providing goods and needs. The stockholders are only but one stakeholder in corporate activity. We have forgotten that.

And so, my friends, I just want to make an observation here that I think what underlies our dilemma here is our attempt at universality. There'll be no universal dispute resolution situation. Underlying our dilemma is that many of us are acting as a bunch of hired guns. And I think we are not wearing enough the hat of our obligation to society and to a responsive and affordable legal system.

MR. BLAIR: Thanks, Bob. Bob Kline, you're next.

MR. KLINE: Well, Bob, those are very thought-provoking comments. There is much to reflect on there.

I was just going to make some observations from the perspective of one in the corporate world and also respond to a number of the comments that were made earlier. I think that ADR is used a lot; it's used every day in its broadest context. We resolve most all of the interferences that we ever get involved in through a form of ADR: an exchange of proofs and a resolution of the priority issue, and this frequently results in a cross-license agreement. Most of the litigation or potential litigation that we have, we frequently resolve short of going through a full-scale trial. Indeed, we have done that with some of my colleagues right here in this room.

I don't really subscribe to the comment that has been made about businessmen blindly charging ahead. It's been my experience that business people are very well aware of the risks and what's involved and the costs and the time, and they are really trying to seek a resolution.

But the whole nature of any ADR procedure is compromise. And the thing that we're seeing more of today is that when you do get into

a dispute, if you hold the patent, your business people are asking about the possibility of obtaining an injunction. On the other side of the coin, when you are a defendant, this is also what the plaintiff patentee wants — he wants to shut your business down. That becomes very difficult to compromise.

We've had actual experience with full-blown ADR procedures such as going through a mini-trial, and we've tried a number of times to get disputes into ADR, but were not successful since we could not work out the ground rules and procedures with the other side.

But it's just the observation that I think that many of us don't realize, but we're using ADR a lot in its broadest context. And I think this is a point that Bill had made earlier.

MR. BLAIR: Thanks, Bob. I will make one editorial comment. Many years ago, when I used to be at Celanese, Dupont was a company with which we had a few battles on occasion. They developed a patent licensing technique which they worked on me and I was very impressed with it, because it worked very well. Twenty years later I use it in one of my licensing classes.

Somebody in the Dupont patent department developed a technique of licensing a rather weak patent to 20 infringers in the industry. When it came across my desk at Celanese, even though I didn't think that much of the patent, I recommended to management that we take a license.

MR. KLINE: Actually, it was very strong patent.

We were just being nice fellows.

MR. BLAIR: My point is that somebody at Dupont, I thought, was creative as all hell, to come up with this scheme which worked beautifully.

People can be creative sometimes in trying to work out business arrangements in which they can do something with their patents.

Now, the next person on the list is future professor Karl Jorda.

MR. JORDA: Thank you. Thank you, Homer. But still wearing my corporate hat, I'd like to put in my five cents' worth. I'd like to turn tables on George Whitney. He threw out the challenge to the corporate practitioners. Maybe we corporate practitioners should throw out a challenge to the private practitioners.

I couldn't agree more with Judge Conner when he says, "Something must be done." Something must indeed be done. It's totally out of control.

I am now paying in one patent litigation that is not too involved $100,000, give or take a few dollars, per month in outside attorneys' fees alone.

Talking of intolerable costs and delays in patent litigation, I'm familiar with a situation where a lawsuit has taken on a life of its own, as it just goes on and on. And in this lawsuit the other party was taken over, and at none of the sessions has any representative of the company been present. It's totally under the control of the attorneys. I don't even know if anybody at the company knows what's going on. And it's been going on for over ten years.

The trial was held over a year ago. The judge was going to render a decision in a couple of weeks. There was no need for post-trial briefs; there was no need for findings of fact or conclusions of law, he said. More than a year has gone by and he still hasn't rendered the decision. But recently he held another hearing and requested post-trial briefs, conclusions of law, and findings of fact.

Imagine the delay, the uncertainty, the additional cost that all this engenders? So I couldn't agree more that something has to be done. But we really have an uphill fight. In my view, we are not using ADR as much as we should, certainly not in the patent field. And Judge Markey has pointed out, when he talks about simplification, that one thing that must be done is to equate patent trials with other trials. Why should there be a special mystique about patent trials? Why should they be handled differently? Why should they be ever so much more costly?

Another reason why we have an uphill fight is the fact that we are a litigious society, such a litigious society that it's unbelievable. We had discussions yesterday afternoon about that. And Judge Markey mentioned that maybe recent evidence has shown that we are not quite as litigious as we thought. But looking around the world and considering the state of affairs in Japan or in Switzerland, there's very, very little litigation in general. So by that standard, we certainly are very litigious, and how do we change that problem?

And whenever the question comes up should we proceed, should we settle, should we proceed with ADR techniques, we do have a problem because when the stakes are high and we don't want to lose a lawsuit, we get so easily talked out of settling, so easily talked out of proceeding with ADR procedures by the litigation attorneys because they prefer to go to trial. The chances are greater if you try a case rather than when you leave it to arbitration or mediation.

So we have an uphill fight, but we've got to do something about it. And Tom Fisher mentioned that maybe we start in this law school and other law schools. And perhaps that's a good place to start.

Let me just make this as a final point: We all know that in litigation nobody wins. It's a lose-lose situation. Can we break that vicious

cycle, that barrier? Because when you settle or when you license as part of settlement or arbitration or mediation, whatever, you can have win-win situations.

We were heading for a — what could have been a gigantic litigation in the laser field between Spectraphysics and Patlex. But the matter was headed off at the turn, and there was no litigation. A license agreement was concluded. And it's such a classical win-win situation. The terms, unfortunately, are confidential; I can't go into it. But it can be done. Nobody wins in litigation. You can have win-win situations when you do settle, when you license. And I would hope that indeed we can do something about it.

Now, this was President Rines's comment: How do we translate these ideas into action? How do we implement it? We have an uphill fight; we're just going to have to redouble our efforts.

MR. BLAIR: Thank you, Karl. The next one on the list is Don Banner. I think all the people in our group today have interesting backgrounds. Don has a particularly interesting one. He has been a corporate patent counsel; he has been Commissioner of Patents and Trademarks. He has been in private practice, and still is. For many years he has been in charge of the intellectual property program at John Marshall Law School. Now he's in charge of the intellectual property program at George Washington University. So Don, like most of us, has many hats he's worn in the past.

Don, you have a comment?

MR. BANNER: Thank you, Homer. I think Karl Jorda's comments were particularly good.

One of the things about ADR, of course, that's nice is that it is actually being used. I think we've all had some ADR experience.

One of the things that hasn't been mentioned, but it's certainly a very valuable aspect of ADR is that matters can be secret. That was very valuable in a case or two that I happen to have been involved with.

There's an issue here also that I'd like to raise which has to do with where are we in this whole business of litigation within the patent system? How does litigation impact on the patent system? Are we encouraging interest in the patent system, are people stimulated by what we do today, or are we discouraging interest? Is there anything we should or can do about it?

It would be my observation that there will be some types of cases that will be settled by alternate dispute resolution, as they have been for many years.

There are some types of cases that won't, though; many, many that won't, for reasons which are very complex. One of the reasons why

they won't, I think, is the tremendous economic impact of litigation nowadays. We are in the era of the big bucks. There's a lot of money involved — and that gives, I think, a businessman some pause. Somebody said that the lawyer tries to do everything possible and he's never ready. Well, of course, one of the reasons that the lawyer is never ready is that he's always under the gun. Has he done everything possible to win this case? Has he put forth all the productive effort? Has he asked the right questions? Has he gone to the right people? It's like asking a general, "Do you need any more guns before you go into battle?" We all know what the answer is. He always will.

The businessman has a similar problem. He has a responsibility to the board of directors, to the shareholders; if he's a vice president, to his president; if he's an assistant vice president, to whomever is in charge of such people — that's a problem. For example, if he does something and it doesn't turn out well, they say, "Well, did you do everything you could to make it turn around?" If he can't answer that in the affirmative, he's got a problem.

And before I get to the judge, I would like to mention something that is hanging over us all the time. And that's the coming of the era of malpractice, and the coming of personal liability for officers of corporations. Malpractice for lawyers is something that I think all of us are aware. And we all know that's a growing field. And it's gone to the extent that the trial lawyer, for example, almost has to "do everything," to be sure. And if he then loses, he can't be criticized.

Another reason why litigation, I think, gets to be expensive lies with our judges. We really don't treat our judges with the proper consideration in patent litigation. They are, without question, for the most part, dedicated, hard-working individuals. But we constantly take them into areas in which they have absolutely no expertise. We say, "Here. Take this case over. Learn all about it, and do something." It would be very much, I think, like going to the judge and saying, "The rest of the proceeding's are going to be in German. Learn German, and then we'll go on with this whole situation." That's crazy.

It's too bad. There's a case going on in Pennsylvania right now which has been pending for eight years. I don't know when it's going to go to trial. But I'll tell you this: the discovery activities are going on all the time, and motions are getting filed all the time. The judge never resolves any of the motions, so that's another story. It just goes on and on. I don't know if it will ever go to trial. But the point of it is, you know, eight years is twice as long as World War II. It's silly. What are we doing here?

I was in a case — this is the only war story I will tell you — in which there was a motion for summary judgment. The judge sat on it for

two years. My management people would say, "Whatever happened to that rapid determination? I would say, "It's coming right along." Two years were taken by the judge to decide the motion for summary judgment. And then it was denied in one word: :"Denied."

That brings me to, I think, a very helpful comment by Judge Conner. One of the things I was pleased to see was Judge Conner's approach to this.

One of the things that Judge Conner mentioned in his proposal was using patent lawyers to decide these matters. Isn't that interesting? The use of patent lawyers, somebody who knows what this is all about. Why, in the world, don't we have a special court that deals with patent matters? We'd have in that court judges who are trained patent lawyers, and judges who would do substantially nothing but patent cases.

I know there are lots of problems with this. But we do have an ITC proceeding now, don't we? Our friends in GATT say Section 337 is illegal; we're going to have to think about what we're going to do if everybody in GATT says it's illegal. Are we just going to forget about that kind of a procedure, or are we going to put it in a district court. If you put it in a district court, you may get a case that takes eight years. And the ball game is going to be over by then. So why can't we have a court which does just patent cases, and which has the powers of the ITC and the district courts?

And why can't we even say that patent trials will take the same period of time that you do have in the ITC or maybe a little longer.

I think it's fair to say that any such suggestion would, in the minds of many people, threaten defeat of the republic. However the fact is that Judge Connor, a former patent lawyer decided a patent case in the shortest period of time in the history of the United States, and it was properly decided. He did it beautifully, and everybody will agree to that. And he did it because he had a trained background; he was a patent lawyer. Many people say if you have nothing but patent lawyers to decide these cases, as I said, the republic would fall apart, and it would be all over.

But what are the facts supporting this? Why do we believe it? It's nonsense. Sitting across from me is a hypothetical Judge William Keefauver. Is there anybody in this room that thinks that if we had Judge Keefauver deciding all of our patent cases, that he would be pro-patent or anti-patent? You don't. There's no evidence whatsoever, to support that.

What about discovery? Would you go before Judge Keefauver with discovery and say, "I think that maybe in Peoria there are a lot of

documents I've got to go look at. Yes, it has nothing to do with this lawsuit, but there may be a letter that somebody wrote." What would Judge Keefauver say? He'd know what you're talking about, in the first place. Isn't that a refreshing thought!

I don't think the republic would fall apart if we did something like this. And what's more, I think if we did something like this, it would be a good step towards strengthening the use of the patent system in the United States. I'd like to see that happen.

MR. BLAIR: Thank you, Don. Don's comment about having patent lawyers on a special court has been discussed in the past with quite a bit of heat and not a hell of a lot of light. I'd just like to try a minor experiment here, just with merely saying no more than that, and if we could do it — which we probably couldn't — but say that we could have a court which had patent lawyers like the people sitting around these tables, how many of you would be in favor and how many against? Just put up your hands. How many would be in favor of something like that?

(Show of hands)

MR. BLAIR: Okay. How many would be against something like that?

(Show of hands)

MR. BLAIR: That comes out to about 13 to 8 in favor, roughly.

It's an interesting concept. I realize it is controversial, and we've all heard it before. I'm not saying I'm for or against. I think the problem with getting patent lawyers on the district court is that, by and large, patent lawyers are not politicians. Bill Conner is not a politician, either. He got on by the grace of God, thank God, by a fluke; but he got on. It's certainly very true that Bill Conner did not campaign for the appointment. It came out of the blue.

I don't think very many of us are going to see other patent lawyers on the U.S. District Court. I would have no trouble with a lot of people in this room if they were on such a court. Unfortunately, I'm not the person that appoints them to the district courts or to the CAFC. That's another matter.

Anyhow, the next person on my list is Bill Thompson.

MR. THOMPSON: Thank you, Homer.

MR. THOMPSON: No, it wasn't 10,000 documents; it was 17,000 in a trial where we had discovery, five of which were used in the trial.

So, obviously, my concern goes back to those of you who focused on the abuse of discovery.

MR. BLAIR: Bill, could you speak up a little bit?

MR. THOMPSON: I'm concerned about the discovery, because it seems to be that that's where these trials take off and just run endless and

tremendous expenses. The $100,000 a month that Karl's talking about paying outside counsel probably represents, certainly if we were conducting a lawsuit, half the expense that the corporation is dealing with, maybe not even that, because of all the internal time and expense that's involved in digging out those documents and searching for them. And of all the activities that it seems to me that we ought to address and try to streamline trials has to do with the control of this monster of discovery, which is really — really under a system of anarchy in a way.

My perception is that when we get into a trial, the defendant's counsel has this kitchen-sink pleading back in his office that he brings out that has all 59 patent defenses that, if there are many and perhaps some of you know exactly how many patent defenses there are, maybe you'll strike off one or two that would make you look clearly ridiculous if you asserted it. But you'll go with everything else, including fraud theorizing, "Well, we haven't really investigated that. But, God knows, we're probably going to find another patent out there that somehow came across the track of the plaintiff. And we can assert it because it's different and you didn't cite it. But there's likely some kind of an issue there.

"And look, he has one or two inventors on his patent. Chances are it's not all that clear just which one of those invented it. Or maybe it's somebody else. And so we're going to assert that we got the improper inventorship, and investigate it."

And so all these things are in the pleading, and the judge is not in a position to be able to really know whether that's a live issue or not, and to cordon off discovery to those areas and activities.

I can visualize that if we created a magistrate type of system, the judge said, "Well, I'll appoint this magistrate to look into this more closely, and he'll have some of the right background," that the magistrate is now a delegated person. My experience in corporations, that each level you go down in the hierarchy, the more questions are asked because that person is concerned about not overlooking something, that when he reports back up the line, that somebody says, "Oh, you should have investigated this area." So he's going to add to the list, unless that magistrate should be carefully controlled in such a way and carefully instructed to say, "Part of your job is to limit these excursions down blind canyons." And if that was clearly his job, then this might make a contribution.

But I'm wondering what the trial counsel's feeling — or what the judiciary feeling — and I'm not that closely involved in that part of the case — but what is our legal philosophy in terms of a legitimate

discoverable issue? For example, in criminal law before we can go knocking on somebody's door and investigating inside and searching his house, we need to have probable cause.

We don't seem to need that in this field; we just go with the stock pleadings and nobody's there to supervise it. There's no probable cause that this is a reasonable issue that ought to be pursued. And I wonder if there isn't some way to deal with that so that some reasonable basis and definition to an issue is required before they're allowed to get involved with the extensive discovery. Then maybe the discovery itself is somewhat pointed and cordoned off and directed in a more focused way and limited by that definition so we don't just go on and on and on with these excursions, and along the way find something else and then something else and then something else.

So I see some measures to take right at the beginning. If the judges don't have the time to come in that heavy and that completely in the early stage, maybe that's a role for a magistrate to get involved in.

I agree with Judge Conner that something needs to be done. But if that is just simply pushing the issues around off of the judge's desk and down to the magistrates and whatnot, then we're not really limiting what we're doing but we're just moving it around somewhat. In that case I don't think we've gotten at the problem.

MR. BLAIR: Thanks, Bill. The next one is Harold Einhorn. Before Harold starts, I want to mention the invitation that Mike Meller and Harold have made, which you can refuse. We're fortunate to get Mike Meller to come up here as an adjunct professor and teach International Patent Law. As Mike is a New Yorker, he doesn't feel that he wants to come up every week. He comes up four or five times a semester and teaches three hours on Thursday night and three hours on Friday morning, which is tough on him, and it's also tough on the students. Mike is having his class tonight starting at 5:30 in a room across the hall, where you'll find the food a little later. He said if any of you either miss your plane or are staying around, he'd be very happy to have you sit in on his class tonight. One of the people talking is Harold Einhorn. Also one of our Japanese students is discussing some of the patent law of Japan.

So with that, Harold, you're next.

MR. EINHORN: Thank you. I'm going to come back to Judge Conner's original paper that started us off, and it was the kind of simplified approach. When I read that, I said to myself, it seems to be that I've been doing that and have done that so many times with respect to interferences. There was a time when interferences were more prevalent in this profession, and I had a docket full of them. Four or

five settlement agreements would be written per year. Typically, one would simply exchange proofs and sit down with the other attorney and come to an agreement as to who was the first to invent or what-not. Sometimes you'd have affidavits. Typically the interference settlement agreement would say that the winner gets the patent, the loser gets a royalty-free right to operate under the patent. It was a win-win situation, and it worked a lot. We did it all the time. I wondered why it worked so well there and maybe not for other things.

It's clear in most of those situations very little was at stake. Most of those patents were of prospective interest only, and it was easy to get settlement on that. Once you set up a win-win situation, people realized there wasn't that much at stake, you'd go forward with it.

Where there is more at stake are the problems. For a number of years where there was much at stake and one wanted to suggest ADR or settlement, the plaintiff would be willing to settle, the defendant not. Because for many, many years there was a good chance for the defendant to be found either not to infringe or to find the patent invalid. And so the defendant really had less incentive to go through with an ADR.

After 1983 or so and presently, it's often the defendant who would like to settle or go to an ADR, and the plaintiff doesn't. First of all, he has a good chance of winning, a good chance of an injunction, and even a preliminary injunction. Even if the injunction doesn't issue, the defendant must always be concerned now that an injunction might issue, and he has to direct some of his capital toward developing alternatives in the event that the plaintiff gets the injunction. So there's been a shift as to which side wants to go forward with ADRs.

I think that both parties could be induced to go through with an ADR, only under circumstances where there's a win-win situation. I would suggest that when ADRs are set up, perhaps they ought to be structured in a way that neither party will lose completely and so each party can win something. Perhaps the plaintiff will waive his right to an injunction, perhaps he'll put a cap on the damages that he might obtain. Perhaps the defendant might agree to pay a certain minimum going into the ADR. Each party has therefore something to gain, and it's not a complete win-lose situation. That might be a way to induce and encourage parties to get into ADRs, to set it up so that there's not a total loss by either party.

That is not to say, however — and, of course, that's consistent with what Karl Jorda was talking about and Bob Rines. But that's not to say that it should — I guess I'm responding to Bob Rines here — I do not think there should be any official discouragement of full en-

forcement of patent rights. I think that the ADR should be there, and there should be incentives to use it. But I cannot agree that one should set up some kind of penalty for attempting full enforcement. I believe that there's a social value to full enforcement of a patent. I believe that patents have social value themselves. If you take away the right to full enforcement, you decrease their social value. We all know the social value, the old chestnuts: you're rewarding the inventor, you're encouraging investment capital, disclosing information. So I think that there is clear social value to a patent and to enforcement of the patent. Therefore, I would not impose penalties for those who wish to go forward to enforce their total rights.

However, I would have incentives through the ADR in terms of developing a win-win structure in order to induce people to take that route.

MR. BLAIR: Okay. Next is Vic Siber.

MR. SIBER: A number of times this morning the IBM-Fujitsu arbitration was discussed. And I just wanted to clarify . . .

MR. BLAIR: Speak up a little bit.

MR. SIBER: I just wanted to clarify the circumstances under which the arbitration took place.

First of all, this was not a dispute between two parties where the parties agreed to resolution through arbitration. There was a prior dispute between the two parties going back to the early '80s, and that was settled through agreement. It was agreed that disputes relative to the agreement would be resolved through arbitration. That's how it ended up before the American Arbitration Association.

Secondly, if you look at that process, you'll find that it was probably as involved as any litigation and maybe cost as much, maybe even more. I don't know what a trial would have cost. But the arbitration went on for a number of years and was very expensive, it took a substantial amount of internal resources as well as with outside counsel, for both parties.

I also wanted to comment on some other areas, some of which have been touched on, some not. IBM does support ADR. Its general counsel was part of the judicial panel that created the proposal. We've tried and used a number of the techniques contained in ADR, some successfully, some not.

I think most large corporations try to settle. I can tell you that the corporation that I represent tries extremely hard in every situation to settle. Even in the most outrageous cases, such as those involving piracy, we try to settle the matter without litigation.

There are some circumstances which probably will never lend themselves to ADR. Matters in which the heart of the business is at

stake probably will not be settled through ADR. To mention one, the instant camera business case at stake in *Polaroid v. Kodak*. Fundamental issues will probably go to litigation anyway.

There's also another class of controversy which I see a number of corporations concerned with that I have trouble figuring out how ADR would apply. That is where you have a relatively small plaintiff against a large defendant. Further, put that in the context of what's happening with regard to jury trials, the uncertainty of the result, and the practice of attorneys taking certain cases on a contingency-fee basis.

It is extremely difficult to settle a litigation in which the plaintiff appears to have unlimited resources and is banking "the flip of the coin' when the jury gets the case. Usually very large sums of money are at stake and sometimes the judge is baffled by the technology to some extent.

I throw it out to the group: How would ADR apply in such a case?

MR. BLAIR: Thank you, Vic. Bob Rines has a comment he wants to make.

MR. RINES: I just didn't want to be misunderstood that I was talking about any vitiation of the exclusive rights to a patent. As someone who represents small people, they need it. All right?

What I was talking about was an article dealing with application of software to copyright. I really commend it to you. Thank you.

MR. BLAIR: Polly Newman?

JUDGE NEWMAN: My remarks go back to my own experience as corporate counsel, when I shared with all of you the experiences that we've been talking about. Here we are talking to the converted. I don't think there is either a corporate counsel here or a litigating lawyer who does not press upon the principals, the business people, the advantages of considering all of the alternatives rather than rushing into litigation, and particularly seeking an all-win situation.

I spent a good deal of my time running around the world in alternate dispute situations, as have many of you. The problem, as each of us has encountered, has been that that which serves the interest of one side in terms of ADR usually disserves the interest of the other, which really just changes the rules and changes the balance in terms of the bargain that's struck.

And so I take us back — well, let's start with 13 years ago. Bob Shaw mentioned the program that we had here at Franklin Pierce on ADR. Tom, weren't you on that program as well?

MR. O'BRIEN: Yes.

JUDGE NEWMAN: One of the things that we were talking about then was the system that had just been established for the mediation of

disputes between United States and Japanese companies, a system that the Japanese were particularly interested in, and that seemed to also suit the interests of the United States. We'd devised a simple, unelaborate structure, which I think has had almost no use at all. Perhaps for the very reasons that we're discussing here, that when you have high stakes and savvy clients, the way you approach resolution of your disputes is along the same lines of business principles as the way you approach anything else.

The next context was the domestic policy review, when we simultaneously moved towards the establishment of re-examination and the establishment of the federal circuit. We were again looking towards dispute resolution, in the sense that we were seeking increased certainty in the outcome of litigation. We thought, perhaps a bit naively, that increased certainty in the outcome might diminish the number of disputes.

As a digression, I've heard several negative comments here about re-examination. Re-examination is used frequently in litigation. If one were to review the records of the cases that come before us on appeal, there would be a disproportionately large number of patents that have been through re-examinaton. It appears that re-examination is used not so much as an alternative to litigation, but as part of it. Although I remember, Commissioner, your observation that many cases that were put through reexamination were subsequently withdrawn from litigation.

It would be interesting to study those statistics and determine what is really happening in terms of dispute resolution, because of the increases in patent litigation. There are about twice as many patent cases filed in the district courts now as there were when the federal circuit was born. What does that mean? I don't see very many of the companies around this table as litigants in those cases. It seems to be generally smaller companies. And I wonder what that means. Are they enforcing weaker patents, or are they for the first time standing up for legitimate patent rights because there's an opportunity to recover more than a reasonable royalty, which probably wouldn't cover the cost of litigation?

We need to balance our consideration of this subject with the bigger picture of what's happening to the patent system. If people are now litigating more of the kinds of patents that can't be compromised, that form the basis of businesses that just can't be shared, then there's nothing to be settled by ADR; and you have no choice but to fight it out and see who's going to win and who's going to lose. To me, that is the ripest opportunity for the sort of thing that Bill Conner has

suggested, if you can get in early, before the interests are so powerfully vested that it's too hard to back down, there's too much at stake to force a compromise.

The enhanced benefits of patents to industrial innovation should heighten the need for alternatives to the high cost of traditional patent litigation. The other side of the story is that there is a good deal of inequity when people can't afford to participate in the expensive system of litigation at all. That to is important to the health of the patent system.

MR. BLAIR: Thank you, Polly. Now we'll break for lunch. Immediately after lunch, we'll take Joe Fitzpatrick, Bob Orner and Bill Keefauver.

I've let a lot of conversation go on this morning for a couple of reasons. First, I think it's been interesting. Second, I think that you come out with an overall consensus, "Yeah, something really should be done in many cases."

This afternoon I'm going to move on to some of the other ideas we've had and bring up a number of different things. I'll probably move a little bit faster.

(Luncheon break)

MR. BLAIR: Bob Rines has given me reprints of the article he was talking about. (Computer Software: A New Proposal for Intellectual Property Protection, Robert H. Rines et al, 29 IDEA 3 (1988)) We have enough for the people in attendance here, so I'm going to pass them around both ways. You'll see some are copies of *IDEA, the Journal of Law and Technology.* Some are reprints of the article.

I have a list of about six or seven people to continue to talk about this morning's activity. Then I'm going to stop on that subject, although I realize that the subject is very broad, which is what I deliberately intended to do. We'll start on a few more of the items that were passed out previously. I also have a couple of suggestions from Bob Benson that he wanted me to bring up, which some of you have heard before, but we might get some interesting viewpoints on them.

So the first person I'd like to give a chance to comment now is Joe Fitzpatrick.

MR. FITZPATRICK: Thank you. Rudy Anderson asked someone to speak up from the private bar. And since he's been arguing with me for 40 years, I think he had me in mind somewhat.

Don, I know the lawyer that's got that case against the trial counsel who missed the date. I know that lawyer, because I know he has free time now. He used to represent the prisoner in Colorado who sued the prison guards. And I'm not sure he isn't on the payroll of the KGB.

But, seriously, I was asked at lunch a good question by one of the students here: Why did I raise my hand as being in favor of the present system of non-technically-trained judges to handle patent cases? And I raised my hand because I've been working before those judges in the United States District Courts for 30 years. I think they're fair, honorable, hard-working, decent people if you help them out. I've never really met a better group of people to present the facts of the case to than the United States district judges, provided you do your homework and present it in the right way and don't come in with the 59 defenses and the request for three million documents.

The judges do not seek the discovery. As for the complaints, my friend Rudy, that discovery has gone out of sync, we're the ones asking for the discovery: the lawyers, the clients and the businessmen. The judges are simply making the rulings. And as one judge in the southern district once told me, "You know, I've got to decide the Staten Island ferry strike before 5:00 o'clock, and I really can't devote too much time to your documentary requests." They do have important matters on hand.

I think alternate dispute resolution is a possibility, maybe not in the super cases. But I really think that first you start with the lawyers. I haven't worked with or seen Dennis in 20 years, but I think he remembers the time we were representing two major drug companies. I walked into his office — and I never heard of Will Freeman before, but he asked me the same question. He said, "I see the issue as such-and-such. Do you have it?" I said, "Yes, I think we do." And we sat down and, as I recall it, we made a sensible resolution that helped both companies. But all the lawyers aren't Dennis. And also, all the clients aren't Rudy or Bob or Tom or a lot of the people sitting around the table.

I think that what you need on each side is a sensible trial lawyer, a sensible corporate lawyer, and an objective, sensible businessman who is not already vested into the problem. Every client that's come to me — most every client — who asks — "What do you think about putting this to an alternate resolution rather than going to court?", also says, "But we want a procedure that we'll win in."

Well, I see the United States District Court as a level playing field. It's hard to create that field in an alternate dispute resolution. But I think if you have two parties that want to settle, two companies that really want to settle, who will each assign a businessman with the authority to enter into a fair resolution and who is not the businessman who made the decision to go ahead and infringe the patent or said the patent was clearly a winner. You pick two businessmen,

one on each side, you let each of the businessmen hear not only what his lawyer has been telling him, but what the other lawyer has been telling his client in the presence of a — we've got three of the best judges in the country here — and I don't say that lightly — but a good alter-ego of Judge Newman or Judge Conner or Judge Markey, let him hear both sides — or her hear both sides, and each businessman hear the both sides, and then put the businessmen in a room. And I think you have some kind of effective alternate dispute resolution.

Thanks.

MR. BLAIR: Okay. The next one's Bob Orner.

MR. ORNER: I'd just like to make a few remarks from a corporate point of view. Some of the points will be repetitive as to what has already been said, but I will make them for their statistical value. While I do not have any empirical data, a large number of patent assertions between big corporations are settled. I think that's particularly true since we now know the rules by which we are playing since the creation of CAFC and its resulting decisions. We know definitely some of the things we can do and things we cannot do, the strength of the injunction, damages available, etc. So I really believe larger corporations use their own form of ADR.

I will give you an example. We were involved in a patent dispute with a fierce competitor in one of our core businesses. Our two companies were about to get involved in a lawsuit on a multiplicity of patents. I telephoned my counterpart and we arranged a meeting between each of our direct reports — the attorneys directly involved —, the senior business management of our respective division involved in the controversy and ourselves. And in two days we worked out — and this happened to us twice in the last five years — we worked out a settlement which, had we become involved in litigation, would have gone on long after I retired from the business. So you can have ADR, and I think large corporations tend to do it.

Where you run into a problem is when you have an individual or small corporation who will go to an outside law firm, and they will sue you because they have big dollar amounts in mind. These types of cases are harder, in my opinion, to settle than assertions between larger corporations.

I want to emphasize again Don Banner's point: You have to have the businessman there for two reasons. One is that he's the person who can make the decisions; they are his dollars. But if he decides not to settle, then he has to be responsible for that decision.

A third point, there are obviously certain types of cases where you cannot settle without some court intervention. Some situations are

special and the business risks are so high, you have to have the court make a decision. We can speed up that decision time, however, with other methods like Judge Markey's suggestion. While we should make every attempt to settle a dispute, you must understand we sometimes just have to go to court.

Businessmen sometimes feel that in arbitration the arbitrator is going to divide the baby. They feel that in court you know you are going to play by a set of rules, you know what the set of rules are, and you are going to get a judicial determination. You are either going to win or lose, and the judge is, in most cases, not trying to divide the baby. And that is what a lot of corporations feel about arbitration.

And, finally — I know Harry Manbeck has put a lot of effort into legislation to permit the arbitration of patent disputes. I went to a seminar about a year ago where a gentleman from the American Arbitration Association gave a presentation. And I asked him how many patent cases had been settled — using arbitration. He said not one had been arbitrated at that point. So now here we have an ADR vehicle which many people wanted and was not being used.

We called the American Arbitration Association again yesterday, and the gentleman had been sick, so he didn't know the demographics of what I am about to tell you. But he said there are four cases involving patents which now have been arbitrated. So that's within a year, assuming this is true data.

The interesting data which we could not find out were things like: what were the relative sizes of the parties in arbitration — why did the parties choose arbitration. Now you have four cases to analyze. We don't know whether the parties looked for a long-term or short-term relationship, whether they are fierce competitors, whether they gave up injunction as a prerequisite to arbitration. The reasons behind the choice of arbitration would be an interesting exercise left for one of the students here at the law school to determine. Then maybe we can get the point of why are we arbitrating and why are we not arbitrating, if we could just get some of the demographics of the four cases.

I agree there has to be a change in the way we resolve disputes and if we elect to litigate there must be a way to speed up the process.

MR. BLAIR: Thanks, Bob. Next is Bill Keefauver.

MR. KEEFAUVER: First I have a brief comment. There have been several statements suggesting that discovery was a major issue in achieving ADR. I haven't found that to be the case. I agree that discovery is a problem. But in my experience, it has had very little to do with whether or not you do ADR or whether or not it's successful.

What we have found that has interfered with ADR are specious or frivolous claims of unethical conduct lightly made or without adequate proof. They not only give you legal complications, which you can manage in achieving a settlement, but they poison the climate of reaching any kind of an agreement on an informal basis.

But the more significant point I wanted to make is that for the last 15 years or so I've had general legal responsibilities as well as intellectual property. And it occurred to me from time to time as I moved from one sphere of my brain to the other, that I had to really change the way I thought. That bothered me a lot, and reading Judge Markey's excellent article the other day reinforced this. He points out that judges should not be trying two kinds of cases, patent cases and other cases. A case is a case. They all arise from the same elements of due process and so forth. And we could simplify a lot of litigation if we'd just recognize it was litigation.

And I was wondering whether perhaps the legal profession as lawyers, as distinct from judges, also had the same difficulty. When I talk to somebody about a labor case, the labor lawyer doesn't say, "Well, we're going to check to see whether perhaps this person was an illegal immigrant, we're going to call for all their tax returns and see whether they've paid up all their taxes, we're going to check and see what organizations they belong to. etc." They just talk about the labor issue. And that's true in tax, that's true in real estate, it's true in commercial transactions. Somehow lawyers in those fields of activity have learned to focus, for the most part, on what the true issue is.

Then when I change to the other side of my brain and talk to my intellectual property litigators, suddenly I have to go back to the 59 defenses that are always going to come up or 63 or whatever it is. And we go through this whole laundry list of things.

I don't have any clear feeling of an answer here, but I do suspect that somehow the branches of the law have become a little more bifurcated than perhaps they should have and that patent attorneys should think more like lawyers — not that lawyers as a class don't need some cleaning up of their act. But I suspect we make life much more complicated, not only for the courts — as Joe pointed out, you can explain these cases to non-patent judges — but also for our clients.

MR. BLAIR: Okay. Next is Dick Witte.

MR. WITTE: I just have a couple of observations from the standpoint of a corporate lawyer. We have some big litigation for high stakes, which is contentious, very expensive, and involves long delays. But there's one thing that seems to, above everything else, have the knack of moving it along. And that is the setting of a trial date, preferably

an early trial date. If more judges — some do this now — but if more judges, more district court judges would set an early trial date, I think it could eliminate or reduce a lot of the delay and a lot of the expense. What is the effect of an early trial date? I'm not talking about the ITC kind of thing that you have for 12 months, but a realistically early trial date. It has a self-disciplinary effect. I think it would tend to focus the discovery, make both sides concentrate on the main issues. When there is no trial date, the discovery seems to go on and on and on and get broader and broader. Whereas, if there's an early trial date, each side will know they have to concentrate on the important issues.

Now what do you do about a judge who is unwilling, for whatever reason, to set an early trial date? Well, one thing they could do would be to try to get a new rule in the Federal Rules of Civil Procedure. It might be for patent cases or it might be for any case. Provide a chance for a plaintiff or a defendant to petition for the setting of an early trial date on some sort of reasonable showing that an early trial date is important.

The other thing that comes to mind that I think has been helpful, although I don't think everybody would agree with me, and that is the greater use of magistrates. With my limited understanding, I think that some districts have a number of magistrates; in other districts they seem to be in short supply. Some judges use magistrates quite a bit to help them; other judges don't. But I think the greater use of magistrates would help. More can be used — there should be money appropriated to get more magistrates. They could handle a lot of the discovery issues. The judges either don't have time or the interest in — to keep the discovery moving. Use the magistrates for this purpose.

Magistrates can also be kind of a vehicle for encouraging alternate dispute resolution either straight settlement by some kind of diplomatic process at the proper point in the litigation, or just getting the parties together but in isolation from the judge. I'm concerned about judges getting too involved in — even at all — settlement negotiations. But the magistrate can do it: get the parties together, get them talking, put the businessmen together in a room, or force them to at least talk to each other. These are the things that come to mind.

Thank you.

MR. BLAIR: Thank you. Roy Massengill.

MR. MASSENGILL: I don't have anything creative to add to what's already been said today. You look around this room and you see some outstanding people in the patent profession, the people who are going to have a major impact on what happens in patent law in the

foreseeable future. They are very representative of the people that are going to make things happen for the patent bar.

But it seems to me that after hearing all the statements about ADR that have been made here today, which have been very good, we are faced with a dilemma. I think we have addressed the ADR issues, both sides up and down. We know that certain ADR procedures are now being used in some cases. We have also heard good reasons why some cases cannot be settled by such methods.

Therefore, it is apparent that if we really want to get litigation costs under control and get out of this dilemma, the quickest and surest way is to get the docket backlog shortened like they have it in Virginia, the so-called "Rocket Docket." You schedule the case, you know what is going to happen, you know when it is going to happen, and you get a decision in a few months. Now that is what will really save costs.

As fast as you can come up with new procedures or patent legislation to resolve patent matters, the clever trial attorneys point out why you cannot let the other party use certain tactics, or that you must counter with other tactics. The first thing you know, you have developed a full-blown litigation, spent as much money, and the decision or the outcome is not any cheaper than in the district court or wherever you have been trying cases. So it seems to me that one sure way of getting at the costs of contested issues is to shorten the time period a case is pending.

MR. BLAIR: As Roy pointed out, I think we can all agree that the Congress and the IRS are part of this KGB plot, and they're doing their job very well.

I agree with Roy, and I think many of us do. The problem is that's only one federal district court location, and we have many, many other district courts which are years and years behind. I wish they would get the Rocket Docket, but I don't see them doing it very often.

Next is Bob Shaw.

MR. SHAW: I talk mostly because the students have commented on the fact that I'm uncharacteristically silent, since they can't shut me up in the classroom, and I haven't said a word. And Homer will accuse me of being a bump on a log.

But one — just a brief comment. Dennis mentioned four elements: time, cost, discovery and uncertainty. And then someone else said that maybe a fifth element, or included in the four elements, might be people. People are internal resources. The persons around this table are very well aware of the disruptive character of litigation on the company. But the smaller companies, I think, are not so

conscious of the resources of that company that are put into litigation and are taken away from other things. At some point their whole management practically can be involved emotionally in the case, and they're not making any of the decisions that they're paid to make, although they're paid to make these decisions also. But they're of a different nature; they're not trained to make these decisions and are unaware of the disruptive character, I think.

At any rate, another point I'd just make. All of us keep up with the court cases. What we see creeping into these court cases are sanctions: Rule 11, Rule 38 and the appeals. I've thought quite a lot about that. I think that one way of cutting down a certain amount of litigation is to put the parties involved in some sort of risk. As time goes by, we're getting attorney fees and costs applied to people who are engaged in frivolous activities in one part of the court system or another.

Thank you.

MR. BLAIR: Next is Chico Gholz.

MR. GHOLZ: I want to respond to Bill Keefauver's point concerning the famous 59 defenses or however many there are. It is a function of client control. Those of us on the outside will present 59 defenses or one defense or anything in between that we have some support for. Depending on what the client wants, there should be a litigation budget. I recognize that budgets are in large part fantasy, but there should be some idea at the beginning: Is this a big case, is this a medium-sized case, is this a little case? A preliminary decision that can be revisited as many times as you want, as you go along. But still, the amount of work that outside counsel does, the amount of money we spend, is a function of what you guys tell us we can spend. We will spend as much as you let us spend, as much as you tell us to spend.

The same thing with staffing. We can staff up litigation and put five, six, ten lawyers on it, or we can handle it with one — or two, I think, is a lot better than one. But at least a very small staff, depending on what you tell us the case is worth.

We don't spend money that you don't authorize. If you want the case — if you're willing to roll the dice on a single defense, we are just going to argue that one defense — invalidity over the Jones patent or whatever, and that's it. We'll do it, and the case is going to be a lot less expensive. If you tell us the company is at risk, your job is at risk — even more importantly — we've got to win this case, do whatever we think that we possibly can, obviously the cost is going to be a lot higher.

On a similar note, responding to something that President Rines, Bob Rines, said earlier. The business about representing society and

being officers of the court. Yes, we'd like to say that. And yes, there is something to it at the extremes. But on an everyday basis, we're not representing society; we're representing our client. We are doing what our client tells us to do, at least in broad terms. There are limits. We won't do anything our client tell us to do. But generally speaking, the kinds of clients that are sitting around this table are not likely to tell us to do something which is unethical or improper and is going to get us into trouble.

So generally speaking, we take our cues from you. And if you are content to have a case handled as a small case, to have a completely focused defense, that's what we'll do. That will hold the costs down enormously. You don't need a judge to tell us that; if the client tells us that, that's what we'll do.

MR. ANDERSON: But, Chico, your last three paragraphs in your letter will say, "We also could argue this and that, but if you don't want us to, it's your risk."

MR. GHOLZ: Oh, absolutely. Yes. Somebody has to make that decision, and it shouldn't be outside counsel. That's what you guys are paid to do.

MR. KEEFAUVER: Homer, just for clarification, I was not talking of outside versus inside, because in our case we handle most of the litigation inside anyway. I was talking about "us," as a profession.

MR. BLAIR: Us in general.

MR. KEEFAUVER: That we naturally think of a war field of 59 squares in a matrix.

MR. GHOLZ: Well, we do have 59...

MR. KEEFAUVER: And labor and tax and other — tend to think of one or two. I think it's just part of our conditioning.

MR. BLAIR: I'm going to let Don Dunner talk, and then I'm going to give Bill Conner the last shot at this part of the program. Then we'll go on to some of these other subjects which are more specific.

Don?

MR. DUNNER: I would like to respond to Chico. If I heard what I think I heard, I just disagree very strongly with that. And this blends into a theme that Bob Rines was raising before and also something that Don Quigg said before.

I think lawyers, outside counsel and house counsel, have a responsibility to be more than a hired gun. Now, it is true that if you have more money to spend and if the case deserves a bigger defense, needless to say, you'll have more money with which to do it. On the other hand, I have lots of clients ask me to do lots of things and I resist it. I don't take every appeal I get. I reject some appeals, partly because

maybe Howard Markey has scared me with potential frivolous appeal holdings, but also because I've got some pride in taking a case that I think I have a reasonable chance of winning and not taking a case I don't think I have a reasonable chance of winning.

Bill Thompson asked before: What do you do about the fellow or the opposing counsel who throws 59 defenses at you? Well, what you do is you get a couple of million dollars in legal fees awarded to you, which I got in a recent case, because the other side recklessly, frivolously threw out every defense under the sun, half of which didn't pan out.

Now, there are things that can be done. And I think one of the things that the outside counsel in particular has an obligation to do is to be honest with his client, not to give him crazy estimates of success which will preclude ADR from ever having a chance of being considered. The lawyer who tells his client he's got an 80 percent chance of success when he really has a 50 percent chance of success or maybe 55 or 60 is doing a disservice to his client. And he doesn't realize that if, in fact, he settles the case, he'll probably get three cases to replace it. You know, this litigation doesn't need to keep going on for you to send your grandchildren to college. There'll be five to replace it. We delight when we settle a case. We absolutely deslight in it, because the client immediately gives us two or three more cases to replace it, or some other client does.

I think the client should be told the truth, and the outside counsel has an absolute responsibility to try to direct the client — you know, without being obnoxious or difficult — to try to direct the client, where appropriate, toward a resolution of that case without bloody warfare going on for two or three years. And many times it can be done, as long as the outside counsel uses judgment, passes that judgment on to the client, and hopefully influences the client properly. The case may go on anyway. But at least that attorney will have discharged his duty.

And he has a responsibility not to throw 40, 50 or 60 defenses out. We don't charge fraud in any case unless we feel we have a basis for it. We'll use — you know, we'll say — we'll not use the word "fraud" or "inequitable conduct" unless we have some evidence to back it up. And there are resources available to you if that is done against your client: you can move to strike the defense, because there are many cases that have held you need to assert fraud with particularity. And you can call it inequitable conduct or call it by any other name; it comes right down to fraud, because that's basically what's involved in the inequitable conduct charge.

There are many ways to deal with it. But in the last analysis, outside counsel particularly has a responsibility to do more than just implement a client's request for legal services and respond to a dollar dole to the maximum limits of that dollar dole.

MR. BLAIR: Dennis, I'll give you about 15 seconds.

MR. ALLEGRETTI: Just one quick rebuttal. I think the canons of ethics are very clear: a lawyer can decline representation only if his biases and prejudices are such that it precludes him from effectively carrying forward the client's cause. I don't think we're the judge of the client's case; I don't try to talk my clients out of anything; I try to tell them where their risks lie; I try to tell them where their best case position is. And I'll tell them I think they're going to lose. But I don't refuse to accept an appeal just because I'm going to get embarrassed on the statistics by losing them. I lose a lot, and I lose more every year because I get brought more and more dead horses. But I think my function is to explain and to advise, but not to judge.

MR. BLAIR: I think maybe you're getting the dead horses that Don Dunner turns down; I don't know.

Bill Conner?

JUDGE CONNER: I've been fascinated to hear all the comments. I think they're just what I hoped for. And I think it indicates the wisdom of Homer Blair in getting the right people here, and I mean a good mix of points of view, not just trial attorneys but also corporate patent counsel.

I have a few general observations first. I say this not because Chief Judge Markey and Judge Newman are here, because I've said the same thing in speeches to a number of bar associations. In terms of substantive patent law, we're in a golden age. We've never seen it like it is. We've never had it so good. And if you don't appreciate it, then you're either too young or too insensitive to have a reliable opinion.

Think back 15 years ago, when we had the wisdom of the A & P decision that patents for a combination of old elements must be scrutinized with special care, in view of the unlikelihood of finding invention in a combination of old elements.

Think of the requirement of synergism, a concept that might have some meaning in the pharmaceutical field, but in terms of a mechanical invention has zero meaning. Happily, those decisions are a thing of the past, at least for the time being.

The Court of Appeals for the Federal Circuit has brought the light of reason into patent decisions.

But in terms of procedural law, we're still in the dark ages; we're retrogressing. We've gone back to trial by ordeal, which they had in

prehistoric times. If you can't run across a bed of hot coals, you must be guilty. Because even though the playing field in the federal courts is level, the teams aren't. And one team can usually outspend the other. And I don't want anyone to misunderstand that I think that the technique of making a video tape of the testimony of a witness and punching it up during the oral argument to make a point is improper. No, if I were representing a client who had the funds, I would surely do it. Because I think it is super-effective. And I can think of a lot of other ways.

Two months ago, I attended the AIPLA seminar down at Marco Island. And part of the program there, which was on litigation, was a presentation by a company which specializes in making beautiful charts and in making lucite models of inventions so that you can see the inner workings of a mechanical device. Very, very effective. And if I were representing a client who had the funds, I would use them.

There was another presentation by an organization that consults attorneys on jury selection so that you have the advantage of getting the right demographics in the jury and the right type of background. Obviously, it's the kind of thing that you would do if you had unlimited funds.

There was another attorney there who was telling me about a rehearsal trial that they conducted before a jury of ordinary citizens. They went through the whole trial, they presented all the evidence, and they hired somebody else to come in and try the other side of the case just so they could get the jury's reaction to various types of evidence in a technical patent case, all of this in preparation for the real trial coming up. But it doubled the expense because they went through the trial twice, and they had to pay the jury and they had to pay the opposing counsel.

All of these things are great and very helpful, but they cost an enormous amount of money, and they make the playing field, while level, a place of disadvantage for those that don't have the financial backing to match that kind of a trial preparation.

What to do about it? I don't claim to have invented ADR. I think if we had an interference proceeding to find the inventor of ADR, there would be 500 parties, and we'd end up not ever deciding it. All I have tried to do was try to get the thing to move off dead center. Not enough is happening. I know that some things are happening. Some people go to arbitration. Many cases are settled by the attorneys or the principals getting together. But not nearly enough, in my view, is happening because for some reason, the patent law associations have not really pushed ADR the way it ought to be pushed. I would like to see

the AIPLA or some other organization or group of organizations really do something, get a committee of live wires to draw up a set of rules giving you various options, both as to procedure and as to the binding effect, and really give it notoriety.

I think that people would use it if you had it down in black and white where they could see exactly what they were getting into. It wouldn't be unknown. We fear the unknown, but if we had it written out so that you can see exactly what the procedure's going to be and what the effects are going to be of the decision, some would start to use it. And if they had good results, as I think many would, that is results that satisfied them as to the fairness of the procedure, it would become very commonplace.

Why hasn't it happened? I really don't know. I think part of it is if you have a weak case, you ask for a jury and you fight like crazy. You don't ask to have your case assigned to a knowledgeable patent attorney for a decision, someone who knows both the patent law and the technology. In every case, in every dispute you may have one party who thinks that his position is not as strong as it should be, so he's not in favor of anything that is going to allow the correct decision to be reached quickly, particularly if he can outspend the other side and get the advantage that his greater resources give him.

I hope that Tom Fisher and others who are here who are in a position to really do something about this in the patent law associations will follow up on it and bring the procedures up to speed with the substantive end of the practice of patent law.

MR. BLAIR: Thanks, Bill. I did note that Bill Thompson, who's going to be president of AIPLA, is taking notes. I suspect that some of us will certainly recommend that groups like AIPLA should work in these areas.

MR. CONNER: Let me say one thing more that I intended to say. I was listening carefully for criticisms to see what answers might be given. Several people talked about full enforcement and about injunctions. There is no reason you cannot have full enforcement and injunctions, even with one of these forms of ADR, either by getting the court to appoint one of these experienced patent people as a special master under Rule 53 or in moving to confirm the results of the award under the arbitration ruling.

So you can get every remedy that you could get in a full patent litigation in these ADR proceedings if you move in the right way.

MR. BLAIR: What I'd like to do now is go on to some of the next subjects. Toward the end of the meeting, I would like to get back and maybe talk about things a little more in general.

The next subject is on pages eight through ten which, for purposes of discussion, is entitled "Prelitigation Patent Dispute/Resolving System." In all our decision-making activity in the United States, in courts, in different ADR things, we end up with our usual position of two sides coming in and presenting their evidence. We have a party in the middle who is unbiased and will get information from the people on each side, and finally will make a decision.

Most of us in our work don't operate that way when we have a problem. Think about two situations as follows: 1. If we happen to be in a corporation, for example, and we're trying to decide whether to file a patent application on an invention or 2. If we're in a corporation or possible private practice and we're looking at a possible litigation situation where either it's one of our patents or someone else's patents and we're trying to decide our position. What our client or our employer wants is our best opinion. The client doesn't want what we would put in our brief to represent our position.

So what we try to do is get the best information. We talk to different people. We find out the facts that we think are necessary. Certainly, if we're thinking of the possibility of litigation, whether it's our patent or someone else's patent, we're going to make a number of searches, much more than the Patent and Trademark Office has been able to do, to see whether our patent is valid or not invalid, at least; or to see whether the other person's patent is not invalid.

At some stage of the game, we end up with our opinion. Now, when I was working in corporations — and I think it's true with the rest of you — you get the appropriate management together, and you try to present the situation to them. I always tried to figure out what I thought the other side's position was, and I'm sure you do the same. I would present the different pluses and minuses. Then I would give recommendations, which might or might not be accepted. Fortunately, most of the time they were.

In that "discovery" procedure, if you want to call it that, I didn't have two sides before me. I had to figure out myself what one side would represent and what the other side would represent.

One of the aspects of this proposal which is a little different — and certainly, it isn't meant to take the place of all kinds of other things; maybe it can fit somewhere in the scheme of things — is that each party would submit their initial statement to the "resolver" and would also submit requests for information it wants from the other party. These requests are not submitted to the other party. They are submitted to the resolver. The resolver then will ask each party whatever the resolver wants to ask. For example, when I was dealing with Bill

Conner in his outside counsel position, he would have questions he'd want to find out before he was able to give any kind of an opinion. He'd ask and we'd tell him the best information we had on that particular subject. We might have to go back and talk to some technical person again to answer his question. The resolver, intermediary, judge, whatever you want to call him, would take the initiative in asking the questions themselves, the questions he felt he needed to know. The parties would provide the answers.

You would be able to get a preliminary opinion faster and cheaper. Each side would comment on the preliminary opinion. The resolver might revise the opinion based on these comments and end up with a final opinion.

If the parties didn't want to resolve it on that basis, they can go to court. Our idea is this would not necessarily be binding, but it might be submitted to the court for what it was worth. The idea certainly isn't going to work in every case, by any means; but the concept is let the judge-person get the information rather than waiting for the two gladiators to present the information. Obviously this person would have to be an experienced person in the field who would have to be able to know the questions to ask and be able to understand the answers.

I'd like, and I'm sure I'll be able to get, some of you to take a few whacks at that. If you see anything of merit, fine. If you think it's the most ridiculous thing you ever heard — well, it may not be the most ridiculous thing you ever heard; the KGB story was probably more ridiculous than that. But I'd be happy to get some of those comments, too.

Tom Field?

MR. FIELD: I have a question, Homer. How would the third party in your proposal differ from a judge's role in the Continental, for example, German Civil System? The point is that their system, using an inquisitory model, with the decision-maker having responsibility for not only making the decision but also putting together a record to support that decision, has worked for a long time.

MR. BLAIR: Yes, that's right. But we haven't tried it in this country. The opinion wouldn't have to be as detailed as a judicial opinion. It's going to be an opinion which would be based on whatever the resolver wanted to include. I would not contemplate a 50-page opinion. It's more likely to be five pages.

I agree that the use of magistrates is very good; I agree that a special master is a good idea. Sometimes, as people here pointed out earlier today, they feel that they have to look into a wide variety of things

in order to get a detailed opinion which the judge can then use in one way or the other. This would not be as formalized as that and would not require any more information than those of us might get when we're looking into a situation ourselves in order to come up with an opinion. Obviously, when we're trying to evaluate one of our patents or one of somebody else's patents, we certainly would get the file history and we would make some searches and we would make an investigation. But our opinion would not be a very detailed document.

Bill Keefauver?

MR. KEEFAUVER: I just wanted to propose a minor modification that I learned from Judge Lacey in a nonpatent context. And that is, before the two parties submit their statements to the resolver, they are obliged to sit together and indicate those things they agree upon: Who owns the patent? Was the employee assignment agreement valid and so forth? This brings you down to the issues very quickly because there are a lot of things that otherwise the resolver might have to look at in a contested issue. So it would help the resolver if you indicate in advance those things that the parties have agreed upon.

MR. BLAIR: Okay. That's an interesting suggestion.

Don Dunner?

MR. DUNNER: Homer, I find the proposal intriguing in that it has a number of positive aspects of various of these proposals I've seen, particularly the opportunity to have some discovery but limit it because the resolver controls it. I kind of like that.

But I regard this, again, as one of a larger number of potential options that people can use. I don't think it solves the basic problem of how you get them to use it or — nor would it be usable in every case. But there's one part of it that I don't think I do like and that I think would militate against its use, and that is the part that is mentioned on page ten of the book, that in each case the resolver's opinion would be submitted to the court but would not be binding on either party. Most of the ADR proposals I've seen preclude the disclosure of the result where it's non-binding, and this would be to the court, for the obvious reason that the parties want to see if they can settle it, but if they can't settle on this limited basis, they don't want any bias later in court. Even though it would not be binding on the court, it could have some influence. I think would that militate against its use.

MR. BLAIR: I think that's a point. After the opinion is out, I'm sure at least one party would not want it to go to court. If it was an arrangement whereby they decided beforehand, neither side knowing how they were going to come out, that it might be submitted to court, you might get them to do that.

I would say one thing about all of us lawyers. I was involved in a very interesting situation some years ago where two parties were suing each other for patent infringement. My company had taken a license from the patent owner on the condition that we would not pay any royalties, we would accrue them, until these two biggies in the field — we were the third one in the field — had taken a license. The idea of us taking a license and at least recognizing the patent was so attractive to the patent owner, that they agreed to our proposed, no present royalty arrangement.

In the litigation, the patent owner, who had the patent but was not practicing this technology, asked us if their lawyers could come and look at how we did this so they could learn more about the process. We let them do that. On the other hand, the people that were defending against the patent infringement felt that our interest was certainly in having the patent held invalid, and then we wouldn't have to pay a darn thing.

So I ended up in a situation where I was talking to people on each side, not passing information back and forth, however. Before the trial, each side felt they were going to win. I mean, they really had the other people, and they talked among themselves and were very confident they were gong to win. At the end of the trial, which was fairly lengthy, I talked to each side. Each side felt they had won. No problem. I mean, they really fixed the other people, and the judge really understood their points, and they were in great shape.

What happened, of course, after a few months, the judge came out with his opinion very much in favor of one side, very much against the other side. I think that's true in many negotiations. Everybody talks to themselves and they convince themselves they've got the best thing. They don't listen to the other side. Sometimes by listening to the other side you may help yourself by finding out some points you can use to your benefit. But you may also find in negotiations, by listening to the other side, maybe there's a way you can work it out.

I thought this was particularly interesting, because each side felt so firmly that they were going to win and felt that they had won. And then when the opinion came out, one side was very much on the losing side.

The loser appealed but wisely, I think, settled it before they had to file any briefs on the appeal. I think they really would have lost, and the judge had written a very strong opinion.

Are there any more comments on this idea we have? Vic?

MR. SIBER: I think this model has a number of interesting and worthwhile proposals that I would like to comment on. Point No. 7, and

what occurs to me is that if the two parties were in fact searching for ultimate truth, and were reasonable, this could work out well. But that's not always the case.

There is a risk here that, for example, when one party has prior art which has not been cited in the examination, it is a very important strategic question as to when you reveal that to the other party. And what has been observed frequently in the last few years, with re-examination, is that when prior art is provided to the opposing party, the patentee runs back to the patent office, requests re-examination and cites the art. An elaborate effort is then undertaken with the patent office to get the patent re-issued with that art cited. Then a presumption of validity attaches to the newly re-issued patent: sometimes wrongfully so. The party who uncovered the art, which was not cited, is at a disadvantage. So I see some risks associated with revealing all of your cards to the other party prior to trial.

MR. BLAIR: I think you can always take that risk. I've known some people in negotiations that really don't come up with anything until they actually get into trial and then try to bring it out as a surprise, which doesn't go over real large with some judges. I think that's a possibility. I think you're going to have to get people in this kind of a situation that are going to have to agree up front to disclose the prior art. The first thing the resolver is going to ask is, "What is the prior art that you have that makes you think that this patent is invalid?"

I think that's an interesting problem that people have in litigation, and some people use it in negotiation. I've dealt with some people — not just on the other side, either, some people on my side — that had this idea. They didn't really want to sit down with the other side and go into the real reasons why they thought the patent was invalid, because they wanted to wait until they got to trial and spring the reasons then. I've never thought too much of that idea.

MR. BLAIR: Joe.

MR. FITZPATRICK: Homer, I was about to address your last point, your next point, and something I forgot. Growing up in the days of the A & P doctrine, the greatest thing that I've heard — not because one of the authors is here — is the "real world" facts. To me, that's what can expedite everything. How do you get the real world facts, which really should determine what an invention is or is not, on the table? And I've always been a great believer in not holding back the evidence, getting it on the table, getting all the documents up front. I think Judge Pollack has had an admirable procedure for years. Why take depositions for 18 months with evasive witnesses just to try and get

documents that they've had in their office all along? If there's a procedure either in court or in alternate dispute resolution which compels, within 60 days or 90 days, each side to produce all documents concerning the real world, to me you're halfway home. Set a trial date or set an alternate resolution date, and you have a much more simple problem.

I mean — but in your point 8, when the resolver goes to seek those facts, how does he get them?

MR. BLAIR: He asks.

MR. FITZPATRICK: I know. But what power compels the production? That's what I face as — I mean, really see as the real problem, to get those facts on the table quickly and not be afraid of what they are.

MR. BLAIR: Yes. If you do it, of course, before you go to court, there isn't any real power. I think the parties would have to agree that they would answer the questions in good faith; otherwise, it isn't going to do any good for anybody. Of course, if it happens after the case is in the courts, during some magistrate or special master thing, then of course they would have power.

I think if somebody's going to agree to this kind of procedure and isn't willing to supply the facts, obviously it isn't going to work. You would have to agree that you will answer the questions as if the resolver had subpoena power. If you aren't willing to do that, then I don't think that this procedure would be of any benefit.

Any other comments? Yes, Dick.

MR. WATERMAN: I think your proposal has some good points, because, as we've heard this morning, I think very convincingly, that ADR is widely used, or we either try to use it. And so we need to focus on why it isn't successful when we try to use it.

For example, I called — we had a problem with another company, and I called my counterpart and suggested ADR. And the response was, "We tried that once; that didn't work very well." Obviously, it didn't come out right for them.

So we get back to Bob Rines' earlier comment about trust. We obviously don't trust the system, maybe because we don't have enough experience with it or we don't trust the other side.

It was suggested by several that we need to get the business principals together and exchange our arguments. We went through that recently, twice, and it failed both times. Nothing happened, no proposals. So I asked myself, "Why?" And if you look at what we did — and I'm sure the other side did the same thing — we spent a lot of time briefing our officers on our case and on all the weaknesses of our case so that there would be no surprises when the other side made

their arguments. So they went in their pretty well prejudiced as to what our case was and the weaknesses of the other side's case.

If we had an independent mediator or, Polly, your suggestion, having somebody who could elicit the information that was necessary, I think that would have gone a long ways toward resolving this.

The other problem we had was with our outside counsel in these sorts of proposals. We had to fight long and hard to get them to feel comfortable. The ground rules for these ADRs was that each side would have a certain amount of time to present its case and a certain amount of time for rebuttal. But the trial counsel said, "Don't reveal our trial strategy. Don't give them too much."

So I think what I'm saying is that ADR is here, it's useful. We need to find out and concentrate on why it doesn't work and focus on that.

MR. BLAIR: I think you're right. I think if we can find some way, not necessarily here, but some way with AIPLA or some other group, to give enough incentives to people to try these things. I agree right now there are a few incentives, but not that many, and that's why these systems aren't used any more than they are.

George.

MR. WHITNEY: Just a comment. We've been using ADR sometimes specifically, sometimes in an extremely broad generality. On the latter part, when one just looks at the statistics, forgetting the cases that are resolved before they ever become cases — the complaints being filed and that sort of thing, which probably the bulk of our controversies — even in our own area of intellectual property — fall into that category, we have no way of statistically knowing what's there. It's just like with cross-licensing of patent rights and the other arrangements that are entered into that never come up into a formality.

Then, you have the fact that 90 percent or 95 percent or more of the cases that get filed get settled; they don't get to the point of a judgmental decision at the trial court level.

Then you look at the other statistics that have been there consistently over the years of the cases below that other — that get settled, of a statistics that Howard puts out with your court of the federal circuit, of the cases that don't get to the point where the judges have to react to it; they're settled out.

We are using, in the broad sense, very effectively an ADR procedure. What we're talking about is a fairly limited spectrum of cases that special problems and ways of trying to handle those cases to help resolve yet again another portion of this spectrum, recognizing that there still are the specialized set of cases that are out there where there's just too damned much at stake. If a corporation settled them

without going through all the thing, they'd have a minority stockholders' suit against them or some other problem.

So I think we ought to make certain that we're addressing that real — the spectrum of the area that we're talking about, not this overall thing, where ADR in a very broad sense certainly is working.

MR. BLAIR: I agree, George, it's the cases that aren't being resolved or settled before they get to court that maybe we can do a little more on.

Bob Rines?

MR. RINES: I think one thing was touched on. I think the paramount question is: Do both sides really want to settle? If the answer is, "Well, we're not sure we want to settle," well, forget whatever you do. If you really want to settle, particularly amongst the patent bar, because we're not like sectors of the general bar — we trust each other, we're honorable with each other, we bend over backwards in regard to each other — if we want to settle, I don't know why we can't settle. It's just totally outside my experience. If both sides want to settle....

MR. BLAIR: Tom?

MR. FIELD: An idea which has been floating around for a long time is that of the neutral witness being used, particularly in highly-technical controversies, as a way of enabling the decision maker to choose between opposing conclusions of respective party witnesses. As far as I know, that idea has never gone anywhere.

This is similar: You've got a neutral witness who investigates the case, (or conducts an inquisition) and makes a presentation. If people accept it, they settle at that point. But if they don't, the opinion is later admissible as in point 7 of your proposal. Isn't this the same thing?

Mr. BLAIR: No. I agree this is very similar to a neutral witness. Most of the neutral witness things I've seen don't emphasize the idea that the neutral witness will take the intiative in finding out a lot of the facts.

MR. FIELD: So he has power in your scheme that he wouldn't have under his Whinery's scheme?*

MR. BLAIR: I think he would have to. The power would be given by both sides. If both sides aren't going to give that power, then there's no sense in fooling around with it.

Tom?

**See* Leo H. Whinery, *The Role of the Court Expert in Patent Litigation,* Study No. 8, for the Senate PTC Subcommittees (1958).

MR. FISHER: We're — first as an aside that occurred to me about how long ADR's been around. ADR is the reason I selected patents over admiralty as a specialty. Because I was sent to see an old admiralty specialist, had the degree in naval science and tactics and some navigational and boat manipulation experience. He proceeded to explain there is no future because now all the ships — or "boats," as they're called in the Great Lakes — were corporate owned. Whenever there's a collision, they settle it in a board room. We don't go to trial anymore. That we 40 years ago.

MR. BLAIR: It looks like you were right. There seems to be a lot of patent controversy.

MR. FISHER: On the — the comment on your proposal, I think in a way you've restated what I was describing this morning, what we did with Dick Trexler's settlement of an interference. And it worked gorgeously.

MR. BLAIR: I agree with you. I think you could use the statement that the Center for Public Resources uses; saying that it's the policy of organizations that sign it to try to resolve disputes without litigation. The CPR idea is not necessarily limited to one particular procedure, because they are willing to work on a number of different procedures.

I think that if the patent bar can't find some way to help on dispute resolution, I might be concerned that some day some individual or small business is going to go down to Congressman Kastenmeier, point out that he's got his patent and he's sued three infringers and he hasn't got any money, etc. and why doesn't the government enforce his patent. And I could see Congress, supported by the KGB, coming out with laws and regulations: "You will have to do this, you will have to do that, you will have to do the other thing," as part of a controversial procedure.

As you know, every now and then Congress runs something through, and you don't have a chance to do a darn thing about it. I would rather have something that most people would be willing to go along with or try or experiment with, rather than have Congress get involved. At the moment, I don't think Congress is working on this problem. But I can conceive of somebody going down there with a horror-story fact situation that most of us have heard and finding a sympathetic Congressman or sympathetic Senator that would do something for their constituent. Who knows? I don't know.

Any other comments on this subject before we move on — Rudy?

MR. ANDERSON: Homer, I would just like to get back to the point that Bob Rines made. Do we really have a need for ADR? Aren't most of the cases that are settleable, settled? And those that are not settleable don't go to ADR, they go to the district court.

MR. BLAIR: A lot of them are settled. But I think we heard this morning that a lot of people feel there has to be a lot more done toward settlement, as well as in reducing trial costs.

MR. ANDERSON: Isn't it more in the trial than in settlement?

MR. BLAIR: I wouldn't say it's more; I think there's a lot in both. When you deal with the people like Bob Rines was talking about, the small companies and the individual inventors have a heck of a time enforcing their patent. I agree there certainly are a few instances which we can point to and say that some lawyer or group of lawyers took it on some basis where they got a piece of the action or a contingency fee, and in those particular cases, they may have been able to prevail. But I think there's a lot of other people that haven't been able to do that, because in our business, taking litigation on a contingency isn't the normal thing. It isn't like the negligence bar — and I'm not recommending that it should be. Most people in the patent business make their money at so much an hour on whatever they're doing. Sometimes it's so much for a particular job, but most of the time it's so much an hour.

If you're one of the companies that's represented around here, I don't think you have that problem. Even though you may not want to spend a million bucks or two on litigation, you can if you think you have to. If you're in a situation where you've got a company with 10 or 15 employees, you might have a lot of problems. It would be very interesting to see what would have happened if as soon as Edwin Land and the then-small Polaroid Corporation started to make their first instant camera, Eastman Kodak had come out with something which Polaroid felt infringed their patent. I'm not sure that Polaroid would have been able to do a hell of a lot about it. The small companies are the people that I worry about more.

Every now and then I like to yank the chain of some of you folks that are my friends here and say, "You know, you really wouldn't want to say this, and you wouldn't testify to it in Congress but if you abolished the patent system today, it wouldn't make a tremendous difference to most large corporations." Sure, General Motors likes to have the patent system, and they use it. I don't think they'd go out of business if we didn't have the patent system.

On the other hand, I think if you didn't have the patent system you wouldn't get the Polaroids or the Xeroxes or a lot of these other companies who start small and are able to grow enough with the help of patents so they can compete without having to rely on their patents. Those are the people I really get more concerned about. I think there are quite a few that are not able to enforce their patents.

Now, there may be mechanisms that you can use in those situations. I think the patent system ultimately is more important to them than it is to most of the people like myself when I was working in large corporations.

Yes, Len?

MR. MACKEY: Homer, to save time, according to your guidelines, I share Rudy Anderson's query with regard to ADR.

And your last comments do prompt me to comment. Many large corporations are made up of small business lines. Those small business lines have to support themselves. And for a small business line a particular patent situation may be as important to it as it is to a small company.

MR. BLAIR: I agree.

MR. MACKEY: And my last comment, which is really echoing part of what you have led into, and that is what I will characterize as a social observation: I believe there is a ground swell arising that in many areas of litigation there is too much litigation in the United States, it costs too much. And if the bar does not step up to it, Congress will. And you can get regulations and laws that are not, in the long run, good.

MR. BLAIR: Some of our friends supported by the KGB.

Yes, Bob Kline.

MR. KLINE: I think I'd have to disagree somewhat with that, Homer, somewhat. With any company, be it large or small, that is heavily research oriented, if that patent system weren't there, that would substantially affect, not only the total dollars that are being spent on research, but the type of research that it's being spent on. A lot of the far-reaching, more fundamental-type research — and I bet Bill could comment on that at Bell Labs, you wouldn't see happening without the patent system.

MR. BLAIR: I didn't quite make my point. I think yes, it would make a change; but Dupont wouldn't go out of business. Take a small company that has one product, with 20 to 30 employees. If someone starts infringing the first company's patents, they may go out of business unless they can enforce their patents.

MR. ANDERSON: Homer, the number one drug company in the world, Merck, couldn't exist without patents.

MR. BLAIR: I realize in the pharmaceutical. . .

MR. ANDERSON: I mean, there's no way you can do it.

MR. BLAIR: . . . business patents are much more important than some others.

But I still say in the smaller companies they may be the thing that permits them to survive. I'm not saying that we're going to abolish

the patent system; I'm just trying to say that it may be more important to some small companies.

MR. ANDERSON: Seven hundred and sixty-five million dollars in medical research requires that patent system.

MR. BLAIR: I agree that, in the Merck case, patents are very important.

MR. ORNER: Homer, I am not sure it is a function of corporate size, I'm really not. I think that if you do not have the patent system, then your products have to carry the R&D burden that a copier's products do not. Anybody can just come in, copy your product, and they can be in the market with just your lead time as a penalty. That's all they have lost, the lead time. So... no matter how big or how small the operation — we have a lot of small operations that absolutely depend on the patent to prevent copying. These operations have a lot of competitors who can copy. And once a competition gets the product, it is too easy to reverse-engineer that product. We would not be able to compete long term without the patent system.

So I would say that we have to have patents. It's independent of the size of the company. That's number one.

Number two, we initially started to categorize suits as a function of an appropriate means by which disputes were to be resolved. We all agree clearly there are certain suits that belong in court because there might be a point of law and/or the damages are very high. And on the other end of the spectrum, there are a number of suits that should not be litigated. The problem we have are those suits that are in court right now that do not get settled until the day of trial. We spend an awful lot of money on discovery, experts, etc. I think those suits are the ones we should try to find a way to expedite so that a resolution is reached before we get to that point. So I think these types of cases are the ones that we have to expedite through the courts, either by Judge Markey's system... or some other expedited system.

MR. BLAIR: I have no problem with that.

Bill?

MR. KEEFAUVER: First I want your assurance that we've reached that point in the program where we can make far-out suggestions.

MR. BLAIR: Bill, you can always make a far-out suggestion.

MR. KEEFAUVER: Well, I just want to point out to Homer that his suggestion here is rather similar to Title 7 procedure. If you want to bring a discrimination case, for example, under Title 7, you first have to present your claim to a state administrative person, who more or less acts like the resolver. A very informal procedure. The resolver comes and visits you, says, "What did you do to this person?" The resolver goes and sees the other person and says, "What do you think

they did to you?" The resolver then makes a finding of more or less probable cause or no probable cause.

A far-out suggestion: Why don't we make that type of procedure mandatory before you can file a suit under Title 35 — he's laughing already.

MR. ANDERSON: It's pretty early to quit, isn't it?

MR. KEEFAUVER: We have this mandatory finding that this case makes sense.

MR. BLAIR: I agree with you. I think it is done in a number of other areas. Usually the problem with the patent area is people feel, "Well, you've got this complicated technology and you've got the complicated patent system, and you have the complicated searching and all that. But in principle, I think such a procedure might have some merit.

MR. KEEFAUVER: But under Title 7, the person that makes the investigation is an expert because they've done a lot of them, and they're very efficient — it takes very little time. Of course, I admit a Title 7 case is simpler.

MR. BLAIR: Harold?

MR. EINHORN: Yes, the Title 7 is not such a good analogy. The mediator is generally a paralegal. And whether or not the mediator finds a reasonable cause, the party still has a right to sue anyhow.

MR. KEEFAUVER: Exactly. But most of them stop at that stage. The great majority get blocked at that first finding of no...

MR. EINHORN: But that — it doesn't stop the party from suing anyhow. And...

MR. KEEFAUVER: Correct. They still have their constitutional right. They can go ahead under Title 7.

MR. EINHORN: And it's been our — it's been my finding that they can always find counsel to represent them in a suit, because it's always on a contingency basis.

MR. BLAIR: Bob Rines?

MR. RINES: I think something more analogous — I'm not saying yes or no — is something that's gone on in Massachusetts and maybe other states in medical malpractice...

VOICE: Same in New York.

MR. RINES: And in New York, is it, Bill? And I think one ought to look at it and see. Actually you do appear before a tribunal very informally — medical and legal — to tell you whether you've got a case. And you have to do that as a condition precedent to bringing a malpractice suit. I don't know how well it works, but I think it's something worth looking at.

MR. BLAIR: Okay. Tom Fisher and then Chico Gholz.

MR. FISHER: Yeah. I'm going to have to go in a bit. But I wanted to — I wanted to — what I think we can as a reasonable realistic thing to do about the problems of litigation. . .

First of all, we've been talking all day about patent litigation, with very few exceptions. I think I understood Judge Conner's push-button television example being a case that was not patent. Anybody that's thought of a RICO case knows they'll take awhile. There's a fellow down South named North that's going to be in court for an awful long time.

The problem is not us alone; the problem is the system. Now, I can get off into the problem is the Congress, and therefore the problem is the people who elect those dumb people and keep sending them back. That's a problem — we can't do anything about that. But what can this group realistically put in play that can do something about the district courts?

Well, first of all, you hear about the Rocket Docket. Where is it? It's in one district. There's the odd judge around in other districts that does it. There is in the state courts in Ohio — and I'm sure — I know in other states of comparable provisions where, if the amount in controversy — by local rule — if the amount in controversy is less than $20,000 in a common pleas case, you must arbitrate. The loser of the arbitration has the option of paying the costs or taking that as a decision.

In Atlanta, the district court, there's a rule a deposition can only last six hours. Six hours of testimony is all you get on any witness without leave of court. There are rules around the country that you're limited in some places to 25, sometimes it's 35 — the various numbers — of interrogatory limits. Which just means you put three interrogatories together into one so that the total number is. . .

But what I'm saying is that we've got ourselves somehow into a judicial system where each district judge has his own little fiefdom. In some districts the chief judge of the district exerts some cajoling administrative power, in some way has some cohesiveness as to how that district handles things. In others — in our own, the Northern District of Ohio, Eastern Division, there has been an open revolt by the younger judges. If you read some of the media, you know darn well that the chief judge of the Sixth Circuit had to come in and make like Solomon a bit to get the court working at all. Last week there was an article on Battista, the chief judge, publicly criticizing the other judges because some court reporter got fired, he thought without cause. How can he administer to that system?

But you go through the Northern District of Ohio, and you find there are two judges in Akron named Bell and Dowd, who have been there

approximately four years. They were appointed about the same time — maybe it's three years. Had 700 cases apiece when they took the bench — and that's a lot. They are down to where they each have a backlog of 200 cases. And you talk to any lawyer in our area, and they'll tell you before either of those guys you get a fair shake. They are good jurists. Now, they're doing something right.

My simple suggestion to start is that we do a study, and we go down and we find out what is the effect of the Atlanta six-hour rule. What is the effect of the Milwaukee 35-interrogatory rule? What is the effect of the Rocket Docket? What is the effect of the Hartford system where, at least when I was up there, there were two judges: One had motion day the first and third Mondays, the other had motion day the second and fourth. You didn't withdraw up there, no motion went before that court without a hearing, but they maintain their docket.

I liken these guys to — some of these judges to a secretary who won't file her correspondence because she doesn't have time. And then she spends two of her eight hours a day going through the goddamn pile of unfiled stuff to find the letter you want. Some judges administer the docket with the same kind of logic.

As far as I'm concerned, the way it should work is the judge gets you in very early on. And he sits the parties down, he gets a little understanding of what the case is about. He talks about how much time for discovery, what discoveries are going to be, what's real and reasonable in this case. We set a trial date, and we back up from that, setting times leading, in an orderly way, up to the trial. Ninety days — hell, if the issue is only liability — or rather, the only issue is the amount of damages in an auto accident where the passenger was killed by the truck running over the parked car, who needs 90 days? And they're wasting their time letting that one go 90 days. But how can you do a RICO case in 90 days? How can you do some patent cases in 90 days?

I would conclude with a reminder, folks, of how we got into this. If I remember right, this is the 50th anniversary year of Title 28. And if you don't think that got us in this fix, Tom McWilliams told me when he started with a firm in Chicago in, I think, 1937, it was, the firm was some seven or eight patent lawyers. They had 400 pending patent-infringement lawsuits. But they didn't have the photocopy machines, they didn't have Title 28 and its discovery, they didn't have computers. That's a good point. But mostly the damned discovery out of control.

And trial by Xerox — when I started out and you went out for document production, the guy might give you 500 documents. But you talk

about 17,000 and you use five, I guarantee you if we used five in a trial when I was a young associate who come home with more than 20, I'd have been fired. Because some secretary was going to sit there and line for line type a copy or we're going to send it out to City Blue and pay 50 cents for the negative and 50 cents for every positive we made off the Photostat copy. You went in, and you, by God, looked through the documents and took what you want.

Now what do you say? "Make me three copies, and maybe I can use it." And I'll bet out of 17,000 that you produced, most of them were copied, weren't they?

MR. THOMPSON: They all were.

MR. FISHER: They all were. I sat with some folks in production with a third party that had a table about the size of a transcriber's table here at Goodyear that had one of those euphemistically referred to "document retention" policies. Well, the table was piled three feet deep with documents that should have been destroyed under document retention policy, but happily for us hadn't. We finally copied the whole damned pile because I couldn't get the other side to agree to any sort of realistic approach to do anything other than make three sets and send them back to New York so the senior partner, the partner and the associate could each have their own piles to use through and decide what, if anything, in there was relevant.

If you've got a judge on top of things from the beginning and stays on top of it, I think this kind of thing can be brought in order. But first of all, I think the only way we're going to get that message across is if somebody does a study and gets some empirical data together on which of these ideas work and which don't, all consummate with justice. There are ways of administering a docket to work. Let's put together some evidence and show what will work, and maybe we can get the courts to follow it.

MR. BLAIR: I agree, Tom. I think you're right. The judges could do a lot. The problem is, as you well know judges don't do it. Maybe a study is the first step in getting them to do it. As you know judges aren't selected because they're good administrators. In fact, some people have said that lawyers are incapable of being good administrators. I don't think so, because Judge Markey seems to be able to get his court under control.

But I agree that judges could do a lot to improve patent litigation. The problem is: How do you get the judges to do it?

MR. FISHER: Well, if we can — again, my point is: We don't — we can go in and say, "You're doing it wrong," but we don't have anything to back it up. We can say, "Look. Here's what they did in Atlanta,

and this is what happened. Now, here's what they did in Chicago, and this is what happened."

But instead of each local jurist dreaming up his own scheme, you know — you heard about Lambros and his mini jury trials. I talked to a judge from up around Kalamazoo that was one of the two federal judges that Lambros consulted with after he came up with the original idea. And the three of them really put together the concept. And he saw my badge and said, "I see you're from Cleveland. I understand Lambros is now running his docket with a computer." Well, what he is, he's taken all the asbestos cases and without a computer, he couldn't handle them.

But there are ways of doing it. And I'm just simply saying something realistically to do is get together the data to show what works in terms of keeping a docket current. And if you keep the docket current, then the costs fall in place.

MR. BLAIR: I think that's a good point. Now Karl will have a comment, and then we'll have a break.

MR. JORDA: Just a very quick one. With respect to the suggestion that has just been made by Tom Fisher, Bob Rines has handed me a note indicating that the Franklin Pierce Law Center, and particularly the PTC Research Foundation of Franklin Pierce could do such a study. And we would offer to do such a study if, indeed, this group wishes.

Now, he doesn't say anything about funding. But consequently I don't know whether it's premature to take a vote on how this group feels. But if there's a sentiment that this is, indeed, worthwhile and Tom Fisher gets support for such a study and if Franklin Pierce would find the manpower, the funding question could be settled, would there be interest? How does the group feel? Is it worthwhile? Should it be undertaken?

MR. ANDERSON: Let's wait till after the break.

MR. FISHER: Before we take our break, isn't there a Section 1 of Title 28 that says there are 500 individual fiefdoms of the United States District Judges, because you start off with the rules, and it says, "It is the responsibility" — I'm not trying to remember what the hell the rule says — but each judge, that's his court, by God, and he runs it.

And you can have all the other bloody rules of civil procedure and all the rest of the stuff, and you don't have a chief judge of any United States district running around telling — a lot of them try — but they don't effectively tell and control what each individual district court judge does.

MR. BLAIR: I think that's the problem.

MR. ANDERSON: I'd like to make one observation.

MR. BLAIR: One comment by Rudy, and then I think we'll take our break.

MR. ANDERSON: When we were involved in President Carter's domestic policy review, we recognized that you couldn't go to Congress to get this type of thing resolved. But we did address the issue that the Office of Administration of the Courts could do something in this area. And they have continued to fail to do such things, in my humble judgment.

MR. BLAIR: You're right.

Let's take a break and be back here at ten minutes of three.

(Brief break)

MR. BLAIR: Karl Jorda has a question he wants to ask.

MR. JORDA: Well, it's the very same question I asked before. It's whether we might not have here an indication of interest in the studies that Tom Fisher suggested. Bob Shaw assures me that it's do-able. The question of funding is open, but he also assures me that it would not cost too much. Perhaps we ask Judge Conner for a comment, because he is a district judge, as to how he — what his reaction might be if such a study was done and should the results come out, how he would read the results. And that might reflect on the practicality of the study.

As I read Bob Rines, he's quite interested, if it's indeed practical, in doing such a study.

Bill...

JUDGE CONNER: It is indeed practicable, as witnessed by the fact that it's been done a thousand times before in a thousand places.

Let me say I don't disagree with a word that Tom Fisher says. Everything he said was absolutely correct, in my view. What he was talking about, though, is something different than the subject of discussion today, as I understand it.

I'm talking about improving procedures in the federal district courts. And, God knows, they need to be improved. But we're not going to improve them to the point where people won't be looking to alternative ways of resolving disputes. We're still going to find litigation in court terribly expensive because there are so many ways, legitimate ways, productive ways, to spend money to improve the presentation of your position in a lawsuit, such as these things I talked about earlier. And they all cost money. And the small company that has $10 million a year in sales has no chance to use the same armament. It's fighting with bows and arrows against tanks, and it's going to end up with the impressions of the tank treads in its chest at the end of the fray. And if you get two big gladiators fighting against one another, there's

going to be an awful lot of blood let, the field is going to be red — or I should say green, because it's money they're going to be bleeding. And even in the most important cases I think they ought to be thinking about alternative dispute regulation, even when the Nirvana, the paradise of perfect performance by federal judges has been realized, if ever.

But the studies that you're talking about have been done. I've got a stack a foot high that I can send you, done by the New York City Bar Association and by the New York State Bar Association, commenting, among other things, on the fact that district judges have their own rules and they ought to be unified. Every one of these suggestions that he's made, I can send you a beautifully written discussion of the pros and cons. Why haven't any of these things come to fruition? I think the short answer is that district judges are appointed for life, and they can't be fired except for taking bribes or something equally egregious. The constitution evisioned that they would be independent. This comes with a price. The price is they can't be forced to do anything, even to accept the most sane and worthwhile suggestions. They are laws unto themselves, as far as procedure goes, and they have their own ideas about how things ought to be done. And you'll find in the same court judges with a backlog of 700 cases and other judges with a backlog of 200 cases. And they've gotten the same number of cases coming in the door; they're different types of managers. Some are good, and some are bad.

But, oddly enough, those with the 700 cases are just as convinced that they use the right techniques as those that have only 200 cases in backlog. And nothing can be done about it, except to try to educate them. And, believe me, that's been done; it is being done.

But one more study can't do any harm.

MR. JORDA: That's true. That's true. But on the other hand, maybe there's no need to re-invent the wheel. I think that's the answer. Too bad Bob Rines didn't hear it. We'll convey it to him. You don't have to agonize about how to vote on this question.

MR. BLAIR: I'll ask Tom Field to make a comment. He had one I thought was interesting.

MR. FIELD: Well, a couple of things. One is that controlling judges is going to raise constitutional issues. Also, the problem is similar to controlling patent examiners. Periodically the Patent and Trademark Office tries to get more mileage out of their examiners, and examiners make the same noises the judges would make.

This reminds me of litigation which arose when the Social Security Administration tried to put the squeeze on their administrative law

judges. Under statutes, if not under the constitution, ALJs enjoy some of the same privileges as federal judges. If anyone is interested, they should look at *Nash v. Califano,* 613 F.2d (2d Cir. 1980). There, ALJs are complaining because the Social Security Administration, for example, decided that the optimal reversal rate was 50 percent. The idea is that a judge who's reversed more than 50 percent is probably unduly crabbed in allowing claims, and one who's reversed much less than 50 percent is probably unduly generous in conferring benefits.

JUDGE CONNER: The solution is simple. If any judge has a less than a 50 percent success rate on appeal, tell him to decide every case the other way.

MR. FIELD: In any case, the Social Security Administration found itself in deep trouble trying to manipulate judges without infringing their independence. This is virtually impossible to do, I think.

MR. BLAIR: I think you're right. What I'd like to do now is take up some of the suggestions that have been made on patent trial simplifications. I'd like to take up Judge Markey's article about separating infringement from validity in patent infringement litigation. I'll give Judge Markey the first whack at some comments, and then I'm sure some of the rest of you will have things to say.

JUDGE MARKEY: I can be very short commenting on my own words. I figure everyone has had a chance to read it. It was originally, as you know, a speech. But someone asked to have it written up, so it's written up.

It included more than the mere separation of infringement; included, really, I thought — was an effort anyway to start a dialogue at the bar and perhaps some of the judges on the bench on the broader subject. As you remember, it touches on treating trials on patent cases the same as any other, not having special rules. It dealt with the question of asking judges to act differently for this case. It dealt with what I call the "legalunacy" of asking a court to declare a valid patent valid.

There is a lot more in there than just merely separating infringement. And, obviously, the article is dealing not with ADR. The decision has been made, right or wrong, openly or subliminally, to go to court.

So we've moved off, Homer, the earlier part of the discussion, in a sense, and now we're in court. And the question is: What are we going to do now that we're in court? Obviously, that one short article couldn't possibly touch all the things that could or should be done. But my impression was — and based almost entirely on reading records, as Polly and I do every day, from the trials and seeing things in there that didn't look too good, that seem to defy common sense.

We learn also, of course, from oral argument. I have waited until the argument was over and then asked counsel — pointing out that it had nothing to do with the case before us — some questions. The last three counsel I asked this question in all three cases, believe it or not, counsel glazed over, complete shock, no answer: I said, "Did you try the case below?" It was a jury case, all three. "Did you try the case below?" "Yes." "Did you consult with the court before trial?" "Yes." "Did you discuss what you expected the jury to do at the end?" "No." You know, you don't start the game unless you know where you want to go, I would think. But anyway — and I took their word for it; I suppose it's true. And that's too bad.

So in general terms — and then I'll shut up and subside — it does seem to me that not too much thought has been given to just what we are about when we go to trial or to court in a patent case. And I thought we might shake things up a little bit, and this is a chance to shake them even more, Homer, if we took a hard look at how can we simplify the whole thing and thereby, of course, reduce its cost in time and money.

MR. BLAIR: Don?

MR. DUNNER: Well, actually, I've read this article about three times. I think it's a wonderful article, and I do think it has a lot of good thought. There are certain things that I am guilty of doing, as perhaps every trial lawyer at this table is guilty of doing, that you suggest, Howard, should not be done.

I have problems particularly with your suggestion that the infringement part of the case should be tried separately from the validity part of the case. If I remember the details, it is that while the patent owner's counsel can present a recitation of the whole case in the opening statement, the patent owner's counsel should limit his testimony-in-chief to the part of the case that it is his burden to present, that is, infringement. And before the patent owner's counsel goes into validity in terms of the evidence that is presented, the accused infringer should present his part of the case on that issue, and the patent owner then should rebut any prima facie case of invalidity that the accused infringer has established. If the district judge is really convinced — you've segregated that kind of a case so you wouldn't have piecemeal litigation — in that case he should direct a verdict, if it's a jury case, or dismiss the case otherwise. And then there might be an appellate process.

Now, the problem with that is that no trial lawyer will want to do that. Although that isn't an answer to your suggestion, and though the trial lawyers may be wrong, in my view, no trial lawyer should

want to do that, as distinct from wanting to do that. That is because it is absolutely essential, in my view, for the patent owner's lawyer to present to the court an overview of what the invention is all about, not only so that the judge will know what the case is about so he can, in a given context, decide the question of infringement, but because that overview might well impact on what the judge decides on the question of infringement.

If you've got a case that has 45 secondary considerations, where there's a long-felt need, and people toiled and troubled and boiled and bubbled, and they expended millions of dollars in the effort, and everybody was skeptical that it would work, you want the judge to know that. You want the judge to know all of that so that the judge or the jury might well be inclined to regard those claims more hospitably on the question of infringement.

Now, perhaps they may be violating some rule. I mean, they're not supposed to take those things into consideration when they are looking at infringement. But they will if it's presented to them.

So it seems to me you want, as the patent owner, to be able to develop that whole case, even if infringement is the only thing that's being decided at that point. You want to have your witnesses talk about all of that.

Now, do you want to anticipate all of the defenses of the accused infringer? Well, probably not. In fact, in one of these very early cases I tried, when I knew a heck of a lot less than I know now, we were representing the patent owners, and we anticipated the accused infringer's defenses. The defendant had thrown 50 references against us, and we had a witness talk not about all 50 but about a lot of them. The judge didn't like it — it was a bench trial — and I can see why he didn't like it. I won't do that anymore.

I think it's a mistake to anticipate certainly all the defenses. And it's probably a mistake to anticipate the fraud defense, and so on and so forth.

On the other hand, there may be certain defenses you may want to deal with on an anticipatory basis. Therefore, I think that while the rule should be generally as you suggested, not anticipating all those defenses, there may be times when you will want to do that.

Now, as to who goes first; should the defendant go first on validity — forgetting about whether you try the whole case at once — well, no patentee's lawyer is going to want that to happen. We will permit that to happen only kicking and screaming.

So, to the extent that this article is addressed to judges, it may have an impact. But I doubt that it will have an impact on trial lawyers,

who will not voluntarily give up the opportunity to open and close.

Now, I know you say that there's no empirical evidence on whether or not there is a real advantage in opening and in closing. If you speak to people like the litigation science people, these forensic psychologists who counsel lawyers, it's their view that it does have an impact. I've spoken to several of them, and that's the reaction I've gotten from them, though I've seen some studies which don't seem to me to be too definitive one way or the other.

So if I have my own choice, I will want to open and close. I have fought that issue in courts before. And in at least one case that I can remember — it was a jury case — the judge permitted us, as the patentee, to open and close on validity and infringement. I was delighted. I was particularly delighted since the defendant's lawyer took a lot of liberties, I thought, with his characterization of the evidence before the jury. Had he been last, I would not have been able to answer him.

So I'm not saying you're wrong; I'm merely saying you may be perfectly logical. And in fact, I suggest you probably are perfectly logical on that point. But I think you're going to have to get the judges to order us to do that, because otherwise we won't.

JUDGE MARKEY: Don, I have no problem with disagreement. I've always said if you and I agree on everything, one of us is unnecessary.

MR. DUNNER: Probably me.

JUDGE MARKEY: As I said, the whole purpose is to get the dialogue started. There's no suggestion that, you know, anything I write or any other one judge writes, that it is Holy Scripture and that's the end of it.

For example, that article had barely gotten off the desk when I suddenly realized you could have a pioneer invention type situation, and if the infringement question is one of equivalence, you might very well have to get a lot of early evidence in establishing that this is not only a patentable invention but a pioneering invention.

So none of these suggestions, except these on order of proof, it seems to me would fit every case. Like all this discussion this morning, like every discussion I think you get any two lawyers into, you can't have a universal set that fits everybody, a suit of clothes that fits every size. So you can have different cases — and I haven't had it off my desk but an hour when I started to think about that.

But, two queries remain, it seems to me, after everything you've said. Following the idea that "I don't know if it is right or wrong, but this is the way I am going to do it" is where we've gotten into some trouble as patent lawyers. We're asking a judge who's tried a hun-

dred cases a certain way. And then suddenly we want a different way to do it for patent cases. I query, as I said in the article: Should we have a different way for product liability cases, a different way for personal injury cases, a different way for contracting cases? Is every segment of the bar going to have their own set of rules that the judge must follow? It is hard enough to learn one set of rules.

And then lastly, on that point particularly, what about the defendant? If it is true that one who bears the burden has the right to open and close — if that's true, and I always thought it was — I query whether counsel for the patent owner should be successful in depriving the defendant of that right to open and close. That's a good question. It seems to me if I were for the defendant, I'd be the one to do all the screaming as soon as that started.

Now, in the final analysis, the judge runs the trial, and that's the end of that. So it seems to me that in our own interests we ought to have some semblance — because all we do is confuse the judge now.

MR. BLAIR: Chico?

MR. GHOLZ: The point that Judge Newman made this morning was that almost by definition any innovation or any technique that benefits one party is going to hurt the other party. I agree very strongly with what Don is saying that this sounds very, very rational and logical. But particularly in the jury trial situation, for most people — of course, not including anybody here — the whole reason you ask for a jury is because you don't want a rational decision. You want the trier of facts to get everything mixed together and basically decide who's wearing the black hat and who's wearing the white hat, which is, I think, about the best you can hope for from a jury. Trying to carefully separate out all of these issues, at least — at least one of the lawyers and possibly both of the lawyers are not going to want to have that. That's not the way the system works. Japan works like that with a judge. But the glory of the jury is that it's a big black box, everything goes in and the answer comes out; you don't know how the hell it came out.

Down in Marco Island, watching the jury deliberate — I had an opportunity to watch the control jury that was on video tape for us to watch. You saw, at least, how that jury went through the analysis. And that probably was a super good jury. I suspect that was a much more rational, much more educated jury than we normally get. It's not a rational process. Even with those people, it was not a rational process. People that want the jury don't want a rational process and aren't going to want the kind of innovations you're proposing. Maybe in a judge trial it would make more sense.

MR. BLAIR: Bill?

JUDGE CONNER: Last month I attended the annual seminar of the Washington State and Oregon Patent Law Associations out in Oregon. And the subject of the seminar this year was how to try patent infringement cases. And there were a lot of leading attorneys there from all over the country to conduct the seminar. And the subject of Judge Markey's article was frequently brought up by various speakers. And finally, when I spoke, I said, "If I were a defense attorney, that is representing an accused infringer, I would strive very hard — and I would use Judge Markey's article in doing so — to get the judge to order that the trial would be conducted in that way. The plaintiff's case in chief would be limited to proving infringement. And I, as defendant, would get the first crack on the subject of validity.

"But if I were a plaintiff's attorney, that is the attorney for the patent owner, and I voluntarily did this, I would be seriously concerned about a malpractice suit against me later."

The advantage of opening while the attention and curiosity of the trier of fact, whether judge or jury, are at maximum level is a great advantage. If a defendant argued in a case in which I were representing the patent owner that we ought to proceed in this way, I would say, "Your Honor, we can't do that. You cannot unscramble this egg for this reason: You can't rule on the issue of infringement without knowing what the invention is. And you can't consider the invention in vacuum. It has to be evaluated in context of the state of the art at the time of the invention. The invention is the last step in a process that's been going on since fire was discovered. This inventor stood on the shoulders of all others, and you can't know his contribution until you know where he started from, the state of the art at the time he made his contribution. The doctrine of equivalence can only be applied with a full appreciation of exactly what it is that the inventor contributed."

I would fight tooth and toenail to keep that right. And in my opening, if I could do so, when I started to talk about the prior art, I would of course weave in the trial and failure of others, which is the greatest evidence of non-obviousness there could possibly be.

As I've said in a number of opinions and a number of speeches and articles, if the evidence shows that a number of persons skilled in the art, with substantial resources at their disposal, actually tried and failed to solve the particular problem which the patent owner or patentee solved, how can a court in hindsight say that the invention was obvious to such persons at the very time they were unsuccessfully trying to find it? If you get that evidence in your opening, you have built a bulwark, a fortress that is almost impervious to attack.

So with all respect to Judge Markey, who's entitled to all the respect all of us could possibly give him — and I agree with everything else he said — but I've got to endorse what Don said: If I were a plaintiff's attorney or a patent owner's attorney, I would never do what you propose unless I was dragged kicking and screaming and forced to do it.

MR. ANDERSON: Okay. Do I have to appeal it, though?

MR. BLAIR: If you appeal to Judge Markey, why, you know what you might get.

Judge?

JUDGE MARKEY: Well, we've heard now from the real expert — the only real expert in the room. I sat as a district judge in only 12 rather simple cases in the D.C. Circuit, so I'm no expert on trials in district court. And when I was at the bar trying cases, I tried them exactly the way Don and you have described, for many of the same reasons.

But query: How much longer do you think we can — "we," the system — continue to say the defendant, the challenger of validity, has the burden under Section 282 and must prove by clear and convincing evidence that the patent is invalid? How long can we keep saying that if at the same time we say, "But you can't have the normal, rational right to open and close on that burden that we've laid on you, the statute lays on you. And now we're insisting that you carry it."

Maybe that needs a lot of adjustment. Maybe there needs to be some kind of testimony in broad terms before you even start on a treatment of validity. I'm not sure that getting in at the outset evidence of failure of others, for example, is the best way to go.

I don't know whether going first or last is best. I don't know about the rest of you, but I have a marvelous memory, it's just short! And so for me maybe the best time to tell me something is last. Maybe last thing I heard is what I carry into the jury room or into the chambers, rather than the first, which, though I heard it first, I have since then heard all this other stuff that came in, and it's got me all confused. Maybe it is better if all that great evidence comes back from the patent owner in rebuttal. I don't know. Nobody really knows; that's the difficulty of it.

But it does seem to me that we put at risk this basic concept of the statute, that the challenger to validity bears the burden, and it's one of clear and convincing evidence. And we've said, "Judges shouldn't be asked to declare the patent valid at all, ever, ever." All you have to say is the defendant didn't carry its burden of proving that.

Well, query: How are you going to — if I were the defendant, I'd say, "What do you mean, 'carry my burden'? I never got a chance,

I never got to open and close on my burden. He got to open and close on his, on infringement. I don't get to open and close on mine. What kind of business is that?" And, I dare say, in no other branch of law would you get away with that.

The reason that I think the defense counsel have always let it happen is because they're very pleased to have the plaintiff trying to prove validity in the old days when that was almost impossible.

I'm sorry — I'll shut up now. But the discussion is very, very useful. You may be absolutely right; but it is just unfortunate if you are right that we have to have an irrational system.

MR. BLAIR: Bill Keefauver?

MR. KEEFAUVER: I too grew up in the school which said that you can't separate validity and infringement; you really have to understand the context of the art so that you can understand how to interpret the claims. In the fields in which I labored they were usually long, complicated claims susceptible of many, many interpretations. So I had the same problem of trying to rationalize that a trial of infringement issues first.

I think the problem that we have in reconciling ourselves to your perfectly logical position is that those of us who have been around so long don't really believe that patents are presumed valid.

JUDGE MARKEY: Oh, I know that.

MR. KEEFAUVER: We're beginning to believe it, but I still think we're not quite sure that everybody else believes it. So we still like to get out in front and say, "Look, Judge, before you get to anything else, I want you to understand where we came from and what a great thing this is."

JUDGE MARKEY: Well, I remember, too, that the — one of the main thrusts of the article is the idea that everybody's talking about the cost of patent litigation. "My God! The cost of patent litigation!" And I looked — we had so many cases, I look at them, I say, "There's no infringement." The district judge found no infringement, and there ain't none. And there's no way there is going to be any. And they spent months fighting on the validity of a patent that nobody's infringing, that nobody cares about.

MR. FITZPATRICK: But did they reach that finding of no infringement by referring to the prior art?

JUDGE MARKEY: Well, that's a — I don't have the cases here. Some of them, though, were quite clear. You know, even the words didn't read on it.

Oh, incidentally, I thought everybody would get more excited about the possibility of two trials, that is a reversal of the non-infringement

finding at the court of appeals, then go back and you have to try validity anyway. So I ran a little study. This — in the seven years we've been in business — and I don't remember the numbers now, I wish I did, it was months ago I did it — in response to — I don't know if it was your call, Don, or somebody's call — asked the question. I said, "Gee, we never looked." I found one out of ten reversals on findings of non-infringement. Interesting?

Everybody spent nine out of those ten cases fighting on validity of a patent that wasn't infringed. Found and affirmed not infringed. Because we haven't had that many cases, you can't really rely on such a statistical study.

But if we're trying to save money, there are some cases, not all, certainly, where you have the overlap: a pioneer invention — as I pointed out, you may have to do a lot of what we're doing now. But maybe we want to confuse juries rather than educate them. But the lawyer's role is to educate, in a bench trial, the judge; in a jury trial, the jury. I don't see that there is that much difference in the two of them — on facts, nothing else.

MR. BLAIR: Bob Kline?

MR. KLINE: Judge, tying with the last thing you said about educating the jury, might you have a concern here in bifurcating the infringement and validity issue? If the jury ever got wind of this they would then know that all they have to do is find non-infringement and then they're done, they can go home, they never have to get to the validity issue.

MR. GHOLZ: You don't want to let them know that!

JUDGE CONNER: The answer is don't tell them. I have bifurcated the issue of infringement in a number of cases. I think you have to pick your case. I usually look at the patent, I look at the accused device and sometimes review the entire file history. Then I decide whether or not it makes sense to have a bifurcated trial. If I think there's a real substantial question about infringement, I think it's the only way to go.

MR. KLINE: But what do you do about that plaintiff's lawyer who just so eloquently presented an argument to you giving the reasons why the issues are so interrelated and that it should not be bifurcated.

JUDGE CONNER: I know. But if I think there is a substantial question about infringement, I don't give him a choice. I simply say that we're going to try infringement first; this is the way it's going to be. I always say, "You know, the older I get, the more protective I get about my time. And I'm not going to sit for a three-week trial on validity that may prove totally unnecessary. Now, you can get some young

judge who doesn't care how he spends his time. But as I go into late November, I don't want to... "

MR. KLINE: It's only March for you, Judge.

JUDGE CONNER: No, it's November for me. As I go into late November in my life, I don't want to spend time unnecessarily, and we're going to try the issue of infringement first, because I've looked at the patent, I've looked at the accused device, I've reviewed the file history and the principal prior patents. And I think there's a substantial question about infringement, and we're going to try that first.

And I haven't been reversed on a petition for writ of mandamus yet on that matter.

MR. BLAIR: Like Bill Conner points out, the judge is the judge, and the judge is the boss, and he's going to do it the way the judge wants to do it.

JUDGE MARKEY: Well, that's what we've got Rule 42-B for. Read the rule.

MR. BLAIR: One advantage Judge Conner has is that he's the only district court judge who's a patent lawyer and therefore he can understand that stuff in the first place, without having it explained to him in a trial.

Chico?

MR. GHOLZ: I think Judge Conner has just made a superb point in favor of having a patent-trained judiciary handling patent matters. Because he can do it, and Jim Davis could do that sort of thing when he was a patent trial judge. And there probably isn't anybody — or maybe Judge Stapleton — maybe a few others, but very, very, very few other judges would be able to make that kind of a decision rationally. And I am tremendously in favor of having a patent-trained trial judge.

I saw several votes on the other side of the room on that point that surprised me very much. But a generalist couldn't possibly do that rationally.

MR. BLAIR: Don?

MR. DUNNER: Just let me respond to that. That wasn't the question posed to us. I would love to have patent-trained trial judges who handle patent cases and other cases. The question posed to us was about a specialized court doing nothing else. I think that's the way I understood it. It was a very different question.

VOICE: Thank you, Don. That was very much my vote for the same reasons that Don just set forth. And there's a hell of a difference between the two points you just mentioned.

MR. GHOLZ: Well, why waste Judge Conner doing Social Security cases and hit-and-run cases and dope cases, if we could...

VOICE: Because he's a damned good trial judge, and he likes it, and he's always enjoyed and talked about the fact that he enjoys the variety. That's one of the reasons why he's wanted to be a district court judge.

JUDGE CONNER: That's true. I do — I enjoy the securities cases and the medical malpractice cases, because you learn about the medial meniscus, for example, things that I didn't know about before I became a district judge. And the securities cases, I learn about a lot of things I didn't know about. That's fun. I'd get tired, I think, if I were trying nothing but patent infringement cases.

MR. BLAIR: I have one comment: First, I think that we ought to have one of us appointed President of the United States that could appoint some good patent lawyers to the federal district courts. I'm willing to support anybody here that wants to run for President; I don't want to do it myself.

Don Banner?

MR. BANNER: Are you asking me to run for President?

(Laughter)

MR. BANNER: Well, I just wanted to make a comment about the trained patent lawyers deciding these cases in the patent system. I was interested in Judge Conner's comment about the fact that he likes to get into other things besides patent infringement. I can understand that, because it beats working.

The fact of the matter is, we all know that sitting just a couple of feet from me is a man who could do the very kind of thing we've all been searching for: he can handle patent cases, and he can do it quickly, and he can do it efficiently, and he can do it intelligently, and he can do it rightly. If those aren't good reasons for having judges like that on the bench, I'd like to know what are.

If anyone can do it thereby reducing costs in the patent system, putting some kind of sense into the program for supporting innovation in the United States, I think we have to go to something like that. Whether or not we throw in a few other goodies or not, I don't really care. But I think that as long as we have people like Judge Conner handling our patent cases, if we could have all people like that handling all of our patent cases, I think it would be a tremendous step forward.

MR. BLAIR: Joe? and then Chico.

MR. FITZPATRICK: I think one of the things besides his background that continues to make Judge Conner a great judge — and I say it meaningfully — is because he has to decide cases and hear other people in other fields of life. And he doesn't, when he hears a case, only

look at Claim 2. He looks at the real world because he's heard securities cases and fraud cases, and he's heard various patent cases. And it makes him great.

I was very interested that he as a plaintiff's patent attorney said to Judge Markey what I would have said — and I won't say it again except shortly: "Isn't it a theft — isn't it a tort case — isn't it a theft of property?" And before you want to tell him what he took, you want to say what you've got. And that's what you say in the plaintiff's case, what the advance was, who failed, and "He took it, your Honor."

And I think you can shorten it still. I agree completely the length of the trials is obscene, in my view.

MR. BLAIR: Chico?

MR. GHOLZ: Different people have different personalities. Judge Conner has said that he likes to hear some cases that are non-patent cases. Judge Rich has publicly expressed the view that he likes patent cases, and I think that, if he were a young trial judge, he would probably have the sort of personality that would want to spend most of his time on patent cases. That's what he knows, that's what he loves.

That, to my way of thinking, is a very, very minor point. We allow judges to sit as visiting judges in other courts, other areas of specialty. Judge Re, from the — not the Customs Court anymore — the International Trade Court, has sat all over the country on a whole variety of other kinds of cases because he loves that.

A judge who was primarily a patent trial judge that wanted to do an occasional Social Security or whatever case could sit as a visiting judge in other courts. But we could still get the advantage of having judges that really knew what they were doing handling the patent cases. And that's what they would do most of the time.

As Don says, that's the work part of it. If they want to sit handling some other kinds of things in addition, Judge Re has found a way to do that, and other — and patent judges could find a way to do that from time to time. But they would spend most of their professional career doing what they really are best at doing, handling the patent cases for the great benefit of the patent system.

JUDGE CONNER: I'd like to know what Judge Markey thinks about a specialized patent trial court, since you get all the appeals in patent infringement cases.

JUDGE MARKEY: Former Judge Rivkin, you know, is the author of the classic opposition to specialized courts — he was talking about trial courts, not courts of appeal.

I have never worried too much about specializing at the appellate level because they're supposed to be dealing only with the law. But I

wouldn't want to have a trial bench of just patent lawyers. I don't think that's the way to go, and I don't think it's necessary, and I don't think it's advantageous.

There is the possibility of the horse-blinders, tunnel-vision type approach at that level if you had nothing but patent lawyers day in and day out, day in and day out.

Now, query — and this is a question, not particularly a statement — what actually happens? Do lawyers walk into the courtroom, throw a bunch of stuff on the floor and walk out and then wait for the judge's decision and then criticize it if it's wrong because he wasn't a patent lawyer and he made misstatements of patent law in the opinion? Is that what happens?

Or, query: Is it the role of the lawyer to walk into that courtroom and take that judge, man or woman — and you may have fewer women if you're going to have them only patent people — but you're going to have a man or woman on that bench. And you don't — conceivably you look him up, but you really don't know, theoretically you don't know what their background, training and experience is on. Right?

Query: Isn't it the role of the lawyer to educate that judge or that jury on the necessary knowledge in this case to win? Isn't that what the lawyer's supposed to do?

Now, you can say, "Well, the lawyer on the other side is confusing him. I'm not, but he is." I'll never forget, I tried a bench trial in Los Angeles before Judge Wall, Lord rest his sould. He said to me, "Mr. Markey, how can your patent be infringed by the defendant's product when the defendant's product is patented?" Well, I tried to explain what dominating claims are and how you can get a patent on an improvement; it's right in the statute. My worthy adversary was sitting there silent, not saying a word. And I was struggling, I was having no end of trouble, because Judge Wall just couldn't understand how I can say he's infringing when he's got his own patent? "You mean he couldn't make it, even if he invented it?"

So I finally woke up and said, "Your Honor, please, I think Mr. X here," who was a very experienced patent lawyer, "can step up to the rostrum and confirm to your Honor that everything I've told you is true." The judge said, "Is that true, Mr. X?" Mr. X sort of sidled up — he didn't want to do it — and started to say, "Well, your Honor. . ." The judge said, "Now, yes or no?" Mr. X said, "Yes." And the judge did go after him. He said, "Why did you silently let Mr. Markey and I carry on a ten-minute discussion here? Why didn't you stand right up and save us all that?"

So there you have the possibility of one trying not to educate the judge, true. But it seems to me that education is the role of counsel.

And you can't escape it or soften it or make it easy on yourself.

MR. DUNNER: You've got a lot of guts, Howard. Or faith or both.

MR. BLAIR: Bill Hennessey first, and then Chico.

MR. HENNESSEY: We have batted this dispute-resolver idea around for a long time here, actually since the last conference two years ago.

One thing that's been a little confused today about it is that we've called it "ADR." But if you look at its title, it's *"Pre-Litigation* Patent Dispute Resolver System." The reason I bring it up is because, given the discussion we just had, it seems to me that you could have the best of both worlds, in terms of patent specialists and generalists in this context. Because if you were to say, "What if there were a procedure which was inexpensive, it was short, it was relatively reliable, and it was run by a patent expert, someone with a lot of experience — like the people who are here today — which did not preclude a later-filed suit in the district court, and was not binding," I'd like to know if anybody in this room could give me a reason why people shouldn't try it first with the specialist before they got to a generalist in a district court.

MR. ANDERSON: I'll try, Bill.

MR. BLAIR: Rudy?

MR. ANDERSON: Because it's designed to bias the generalist. And you shouldn't bias...

MR. HENNESSEY: I'm saying where it's not — perhaps not — admitted in the court. And the reason I bring it up is because...

MR. ANDERSON: Well, that's different than what you said.

MR. HENNESSEY: Okay. The reason I bring it up because the irrationality point that Chico brought up is very important in terms of what is driving people as they enter a conflict. And in that sense, perhaps we don't want something to condition the district court, but perhaps to condition or somehow put in perspective the case for the businessman, the inside person and the outside person *before* that case is filed in district court.

So say it was not only not binding but it was not even admitted in the district court...

MR. ANDERSON: That's different from Homer's proposal.

MR. HENNESSEY: And...

MR. BLAIR: My proposal is subject to all kinds of changes. That might be one.

MR. HENNESSEY: The only people who would know about it would be the businessman, the inside person and the outside person on both sides.

MR. WHITNEY: Non-discoverable?

MR. HENNESSEY: Non-discoverable.

MR. ANDERSON: That's a very big change.

MR. HENNESSEY: What would be the reason for not going through that step with your specialist? You know, you've got the most brilliant patent specialist, if you want it.

MR. DUNNER: A waste of time and money.

MR. HENNESSEY: Okay. The waste of time and money. But I've just said that it's short and it's inexpensive. Now I'd like to hear an answer to that one.

JUDGE CONNER: It would depend somewhat on how much damages you were looking at in a full trial. In a big case, I don't know if I'd want to go through with it. If it involved a small dollar volume, you might consider it. I don't think I would consider the possibility of attorney's fees. It may well be a good process to do.

MR. BLAIR: Chico?

MR. GHOLZ: I'd like to go back to Judge Markey's point. The problem with a lot of this discussion is each speaker is responding to what somebody said four speakers ago. So I trust everybody can keep these things in their mind. Our memories are all excellent; they're not too short.

Responding to Judge Markey's point about the lawyers being there to educate the judge. Well, yes, in a — to a degree. But that argument can be pushed way too far. It gets very, very inefficient. You might as well say, "Just get an educated person, not a lawyer at all as a judge," and then tell the lawyers, "Educate this educated person. Educate him concerning whatever he needs to know to handle this case. If he needs to know law, start with torts, start with contracts, start with the Law 101."

If you start with a person who is not simply educated, if you would start with a person who is not simply a lawyer, if you start with a person who is a patent lawyer and knows how the system works, the trials can be enormously faster, enormously less expensive, and, even more important, I think more likely to get the right answer in some sense, at least the sort of answer that patent lawyers think is the right answer.

If you start with people like Jim Davis and Judge Conner as the judges, you still have to educate them, you have to educate them concerning the technology that's involved. You are very likely going to have to educate them on some obscure points of patent law, because every case is going to — most every case will involve one or two weird points of patent law that even a patent specialist hasn't run across and has to be researched and has to be educated. But it will all happen more quickly, more reliably, and less expensively.

That's not in response to your point, that's in response to Judge Markey's point.

MR. BLAIR: Tom Field and then George Whitney, and then I want to bring up another subject.

Tom?

MR. FIELD: I just have one point. Any time the two patent attorneys want an expert patent trial court, they can have one. All they have to do is sign an arbitration agreement and stipulate in advance that they'll follow the federal rules of civil procedure. That's all they *have* to do. Also, they could make a decision appealable to the CAFC under the same rules as if they'd gone to district court. They can stipulate any procedure they want to. They're totally in control.* The problem is that, in many of the situations we're discussing, you will not find opposing patent attorneys, both of whom are equally committed to a "rational" decision.**

MR. BLAIR: George?

MR. WHITNEY: I think Rudy used the word back a short while ago of "bias," which I think is a problem that horrifies me with the concept of having a patent trial court. We have — we're very lucky we have a Judge Bill Conner. We have also been very lucky that we've had a Jim Davis and various other people that we can enumerate who have been good brothers, ALJs or what-not with what they have.

But the moment we have a patent trial court, one way or another that court may become pro-patent, it may become anti-patent. It's going to take one hell of a long while to ever change those things. There are going to be biases set up with the generalists, especially at the trial court level. We have the opportunity to use, as Judge Markey said, "the opportunity and the obligation to educate."

And then I take great umbrage at the idea of — I for 37 or 40 years have never been, to my knowledge or desire, a patent lawyer or a patent attorney. I am a lawyer who happens to specialize in the world of patents, trademarks, intellectual property law. From my observations from the time, all those years of watching it and seeing it, I think there's a big difference. I think that our system is effectively going to work as long as we consider ourselves lawyers who happen to specialize in the intellectual property area and in the same way as our judges and other things — people we've talked about.

**See, e.g., Patent Arbitration: Past, Present and Future* 24 IDEA 235 (1984).

***See* Sperber, *Overlooked Negotiating Tools* 20 *Les Nouvelles* 81 (1985).

MR. BLAIR: One point I'd like to make, George, is that at Franklin Pierce Law Center, where we do train a number of people that become patent lawyers, the people that are training to become patent lawyers are in quite a small minority. The majority of students here are not training to become patent lawyers. We want to emphasize to the people that are becoming patent lawyers — just like you said, they are lawyers first. They have to pass the bar exam, they have to take a lot of subjects that they may not use in the field of patent law, but it's all part of learning law. We feel by giving them access to certain courses in intellectual property, they may turn out to be better lawyers and, hopefully, better patent lawyers.

What I'd like to do now is bring up a couple of other subjects. They were suggested by Bob Benson. Bob Benson very much wanted to be here. He read through all the material. As many of you know, Bob Benson's current job is to bring his company, Allis-Chalmers, out of bankruptcy. He's not acting as a patent lawyer. He seemed to feel that, just because the bankruptcy judge in New York was having hearings this week, that he should be there rather than here. What are you going to do in a situation like that?

Bob had a couple of suggestions, which I think some of you have heard before. They're both somewhat controversial, one more than the other.

I'd like to bring up the one that might be slightly less controversial first. He wonders is there merit in having a patent, if you want to call it, "small claims court," where you would have the patent owner waive the right to an injunction and there would be a specified maximum amount of recovery of $500,000 or a million or two million, or whatever. There would be limits on the amount of discovery. A trial might take place in a court, it might be a regular federal court, or you might have one of these other proposals we've been talking about.

Bob Orner mentioned that if it were a big case, he might not want to go into some of these things. Okay. What if you have some smaller cases, and "smaller" can be defined any way you want? Would it be appropriate to have something whether you call it a small claims court or whether it's one of the various methods that we've talked about today or one of the other methods? Is it feasible? The big cases would go to the courts as at present.

Does anybody have any comments on that one?

Bob?

MR. ORNER: There are the so-called blackmail cases, in the amount of $25,000 to $300,000. While it is not the amount itself — you hate to be blackmailed as a corporation — and yet you know, you cannot

go through a trial for that amount. I would gladly throw those types of suits into a small claims court, you know, and let the judge or some like judicial body determine the amount that is to be paid. But at least you know there will be some judicial determination.

So there are cases in which I would use a small-claims type environment. In preparation for coming here, some of the people at GTE discussed that concept. We said, maybe you have a menu. If you have — well, let's say we know there's 59 defenses and as a defendant, you can only use three. So you pick the ones you want, you take your best shot. You send in only the documents first, try it strictly according to the submitted documents if possible. The judge then can determine if he wants any other evidence or discovery. You only get choices like a laundry list. You could have like a Class I case is 50,000 max damages; a Class II, 100,000.

So I think it would work. And, yes, I think corporations would use it.

MR. BLAIR: Rudy?

MR. ANDERSON: I would think that you would find that the corporate guys would be very much in favor of it because they would do all of this in-house.

MR. ORNER: We probably would.

MR. ANDERSON: If it's a matter of $25,000, you would not go outside.

MR. BLAIR: While $25,000 would be okay, I think Bob's idea was somewhat larger, like $500,000 or a million, which — it's more money; but in terms of some of the judgments today, it's not so much.

Polly, you had a comment?

JUDGE NEWMAN: The interesting thing about this suggestion is something which has been just under the surface of all of the proposals that we've been talking about. Everything that's been suggested would require both sides to agree to do it. As Tom Field said, all you need is a willing lawyer on each side, and you can engage in every single one of these activities.

But there's really no way that, if one side is unwilling, you can force participation in any of these ADR systems. This is one of the things that I've always liked about a suggestion such as going to a small claims sort of court. If the action were brought there, that would be the choice of the person who brings the action. It would require statutory enactment, — but it could enforce resolution of certain kinds of disputes, within certain limitations, even if one party were reluctant.

From that viewpoint alone, I think that it's worth continuing to think about, at least for disputes with a ceiling as to the amount of potential liability.

MR. BLAIR: George, I think you had a comment?

MR. WHITNEY: Judge Conner, isn't that similar to what the Eastern District has been trying to do, of setting up the idea of when you're below a 25 or a $50,000 limit on there, to bring in special masters, the bar, to handle cases?

MR. CONNER: I'm not familiar with the details of it.

MR. WHITNEY: But they have tried to set up a case like that. That would not be strictly a patent thing, but it falls within that same type of operation.

And it hasn't really gotten off the ground. But the Eastern District of New York has tried to do that at various times.

MR. BLAIR: Len?

MR. MACKEY: Well, very quickly let me add my voice to this. First, as I commented to Homer earlier today, a case that is worth a million dollars or less, there's a close question as to whether you can afford to go into the district court on it. So a procedure of this sort could cause more claims, and I would make it a lot more than 25,000 dollars which would be triable with relatively few courtroom skills. So from my point of view, you could do a lot of it in-house, if not all of it in-house; it would be a very worthwhile procedure and probably would bring more justice, not only to some of the smaller inventors, as well as what has been characterized as a hold-up or blackmail case.

MR. BLAIR: Don Dunner?

MR. DUNNER: I think it's a terrific idea, and I think that any busy patent lawyer would love to hear that there was an option like that. Because we all have lots of people coming to us and they can't litigate if the potential recovery is below a certain amount. You can hardly litigate a case much less than a half million dollars these days. And a million dollars is more like it for many cases.

And beyond that, I would suggest that that would be a very excellent study project for people like Franklin Pierce or — it's too bad Bill Thompson has left, because the AIPLA could also pick up on it.

MR. BLAIR: We'll make sure Bill hears about it.

Mr. DUNNER: Start right now to draft proposed language for a model statute that could be set up which would permit that kind of procedure. It's a terrific idea.

MR. BLAIR: I agree. As Len pointed out earlier, in his company — and I think it's true in every company here — there are a number of small divisions. I've had situations where I've had a small division that had patents that were very important to them and they wanted to sue someone, and the total recovery might be $100,000. Obviously, I couldn't go into a full-fledged trial on this kind of thing.

A couple of times we tried, with minor success, to handle it ourselves in-house. I couldn't afford to go to outside counsel but I didn't want to tell this division manager that these patents that we've been trying to get for him weren't going to do him any good about. Something like Bob's suggestion would have merit.

Joe?

MR. FITZPATRICK: I was — and Don beat me to it — I second completely the crying need for the 10, $20 million company, particularly fighting a big fellow, if the liability isn't too high. It's a great idea. And, by the way, there are some young lawyers in firms that would love to do that too.

MR. BLAIR: I'm sure you're right.

Rudy?

MR. ANDERSON: Homer, you have to distinguish between is it money damages only, or is there possibility of injunctive relief.

MR. BLAIR: In Bob Benson's proposal the right to an injunction would be waived. That doesn't mean that you couldn't have an alternative if everybody wanted that alternative. But Bob's idea was that you waive the right to injunction, all you're talking about is money if you do win. You aren't shutting anybody down.

I'm amazed that we've got so much agreement on anything with all you folks. I'm impressed.

MR. KEEFAUVER: I assume there's no DJ jurisdiction?

MR. BLAIR: Pardon?

MR. KEEFAUVER: I assume no DJ jurisdiction.

MR. BLAIR: I don't think Bob mentioned that.

MR. ANDERSON: Well, at least you have to give defendant the right of removal. You couldn't lock the patent owner in to the small claim limit.

MR. BLAIR: The other idea Bob Benson has is, I think, a little more controversial. He wanted me to mention a couple of background items, one of which you will find in your material there, which he was surprised at. I was surprised too, when he gave this information to me.

You'll find a recent report from the Patent and Trademark Office, dated February 28, 1989 about re-examination filing and result data.

Bob wanted me to have you look on page three. The total reexamination certificates issued is 1,018, 77 percent of which had some changes: Either claims were cancelled, or some of the claims were changed. If you look at the bottom of that page, you'll see some very high percentages. When a third-party requestor has requested reexamination, 74 percent of the time claims were changed or cancelled. When the Commissioner initiated reexamination, 93 percent had claims cancelled or changed.

Bob suggested, with these figures, showing there are a lot of changes in re-examination, is there's any merit in suggesting that, after a suit is filed, there'd be a mandatory united prior art submission to the Patent and Trademark Office by means of re-examination. Bob realizes that a number of people think that re-examination has certain problems. He said he had the impression, before he got and analyzed some of these figures, that there weren't that many changes in claims because of reexamination.

Now, I realize that the idea of mandatory re-examination is quite controversial, and I'm sure a number of you will have some comments on it. It's a suggestion that Bob made, and I said I would make for him.

Don Dunner?

MR. DUNNER: It has certain real problems that, in my view, would have to be eliminated before I'd even want to think about it. One is the problem that there's a different standard of review in re-examination proceedings than there is in the district court proceedings. There's no presumption of validity. In the district court you've got a clear-and-convincing burden to have a patent declared invalid or, whereas, in the Patent Office, they treat it as an application and there's only a preponderance-of-the-evidence standard.

And, moreover, there are potentially intervening rights problems in the Patent Office under which, if you get the claims changed, you're subject to intervening rights. In the district court, on the other hand, the court might well construe the claims in such a way that they end up being infringed without any claim change.

So, unless you can eliminate all those problems, I would be strongly opposed to mandatory re-examination. I haven't thought enough about it to decide, if you could get those things corrected, as to whether it would be desirable. But certainly, you'd have to get those changed.

MR. BLAIR: That might be something that we should think about: Are there modifications which could be made to the re-examination system that would make it more acceptable to people. Reexamination is used — you see some numbers here that are fairly substantial. The vast majority of patents aren't going to get involved in reexamination. On the other hand, certainly people have said that there isn't as much reexamination as they had thought there would be. There are a number of reasons for that, some of which you mentioned.

Bob Shaw?

MR. SHAW: One of the problems is that the — the non-patentee involved in reexamination doesn't really have — it's not a level playing field as far as that person is concerned. And the reason that the re-examination statute was enacted in the first place was to get rid of

the no-fault reissue. So the only way you could cure it was reexamination. I may be wrong, but the PTO, as I gathered it, couldn't have all that litigation being done within the Patent Office. So that they said, "Well, give us something that we can handle." So what you do then on reexamination is consider only printed publications and patents. You do not consider prior sales and that sort of thing. And — but if you get back into the — doing the litigation in the PTO, it seems to me the Patent Office is back in deep trouble, where it was before, before the reexamination procedure was enacted.

MR. BLAIR: Do you have a comment on that, Don?

MR. QUIGG: Well, frankly, the reexamination concept came long before the no-fault reissue practice did. In trying to get the reexamination concept accepted by Congress, we ran into so much flak from the Congress at that time that we asked then Commissioner C. Marshall Dann, to go ahead and utilize the reissue statute to accomplish as much of the purpose of the proposed reexamination practice as he could possibly accomplish.

What we were looking for was simply an inexpensive way of handling prior art that, had it been discovered during the prosecution, would have been applied. What we wanted to do was to get it applied and see whether or not the patent should ever have issued.

As far as the level playing field is concerned, I think there are some ways in which the reexamination statute should probably be changed in order to permit additional participation. But I think we have to keep it away from the point of total participation in every step of the way, or we will get bogged down, just as we were in the no-fault reissue practice.

What we're thinking about right now is permitting people to file written comments when the patentee files a paper. The one who brought the request would have an opportunity to file a paper but not attend and take part in interviews and things of that sort. We would at least get their arguments in front of the examiner.

MR. ANDERSON: May I, Homer?

MR. BLAIR: Rudy?

MR. ANDERSON: Don, the other point that was very important, I thought, in all our minds was that patents in litigation go up or down. And many meritorious inventions were covered by patents that were poorly drawn. And if those claims could be modified in the course of reexamination, it would be of benefit to society to have those patents issued.

MR. BLAIR: Many years ago I had an experience in one of the other places I worked, there were many places, Kaiser Aluminum. I was

there part of the time that the trial was going on the oxygen steel patent. As you may recall the oxygen steel patent was held invalid. The judge said, "This is a pioneer invention." He also said, "There's no prior art that's really worth a hang." He felt there had been claims pending in the patent application that, if they would have been allowed, would have been not invalid. However because of discussions between the attorney and the examiner, those claims were taken out and other claims were put in which were not any good. Therefore, this invention, which some people thought might have been one of the most valuable patents in the world because of the tremendous amount of oxygen steel process that was used in this country, was held invalid because there wasn't an opportunity for the judge to write a valid claim for that pioneer invention. That was one of the reasons that many were in favor of reexamination.

Don Banner.

MR. BANNER: That story that Homer just related is a very interesting one, because, as you will recall, the changes made in the claim were accomplished at the insistence of the examiner. The attorney made the changes because the examiner said, "Do that." And he did. And that was the very reason why the claims were ultimately held to be invalid. The result was so odd that it was the subject of a diplomatic protest by the Austrian government to the United States of America, because it was an Austrian invention, and they said, "This is just another scheme by which you crooks keep from paying us royalties." They had a point.

But I'd like to come to the subject of Benson's comment. And merely to say that "this is not a new proposal." At the time that we worked on the initial reexamination concept, this thought of mandatory reexamination was discussed at some length. And these problems were discussed at that time, in addition to the fact that many people — and my recollection is a vast number of the practicing bar at that time said, "This just makes for two lawsuits instead of one, and there is no point in it."

MR. BLAIR: Vic Siber, you had a comment?

MR. SIBER: From the point of view of the defendant, I believe that there's a terrible disadvantage to have mandatory reexamination. If I understand the statistics on page two, 85 percent of all requests for reexamination were granted. It's a pretty high percentage. More than half of those were handled by the same examiner who did the original.

I think there is a tendency for an examiner, perhaps the same one who has examined the original case, to be disposed to allow the reexamination upon seeing the same or some new art. There is difficulty admitting that there was a mistake made in the original examination.

Having mandatory reexamination strengthens a patent and makes it much more difficult to defend against in litigation, because of the presumption of validity, as mentioned previously. Courts are inclined to allow suspension of procedures, anyway, where the patentee wishes to go back and request reexamination. So you almost have some of the same effect anyway. I see no reason to insist on mandatory reexamination.

MR. BLAIR: Mike Meller?

MR. MELLER: Well, essentially I take the same position, that it shouldn't be mandatory.

There is also a likelihood of people equating it with opposition systems in Europe and elsewhere, and I think that's a mistake.

And one of the reasons I'm opposed to the wide-open kind of proceeding that they have in Europe and Japan and so on is because of the differences between the respective legal systems as well as the people who do the work. Oppositions are handled on a — really on a technical level and not on a legal level in many countries. I think if we were to go into a system where you have a reexamination akin to an opposition proceeding, then we would be buying ourselves a tremendous amount of trouble. It would be just one more forum, that much more expenditure.

Yet, at the same time, I also think that the present reexamination system we have has to be a more level playing field, as Bob just said. In other words, give it a little more of a chance for the protestor to get its pound's worth in there. But don't go overboard.

But, mandatory, no.

MR. BLAIR: Joe?

MR. FITZPATRICK: From the standpoint of judicial economy, speaking, Vic, for the plaintiff, on the plaintiff's side, I agree with Don. You marshall all the facts — all the — most of the cost to the client — has gone into discovery proceedings and you're right at trial and the real world facts are either before that judge or ready to go before him. It's difficult to present them to the patent office. I really think the horse is out of the barn when it's in court. I think judicial economy calls for going ahead with the trial.

MR. BLAIR: Harold Einhorn?

MR. EINHORN: Well, I would think that it's a pretty good system. It may be that the mandatory reexamination might have to start right after the complaint was filed, before the work was put in.

But insofar as it removes some irrationality from the system, it's got to be good. We've got a system now where we have a chance of getting an irrational decision. And if you can do something that

removes some of that irrationality, it's something that I think we ought to look at for the...

MR. BLAIR: Any other comment on that? Rudy?

MR. ANDERSON: Don, any idea of how long the average reexamination procedure takes at this point?

MR. QUIGG: Fifteen months.

MR. FITZPATRICK: I think that's a point. That's an awful long time for a mandatory requirement for reexamination before I can get before a court that gives me a right to enforce the patent.

MR. QUIGG: I guess all I can say is that with the work load in the office and with the work force that we have, this is probably about as good as we can do. However, it's not what we have as our objective. We're still working to bring the overall pendency down.

MR. FITZPATRICK: It's not a criticism of the office by any stretch of the imagination. It is a function, though, of justice delayed, justice denied.

MR. QUIGG: When we first looked at reexamination, we were looking at a 12-month pendency period.

MR. BLAIR: I'll mention, for the benefit of the transcriber, the figures say the average pendency of a reexamination proceeding is 17.8 months, and the median pendency is 14.9 months.

Yes?

MR. GHOLZ: Does that include the cases in which reexamination is denied? Because those are over two or three months. If you're averaging those in, it's skewing your figures enormously on the low side. And I suspect that that's what happened. It looks like you're averaging in the cases where reexamination is denied.

MR. QUIGG: Well, this says reexamination pendency. And if it's denied, I would think it's probably not reexamination.

MR. GHOLZ: Then is that the amount of time running from the time that reexamination is ordered, and not from the time that it's requested?

MR. QUIGG: Granted.

MR. GHOLZ: Because then — then you need to add on two or three months that the first part of the proceeding takes. From the time that it's requested until reexamination is granted, that gives you another two or three months. So you have to add that to the 17 and 14 that appears on page three.

MR. BLAIR: Well, it says here, of course, it's filing date to certificate issue date.

MR. GHOLZ: Well, I'm still not clear what those figures really represent, whether that includes the entire proceeding — the entire pro-

ceeding only when reexamination is ordered, or the entire proceeding, including when reexamination isn't ordered.

MR. QUIGG: I can't answer the question. Sorry.

MR. BLAIR: George?

MR. WHITNEY: Isn't the whole idea of mandatory reexamination at odds with the growing body of law for preliminary injunctions and all that sort of thing, and the whole concept of injunctive relief, to put then this deferment in there on a mandatory basis?

MR. BLAIR: Yes.

I want to bring up one more subject, which most of us here probably would agree on. One of the people I invited here was a man from the Department of Justice who is in charge of a number of patent suits against the U.S. Government. Unfortunately, he wasn't able to come here.

If you notice on the bottom of page ten in my No. 9, the subject is U.S. Government Patent Disputes. I'm not necessarily recommending this particular proposal for that. But those of us who have been involved in disputes where the government may be infringing a patent know that there are many problems in that area. If you file an administrative claim, which you might do, then it will be evaluated by a patent lawyer working for the particular government agency, the Army, the Air Force, the Navy, whomever it is. There is a statute of limitations for six years.

I remember we had one where, nine years after we had filed our claim, we decided that we should go to court because we were starting to lose some of our rights because the six-year period had expired, and we had gone on for three more years. Those of you that are involved in these government disputes realize that if you file an administrative claim against the Air Force and if they should agree to settle the matter and pay you some money, it comes out of the Air Force budget. On the other hand, if they don't resolve the matter for these six years and then some, and you finally, in your frustration, file suit against the United States Government, then the Department of Justice takes over. The recovery, as you might guess, would come out of another budget rather than out of the Air Force budget.

Now, of course, in each of those cases you're dealing with attorneys on the other side where there is no, shall we say, business or management person behind that attorney. The attorney's job is to defend this matter. The attorney's job is not to look at the patent, evaluate the situation and see whether yes, the patent might be valid; yes, we infringed it; yes, there should be a certain amount of money paid because of infringement of the patent.

Now, some have said, "should you have a situation where the U.S. Government is going to say that every patent that is called to their attention in one of these proceedings is invalid and/or not infringed, when another part of the U.S. Government has issued the patent?"

Should it be a mandatory requirement when the U.S. Government is a defendant in a patent infringement suit there should be some sort of alternative dispute resolution or some dispute resolution mechanism. Thus when you sue the U.S. Government you don't wait years and years and years and years for a final resolution. Many times problems where the patent has long expired before you're ever going to get an opinion out of them.

Many of you remember the Adams Battery case, which grew out of a World War II invention. The U.S. Government fought for many years, finally going to the U.S. Supreme Court, which said the patent was valid. There were millions of dollars of damages due. The Government didn't have any money, and Congress had to pass legislation to get the inventor his money. I think he was still alive when he got the money, but I'm not sure.

The point is: Can there be a system worked out so that when you have a dispute with the U.S. Government where they may be infringing a patent? Can it be made mandatory that the government and the patent owner would have to go through some other mechanism, when the government is the defendant? Anybody have any thoughts on that idea?

Tom Field?

MR. FIELD: I think it's a good idea, but I'm happy that it wasn't in effect when *Adams* went up to the Supreme Court. I think it's nice to have *one* Supreme Court case that actually found a patent valid or the issue of obviousness.

MR. BLAIR: I agree, although I'm not sure I want it to be *Adams*, because of all the years *Adams* had to wait.

Anybody think that's a good idea or a bad idea?

MR. DUNNER: Good idea.

MR. BLAIR: Harold?

MR. EINHORN: Well, there seems to be a simpler way to handle this, which would be to have the Air Force responsible for the damages, no matter where the determination is made.

MR. BLAIR: That might be one alternative, although I could see if I were a lawyer working for the Air Force, or if I were in the Department of Justice and I went in to my boss and said, "Gee, this looks like it's a pretty decent patent, maybe we ought to work something out," and the boss says, "Oh, God! It's got to go through the budget

and we don't have any money and my boss will be mad." You've got all kinds of problems. However, if I go in to my boss and say, "This isn't worth a damn, and by God, we're going to fight it till hell freezes over." You know how it is in the Air Force, you can stall and stall and stall and stall. There's no incentive for any lawyer in the government to settle these things. There's every incentive for him not to settle it, but to fight it. If he fights it, maybe they'll go away or — like in our case, after nine years, they thought we'd go away. We were so obnoxious, we didn't go away.

Polly?

JUDGE NEWMAN: I'm sure we, as a result of the combined intellectual power around this table today, can come up with the best concept for some sort of ADR. When the government is a party, that should avoid the problem of the unwilling party. It might well be that it could be arranged — at least on an experimental basis — that the government would agree that in patent disputes they would agree to ADR, at least if the maximum liability is within a set limit. For that reason alone, I think it's worth pursuing.

MR. BLAIR: Of course, because as you all know, you can't get an injunction against the government, anyhow. It's going to have to be a monetary recovery, if you get anything.

Any other comments on the subject?

Len?

MR. MACKEY: Homer, I'm not sure that we've been able to spell out what incentive there is for a government employee to make a decision, to make a settlement, rather than leaving it to a court to...

MR. BLAIR: I don't think there is any incentive to it; that's the point.

MR. MACKEY: Without that incentive, I wonder whether any system works.

MR. BLAIR: Unless you have a mandatory situation where they have to use this procedure. In other words, the Air Force attorney is going to represent the Air Force, the patentee's attorney is going to represent the patentee. Whether you have a dispute resolver, a mediator, an arbitration proceeding, or some other proceeding other than having to go to court.

MR. MACKEY: Some of those do exist for other aspects of government contracts...

MR. BLAIR: If you made it mandatory so that the government would have to go to one of these, is that something that we should be trying to develop?

MR. BANNER: Is it binding, Homer?

MR. BLAIR: Well, I would think as far as the government's concerned, it ought to be. Because if it isn't, the government's never going to do it.

Bill?

MR. CONNER: I think it's right that it isn't going to work unless it's mandatory. And it can't be mandatory without statutes being passed. The statutes won't be passed because meat does not seek the grinder. If the government can stall and equivocate and temporize forever, it will do so.

MR. BLAIR: I want to disagree with you. It may be, I'm not saying it too confidently, that we can work out legislation that could get through Congress. I think the government would fight it. That doesn't mean we might not want to give it a shot. As Polly says, maybe you can use it as a trial situation for other kinds of alternative dispute resolution that might be acceptable in places other than just the government.

MR. HENNESSEY: If you could find enough cases where the government had lost to demonstrate that it was a cost-saving mechanism, you might get it through.

MR. BLAIR: There are a moderate number of cases where they've lost. Sometimes they're pretty substantial amounts of money. But they tend to drag on forever and ever, primarily because there is no business type on the other side looking at the whole thing that you can negotiate with. If you're only negotiating with the lawyer for the other side, his job is to defend; his job is not to settle with you.

VOICE: Something should be — I only had one — not to tell a story, but the government, for 15 years, took the position that Halpern anti-radar paint was unobvious but top secret.

MR. BLAIR: But you can get a settlement then, under some circumstances.

VOICE: You couldn't. They — at that time — I think it took about 15 years...

MR. BLAIR: At that time, maybe not. I'm aware of...

VOICE: ... until Judge Kaufman disagreed.

MR. BLAIR: I am aware of litigation which has taken place in the Claims Court, which was extremely highly classified. The patent has not issued, of course; but the claims have all been allowed, pending declassification. You can have secret patent infringement litigation against the Government.

VOICE: Oh, yes.

MR. BLAIR: In this particular case, when the patent is declassified, which won't be in my lifetime, it will probably be a commercial product.

So much for that.

As far as I'm concerned, I'd like to summarize the situation. The government thing is a possibility. At least the people here agree. Whether we can get the government to agree is something else.

The idea of a "small claims," proceeding whatever "small" means, is something we should pursue. I will, and I'm sure Karl will too, be talking to Bill Thompson and others to get other organizations involved as well. When we find something like that, by golly, that everybody agrees is a good idea I think that's something we should pursue.

On some of the other ideas, we should end up, at some stage of the game, with a stable of different techniques for resolving disputes. A number of techniques you're already aware of. We've discussed some here. We should encourage more of this. Of course it's going to take both sides to tango. I realize that all of us here are very reasonable people. On occasion, when one of us might be on the opposite side, for some reason we don't seem to be quite as reasonable. But two-thirds of the three parties on each side are here: the inside lawyer and the outside lawyer. The business people are not.

If the inside lawyer and the outside lawyer could recommend one of these alternatives, you might have a shot of getting the business person to agree with it. If one of the lawyers or both of the lawyers say, "Forget it, the only way to do it is to go to court," you're certainly going to go to court. Obviously, with the skill of all the people here, if we really thought one of these alternatives was a good idea, I'm sure our eloquence would be such that any purely financial problems that the business managers would have could be overcome.

I've been involved in a few situations where there might have been some opportunities for alternative dispute resolution, and I have to admit that the four lawyers involved, two on each side, inside and outside, were not enthusiastic about it, and it didn't happen. I think if they would have been enthusiastic in those cases, I think the management might have said, "Well, okay. We might do that." Obviously, this isn't going to happen in a Polaroid v. Kodak situation. In many other situations it might.

As far as I'm concerned personally, I'm going to fade out of the here and go off to west Texas. I've got my Texas belt buckle on today. I'm going to dump all these projects on Karl Jorda. I'm sure Karl can take care of all of them in a couple of months or so with no problem and get on to other things.

Thanks very much for coming. I've enjoyed it, and I hope you've enjoyed it. You will get transcripts of your comments to beef up or chop out a few words or some of the nasty things about judges or

private practitioners or corporate lawyers or whatever. Then the entire transcript will be published by Bob Shaw in *Idea, the Journal of Law and Technology.*

Bill Thompson said AIPLA was going to give very serious consideration of what we were talking about this morning. I promised Bill to get him an early copy of the transcript so that he and some of his associates could start working on it.

I will also mention to Bill the idea of a small claims court.

Thanks very much for coming, and I'm glad we had this nice sunny weather in New Hampshire for you folks. Have good trips home.

(Conference concluded at 4:30 p.m.)