

## REMARKS ON PATENT REFORM: REACTION FROM THE JUDICIARY

*By Judge Ronald M. Whyte<sup>†</sup>*

Good afternoon, everyone. I was asked to give the bench's reaction to some of the proposed reforms that have been suggested by the FTC and others, so I thought I should begin my task or assignment by sending out an e-mail to my colleagues and asking them for input. What I did was I sent them a two and a half page summary of the Executive Summary of the [FTC] Report, and referred them to the 315-page report that was on the Web. I thought it would be useful to give some of the responses that I received. I got a high percentage of returns from my colleagues, and let me start by reading a few of the more insightful ones.

The first one I received was only two words: "Good grief."

Then, from someone—well, I will just read it: "The meaningful reform would be the elimination of jurisdiction for the District Court in patent litigation. And quote me on that." I won't give you the author, but his brother is on the Supreme Court.

"I have a few suggestions you may want to seriously consider: require patent litigators to wear boxing gloves, allow courts to charge patent attorneys an hourly fee for Markman hearings."

And the final insightful one I will read to you says: "These patent cases involve more acrimony than any other category of cases which I have, including an actual fistfight in a deposition."

Well, that gives you a little flavor of some views.

Let me now turn to a little more substantive comments. These comments are somewhat the comments of the judges that I surveyed with a sort of heavy gloss of some of my own thoughts. I would say it would be fair to rule, or say, that the judges in general affirm the FTC recommendations. I think they felt [the recommendations] were well thought out, and generally made a lot of sense.

I would like to comment briefly on some observations about the patent system from the court standpoint and perhaps with a gloss, as I say, of my own. I have essentially three points. One is that too many patents are is-

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sued. Whether the figure is 98 percent—which shocked me—or only 74 percent, it seems to me that that—maybe it is too strong a word—is absurd. It almost reminds me of the Emperor’s New Clothes: if you are in the system, you look and you say, “Well, that is the way it goes, that is okay.”

If you step back—and some of us like myself, when I became a federal judge, I had absolutely no experience in intellectual property or patent law—I think the most shocking thing I learned after I had been on the bench for a while was that the percentage of patents that are applied for actually end up being issued. I teach an extern course at Santa Clara Law School, [and] I have asked the extern class what percentage of patents that are applied for do you think are issued. I have had high school students into the court and I have asked them [the same thing]. Their perception or belief is, “Gee, it would be a very small percent of applications that are issued because a patent is an invention, and inventions just do not come along every day.” I kind of agree with that, and it seems to me we have got a system that needs a real look as to trying to change so that we really have an invention when we issue a patent. I think there are some ways that this might occur, one obviously is that the PTO change its approach. That is difficult to do, but it seems to me that an examiner’s attitude, particularly if we continue with this *ex parte* process, has got to be courteous, but very skeptical of any application.

Also, it seems to me that the FTC’s proposal for a post-issue reexamination procedure—and I understand Professor Merges is writing an article on this—has appeal, but I was curious. I did not see much discussion in it as to the effect on a later infringement validity lawsuit between two private parties, what effect the post-issue reexamination procedure would have. If we are talking about something that would have some sort of *Chevron* deference, in other words, essentially the district court would get out of the business of reviewing validity decisions, that might make some sense. Then other questions that were raised in my mind is, well, would there be some sort of exhaustion requirement if you are challenging validity? Would you have to exhaust, or at least try to exhaust, this post-issuance reexamination procedure? If such a system would eliminate or lessen later litigation, I think it makes some sense. If, on the other hand, we ended up with a system that just added an administrative layer to the process, I think that would be bad. So I think the idea is a good one, but there are some unanswered questions, at least in my mind, and I think my view there is consistent with those of some of the other judges.

Secondly, is with respect to the presumption of validity and the clear and convincing evidence standard with respect to validity determinations.

I think now, to some extent, and a little bit depends on the court you are in, that the existing law is kind of a double whammy against the party challenging the patent because if you instruct a jury that a patent is presumed to be valid and has got to be proved invalid by clear and convincing evidence, you really are suggesting there are two things: 1) there is the clear and convincing evidence standard, and then 2) there is also a presumption of validity. It seems to me, really, what the presumption of validity is, is a mechanism for shifting or explaining the burden of proof. So at least if we had a current system, I think it should be made clear. I think in most model instructions now, the committees that have prepared those instructions have gone the route that says something along the lines that since the patent was issued by the Patent Office, the burden of showing invalidity is clear and convincing evidence, but says nothing about a presumption because a presumption itself really is not evidence.

It also seems to me that if we do not change whole-heartedly the burden of truth to a presumption of validity, as opposed to clear and convincing standard, there ought to be made clear a distinction between what deference is given to the Patent Office's decision based on what the Patent Office had before it. For example, if an applicant disclosed certain references and pointed out the argument against patentability and then answered it, it seems to me that applicant should be entitled to some consideration—heavy consideration—if the Patent Office then issues the patent and it is later challenged. Conversely, where the applicant fails to raise certain matters for material prior art, and the file does not show that the examiner ever saw it, then it seems to me that the presumption of validity has little weight or should be given little effect. The fact that if you did have sort of a dual standard along those lines, one of the things it would encourage, or that it would have the effect of encouraging, applicants to do searches, as opposed to now not feeling they have to undertake a search because they might find something that would be harmful.

The willfulness issue is another issue that is a constant concern to the court. It is a real pain, to say it a little more bluntly. There are constantly problems with, well, if you rely on an attorney opinion to defeat willfulness, how much of the attorney-client privilege have you waived? Are trial counsel's notes available? It is just a nightmare. And for those of you who are practitioners or law professors who have studied the issue or anybody that is interested, you will find that the courts are not consistent at all as to how they treat that issue. My reaction to the Federal Trade Commission's recommendation of kind of a bright line rule that willfulness is only available if the patent holder has been given written notice of infringement or there is evidence of direct copying, makes a lot of sense. The only thing I

would add to that is, to the extent that one interprets the law currently as allowing or calling for an adverse inference if you do not have an attorney opinion, I think that law creates a lot more problems than it solves and I think it also risks being a real interference with what is otherwise a pretty highly held privilege, that is, the attorney-client privilege.

The last area that I wanted to speak to just briefly is the question of obviousness. The FTC's recommendation, I think, is an interesting one, and that is that we do away with the need to find a suggestion to combine in the prior art and ascribing to one of ordinary skill in the art an ability to combine or modify prior art that is consistent with the creativity and problem solving skills of someone skilled in the art. I think theoretically that sounds like a good idea, and generally I react favorably to it.

The one concern I do have, though, is it seems to me that gets away from an objective standard and you would be guaranteed in almost every case a battle of experts. I may feel a little more strongly than other judges on this, but I am very skeptical of expert witnesses. That is one reason I don't like the willfulness issue as it now exists. I think attorneys are good advocates and you develop cadres of attorneys that are basically paid advocates; I do not want to say somebody that is paid will say anything, but I think I found when we were dealing with the willfulness issues, it was a common practice to have a patent law expert testify at trial, and I found those experts to be very much paid advocates, as opposed to someone who was truly independent and giving an honest opinion. So that concerns me. I like the idea, I think obviousness is something that needs to be tightened up, but I do have some question about the practicality of the suggestion that is made by the FTC.

One concern I do have about tightening up obviousness, though, is if we do that, does that mean that we are going to get rid of the patents such as the one for swinging by pulling the chains on the swing in different directions, the method for swinging? Or the method for picking up a box without bending your back and only bending your legs? Or, my favorite, the method of painting using a baby's butt, dipping it in paint and stamping it on a canvas? If we tighten it up too much, we are going to lose a lot of our humor.

In summary, I think the majority opinion of the judges is that the FTC's recommendations should be affirmed. There is a dissent that says reverse with directions to include a recommendation that district court jurisdiction over patent disputes be abolished.

Thank you.