

EARLY PATENT PUBLICATION: A BOON OR  
BANE? A DISCUSSION ON THE LEGAL AND  
ECONOMIC EFFECTS OF PUBLISHING  
PATENT APPLICATIONS AFTER  
EIGHTEEN MONTHS OF FILING.\*

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## JOHN F. DUFFY:

I welcome everyone to this forum on early patent publication hosted by the *Cardozo Arts & Entertainment Law Journal* and the Cardozo Intellectual Property Law Program. The issue for our panel today is whether pending applications for U.S. patents should be published eighteen months after the first filing date, rather than being kept secret until the patent issues, as is currently the case. Legislation is currently pending in Congress to make this change. However, the current legislation, as passed by the House, includes a big exception for small inventors and educational entities, which may continue to prosecute their applications in secret.<sup>1</sup>

The publication issue not only has tremendous practical importance, but also is intellectually interesting for a number of reasons. First, the publication proposal is yet another indication of the effects of globalization, for the proposal is driven at least in part by a perceived need to harmonize our patent laws with the laws of other countries.<sup>2</sup> Prior to the 1960s, most countries followed the unbroken practice of the U.S. Patent Office, which is to keep applications secret while they are pending.<sup>3</sup> In 1964, the Dutch were the first to adopt the process of publishing applications eighteen months after filing.<sup>4</sup> Germany followed soon after, then Japan, and then almost every other industrialized nation.<sup>5</sup> Today,

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<sup>1</sup> See Twenty-First Century Patent System Improvement Act, H.R. 400, § 202, 105th Cong., 1st Sess. (1997). The House passed the bill on April 23, 1997. See 143 Cong. Rec. H1742. Similar legislation was introduced in the Senate in March of 1997. See Omnibus Patent Act, S. 507, Title II ("Patent Application Publication Act of 1997"), 105th Cong., 1st Sess. (1997). The Senate Judiciary Committee reported that bill out of committee with favor in May of 1997, see S. Rep. No. 42, 105 Cong., 1st Sess. (1997), but the full Senate has yet to schedule a vote on the bill. See generally Kelly L. Morron, *Patent Bills Provoke Strong Response*, N.Y.L.J., Mar. 9, 1998, available in LEXIS, News Library, NYLAWJ File.

<sup>2</sup> See Paul A. Ragusa, Note, *Eighteen Months to Publication: Should the United States Join Europe and Japan by Promptly Publishing Patent Applications*, 26 GEO. WASH. J. INT'L L. & ECON. 143, 161, 167 (1992) (collecting sources that have advanced international harmonization as a reason to institute early patent publication); see also Robert W. Pritchard, *The Future is Now—The Case for Patent Harmonization*, 20 N.C. J. INT'L L. & COM. REC. 291 (1995) (examining the basic principals behind patent harmonization and arguing that harmonization is in the best interests of the United States).

<sup>3</sup> See 35 U.S.C. § 122 (1994). The current statute provides that "applications shall be kept in confidence by the Patent and Trademark Office and no information concerning the same [may be] given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner." *Id.*; see also 37 C.F.R. § 1.14 (1997).

<sup>4</sup> See Public Hearing and Request for Public Comment on Issues Associated with Implementation of Eighteen-Month Publication of Patent Applications, at 31 (PTO February 15, 1995) (testimony of Professor Harold C. Wegner) (copy of hearing transcript on file with the Benjamin N. Cardozo School of Law Library).

<sup>5</sup> *Id.*; see also Ragusa, *supra* note 2, at 144-45 (noting the spread of early publication requirement throughout the world).

the United States is one of the last holdouts of secret applications in the world.

The proponents of change argue both that the United States needs to bring its system in line with the rest of the world and that the global conquest of early publication is evidence of its beneficial effects.<sup>6</sup> Opponents argue that the U.S. patent system is the very best system in the world and that changes by other countries are no reason to deviate from our proven record of success.<sup>7</sup> I am sure that the panelists will address the many aspects of this international issue in the debate. I would also like to highlight one point that I think should not go unnoticed. This debate over internationalism in patent law takes place within the context of a larger debate in our society: the debate on the desirability of globalization. This debate seems to have no easy resolution in a nation that has historically harbored a deep ambivalence, perhaps even antipathy, for internationalism.

Beyond the international component of the debate, the early publication proposal also requires our domestic system to do some soul-searching. The proposal may well require a reassessment of the basic bargain offered by our patent laws to the inventor. In the past, this bargain has been relatively straightforward. The inventor received a monopoly limited in time in exchange for the disclosure of his ideas to society. There was a symmetry to this bargain; no monopoly, no disclosure.

Early publication will break this neat symmetry. But we should not be driven to any particular result merely because of a preference for abstract tidiness. No, the real question must be: Will early publication help or hurt the goal, enshrined in our Constitution, of promoting "the progress of science and useful arts"?<sup>8</sup> This is ultimately a difficult empirical question. Will early publication, as proponents contend, lead to greater dissemination of information and thus faster technological progress or will it, as opponents counter, ultimately retard progress by adding to the burdens of the patent application process, thereby reducing the rewards of the patent system? The challenge for each side, on this score, is to support its position with more than just anecdotal evidence.

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<sup>6</sup> See Ragusa, *supra* note 2, at 161, 167; Pritchard, *supra* note 2.

<sup>7</sup> See *Patent System Overhaul: Hearing on Patent Bills S. 507 and H.R. 400 Before the Senate Judiciary Comm.*, 105th Cong. (1997) [hereinafter *Hearings on Patent Bills S. 507 and H.R. 400*] (statement of Rep. Dana Rohrabacher, R-Cal.).

<sup>8</sup> See U.S. CONST. art. I, § 8, cl. 8 ("Congress shall have Power . . . To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

Finally, the early publication proposal is interesting because it exposes a growing fault line in the patent community between large corporations, which generally support the proposal,<sup>9</sup> and small inventors, who tend to oppose it.<sup>10</sup> The current proposal shows how a political body, our Congress, has responded to such a division. As I mentioned in the beginning, this legislation, as passed by the House, would require publication for all applicants, except for small businesses, individual inventors, and universities.<sup>11</sup> This compromise position, if it can be called that, would not surprise public choice theorists.<sup>12</sup> But I hope that our panelists will give their views on this amended legislative proposal. Is it a wise compromise based on a principled distinction? Or is it another piece of evidence that democracy is the very worst form of government?<sup>13</sup> And if it is the latter, does not that undermine the internationalist argument that this country should follow the example set by other Western-style democracies?

[Professor Duffy introduced Hayden Gregory.]

HAYDEN GREGORY:

As Professor Duffy mentioned, I do consulting work for the Intellectual Property Section of the American Bar Association ("ABA"). I am not speaking specifically for that organization tonight, although as I will identify, I think the views I express are consistent with those that have been taken by the intellectual property lawyers in the ABA.

I do support the eighteen-month publication provision in a proper forum. I think it is a proper implementation of Article I,

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<sup>9</sup> See generally Andrew Wise, *Patent Measure would Enhance U.S. Competitiveness. Legislation Protects Inventors by Providing for "Early Publication" of Patent Applications*, DALLAS BUS. J., Dec. 26, 1997, at 19; Kirk D. Houser, *Patent-Improvement Bill: Its Time has Come*, ELECTRONIC ENGINEERING TIMES, Aug. 4, 1997, at 4; Morron, *supra* note 1 (noting support for early publication among bigger corporations).

<sup>10</sup> See generally John R. Emshwiller, *Patent-Law Proposals Irk Small Investors*, WALL ST. J., Apr. 30, 1992, at B1; Dana Rohrabacher & Paul Crilly, *The Case for a Strong Patent System*, 8 HARV. J.L. & TECH. 263 (1995).

<sup>11</sup> See *supra* note 1 and accompanying text.

<sup>12</sup> See generally DANIEL A. FARBER & PHILIP P. FRICKEY, *LAW AND PUBLIC CHOICE* (1991); Gary S. Becker, *A Theory of Competition Among Pressure Groups for Political Influence*, 98 Q. J. Econ. 371 (1983); Sam Peltzman, *Toward a More General Theory of Regulation*, 19 J.L. & Econ. 211 (1976).

<sup>13</sup> See Sir Winston Churchill, *Address in the House of Commons* (Nov. 11, 1947), reprinted in THE OXFORD DICTIONARY OF MODERN QUOTATIONS 55 (1991) ("Many forms of Government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of Government except all those other forms that have been tried from time to time.").

Section 8.<sup>14</sup> It is interesting that Professor Duffy mentioned that it may call into question the constitutional bargain of exclusive rights or limited monopoly in exchange for disclosure. I do not see it that way, frankly. I think the system that we have, the combined Constitution-statutory system, does require, as part of the deal or part of the quid pro quo for the limited monopoly or limited exclusive rights, that the inventor disclose how to make and use the invention.<sup>15</sup>

But, our system requires disclosure, not as it might at the end of the patent period, at the end of the monopoly, but it requires it earlier, at the time of issue of the patent.<sup>16</sup> I think it does that for a very good reason: because our Founding Fathers wanted others to have the benefit of that technology in order to stand, as has been said, on the shoulders of giants and to make further improvements, whether it be inventing around, which is quite acceptable, quite legal, or whether it be licensing and still building upon that.<sup>17</sup> I think that early publication, especially when it is shown, as I believe it has, that it will deter a very undesirable dilatory practice, is totally consistent with that.

Professor Duffy also mentioned that this comes up in the context of globalization. I was glad to see that he said that it is driven by "a perceived need to harmonize."<sup>18</sup> I think that is an accurate statement. It is perceived as being driven by the need to harmonize, but I do not think it is actually driven by the need to harmonize. I think that there are very few things that the U.S. Congress does because they are told to do so, since other countries do it. As a matter of fact, I think this is an example of it—that kind of labeling on something puts it into a suspect category, and Congress is less likely to go through with it. Indeed, I think the delay in enact-

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<sup>14</sup> See U.S. CONST. art. I, § 8, cl. 8.

<sup>15</sup> See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974); *Brenner v. Manson*, 382 U.S. 519, 534-35 (1966) ("the basic quid pro quo contemplated by the Constitution and the Congress for granting a patent monopoly is the benefit derived by the public (of getting disclosure) from an invention with substantial utility."); see also Stephen R. Schaefer, Comment, *Envirotech v. Westech Engineering, Inc.: The On-Sale Bar to Patentability and Executory Sales Offer*, 75 MINN. L. REV. 1505, 1510-11 (1991) ("The United States Constitution provides Congress with the power to promote the progress of science by giving inventors the exclusive right to their discoveries. . . . This grant is conditioned on the invention meeting the requirements for patentability set forth in the patent laws.").

<sup>16</sup> See 35 U.S.C. §§111-12, 151-54 (1994).

<sup>17</sup> See generally Arun Chandra, Note, *King Instruments Corp. v. Perego: Should Lost Profits be Awarded on Unpatented Products Where Patentee Sits on its Patents?*, 16 CARDOZO ARTS & ENT. L.J. (published in this issue) (noting that one of the main purposes of the U.S. patent system is to increase technological choices available to consumers).

<sup>18</sup> See *supra* note 2 and accompanying text.

ing this is in part due to the successful use of that argument by the opponents.

We hear it over and over again from the leading congressional opponent, Dana Rohrabacher,<sup>19</sup> who says, "You know, we've sold out to the Japanese."<sup>20</sup> It is true that this came up in the context of international harmonization, or more importantly, in the context of international negotiations, to provide a more common worldwide system of laws, largely driven, insofar as the United States is concerned, by our interest in upgrading the level of protection and quality of intellectual property laws in other countries.<sup>21</sup> In that context, it is sometimes necessary for the United States to make legal changes that we might not prefer to do otherwise. I have not seen that happening in this context.

I believe that the eighteen-month publication is good on its own, domestically and internationally. I know there is at least some surface appeal to the argument that we're going to be laying open our own technological secrets for others to steal. This has a particular attraction when it is couched in terms of foreign competitors coming in to steal. But, already a vast majority of our applications are available to those foreign competitors.<sup>22</sup> These applications are available in their own countries, in their own languages, because figures that I see show that about 45% of U.S. applications are filed by foreign applicants;<sup>23</sup> those are also filed elsewhere. Another 30% or so are filed by corporations that file internationally as well.<sup>24</sup> So that alone, without even any international filing by independent inventors, universities, etcetera, takes us up to around

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<sup>19</sup> Republican U.S. Representative from California; Member, House Committee on Science.

<sup>20</sup> See Rohrabacher & Crilly, *supra* note 10 (commenting that the fundamental changes being made in our patent system are hurting the American public); see also Dana Rohrabacher, *Pennies for Thoughts: How GATT Fast Track Harms American Patent Applicants*, 11 ST. JOHN'S J. LEGAL COMMENT. 491 (1996).

<sup>21</sup> See generally, *The Patent System Harmonization Act of 1992 (S. 2605 and H.R. 4978): Joint Hearings Before the Subcomm. on Patents, Copyright & Trademarks of the Senate Comm. on the Judiciary and the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary*, 102d Cong. (1992).

<sup>22</sup> See *Patent System Overhaul: Hearings Before the Senate Comm. on the Judiciary on S. 507, The "Omnibus Patent Act of 1997"* (1997) (statement of Rep. Henry Hyde), available in 1997 WL 10571220.

<sup>23</sup> See *Changes in U.S. Patent Law and Their Implications for Energy and Environment Research and Development: Hearing Before the Subcomm. on Energy and Environment of the House Comm. on Science*, 104th Cong. (1996), available in 1996 WL 241728 (testimony of Michael K. Kirk, Executive Director, American Intellectual Property Law Association) (stating that 45% of all United States patent applications are foreign and perhaps half of the remainder are also filed abroad).

<sup>24</sup> See Carlos J. Moorhead, *Improving our Patent System for a Stronger America*, 11 ST. JOHN'S J. LEGAL COMMENT. 465, 474 (noting that over half of patent applications originally filed in the United States in 1993, were also filed in other countries as well); see also WORLD INTELLECTUAL PROPERTY ORGANIZATION, *INDUSTRIAL PROPERTY STATISTICS 1993*, at 24-25 (1995).

75%. I think the argument, if anything in this respect, cuts the other way as far as the effect it has upon international competition.

But more importantly, eighteen-month publication is good for our own inventors, for our own technological community, and for our own investment community. Currently, we have too much of a winner-take-all poker game in some of these things, which has been reduced to some extent by the law measuring the patent term from the filing date rather than from the issuance date.<sup>25</sup> I believe that early publication is a necessary and appropriate second step to take in that regard. Especially in view of the fact that all the various versions of the bill that are being considered in Congress provide for provisional rights in the case of published patent applications. Of course, no such concept exists today; that is, if someone's patent invention is infringed before the patent is issued, there is no remedy for that.<sup>26</sup> But there will be a remedy for any infringement that takes place between publication and issuance of the patent, if this legislation is passed in any form.

Let me turn to a brief description of the evolution of these bills and where they stand now, both substantively and parliamentarily. The first bill that was drafted about three years ago by the Clinton administration provided for eighteen-month publication.<sup>27</sup> There were no exceptions. Before it was introduced in Congress, Congressman Carlos J. Moorhead,<sup>28</sup> who was then the Chairman of the Intellectual Property Subcommittee in the House, listened to the concerns and complaints of independent inventors, in particular, about the impact of eighteen-month publication upon them.<sup>29</sup> He put in a provision that would provide for an exception for independent inventors who did not file abroad, giving those applicants the option of not being published until three months after first office action by the Patent Office.<sup>30</sup> First office action, of course, gives individuals a pretty good idea where they stand on getting the patent. It gives a better information base for one to decide whether to go ahead and risk publication in the fol-

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<sup>25</sup> Under our current Patent Act, a patent "grant shall be for a term beginning on the date on which patent issues and ending 20 years from the date on which application for the patent was filed in the United States." 35 U.S.C. § 154(a)(2) (1994).

<sup>26</sup> See 35 U.S.C. §271(a) (1994).

<sup>27</sup> S. 1854, 103d Cong. (1994).

<sup>28</sup> Republican U.S. Representative for the 27th District of California.

<sup>29</sup> See generally, Moorhead, *supra* note 24 (discussing the provisions of the Moorhead bill).

<sup>30</sup> H.R. 1733, 104th Cong. (1995); see Moorhead, *supra* note 24, at 479 (noting that under the provisions of H.R.1733, an independent inventor may "defer publication [of his application] until three months after an initial patentability determination by the PTO.").

lowing three months before getting the patent, or to abandon and stay with trade secrets.

The Intellectual Property Law Section of the ABA testified generally in favor of that legislation,<sup>31</sup> but expressed a preference for some modification in the exception provision. The ABA's position was, and still is, that it is better to not have the distinction in the substantive law between different categories of applicants.<sup>32</sup> Even though it is done in the fee system,<sup>33</sup> and it is borrowed from the fee system, the ABA Intellectual Property Section does not feel that those kinds of distinctions should be made in substantive provisions of the law. If an exception is to be made, it should be available to all applicants. Even better, however, would be a requirement that the Patent Office give every applicant an early first office action.

In this regard, the IP Section of the ABA recommended that the PTO be required to give all applicants a first office action within 14 months.<sup>34</sup> In about 95% of the cases they get a first office action by then anyway. Nothing happened on that bill, and it didn't pass in the last Congress. Then when the bill was introduced in Congress at the beginning of 1997, Congressman Howard Coble,<sup>35</sup> who has succeeded Moorhead, went along with the recommendation of the ABA and others who said, "Let's not make a distinction between applicants. Let's put everybody on the same footing." This was part of the bill's language.<sup>36</sup> But those concessions do not seem to have had the intended effect of satisfying the concerns of those who had problems with early publication, particularly independent inventors or small entities.<sup>37</sup>

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<sup>31</sup> See *Hearings on H.R. 1732, Patent Reexamination Reform Act of 1995, and H.R. 1733, Patent Application Publication Act of 1995, Before the Subcomm. on Courts and Intellectual Property Comm. on the Judiciary*, 104 Cong. (1995) [hereinafter *Hearings on H.R. 1732*] (testimony of Thomas E. Smith, Chair, Section of Intellectual Property Law, ABA); see also James E. Hudson, III, Comment, *The U.S.-Japan Agreement for Eighteenth Month Publication of U.S. Patent Applications: How Should it Be Implemented?*, 5 J. INT'L L. & PRAC. 87, 105 (1996) ("The ABA Intellectual Property Section favored guaranteeing the first office action occurring within fourteen months, rather than delaying publication until after a first office action that could occur before or after eighteen months.")

<sup>32</sup> See *Hearings on H.R. 1732, supra* note 31.

<sup>33</sup> See 37 C.F.R. § 1.16 (1997) (providing reduced fees for small business entities and independent inventors).

<sup>34</sup> See Hudson III, *supra* note 31, at 105-09.

<sup>35</sup> Republican, North Carolina. The Coble Amendment limits the circumstances under which patent applications filed by small businesses, independent inventors, and universities are published 18 months after filing. See *Recent Development in the Legislature / in the Agencies*, 9 J. PROPRIETARY RTS. 22 (1997).

<sup>36</sup> H.R. 400, 105th Cong. (1997).

<sup>37</sup> Under the aegis of the 18 month publication provision, "[s]mall businesses and entrepreneurs . . . complain that larger corporations, with their loftier resources, could steal an invention before it's patented or create improved products that could make the original

So when the bill went to the floor in the House, the sponsors, before they even took up anything else, more or less unilaterally made further concessions. The further concession, rather than making that exception available to all applicants, went back to limiting the exception to applicants who are small entities in small businesses, universities, and independent inventors, but gave them a second office action.<sup>38</sup> In other words, until there have been two office actions of the PTO, then at your option, you may decline to have your application published. The bill on the next day of consideration, a week later, was offered and adopted with one final amendment, after the proponents defeated a whole series of what they considered crippling amendments. It added onto the already existing provisions, a provision that if you are one of those small entities and you do not file abroad, then you have an option of not being published at all until the patent issues, unless you do certain very intricate things that are deemed to be gaming and delaying the system.<sup>39</sup> Most people who have studied this bill think that the likelihood of a finding of gaming the system is not very great.

Then the bill went to the Senate. Within a couple of weeks, the bill was taken up in the Senate Judiciary Committee in order to get the bill out of Committee promptly. The Senate operates a little differently than the House: the House is much more inclined to go to the floor and just throw it all out and duke it out, whereas in the Senate, unless you have got things worked out, unless the sponsor of the bill or the chairman of the committee gets things worked out with every senator who has concerns, it does not go to the floor. That was the case here. There were a lot of concerns expressed during the hearing by independent inventors and others similarly situated that forced the committee to take steps similar to what had been taken in the House. In some sense the Senate went further in that the Senate bill was amended before being sent to the floor to provide that any applicant, no matter what category, who did not file abroad, would not be published if the applicant did not request it.<sup>40</sup> There was no provision about gaming.<sup>41</sup>

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one less valuable." See Lisa Biank Fasiq, *Legislators Discover Twists of Patent Reform Key Issues: Secrecy, 3rd-Party Re-Examination*, CINCINNATI ENQUIRER, Aug. 31, 1997, available in 1997 WL 5466286.

<sup>38</sup> "The second office action is typically a final rejection to which the applicant has a limited number of options for response." See David S. Bir, *The Patentability of Computer Software After ALAPPAT: Celebrated Transformation or Status Quo?*, 41 WAYNE L. REV. 1531, 1537 n.31 (1995).

<sup>39</sup> See Hudson III, *supra* note 31, at 108.

<sup>40</sup> Omnibus Patent Act of 1997, Title II: Early Publication of Patent Application, Patent Application Publications Act of 1997,

Neither was the limitation for only small entities; the exception applies to all applicants.<sup>42</sup>

I think the significant thing to keep in mind is that if there is to be a law, it is going to be somewhere between these two. Now, the one possibility that would bring about a different result would be if the bill is amended on the floor of the Senate, which is highly unlikely. It is unlikely the bill will be amended back in the direction of broader publication, because the proponents did not want to make these concessions; they were forced to do it.

So the play of the situation is that if there is to be a law—and there may not be because there are other problems that people have with the bill—it is going to be publication with some very broad exceptions. The broadest would be the Senate provision which says, “Nobody’s going to be published if you don’t file abroad, and you don’t want to be published, no matter what you do.” The House version is essentially the same, aside from an exception limited to small entities.

I think another interesting and a final observation in the political sense is that none of this seems to have made any difference for those who had concerns about it. In other words, their opposition to this part of the bill and to the overall bill does not seem to have been diminished at all, despite the fact that it seems likely that any legislation which will emerge will be a virtual, total exemption for them.

Indeed, and I won’t go into this because it’s rather technical, the actual exemption is broader than what was provided in the bill that was championed in the last Congress as an alternative to the bills we have been describing. The Rohrabacher bill alternative provided for publication of any application, if there was a continuing application within sixty months after the initial filing period.<sup>43</sup> If you have a continuing application, you get published.<sup>44</sup> And

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Requires each patent application, except applications for design patents and provisional applications, to be published as soon as possible after eighteen months from the earliest filing date for which benefit is sought, except for an application that is no longer pending, one subject to a secrecy order, or one certifying that the invention disclosed has and will not be the subject of an application in a foreign country.

Omnibus Patent Act, S. 507, 105th Cong. (1997).

<sup>41</sup> See generally *id.*

<sup>42</sup> *Id.*; see also Morron, *supra* note 1 (“Excluded from the [eighteen months] publication requirements are applications that do not have foreign counterparts (which applicants are typically individuals and small companies).”).

<sup>43</sup> See H.R. 359, 104th Cong. § 1(b) (1995).

<sup>44</sup> *Id.*

there is nothing that goes that far in either of these bills. So, I will stop there, and perhaps, we'll have some questions later.

[Professor Duffy introduced Dr. Robert Rines.]

ROBERT RINES:

I suppose you are wondering what the magic is in eighteen months. Why isn't it twelve months? Why isn't it twenty months? Why not thirty months? And what I'm still waiting to hear is: "why we need eighteen-month publication?" We're told that our Congress is tending toward the Solomonic decision of cutting the baby in half. The big corporations in the Intellectual Property Organization want this law, so let them have it. The independent inventors, universities, and small entrepreneurial companies are usually not going to get a licensee or get any venture capital to back them if there's a threat that somebody else is going to find out about their invention before they get it on the market.<sup>45</sup> The great remedy of the bill is to bring suit against anybody that has copied your patent when they have seen the eighteen-month publication. Well, this is indeed the fair, Full Employment Act for patent lawyers.

Taking my lawyer hat off, I want to talk to you tonight as an inventor, and perhaps give some real meaning to this eighteen-month publication and the reasons why we oppose it. First of all, I was writing for harmonization in publications long before anyone on this panel. I was extremely impressed with the fact that patents drove the European Community into its first union in the European Patent Office, and with the way they compromised from systems like France that didn't even have patent claims, to systems like Germany and the Netherlands that were such sticklers in "dotting the i and crossing the t," and had great standards of invention for giving patents.

Now, you've got to remember, in post-war Europe, there was this great desire to take the benefit of everything that Europe had and try to reconstruct. And the patent offices of the individual national countries in that era were so far behind—seven years, nine years—in prosecuting patents, that as a disseminator of technology, it was not successful. It is they who compromised the idea that in eighteen months there should be publication so that these countries might get the technological information that otherwise was

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<sup>45</sup> "Under current law, U.S. inventors do not have to publish the details of their patent until it is granted. At that time, the independent inventor has an intellectual property of recognized collateral value to use in securing financing required for commercialization." See, *Hearings on Patent Bills S. 507 and H.R. 400*, *supra* note 7 (statement of Rep. Dana Rohrabacher).

being delayed for many, many years, because of the slowness of German, Dutch, and other important patent countries.<sup>46</sup> That's its origin.

The history of this current bill is that when they tried, through the years, to take each one of these points of harmonization—twenty years,<sup>47</sup> prior user,<sup>48</sup> first to file,<sup>49</sup> eighteen-month—and presented them as individual bills, they all failed. So now came the decision: let us put them all together in a great reform bill. We are going to reform a system that outproduces the whole world combined, a system that does better than all of them. These people who suggest harmonization actually want to copy the inferior systems and merely call it harmonization. Harmonization to these people means copying the others, which is not what it meant to me when I championed it. My version of harmonization was to look around and see what the best parts of everybody's system were, adopt them and put them together, and have a worldwide patent system. This is not what harmonization means to people who oppose my views. These people want to copy because the multi-nationals of this country are living under the European, Japanese, and foreign patent laws, since that is where they do business. They might be incorporated in Delaware, but they are about as American as the Koreans. Because they have to live that way, it would be a very beautiful thing—and that is the only sensible thing that I see in the bill—to have one law. All the patent lawyers and all the agencies and departments all over the world would be able to operate on that one set of rules.

But now let us look at the United States. We have three inventive communities that largely do not exist in any other country, except perhaps a little bit in Great Britain. Give me the latitude to exaggerate a little because it is a fact that nobody else in the world has the prodigious community of independent inventors that we have, and historically have had in the United States. Nowhere else in the world is there that cornucopia of flow from universities and independent inventors starting new companies; new en-

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<sup>46</sup> See *supra* notes 4-5 and accompanying text.

<sup>47</sup> A prior amendment changed the patent term from 17 years from the date of grant to 20 years from the date of filing. See 35 U.S.C. § 154 (1994).

<sup>48</sup> 143 CONG. REC. H1719-03 (daily ed. Apr. 23, 1997) (granting usability to those who had been using the patented invention prior to the grant of the patent).

<sup>49</sup> 143 CONG. REC. H1629-01 (daily ed. Apr. 17, 1997) (granting patent rights to the one who files a patent application first, as opposed to the current law where a patent is granted to the one who proves himself to be the first inventor).

trepreneurial efforts that exist in the United States.<sup>50</sup> And nowhere else in the world are there the vibrant university invention programs by professors and others, and by licensing agencies in the universities that are trying to get the big corporations to license their technology, and to introduce new technology into the system.<sup>51</sup> Each of these three groups makes their living in these areas through the licensing of patents. In many instances, either through owning the rights exclusively you can raise money and start a company, or in the case of universities, be able to give exclusive licenses.

I tell you, as an inventor, I have been brought up in this contract theory to which we have referred.<sup>52</sup> The whole constitutional purpose of granting a patent is so you won't keep your invention secret; you will teach the invention to the public.<sup>53</sup> And when you agree to do that, we'll give you—assuming you have an invention—a limited period of the right to exclude others from using your invention.<sup>54</sup>

How does a government keep its word or its Constitutional purpose? If it publishes my application in eighteen months, long before I have a patent, and the Patent Office decides, "Well, I'm not going to give you the patent, because I don't think it's a good

<sup>50</sup> See, e.g., Hudson III, *supra* note 31, at 104 ("In 1993, the U.S. had 59,588 influential patents, those that are of significant value, almost twice as many as Japan, Italy, the U.K., France, and Germany combined.")

<sup>51</sup> See Peter D. Blumberg, *From "Publish or Perish" to "Profit or Perish": Revenues from University Technology Transfer and the S. 501(c)(3) Tax Exemption*, 145 U. PA. L. REV. 89 (1996) "This marriage [in which a university licenses a patent or other valuable right to a corporation] benefits both partners: the university develops a new revenue stream and the corporation gains access to heretofore untapped technologies that may be prohibitively expensive to develop in its own laboratories." *Id.* at 90; see also Frederick P. Zotos, *Unlocking the Potential of Innovation: Yale University*, INTELL. PROP. TODAY, Feb. 1998, at 20 (noting that universities are increasingly filing patent applications and licensing their technologies to other entities).

<sup>52</sup> See *infra* note 55 and accompanying text.

<sup>53</sup> *In re Alappat*, 33 F.3d 1526, 1571 (Fed. Cir. 1994) patents for invention are now treated as a just reward to ingenious, and as highly beneficial to the public, not only by holding out suitable encouragements to genius and talents and enterprise; but as ultimately securing to the whole community great advantages from the free communication of secrets, and processes, and machinery, which may be most important to all the great interests of society, to agriculture, to commerce and to manufactures, as well as to the cause of science and art.

*Id.*; see also Hudson III, *supra* note 31, at 89.

The patent functions as a contract between the U.S. government and the patentee. The U.S. government provides the inventor with the right to exclude others from making, using or selling his invention . . . . In return, the patentee agrees to donate his invention to the public after the patent term expires.

*Id.*

<sup>54</sup> See 35 U.S.C. § 154 (a)(1) (1994) (the patent entitles the patentee "the right to exclude others from making, using, offering for sale, or selling the invention" in the United States or importing the invention into the United States).

enough invention," and it rejects my patent. I have given my secrets to society through compulsory publication, but where has the government given me the protection of Article I, Section 8? This legislation would indiscriminately publish everybody's application whether or not they're going to get a patent. The Supreme Court and other courts have said throughout our history that patents are based on a contractual incentive,<sup>55</sup> and we would move away from contract theory. Our government would say, "we don't care if you're going to get a patent or not. It's important to publish, whether you get a patent or not." This sends shivers down my back.

Now taking my inventor's hat off and putting my legal hat on, I must say that people in my profession cannot see the problems with this eighteen-month publication problem. Of course, you have to remember that the army of patent lawyers and the Intellectual Property Owners' association and the like are not on the firing line. They are not the people making the inventions. They are not the people raising the money to start companies. They are not the people that have to make payrolls to do research and development and try to get products on the market. They are not the universities trying to find people who will license their secret technology and keep it secret until they can get it on the market. Who can get a product on the market in eighteen months? The average time on new inventions is something like five years!

So now you have well-heeled big boys who today cannot see the independent inventor's invention, or the university's invention, or the small company's invention, until the patent comes out. After this law, they are going to see it in eighteen months, or at least they are going to see a disclosure. They are certainly not going to see the patent claims that are going to come out, because they are

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<sup>55</sup> *Graham v. John Deere Co.*, 382 U.S. 1, 9 (1966); see also Michael P. Chu, Note, *An Antitrust Solution to the New Wave of Predatory Patent Infringement Litigation*, 33 WM. & MARY L. REV. 1341, 1346 (1992). The author explains the contract theory of patent rights as follows:

In exchange for the inventor's disclosure of an invention previously unknown to the public, the government promises the inventor certain exclusive rights in the invention for a limited period of time. As a part of this contract, the inventor agrees to the government's publication of the invention upon expiration of the patent. During the time the patent contract is in force, the public has access to the published disclosure of the invention and can use its teachings in constructive thinking to forward the development of the art, whereby improvements are often promulgated. Members of the public may also approach the patent owner while the patent is in force seeking permission to practice the invention on terms suitable to the patent owner.

*Id.* at 1347 n.38 (quoting DAVID A. BURGE, *PATENT AND TRADEMARK TACTICS AND PRACTICE* 25 (2d ed. 1984)).

never formed in eighteen months to the extent that they will be when you have fought with the patent office and finally got your patent.<sup>56</sup> In fact, it may not even be on that application. It may be that you have to continue the application,<sup>57</sup> because the patent office has tricks. Once the patent office has rejected your application, you come back and reargue. The second time is as a matter of practice. They give you a final rejection. They may even bring up new things, something which they are not supposed to do. The only way to answer a rejection is to refile the application as a continuation,<sup>58</sup> and they get a fee.<sup>59</sup> That is how the patent office gets its money. And now we're in a new prosecution with the examiner. But my friends, at this point we are way beyond eighteen months after the initial filing. That is what I face as an inventor. I do not care what the lawyers face because they get paid. The inventor is the one struggling to put new technology on the market to start my own company, or trying to get venture capitalists to risk money with me.

Now, here comes the proposition that the inventors' technology will be public, years before I will ever get my company going, or years before the university will ever be able to persuade people to take licenses, or years before an inventor will even get his company started, by seeing his disclosure, whether or not he gets a patent. Others can copy him and get there first, make the money, and defend when he tries to sue when he ultimately gets his patent. Think of it! Is this fair? The point is that the people who sponsor this bill do not give a damn about the independent inventor or about the small entrepreneurship activities in this country that make it great. However, look what Steve Jobs<sup>60</sup> and Bill Gates<sup>61</sup> alone did.<sup>62</sup> It was not that big IBM.

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<sup>56</sup> Generally speaking, claims of a patent application are often amended into a different scope during the application's pendency in the PTO to overcome objections from the patent application's examiner.

<sup>57</sup> To keep his patent application alive, a patentee may have to file a continuing application after his initial application has received a final rejection. 37 C.F.R. § 1.53 (1997) (providing the requirements of a continuing application).

<sup>58</sup> *Id.*; see also Leonard I. Reiserr, J.D., 60 AM. JUR. 2D *Patents* § 492 (1987) ("If the patent and Trademark office action is adverse in any respect, the applicant or patent owner must reply thereto in order to continue prosecution of the patent application or re-examination proceeding.").

<sup>59</sup> 37 C.F.R. §§ 1.16, 1.53 (1997).

<sup>60</sup> Steve Jobs is the interim Chief Executive Officer of Apple Computers, Inc. See *Microsoft News Summary*, REP. ON MICROSOFT, Jan. 12, 1998, available in 1998 WL 9329809.

<sup>61</sup> Bill Gates is the Chairman Chief Executive Officer of Microsoft Corporation. See *Corporate Profile, Microsoft Corporation NASDAQ: MSFT*, in CORPORATE YELLOW BOOK (1998).

<sup>62</sup> See Cathy Booth, *Steve Job: Restart Apple a Stunning Deal Caps the Comeback Quest of a Computer Whiz Once Tossed out of His own Company*, TIME, Aug. 18, 1997, available in 1997 WL 10902779. See also Susan Gregory Thomas et al., *Why Bill Gates and Steve Jobs made up Both*

The bill's sponsors do not give a darn about the university inventors, or the necessity for secrecy until the university can make deals on its technology with those people that would take the risk of starting up university technology. There is very genuine—not just emotional—real life in this. This isn't a bunch of damn lawyers copying the number eighteen and saying, "Whee! Let's harmonize." This is a life and blood thing. That is what Congress heard from people. That is what the Senate is hearing today. That is what the Senate will hear tomorrow. And look at what the Senate has done. They have said, "Okay, we hear you, we don't think it's fair. We'll let the big corporations have the eighteen months publication law, and the others don't have to publish in eighteen months."

Well, what is the purpose of this legislation? They said that they wanted to see other people's technology. That it would be important to see it in a short period of time, to give technological information. The fact is, you heard how almost 70% or 80% file abroad? They file usually in the Patent Cooperation Treaty ("PCT"),<sup>63</sup> and the abstracts and the drawings published in English for the whole world to see. What they really want to see is the little guys' inventions. What they want to see is the small, new company starting. What they want to see is the university inventions. And who is going to pay for it? Well, they want to spread that across everyone, even those that do not publish their application in eighteen months.

This is an abortive piece of legislation. But the eighteen months is only the tip of the iceberg; it is an assault on the small inventor and the university inventor, the people who contribute so many new things to keep the multinationals alive.

[Professor Duffy introduced Herbert Wamsley.]

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*Apple and Microsoft Stand to Gain Big*, U.S. NEWS & WORLD REP., Aug. 18, 1997, available in 1997 WL 8332520 (noting the contributions by Bill Gates and Steve Jobs in making the companies they manage huge successes).

<sup>63</sup> John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 LAW & POL'Y INT'L BUS. 277, 292 (1996) (discussing the background of the PCT). The main purpose of the PCT is:

to streamline the early prosecution stages of patent applications filed in numerous countries. It is often described as a clearing house for international patent applications. As a practical matter, its major advantage is that it gives an inventor (and her patent lawyer) more of a precious commodity in the prosecution of an application destined for many countries time.

See ROBERT PATRICK MERGES, *PATENT LAW AND POLICY: CASES AND MATERIALS* 458 (2d ed. 1997).

HERBERT WAMSLEY:

I am here to tell you why eighteen-month publication of patent applications is good for the economy of the United States, why it is good for large companies, and why it is good for small inventors. Let me see if I can define the issue a bit, and tell you what I support.

Eighteen-month publication of patent applications is something that is good for the country. It is something that can help the patent system function more efficiently, and help U.S. industry and inventors make money. Now, I am for publication of all patent applications. I think that is where we should get to. But I am also paid to promote the legislation now in Congress and let us keep in mind what the issue is. As Mr. Gregory laid out, the bill has been compromised a lot, and nobody in Washington is seriously advocating publishing all patent applications at eighteen months. We have the House passed version, *H.R. 400*, which is a complicated thing. I would say that bill is a bit of a lawyer's "Full Employment Act." I prefer the Senate version, which is what we are trying to get passed now. As soon as Congress comes back in February of 1998, we hope that bill will come up for a vote.

The Senate bill draws a principled line between those applications that are going to be published and those that are not. The ones that are going to be published under *S. 507*, the Senate bill sponsored by Senator Orrin Hatch,<sup>64</sup> are those patent applications filed in the U.S. Patent Office that are also being filed in a foreign country.<sup>65</sup> Those are the only ones that are going to be published. And those applications are going to be published after eighteen months. Now, that is a clean proposal—not too much for the lawyers to make money arguing about. And while I could argue all night about the national benefits of publishing every application after eighteen months, the current issue in Washington really is publishing those applications after eighteen months that are also being filed abroad.

What is driving this proposal? As you have heard, the proponents of *S. 507* include large companies.<sup>66</sup> And Professor Duffy described my association as having members that are large companies, independent inventors, and universities. I do not want to misrepresent anything; more than 90% of the funding for our

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<sup>64</sup> Republican, Utah. Senator Hatch is currently the Chairman of the Senate Judiciary Committee.

<sup>65</sup> See *supra* notes 23-24 and accompanying text.

<sup>66</sup> See *supra* note 9 and accompanying text.

association comes from large companies, which includes IBM, Intel, Dupont, Monsanto, and many of the Fortune 500 of U.S.-based companies.<sup>67</sup> And, that is where more inventors reside than anywhere else. Sixty percent of the patents going to U.S. nationals today are going to those companies. And 80% of the patents that are kept in force for the full life of the term through maintenance fees are going to those companies. These are the companies that are making money and competing in the United States and globally on the basis of their research and development. The bulk of the research and development in the United States today is performed by these companies.

What is driving the large companies to support eighteen-month publication, and why is their push for this legislation greater now than it ever has been before? I would say a number of things have changed in our patent system, in its 207-year life. It has been a good system. It has been the best in the world. But, there are some aspects of it that are broken and need to be fixed, and do not match so well with what is happening in our country today. One thing companies are worried a lot about today is the cost of research. In the face of global competition, trying to do as much productive research as they can for every dollar. One thing that wastes research is duplication of research. We get a lot of that with the existing system.

Another thing big companies are worried about is the cost of litigation. The cost of patent litigation today is astronomical.<sup>68</sup> There is always going to be patent litigation, and there will always be top patent lawyers like Doug Wyatt, who you are going to hear from next. But really there is too much litigation today, and it is costing too much. Eighteen-month publication of patent applications is one of several things in the bill. The only one we have time to talk about tonight that will help reduce that cost of litigation.

There is pressure for faster commercialization of technology. A lot of pressure in industry today to get things out to the market quickly. There is not a lot of time to lay back and wait and see who is going to claim the patent rights. There is a rush to get the product on the market. In some industries, the norm is not five years, it is six months.

Another thing about publication that has changed in the world today is the emergence of the Internet. The potential bene-

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<sup>67</sup> See also Pat. Trademark & Copyright J. (BNA) No. 1310, at E-77 (Jan. 16, 1997).

<sup>68</sup> Leslie Scism, *Insurance Helps Little Guy Sue Patent Infringer*, WALL ST. J., Nov. 25, 1996, at B1 (observing that patent litigation can "cost hundreds of thousands of dollars").

fit of publishing applications early today is greater than it has ever been before, because computer communications have improved to the point where, if we can get the technology out earlier, the boost to research and development and inventors today will be greater than ever before. One aspect I am confident will happen right away if we publish patent applications: they will be on the Internet.<sup>69</sup>

The final thing that has changed in the world today is the need to do more foreign filing. Over the last ten to twenty years, the larger companies have steadily increased the amount of filing that they do abroad. But that is also driving up the cost of patenting. They are looking for ways to hold down the cost, to hold down the litigation. And, as Dr. Rines earlier explained, people in the United States have, at least in the larger companies that do most of the foreign filing, become more acquainted with the foreign systems. They have seen how eighteen-month publication works abroad, and found that it works. A lot of other things about foreign systems are disliked by these companies, but they do like eighteen-month publication.

Those are the things that are driving the eighteen-month publication legislation. Let me sum up the benefits of eighteen-month publication in the time I have. As I said, it reduces duplication of research, because you find out earlier, in many cases, what your competitors are working on. Consequently, you can direct your research budget into other lines. This is in the interest of the national economy, and in the interest of a productive research base in the United States. It gives an early warning of potential legal claims to technology. In a lot of cases today, you can get blind sided by a case that is pending in the PTO for years.<sup>70</sup> With eighteen-month publication, we are talking about opening up not only the technology disclosed in the applications, but also allowing the competitors to see what claims people are seeking.

This is information that will avoid litigation in some cases, keep costs down, and increase legal certainty. The key to reducing litigation is increasing legal certainty in the companies—the general counsel of the large companies today are continually talking

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<sup>69</sup> Currently, as soon as a patent issues, the entire patent becomes available on the Internet. See *The IBM Patent Server* (visited Mar. 30, 1998) <<http://patent.womplex.ibm.com>>. However, the IBM patent server is limited to patents from January 5, 1971 and onwards.

<sup>70</sup> See 35 U.S.C. §122 (1994).

about the need to find ways to restructure the American legal system to increase certainty about rights.<sup>71</sup>

As Mr. Gregory explained, the way eighteen-month publication is structured in all of the bills is that it gives especially early access to U.S. companies to the technology described in foreign patent applications. And the eighteen-month period is measured from the earliest effective filing date. That means a Japanese patent application filed in the United States will typically be published about six months after it is filed in the United States because it is typically not filed here for a year after it is filed in Japan.<sup>72</sup> The pending bills measure the starting point for the eighteen-month publication period from when that application was filed in Japan. The members of my association—particularly in the electronics and computer area—are very interested in seeing those Japanese applications published in the United States, conveniently accessible in the English language, much earlier than they are today.

Finally, let me go back to certainty, and to a topic that is my favorite. It is called submarine patents—it is a controversial area. I submit to you that one of the reasons we need eighteen-month publication of patent applications is to drive a few more nails in the coffin of submarine patents.<sup>73</sup> Those are patent applications that have been submerged in the PTO for ten years, twenty years, thirty years, and in some cases forty years, before they became patents.<sup>74</sup>

According to research conducted by IPO, there is an epidemic of submarine patents since the mid-eighties. According to research we did this summer, we identified 320 cases of patents that were granted between 1971 and 1996 that met a list of criteria including: pending in the PTO from the earliest effective filing date for at least fifteen years, were under secrecy order, and were refiled at least twice. Of those 320 applications, the great bulk of them were

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<sup>71</sup> See, e.g., Dean Takahashi & Jon G. Auerbach, *Intel Expected to Face Little Damage from Suits*, WALL ST. J., May 15, 1997, available in 1997 WL-WSJ 2420817 (discussing Intel's problems with various infringement suits by its competitors).

<sup>72</sup> See Hudson III, *supra* note 31, at 90-91 ("Japan claims the U.S. patent system . . . discriminates against foreign applicants by limiting the effective filing date that can be claimed to the date of the foreign application.").

<sup>73</sup> Submarine patents are patent applications that have been delayed in the PTO for a number of years by the patentee, before the application finally issues into a patent. See generally Bernard Wysocki, Jr., *Royalty Rewards: How Patent Lawsuits Make a Quiet Engineer Rich and Controversial*, WALL ST. J., Apr. 9, 1997, at A1 (discussing the effects of "submarine" patents). George Selden is credited with pioneering submarine patents, when his patent, related to a gasoline driven vehicle, surfaced in 1895 from an application that had been filed 16 years earlier. See also *Patent Term and Publication Reform Act of 1994: Hearing on Bill S. 1854 Before the Senate Comm. of Judiciary*, 103d Cong. (1994) (statement of Harold C. Wegner, Prof. of Law at George Washington Univ. Nat'l Law Ctr).

<sup>74</sup> *Id.*

issued after 1985. A substantial number of those applications were pending in the Office more than twenty years. And about five for more than forty years.<sup>75</sup> This kind of uncertainty, in many of these cases, resulted in technology being kept secret for all of those years. In all of those cases, keeping secret until the end what the scope of the claims was going to be, caused a lot of dislocation, a lot of unnecessary expense, and a lot of litigation for U.S. industry. A giant nail was driven into the coffin of submarine patents by the change of the law in 1995, which changed the patent term from seventeen years from the date of grant to twenty years from the date of filing.<sup>76</sup>

The thing that drove that change was the need to get rid of submarine patents. But we also need the eighteen-month publication law, because there is still, under the existing practice, the opportunity for gamesmanship by keeping the scope of claims confidential for ten years and then springing it on the U.S. industry. That's something we need to get rid of, and eighteen-month publication will put that problem to rest. Thank you.

[Professor Duffy introduced Douglas Wyatt.]

DOUGLAS WYATT:

The basic problem with the eighteen-month publication is that it is a disincentive to inventors. It is a weakening of the powerful patent system that we have here in the United States. If you consider each side of the argument separately, they are closely in balance, but weigh against each other. But, when you put it in the bill that includes this eighteen-month publication legislation, it weighs towards weakening the American patent system.<sup>77</sup> Now, let me give you some background, so you know why we are here.

When I first started in this business, nobody cared about patents. Intellectual property was a backwater area of practicing law. In fact, you can see that three out of the four speakers here went to Georgetown Law School. The reason for that is that within a certain age group, you will find that most patent lawyers either went to Georgetown or George Washington for law school, because none of the other law schools were interested in it, as Cardozo School of Law is now—which is a wonderful thing. You did not get patent lawyers out of other law schools. A large percentage of patent law-

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<sup>75</sup> For instance, Jerome Lemelson received a patent in 1994, for an application that he had filed on December 24, 1954. See Jerome Lemelson, U.S. Patent 5,351,078, issued Sept. 27, 1994; see also Teresa Riordan, *Patents*, N.Y. TIMES, Apr. 4, 1994, at D4.

<sup>76</sup> See 35 U.S.C. § 154(a)(2) (1994).

<sup>77</sup> See generally, *Hearings on Patent Bills S. 507 and H.R. 400*, *supra* note 7.

yers came out of Georgetown University and George Washington University because these schools were in Washington near the Patent Office. Well, things have changed dramatically. And that is part of the reason we have this legislation.

We are in a new era of patents in the United States. Back in 1982, a new court of appeals was founded that handles all appeals in patent cases.<sup>78</sup> Prior to that time, patent cases would be heard by the Second Circuit, the Fifth Circuit, and other places. The rate of holding up patents here in the Second Circuit, if they were found to be valid and infringed by the district court, was under 18%—something around 15%, or 16%.<sup>79</sup> The Eighth Circuit never found a valid invention.<sup>80</sup> The Fifth Circuit, in contrast, upheld about 70% of all the cases that came before them.<sup>81</sup> The Seventh Circuit in Chicago was 60%.<sup>82</sup> The Third Circuit, like the Second Circuit, found any way to find a patent invalid and not infringed.<sup>83</sup> So it was a hit-and-miss thing in trying a patent infringement suit. And, the average threat that you faced if you were defending was a two or three million dollar judgment. Things have changed dramatically. Now you're facing \$100 million.<sup>84</sup> The last

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<sup>78</sup> In 1982, Congress created the Federal Circuit. S. REP. NO. 97-275, at 11 (1982). The Federal Circuit heard its first case, *South Corp. v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982), on October 1, 1982. By allowing the Federal Circuit to be the exclusive arbiter of patent appeals, Congress sought to ensure a uniform interpretation of U.S. patent laws. Federal Courts Improvement Act, 28 U.S.C. § 1295 (1982); see also Helen W. Nies, *Celebrating the Tenth Anniversary of the United States Court of Appeals for the Federal Circuit*, 14 GEO. MASON L. REV. 505 (1992); Dennis DeConcini, *The Federal Courts Improvement Act of 1982: A Legislative Overview*, 14 GEO. MASON L. REV. 529 (1992); Donald W. Banner, *Witness at the Creation*, 14 GEO. MASON L. REV. 557 (1992).

As a result, the Federal Circuit now hears appeals from the final dispositions of the PTO, U.S. district courts, U.S. claims court, and the U.S. International Trade Commission. Harry F. Manbeck, Jr., *The Federal Circuit—First Ten Years of the Patentability Decisions*, 14 GEO. MASON L. REV. 499 (1992).

<sup>79</sup> See Carole Kitti, *Patent Invalidity Studies: A Survey*, 20 IDEA 55, 70 (1979) (offering a comparison between the patent validity rates for the courts of appeals by circuits between the years 1948-73).

<sup>80</sup> *Id.* (showing the Eighth Circuit's rate of finding a patent valid to be substantially lower than that of the other circuits); see also Robert L. Harmon, *Seven New Rules of Thumb: How the Federal Circuit Has Changed the Way Patent Lawyers Advise Clients*, 14 GEO. MASON L. REV. 573, 574 (1992).

<sup>81</sup> See Kitti, *supra* note 79. Many used to view the Fifth Circuit as a circuit that was extremely "pro-patent." See generally H. R. REP. NO. 312, at 20 (1981).

<sup>82</sup> See Kitti, *supra* note 79. Many used to view the Seventh Circuit as a circuit that was extremely "pro-patent." See generally H.R. REP. NO. 312 (1981).

<sup>83</sup> See Kitti, *supra* note 79 (showing the similarity in patent validity rates between the Second and Third Circuits).

<sup>84</sup> The legal newspapers have been reporting on the major patent infringement cases. See, e.g., *Verdicts and Settlements: Plastics Firm Bags \$102.38M Patent Infringement Award*, NAT'L L.J., Dec. 9, 1996, at A9; *Verdicts and Settlement: GE Hit with \$111M Award in MRI Infringement Suit*, NAT'L L.J., June 19, 1995, at A13. See also *Polaroid Corp. v. Eastman Kodak Co.*, 17 U.S.P.Q.2d (BNA) 1711 (D. Mass. 1991) (involving damages of \$873 million). This case was eventually settled in July 1991 for \$925 million, ending a 15-year fight over the patent

two cases I was in were \$100 million cases. The reason for this shift is that the Federal Circuit is very pro-patent.<sup>85</sup> Starting in 1982, if a jury awards a claim of damages and finds the patent to be valid and infringed, the chances of one having this decision overturned by the Court of Appeals for the Federal Circuit are not very high.<sup>86</sup>

Consequently, patents have become extremely important. Patent litigation has mushroomed—particularly in jury trials. One of the famous people who made money out of suing on patents is Jerry Lemelson.<sup>87</sup> Some of you may have seen articles on the front page of the *Wall Street Journal*, where Jerry and his lawyer Jerry Hossier from Chicago, are sitting on their multi-million-dollar mansion out in Aspen, overlooking the skiers, talking about the next suit they're going to file.<sup>88</sup> They've got hundreds of millions of dollars in filing patent applications on submarine patents.<sup>89</sup>

Let me tell you about Jerry Lemelson twenty years ago. My partner, Eliot Gerber, tried a case down here for Jerry. One of his first cases, in the Southern District of New York, with Judge McMahon. You people are too young to know anything about Judge McMahon. If you could try a case before Judge McMahon, you could try a case anywhere. He was the toughest judge that ever came down the pike. Well, Eliot Gerber won the case for Jerry Lemelson. The patent was found valid and infringed, and damages awarded. Then it went up on appeal. We went around and asked: what are the chances of the Second Circuit upholding this decision? What came back almost universally was zero as an answer.

Today, if that patent went up before the Court of Appeals for the Federal Circuit, his chances of winning would probably be 70 or 80%, if not higher.<sup>90</sup> So the world has changed and the interest in intellectual property has increased dramatically because of it. We have a U.S. culture that is different than cultures in other countries. We have individualism, stronger here than anywhere else. It

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rights to instant cameras and film. *Kodak Settles with Polaroid*, N.Y. TIMES, July 16, 1991, at D8.

<sup>85</sup> See Rochelle Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 26 (1989) ("The [Federal Circuit] has taken on a decidedly pro-patent bias.").

<sup>86</sup> See Allan N. Littman, *Restoring the Balance of Our Patent System*, 37 IDEA 545 (1997) (noting that the Federal Circuit is overwhelmingly pro-patent); see also Paula Dwyer et al., *The Battle raging over "Intellectual Property,"* BUS. WK., May 22, 1989, at 78 (noting that the Federal Circuit upholds patents 80% of the time).

<sup>87</sup> Don Clark, *Motorola Agrees to Unusual Settlement in Patent Suit with Inventor Lemelson*, WALL ST. J., Aug. 22, 1994, at B4; Bernard Wysouth, Jr., *Royalty Rewards: How Patent Lawsuits Make a Quiet Engineer Rich and Controversial*, WALL ST. J., Apr. 9, 1997, at A1.

<sup>88</sup> See *id.*

<sup>89</sup> See Wysouth, Jr., *supra* note 87.

<sup>90</sup> See *supra* notes 85-86 and accompanying text.

is part of the nature of our system.<sup>91</sup> It is part of the immigrants who came here. Their attitudes were that the individual counts; he is very important. Now, in this fight, there's been a lot of what people call Japan-bashing. There should not be any, since Japan has a wonderful system, a system that has adapted to their culture.<sup>92</sup> The same thing with the Europeans,<sup>93</sup> which is adapted to their culture. Neither in Japan nor in Europe, with perhaps the exception of Germany, are patents as important as they are here. In the United States, if you go into the courtroom with a patent of a small inventor against a large corporation, let me tell you, that large corporation is shaking in its boots because juries are pro-patent. Anyone who has ever done a jury study—and I have done a number of them: we do ten or fifteen test juries on a case before we go to trial—will find that juries are just overwhelmingly pro-patent for the individual inventor.

So what has happened now? The large corporations, to which we as Americans owe great debt, are wonderful for our economy and they provide jobs for millions and millions of people. But you have to understand where they come from in this patent picture. If you are a large company and you dominate a particular market, what do you need a patent for? You need it defensively. You can go out and get a patent to prevent others from suing you. But you are usually not going to go out and sue your little, small competitor with your patent. So if you dominate markets, your incentive for having patents, to use them as weapons, is greatly diminished. So when you talk about large internationals, you have got to think of where they are coming from. What are their views on the patent system? When you look at this eighteen-month publication rule, you need to question why some people are against it, while others are for it.

In my view, the eighteen-month publication rule is a disincentive to the inventive process that we have here in our tremendously entrepreneurial culture. If an entrepreneur can get some venture

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<sup>91</sup> Unlike any other country in the world, we have an economy and a patent system that rewards the individual. Independent inventors are responsible for most of the breakthrough technology in the U.S. They account for most of the patentable technology in the world.

They are the reason the U.S. produces the vast majority of Nobel Prize winners in Science.

See *Hearings on Patent Bills S. 507 and H.R. 400*, *supra* note 7.

<sup>92</sup> See Hudson III, *supra* note 31, at 92-95 (discussing the Japanese patent system); see also Ragusa, *supra* note 2, at 148-52 (discussing Japan's patent system and the conflicts between the Japanese and U.S. systems).

<sup>93</sup> See William T. Fryer, *Design Patent System for the Twenty-First Century*, 24 A.I.P.L.A. Q.J. 331, 365-68 (1996) (examining the European Patent Convention and its applications).

capital together, and get a decent patent behind his product, he can really go places. The patent can help cut into the market of someone who already dominates a market. Now, if you're going to publish in eighteen months, you are cutting the legs out from under those people who want to start up a new business, because you cannot start a new business in eighteen months; as Dr. Rines earlier said, it is at least a five-year project. There are many benefits in eighteen-month publication, and there are many arguments favoring it. But, when you balance the pros and cons, the eighteen-month publication is a disincentive to what we have here in this country: a wonderfully strong patent system.

Mr. Wamsley mentioned submarine patents earlier. I submit that submarine patents are no longer a problem. I know how difficult submarine patents can be. I wound up on the other side of a Jerry Lemelson case. He sued General Electric Corporation ("GE")—this is in the early nineties—for his robot patents. The robot patent was filed back in the early fifties. So here I was looking at a patent that was in effect forty years later. And GE has robots all over. This was a gun to our head. How could we go back and find prior art to a patent that was forty years old? It was a difficult problem. But that problem has been eliminated. To me, it is a red herring to argue that the eighteen-month publication has anything, whatsoever, to do with eliminating submarine patents. Your patent is now good for twenty years from the day you file it.<sup>94</sup> If it issues in a year, you have it for nineteen years. If it issues in three years, you have it for seventeen years. Thus, while submarine patents used to be an argument for the eighteen-month publication rule before we had the twenty-year rule, they are not anymore.

I admit that in the old system, it was true that an eighteen-month publication rule would help eliminate the problems with a submarine patent. To say today that, just because a patent is going to be published in eighteen months, you are going to know what the claims are, is incorrect. You can still have a patent that takes ten years to get out of the patent office for one reason or another, and the public will not necessarily know what the scope of those claims are. If the application is published, you will know what it says in the specification, but not in the claims. The claims are the term, the metes and bounds, of what the invention is. So I do not find that publication will allow one to learn about potential claims by others.

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<sup>94</sup> 35 U.S.C. § 154 (a)(2) (1994); see also Mark A. Lemly, *GATT Symposium Issue: The Implications of GATT on U.S. Intellectual Property Laws*, 22 A.I.P.L.A. Q.J. 369, 370 (1994).

Let me just say in conclusion that this is an argument that is painful. Because, on one hand, the large U.S. companies, who are members of IPO and seek to promote this legislation, do wonderful things for our economy. It is generally in their interest to have eighteen-month publication, and I understand that. But, you have to balance that against what eighteen-month publication does to the incentive to go out and invent and invest in new businesses and new products by the smaller entities.

JOHN F. DUFFY:

Let's get some questions from the audience.

AUDIENCE MEMBER:

Given the fact that publication is only required for those people who are going to be filing in foreign countries, where it gets published anyway, and small inventors and universities do not have to publish, I wonder if Dr. Rines could explain what he is opposed to in the bill, other than the possibility that the fee for publication may be shifted to the small inventor in some way.

In connection with that, I do not know whether there is any publication fee that is being proposed. Maybe Dr. Rines can elaborate.

ROBERT RINES:

That is a very good question. I was wondering earlier what the devil I was coming here for, anyhow. My wife, who is the publisher of *Inventor's Digest*, said, "Now, wait a minute, even if the Senate goes through its present tendency of exempting independent inventors and universities, there is going to be a committee meeting between the House and the Senate, and God knows what kind of bargaining might be done there." The bill that comes out might very well not have the exclusions we are talking about, so maybe I am a little smug in thinking that this is a moot question. But this good law school wanted it debated, and so we are here talking about it. But I do think that, having fought for it, the large multinationals have got it. They wanted to publish in eighteen months, and they got it. But I do not think that where a group is specifically given an exclusion and they do not want the legislation, they should have to pay for it. I think if you want your application published, you should pay for it.

Now, it was said a little while ago that they wanted the application published because they want to see what their competitors are

doing in eighteen months. That is absolutely ridiculous. Because all the big companies file in the PCT.<sup>95</sup> And in eighteen months, at least the abstract and the drawings are published, and in English.<sup>96</sup> With the Internet: what difference does it make whether the application is published in England or Germany in English, or in the United States? Why do we need that additional publication? Similarly, now when we publish the Japanese applications in six months of the filing in the United States, on that very same day, it is going to be published in English in the PCT, internationally. What do we have to publish it again for?

DOUGLAS WYATT:

I would like to add something to that. In the Senate bill, they do not have the Coble Amendment yet, as I understand it. So in the Senate bill, they still do not have an exemption for individual inventors and universities. Is that correct?

HERBERT WAMSLEY:

There is an exemption for everybody who is not filing abroad. Really, that is a bigger exemption than the so-called Coble Amendment in the House.<sup>97</sup> But I submit to you, as a matter of public policy, if we are going to have a big exemption from publication, the large entities and the small entities should be treated the same. As I said, I like the Senate bill also because its exemption is simpler: if you are not filing abroad, you are exempt.

JOHN F. DUFFY:

Well, there is an issue about how the fees are going to be charged, right? It is going to be expensive to publish these applications, and the PTO is going to pass the expense on to the inventors. Will the PTO charge only the people who have published, or will it spread the cost over the entire fee structure?

HERBERT WAMSLEY:

The bill, as currently written, leaves that decision up to the commissioner. I would not have any problem with the large com-

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<sup>95</sup> See Robert J. Pechman, *Seeking Multilateral Protection for Intellectual Property: The United States "TRIPS" over Special 301*, 7 MINN. J. GLOBAL TRADE 179, 180 n.2 (1998) ("The Patent Cooperation Treaty (PCT), enacted in the United States on January 24, 1978, standardized international patent application filing procedures so that only a single application designating each country in which patent protection is sought need be filed.").

<sup>96</sup> See Lucy Curci, *Foreign Patent Searching*, 278 P.L.I./PAT. 147, 154 (1989).

<sup>97</sup> See *supra* note 36 and accompanying text.

panies—or I should say, those who are publishing, large or small—paying the costs of publication. Though I think it should be done in a way in which there is the least administrative cost in collecting the fees. The bill, as now written, gives discretion to tack it onto maintenance fees. It could be done in a number of ways. But, I think that it should be done in a way that would not put a burden on the smaller inventors, and those who are not publishing. And the fact is that the cost of publishing is relatively small compared to the total cost of examining and issuing the patent today.

ROBERT RINES:

What Mr. Wamsley said is wonderful! On October 9th of 1997, Senator Orrin Hatch had a press conference. I cannot tell you what is in the bill or what is out of the bill. They really do not make people privy. What the supporters say is, "Senator, in addition to our strong support for the bill, I have taken steps to address concerns that some may have had about the bill. Some people do not like eighteen-month publication, so I allowed them to opt out and proceed as under current law." I think that is an oversimplification of what is in the bill.

The Patent Office says that their end of the year average pendency to issue—that is, how long it takes to get your patent issued—rose to 20.8 months.<sup>98</sup> My friends, what the devil is the sense in going to the expense of publishing in eighteen months when the patent comes out in 20.8 months, anyway?

HERBERT WAMSLEY:

The 20.8 month period is the average. While the submarine patents are dying, they are not dead yet. There are still a lot of those ten-year patents around.

AUDIENCE MEMBER:

Dr. Rines. You seem to have framed the issue most strongly as a matter of big companies versus little guys. I wonder why you frame it that way? Is there any constitutional basis for looking at the issue in that way in Article I?<sup>99</sup> And if it is an issue of big guys versus little guys, what difference would that make to America?

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<sup>98</sup> See A.I.P.L.A. BULL. 97 (1994) (noting the *Biotechnology Committee Report* showing average pendency in Group 1800 governing biotechnology was 20.8 months).

<sup>99</sup> See *supra* note 8 and accompanying text.

ROBERT RINES:

Well, first of all, I am not complaining about big guys versus little guys. All my life I have represented the little guys, and we have a pretty darn good batting average against the big guys. What I am saying is, I get the arrogance of my fellow lawyers who are the big guys, and they say, "We're pushing this bill through, you haven't got a chance. You're crazy. What are you trying to rally the independent inventors for?" and so forth. But the reason I say that it is big guys against little guys is: look at who supports the bill.<sup>100</sup>

Number two—we will take on the big companies anytime. We are a match for them any day, in any forum. The little guys and the small businesses have created the jobs in the past ten years in the United States, not the great big guys, who have been doing nothing but downsizing. Now, I am not taking away from their prodigious activities. The other thing you have got to remember is, when you go back in every one of these big guys, who the devil started them?

AUDIENCE MEMBER:

I'd like to address that question. If the little guys are told that the patent system is too expensive, or you have to make more decisions that are going to serve as disincentives, then the little guy is going to say, "Well, why should I support a patent system that only helps the Japanese and General Motors and IBM, and today, Bill Gates?" Why should I? Where is the political support going to be?

Let me also address the point that I take with Mr. Gregory that early disclosure with the patent issue date is needed to disseminate information. No, it is not. Disclosure is only needed to tell you what not to do to infringe the monopoly that has been granted. As far as disseminating the information, there is really no justification for doing that until the end of the patent term. But the reason we need to disseminate the information is, how do you know what to avoid if you do not have the information?

The other point is on the fitness of a publication with provisional rights. If that happened, you are not going to decrease uncertainty, you are going to increase uncertainty. Because you are going to say, "Here's the information, and here are the patent claims, but we have no idea what's actually going to issue."

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<sup>100</sup> See, e.g., *Hearings on Patent Bills S. 507 and H.R. 400*, *supra* note 7 (discussing how large, multinational corporations have lobbied Congress for the passage of the new legislation).

## HERBERT WAMSLEY:

As far as what is good for the little guy, I have learned to be careful about trying to say what is good for the little guy, because I represent the big guys, primarily. I wish we could get more small inventors to join our association; to accomplish that, we keep reducing our dues. But logically, eighteen-month publication goes to reducing litigation, and reducing the cost of the system should benefit all patent owners equally. I submit that what the little guys really need is a more certain, less expensive system that will enable them to do more foreign filing like the big guys do.

I think one factor at play in this debate about eighteen-month publication is that the little guys, if we can call them that, do not do much foreign filing. They are not acquainted with how eighteen-month publication works abroad. They say they cannot afford foreign filing. Well, they cannot afford foreign filing because the system today is too expensive. And I submit, if you stand back and look at it, the interests of the small inventors and the large companies on eighteen-month publication and the other issues are the same. One final point, going back to something that Dr. Rines said at the outset about universities having some problems with this legislation. The universities do not have a problem with publication. The universities support eighteen-month publications, as far as I know.

## HAYDEN GREGORY:

Well, I would just like to add that I think it is regrettable that despite efforts by proponents of the legislation (and I am talking most particularly about the congressional sponsors who are the most important ones), that nothing that has been done has been successful in diminishing this suspicion, and this animosity. Frankly, I just do not see the world in those same apocalyptic terms of big guys versus little guys. I do not see it in the personality of the people that control the patent system. I certainly do not see it in the lawyers who advise them. I know there has been a lot of outreach that is attempted by the congressional sponsors, and by other supporters of the legislation. Indeed, as I tried to outline, I think the concerns have been, in my view, more than adequately addressed, and yet there is this deep-seated suspicion.

There have been attempts to reach out on the cost factor, as well. Certainly, the independent inventors are absolutely correct. The system is too expensive. The system is particularly too expensive in other countries. Let me give an anecdote: a year or so ago,

John Kirk, the then-chair of the Section for Intellectual Property of the American Bar Association, wrote to Congressman Dana Rohrabacher saying, "Hey, look, I represent independent inventors the vast majority of the time. We do not agree on everything. We do not agree on the twenty-year term, but let us get together on this cost stuff because we have a common interest in that." He did not get an answer back.

AUDIENCE MEMBER

I see Dr. Rines' concern—individual inventor and what he is going to lose out. I also see Mr. Wamsley's and Mr. Gregory's concerns about the big corporations. But, what about the consumers? Consumers would benefit the most from this eighteen-month disclosure. For some reason, if an inventor has to file it and then disclose after eighteen months and does not have the financial means, the technology is there. One of the big corporations could actually pick up on that, and get the technology out a lot faster than if you have patents completely hidden away from everybody else. Don't you agree?

DOUGLAS WYATT:

The problem with that is that it is a disincentive to the inventor to invent. This country is built on having incentives for people to make inventions and not have somebody run away with them. In other words, companies like Microsoft, IBM, Xerox, all started as little companies with little patents. And it is a disincentive for those people to go out and put their effort and time into developing these inventions, if it will be published and the big corporations are going to walk away with it.

ROBERT RINES:

One more thing. I would like very much to say that from the independent inventors' side, many of the inventors' organizations in the different states and the United Inventors of America have indeed tried to reach out to the large corporations on issues where we were both on the same side, and no one listened. In particular, the U.S. government, the General Accounting Office is stealing money from the Patent Office.<sup>101</sup> There is no other word for it,

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<sup>101</sup> See *Impacts of Changes in Patent Laws on the Small Business Community: Hearing Before the Subcomm. on Government Products and Oversight, 105th Cong. (1997)*, available in 1996 WL 241728 (testimony of James T. Woo, President, Interscience, Inc.) (detailing diversion of funds from the patent office by the federal government); see also Jerold A. Jacover, *Fooling*

which even the Commissioner of Patents uses. This year, it will be \$92 million.<sup>102</sup> These are fees that come from the inventors and their organizations. No taxpayer's money goes to support the Patent Office.<sup>103</sup> And now the government is going to take the \$92 million. This will inhibit the expansion of the Patent Office. Now, here is an issue where independent inventors, universities, multinationals, whoever else is interested in the strength of the U.S. patent system, could join forces. And I extend that hand, Mr. Wamsley. You say that the IPO is going to join with other inventive organizations throughout the country. That may be the first time where we learn how to talk together.

JOHN F. DUFFY:

Let's hear Mr. Wamsley's views on that, because that is something I am concerned about too. The Patent Office is losing money to subsidize the federal deficit. What position does the IPO take?

HERBERT WAMSLEY:

Well, we are very concerned about that. We have been working on it. I think when you get into these legislative debates, the communication between the two sides is not the best; but, I agree with Dr. Rines on this one. Everybody has an interest in stopping this diversion of fees, and IPO is working very hard on this. The battle was lost for 1998. We are already gearing up to work on it for 1999. And I know the ABA is doing the same thing. I think this is a battle that can be won in 1999, that is fiscal 1999, which is the year that Congress is starting to work on now if everybody gets behind it.

The Patent Office supports itself. In other words, Uncle Sam is a silent partner, with his hands in everyone's pockets. And, every disincentive to an individual inventor is less tax revenue in the future, which is very shortsighted.

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*with Patent Funds*, CHI. LAW., Mar. 1997, at 10; Sougata Mukherjee, *Patently Offensive: White House Raids Patent Office Money*, S. FLA. BUS. J. - MIAMI, Feb. 28, 1997, available in 1997 WL 7646912.

<sup>102</sup> See Maud S. Beelman, *U.S. Patent Office Bursting with Ideas/Creative Boom Overwhelms Staff Resources*, HOUS. CHRON., Oct. 26, 1997, at 2.

<sup>103</sup> See *id.* (noting that patent office became self-supporting in 1992 under legislation that required patentees to pay 70% higher fees than previously required).

JOHN F. DUFFY:

I think we will end on a high note here, because I think we have found some common ground, although not on the issue that we are debating. I think everyone agrees that the pillaging of the Patent Office to subsidize the federal deficit is a bad thing.<sup>104</sup> And since you said you would—Dr. Rines, would you extend your hand to Mr. Wamsley?

ROBERT RINES:

And I will. (Dr. Rines and Mr. Wamsley shake hands.)

JOHN F. DUFFY:

With this gesture of friendship, I think we'll end for tonight.

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<sup>104</sup> See Jacover, *supra* note 101 (arguing that the diversion of funds from the PTO in order to cut the national deficit is bad for the future of the patent office).