

# LITIGATORS CORNER:

## The Sky is Falling: Or, Over-Reaction to the Anecdote



BY JOSEPH N. HOSTENY,  
OF NIRO, SCAVONE,  
HALLER & NIRO

*Regular IP Today columnist Joseph N. Hosteny is an intellectual property litigation attorney with the Chicago*

*law firm of Niro, Scavone, Haller & Niro. A Registered Professional Engineer and former Assistant US Attorney, his articles have also appeared in Corporate Counsel Magazine, The Docket (American Corporate Counsel Association), American Medical News, Inventors' Digest, Litigation Magazine and Assembly Engineering Magazine. An article quoting him recently appeared in the November, 1999 issue of Entrepreneur Magazine. Mr. Hosteny can be reached at (312) 236-0733, or by e-mail at [jhosteny@hosteny.com](mailto:jhosteny@hosteny.com), or by visiting his web site at <http://www.hosteny.com>.*

My goodness. Everyone seems to be noticing the patent system these days: the *Wall Street Journal* ("U.S. Will Give Web Patents More Scrutiny," March 29, 2000), Harvard professors, and even the *New York Times Magazine*, which on March 12 of this year published an article, "Patently Absurd," by James Gleick. The slant of these johnny-come-lately observers is the same: the patent system is having an adverse impact upon "e-commerce," because it issues too many "software patents," which cover ideas and stifle thought.

James Gleick is the author of some wonderful books about science and scientists. But his *New York Times* article points to the wrong culprit as the cause of problems in our patent system. Like some other commentators, he states -- or overstates -- his perception of the problems in such a way that in correcting them by modifying the patent laws as he recommends, we would chuck out the new baby with the dirty water.

Some see patents as essentially unfair, and Gleick seems to share that view, since he refers to a patent as a "Faustian bargain." Patents are no bargain with the devil, and it is silly to so characterize them. A patent gives the public something it did not have before - a new process, a machine, or a chemical composition. The "bargain" is a fair one, because the public is

rewarded with the new technology, and the inventor has the incentive to invent.

Patents are property, and property has always been a controversial subject. Matthew wrote in his gospel, "Is it not lawful for me to do what I will with mine own?" Eighteen centuries later, Karl Marx stated the opposing view: "You reproach us with planning to do away with your property. Precisely; that is just what we propose."

Denigrating a patent as immoral isn't new. James Watt pointed out in the 18th century that he would probably never have made a success of his steam engine had he not be able to protect his invention:

I agree that by the late decisions we have seen to what lengths the arm of despotic law may be stretched to undo any man who is suspected of the heinous crime of getting rich by his ingenuity.

There has always been a tendency to look down one's nose at patents for inventions that are not earth shattering. Gleick wants inventions to be "profound and unusual." Ironically, as his example, he cites the first U.S. patent, for a fertilizer ingredient, examined by President Thomas Jefferson. But many, including Judge Learned Hand, do *not* think that patents are only for the most sophisticated inventions. Judge Hand was widely regarded as one of the greatest judges in the history of our country. As a circuit judge in the Second Circuit, he frequently addressed patent disputes. He stated:

It would indeed be absurd to rank the invention as a great pioneer such as come only at rare intervals and are the work of genius. Indeed, it is precisely those which probably need no patents to call them forth; the stimulus of profit has little or no part in their production.

*Dewey & Almy Chemical Co. v. Mimex Co., Inc.*, 124 F.2d 986, 990 (2d Cir. 1942).

Misplaced moral opposition to patents is apparent again when Mr. Gleick quotes Lawrence Lessig in his *New York Times* article:

Even under traditional patent rules, many of these software patents will turn out to be bad patents, says Lessig at Harvard, but in the meantime they create these little mafia monopoly holders who can go around demanding, with a federal court behind them, that you pay up or we'll shut you down.

It really never advances any discussion to say that those who disagree with us are crooks. I suppose that, in the early part of this century, some might have characterized Guglielmo

Marconi as a "little Mafia monopoly holder." The notion that Mafiosi are running around using patents to shut down legitimate businesses is silly. Nor does this disparaging remark demonstrate familiarity with the long-standing line of decisions from the Federal Circuit that a preliminary injunction is not easy to get, and is the exception, not the rule. A preliminary injunction requires that the party seeking it be able to show: a likelihood of irreparable harm if the injunction is not granted, that the balance of harms lies in favor of granting the injunction, that there is a reasonable likelihood of success on the ultimate merits of the case, and that the injunction would not disserve the public interest. Any patent litigator knows that the Federal Circuit has issued numerous decisions disapproving preliminary injunctions unless the validity of the patent involved has been tested and recognized, for example, by prior litigation, licensing, or other commercial recognition. Without that recognition, the great majority of decisions hold that a likelihood of success cannot be established. Nor does it advance things by suggesting that federal courts are ignorant accomplices in the enforcement scheme. But then, I guess, there is nothing like hyperbole to get attention.

Mr. Gleick points to the suit between Amazon.com and Barnes & Noble, *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 73 F.Supp. 2d 1228 (W.D. Wash. 1999), as evidence that his hypothesis is correct. But any scientist -- or at least I thought so -- would tell you that one test of a hypothesis isn't good enough; just look to the flap over cold fusion as one example. And the Amazon case involves some facts that need to be recognized. One of the criticisms of software patents is that they are badly searched; but in the Amazon case, the examiner retained a third-party search firm. The defendants presented non-patent prior art, which another commentator, Greg Aharonian, is always pointing to as necessary to achieve an adequate search. (And by the way, while we're mentioning Mr. Aharonian, would someone please ask him to try the decaf.) In addition, one of the defense experts, who had invented some prior art used in an attempt to show that Amazon's patent would likely be held invalid, admitted that he had not thought of doing what Amazon's inventor had done. The Amazon case doesn't support Mr. Gleick's position.

Mr. Gleick and Professor Lessig imply that the patent system has only now begun to make a lot of mistakes by issuing mundane "e-commerce" related patents. The notion that the patent system hasn't misfired until recently, and now only in the arena of software patents, doesn't hold much water for those of us who regularly see its output, which includes a utility patent issued in 1976 (U.S. Patent No. 3,936,384), where the invention is a bar of soap with a religious inscription; Patent No. 5,632,235, "Pet Floatation Aid, Walker, and Method," which includes a method claim that spans four or five columns and includes seventeen steps; the bird diaper, 2,882,858, in 1958; preserving a dead

person's head in a block of glass, 748,284, in 1903; and water-walking "boats" for your feet, 22,457, in 1858. The patent system has had its misfires since it began. To say that the patent system has just begun to malfunction, and that the malfunction is due to software or "e-commerce" patents, is a conclusion not sustained by logic.

We run the risk of damaging our patent system, and the just protection of intellectual property in this country, by over-reacting to anecdotal evidence. I used to be a federal prosecutor. I saw the system fail from time to time. The rationale of the quick-fixers criticizing our patent system strikes me as something like this: an observer walks into a courtroom for the first time, and watches an accused drug-dealer get acquitted, perhaps because his attorney was an expert, or because the prosecutor was a boob, or because the judge suppressed some evidence that was wrongfully gathered, even though it would have tended to prove guilt. From that one anecdotal incident, the observer concludes that the criminal justice system does not work, and must immediately be "reformed." Yet any experienced prosecutor, defense attorney or judge would tell you that the criminal justice system must be evaluated on its performance as a whole. Tiger Woods isn't a lousy golfer because he double-bogeyed one hole at the Masters. The attitude of the nineties -- but I had hoped not the 2000s -- strikes me as one of extreme and often juvenile stamp-your-foot impatience with an imperfect world: **THERE IS A PROBLEM AND I WANT IT FIXED NOW!! BY CONGRESS!! BEFORE LUNCH!!**

We've used the meat cleaver approach before to "reform" our patent system. One example is the alleged "submarine patent" problem where the activities of one inventor were used to justify statutory change. Another "reform" was with respect to patents for medical methods. Now, thanks to this "reform," such claims can be infringed, but there is no remedy. 35 U.S.C. § 287(c)(1) -- no damages and no injunction, even though a hallmark of any injunction is

consideration of the public interest, which could by itself preclude an injunction that would prevent the public from having access to a medical benefit. The result of this "reform" will probably be the invention of fewer medical methods, or ways of doing medical procedures -- a real loss to the patients whose lives depend on these procedures.

One of our contingent fee clients is a doctor who developed new tools and methods for installing artificial knees, as I described in my April, 2000 column. That invention made life better for those whose knees had failed. Would our doctor client have made those inventions if he knew that another doctor could practice his method without paying him a royalty? Like James Watt, how could our client have justified the expense of making and testing prototype instruments? His prototypes cost thousands of dollars out of his own pocket. Why would any inventor make such an investment if it was certain to be a loser? Do you invest your money in stocks certain to fall in value, or in CDs with a zero interest rate? The incentive system still works. I wonder if Samuel Morse's patent on telegraphy, No. 1,647 from 1840, would be deemed a "business method" patent nowadays because it used machinery to send intelligence.

In truth, the problem isn't software patents. The Patent Office is hurting. The March 17 issue of *BNA's Patent, Trademark & Copyright Journal* reports that the PTO has lost about a half-billion dollars in diverted user fees since 1990. The budget for 2001 will divert \$268 million from anticipated PTO income of \$1.152 billion. What would happen in your household if your family lost one-third of its income?

Lack of funds isn't the only problem facing the PTO. Until 1994, it had no examiners trained in computer science. Even had the PTO thought to do so, hiring examiners trained in computer science plainly becomes impossible when 30% of the budget is raked off for other governmental functions. In one of our contingent fee cases, our client was faced with a patent that had a specification that extended over three

hundred columns. About two hundred and seventy-five columns were nothing but object code: CAF607FB 1302F91D 0208F4FA CAF307FB 1302F94F 0208F4F3 F7F4EAFA CAF607FB. There were thousands of lines of it, and the inventor said that these 275 columns carried out the invention. A properly trained examiner simply would not put up with it. According to commentators who claim to know more about searching than I do, the PTO has no access to non-patent sources of prior art for inventions involving software.

There are other signs of stress on the PTO. In one lawsuit I am handling that involves piezoelectric noise-making alarms, two reexaminations were initiated in 1995. One concluded successfully in 1999, four years after it began. The other is **still** not concluded. The Patent Office routinely gave our client thirty days to respond to office actions, and then took six, eight, or even nine months to issue the next office action. The statutory mandate to complete reexaminations with special dispatch seemed to apply only to the patent owner.

Mark Twain said a country without good patent laws "is just a crab and can't travel anyway but sideways and backways." If technology is becoming more complicated, the solution is not to become a modern Luddite, bent on destroying the object of one's disaffection. The real solution -- but one not so glamorous -- is to create the tools to deal with the new technology. What really needs to be done? I suggest this radical concept: give the Patent Office the talent and resources to do its job right. The percentage of faulty patents that are issued, regardless of the type of invention, will drop dramatically. Let's put the meat cleaver down, and do something about the artificial restrictions on the Patent Office. We cannot protect the intellectual property of our citizens in the 21st century by using 19th century tools. **IPIT**