

# Reliable Law and Technology Growth

*A call for 'reliable law' as encouragement to increasing R&D programs; a start is seen*

BY CHIEF JUDGE HOWARD T. MARKEY\*

It has become a cliché that today's business executives make no corporate moves without consulting their lawyers. Sad, but not surprising in the law-drenched, litigious society we have created in the United States. Like most social developments, the lurch to litigate has been neither all good nor all bad. Much of it has served to protect rights that might otherwise have been trampled. A flood of lawsuits can produce its own unhappy reward. But an even greater problem arises when the law itself suffers from uncertainty, disuniformity, and consequent unreliability.

It is bad enough to tell the businessman, "See your lawyer first," or "Let your lawyer look before you leap." It is infinitely worse when the lawyer must meet his client's questions with a blank stare, mumbling something about a "best guess," and winds up flipping a coin!

It is not necessary to posit an all-knowing wiseman as a maker of certain, total, perfect, cold, hard law. While the guru on a mountaintop might guarantee absolute law, that is not the kind of certainty needed in our free society. By "certainty" here I mean that reasonable certainty in the law that can enable a fully competent lawyer to provide his or her client with reliable advice and counsel.

It was long ago said that "the law is a seamless web." The so-called dichotomy in the desire for certainty in the law and the need for the law to grow and expand in the light of change, however, is more apparent than real. Indeed, it is the law certain that can be more intelligently made to grow. It is not necessary to have corporate decisionmakers screaming, "But what in damnation does the law say?" Law that uncertain is not law. It is chaos.

## 'Uncertain Law'

Indeed, with "certainty" so understood, the phrase "uncertain law" should be recognized for what it is—a contradiction in terms. Uncertain law can be a fun thing—a playpen for those lawyers who see profit in

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continued litigation spawned by continued uncertainty. It is true that, for a short while, uncertainty in interpretation of a new law can provide opportunity for a massaging, maturing, experimental, laboratory-like working out of the best interpretation. It can highlight for legislatures the need for specific amendments. On the other hand, constant uncertainty in long-established, basic law by which society is attempting to guide important continuing activities is inexcusable, and produces no countervailing advantages.

One of those important continuing activities is research and development. Unlike other activities that have been overlaid with law and regulation in recent years, corporate moves in research and development have always involved some consulting with lawyers. At most decision points, from the initial decision to initiate the research, through staged continuation decisions, tooling for production, marketing surveys, and sales and licensing, the lawyer has been asked, "If our R&D is successful can the process or product be patented? Can we recover some of our R&D costs? Do the chances for a patent warrant the investment in tooling? If we get a patent, will it stand up? What is the potential for licensing? If our license says this, are we guilty of patent misuse or patent antitrust violation? Can we register the trademark desired by the sales department?" Those are but a few of the questions that have been put either by or to each of you on many occasions. Unfortunately, over the past half-century, the patent questions at least have grown more and more difficult to answer with a strong feeling of confidence.

If ever there were a time when reliable law was needed, it is now. The last report I saw indicated that the U.S. had fallen from its place as number one in the international market place in 1969 to number six by 1978, and the newspapers have reported growing trade imbalances ever since. When that happens to what was once known as a nation of innovators, the importance of an R&D effort is highlighted.

Courts are not the only agencies capable of contributing to either uniformity or disuniformity in the law. The legislative and executive branches are certainly capable of exercising the care and caution needed to enact and execute laws on which our people nationwide may rely. As a judge, I should not, and never do, comment on the substantive merits of proposed legislation not dealing with court administration. I know, however, that you must be familiar with the R&D proposals which, I see by the newspapers, were recently made by President Reagan. If enacted and executed with an eye to uniformity and clarity, that legislation might well exemplify the role of reliable law in advanc-

ing the public interest.

Another way to bring uniformity, certainty, and reliability to a field of law is to assign the judicial function in that field to one institution. That has now been done, for a number of fields of law, in the creation of the United States Court of Appeals for the Federal Circuit.<sup>1</sup>

With nationwide geographic jurisdiction, the court has exclusive substantive jurisdiction in the fields of international trade, government contracts, the federal employee merit system, money claims against the government, and patents. The court hears appeals from 116 tribunals composed of over 825 decision makers. Its patent jurisdiction involves the hearing and deciding of appeals from the boards of the Patent and Trademark Office (PTO), from International Trade Commission orders excluding imports that infringe a U.S. patent, and from district court judgments in patent infringement suits, patent invalidity declaratory judgment suits, and suits challenging a PTO decision.

If, as I fully expect, the court succeeds in constructing a clear and consistent body of case law, the day will come when the businessman's questions can be answered with a greatly increased degree of confidence and assurance. Persons, including lawyers, are not perfect, and some lawyers' answers may not prove out in the end. If that happens, however, it will not be because the lawyer had no solid body of law to refer to.

Returning uniformity to the patent law has nothing to do, of course, with attitudes and policies favoring or disfavoring patents and the patent system. That is grist for the mills of legislatures and academics. It is not, or should not, be of any concern whatever to the judge, whose duty lies in interpreting, expanding, and following a uniform, reliable body of law in accord with the statute created and enacted by the Congress.

With a greater level of assurance in the law, more and more reliable business decisions to proceed with R&D programs should be made. Some of those decisions will be made because patent protection is confidently expected. Others will be made with knowledge that patent protection is not part of the picture. In either case, the blind-man's-bluff syndrome—the "anybody's-guess" approach to funding R&D in light of patent protection for the investment will be a thing of the past.

Our Canadian friends whose products have been imported into the U.S. are familiar with the national uniformity of the customs laws for which the Court of Customs and Patent Appeals bore substantial responsibility. In a very real sense, the desire now is to see history repeat itself, this time in the patent field. When that happens, Canadian firms, and firms of other lands shipping into the U.S., or investing or operating in the U.S., can expect the same reliability in their patent-related business decisions.

#### Increased Challenge

Thus, the creation of the United States Court of Appeals presents both opportunity and challenge.

Exclusivity means not only the opportunity to achieve and maintain uniformity and clarity in the law, it also means an increased challenge, for the court is on its own. Within its assigned substantive fields of law,

there will be no other Circuit Court of Appeals to whom it might look for other views as the years go by. Exercising the high level of care thus imposed, and employing with vigor the mechanisms it has designed to avoid conflict among its own holdings, the court bids well to achieve the plus factors envisaged at its creation, namely a greater uniformity and clarity in those substantive fields. That is the court's greatest challenge and its greatest opportunity.

The conflict-avoiding, "fail-safe," mechanisms adopted by the court are arranged in depth. First, its senior technical assistant and his deputy check each opinion ready to be issued against their index of earlier decisions. If they detect even a possibility of conflict, it is brought immediately to the attention of the panel.

Second, each opinion approved by a panel and ready for publication is circulated to all judges. Those not on the panel do not, of course, participate in any way in the decision-making process, but each has seven days in which to offer comments on the opinion. If a judge detects what he or she thinks may be a conflict, it is called promptly to the panel's attention.

Third, in a time-created emergency any judge can issue a "hold" sheet. The hold sheet is printed on red paper and precludes issuance of the opinion before the concern of that judge can be resolved.

Fourth, the court has adopted a procedure under which no holding of one of its panels, or of one of its predecessor courts, can be overruled except by action of the court *in banc*.

Though nothing conducted by humans can be always perfect, the defense-in-depth established by the court should forestall what would be a most unfortunate event, namely an unnoticed conflict in its own jurisprudence.

The court has published virtually all of its opinions in patent infringement cases that involved the substantive law of patents. Those early opinions reflect what appears to be a pattern. When the district court has issued an opinion containing some of the slogans that have barnacled the patent law in the past, or when a party relies on those slogans in its brief, the court has commented on the slogans. Our normal policy is to treat only the dispositive issue or issues, but the uniformity imperative that informed the court's creation requires that we get promptly about our clarifying task. Part of that responsibility lies in expunging unnecessary and confusing slogans and in reestablishing the statute as the foundation stone of decision.

It is much too early, and the data are still too skimpy, to make a definitive statement on firm pronouncements by the court. You are as capable as I of reading our opinions and drawing conclusions. Within perhaps another two years, however, I believe it will be possible to say from a study of its opinions that the court has spoken firmly and unequivocally on those many areas of the patent law plagued by conflict in the past.

The basic patent law is almost entirely statutory, and has been for almost 200 years. Upholding statutes is a major part of the duty of courts under our constitutional system. Courts have no mandate or authority to substitute slogans for statutes. Upholding the patent statute can enable the lawyer to tell the businessman

what the law says—and the law will say the same thing all the time in every state of the union.

In its first 18 opinions in patent infringement cases,<sup>2</sup> the court has by hewing to the statute begun to scrub and polish the pre-existing body of case law in the field of patents:

*Synergism and its synonyms do not describe a requirement for patentability.*

*There are no separate categories of patents, such as "combination" patents.*

*The presumption of validity is not weakened or eroded or destroyed upon introduction of just any prior art not considered by the examiner, though introduction of more pertinent art may enable the patent challenger to carry its burden under §282.*

*All evidence touching the issue must be considered before the ultimate legal conclusion under §103 is reached.*

*The obvious-nonobvious question is one of law, reachable after determination on the entire record of facts required by Graham v. John Deere.*

*The issue is validity, not the presence or absence of "invention."*

*Patents are neither obvious nor nonobvious; claimed inventions are.*

*The claimed invention must be considered as a whole; each reference and all of the prior art must be considered in their entirety.*

*A patent evidences a property right, not a "monopoly."*

*When placed in issue validity and infringement should both be determined in one trial.*

A body of uniform national law in each of our five major fields is our mission and our goal. We are well launched on our journey, but have a long way to go. Wish us well.

Criticize us. Comment on our work. Suggest ideas. But do it up front, not behind the scenes among yourselves, where misunderstandings and falsehoods

may abound.

The court does not belong to the judges. It belongs to the people, many of whom you represent. It is the people, not the lawyers alone, who need and deserve a reasonable level of certainty and a maximum of uniformity in the national laws under which they choose to live.

Through their representatives, the people have designed and created a court and charged it with bringing a proper nationwide uniformity to the many fields of law assigned to it. The court has grasped that opportunity. Lord willing, the court will meet that challenge.

#### NOTES

1. See Public Law 97-164, Federal Court Improvement Act of 1982, April 2, 1982.

2. *A.B. Dick Co. v. Burroughs Corp.*, No. 83-595, Slip Op. (Fed. Cir., July 17, 1983)

*D.L. Auld Co. v. Chroma Graphics Corp.*, No. 83-585, Slip Op., (Fed. Cir. Aug. 15, 1983)

*Bandag Inc. v. Gerrard Tire Co., Inc.*, 704 F.2d 1578 (Fed. Cir. 1983)

*C.R. Bard v. Schwartz.*, No. 83-682, Slip Op., (Fed. Cir., Aug. 30, 1983)

*Caterpillar Tractor Co. v. Berco S.P.A.*, No. 83-553, Slip Op., (Fed. Cir., July 25, 1983)

*Chore-Time Equipment, Inc. v. Cumberland Corp.*, Nos. 83-518-598, Slip Op., (Fed. Cir., July 13, 1983)

*Deere & Co. v. Int'l Harvester Co.*, 710 F.2d 1551 (Fed. Cir., 1983)

*Environmental Designs v. Union Oil Co.*, No. 83-554, Slip Op., (Fed. Cir., July 25, 1983)

*Kalman v. Kimberly-Clark Corp.*, No. 83-540, Slip Op., (Fed. Cir., July 19, 1983)

*Aktiebolaget Karlstads v. U.S. I.T.C.*, 705 F.2d 1565 (Fed. Cir. 1983)

*Orthopedic Equipment Co. v. All Orthopedic Appliances*, 707 F.2d 1376 (Fed. Cir., 1983)

*Orthopedic Equipment Co. v. United States* 702 F.2d 1005 (Fed. Cir. 1983)

*Richdel, Inc. v. Sunspool Corp.*, No. 83-611, Slip Op., (Fed. Cir., Aug. 3, 1983)

*SSIH Equipment v. U.S. I.T.C.*, No. 82-2, Slip Op., (Fed. Cir., July 15, 1983)

*Schench v. Nortron Corp.*, No. 83-675, Slip Op., (Fed. Cir., July 21, 1983)

*Stevenson v. Sears, Roebuck & Co.*, No. 83-746, Slip Op., (Fed. Cir., July 27, 1983)

*Stratoflex, Inc. v. Aeroquip Corp.*, No. 83-587, Slip Op., (Fed. Cir., July 25, 1983)

*White Consolidated Industries, Inc. v. Vega Serve-Control, Inc.*, Nos. 83-516, 83-548, Slip Op., (Fed. Cir., July 25, 1983)