United States Court of Appeals
for the Federal Circuit

717 Madison Place, N.W.
Washington, D.C. 20439

CHAMBERS OF
CHIEF JUDGE PAUL R. MICHEL

May 3, 2007

The Honorable Patrick Leahy
433 Russell Senate Office Building
United States Senate
Washington, DC 20510
By Fax: 202-224-9516

The Honorable Orrin G. Hatch
104 Hart Senate Office Building
United States Senate
Washington, DC 20510
By Fax: 202-228-1178

Dear Senators Leahy and Hatch:

Regarding patent reform legislation recently introduced and pending before the Judiciary Committee, I believe I should bring to your attention concerns with two provisions from the standpoint of whether, if enacted, they could be effectively and efficiently administered by the courts, particularly the Federal Circuit.

First, the provision making claim construction rulings immediately appealable will likely increase filings in this court, as I previously advised. One empirical study suggests that the annual filings, now at about 500, would double. If so, substantial additional delays in deciding patent and all other appeals would ensue. The appeals in patent cases presently take almost a year to resolve; because of the impact of additional filings, the delay could easily approach two years. Meanwhile, the bill commands that all further proceedings in the trial court are frozen. Trial court delays in patent cases are already typically two-to-three years. The new provision could double that delay.

Furthermore, initial claim construction rulings are subject to change during summary judgment proceedings or trials as more information is provided to the court and dispositive issues are clarified. Such rulings, because they come so early in the litigation, construe large numbers of claim terms that ultimately turn out not to control the outcome. Therefore, providing immediate appellate review is very inefficient. Presently, when a construction does control the outcome, summary judgment is granted and is immediately appealable under current law as a matter of right. Indeed, the majority of our patent appeals from district courts are not from final judgments after trial, but from grants of summary judgment based on claim construction. It is difficult to see serious deficiencies in current law and practice, particularly when both sides file summary judgment motions, as is the norm, because even if one summary judgment motion is denied (not immediately appealable), the other is granted and is immediately appealable.

Second, the provision on apportioning damages would require courts to adjudicate the economic value of the entire prior art, the asserted patent claims, and also all other features of the accused product or process whether or not patented. This is a massive undertaking for which courts are ill-equipped. For one thing, generalist judges lack experience and expertise in making such extensive, complex economic valuations, as do lay jurors. For another, courts would be inundated with massive amounts of data, requiring extra weeks of trial in nearly every case. Resolving the meaning of this novel language could take years, as could the mandating of proper methods. The provision also invites an unseemly battle of "hired-gun" experts opining on the basis of indigestible quantities of economic data. Such an exercise might be successfully executed by an economic institution with massive resources and unlimited time, but hardly seems within the capability of already overburdened district courts. Appellate issue would also proliferate increasing complexity and delays on appeal, not to mention the risk of unsound decisions.

I am unaware of any convincing demonstration of the need for either provision, but even if the Committee ultimately concludes that they would represent an improvement over current patent policies embedded in Title 35 of the United States Code, their practicality seems to me very dubious. That is, the costs in delay and added attorneys fees for the parties and overburden for the courts would seem to outweigh any potential gains. Finally, even if the policy gains were viewed as significant, the courts as presently constituted simply cannot implement the provisions in a careful and timely manner, in my judgment.

Clearly, the bill represents a huge amount of work. It is filled with numerous provisions addressing the Patent and Trademark Office or other institutions. I, of course, express no view as to the practicality of such provisions, just as I express no view of the wisdom of the Markman or apportionment provisions. I expect, however, that the Committee will want to concern itself with the practicality of all the provisions and it is solely to assist in this regard that I provide this letter.

I would of course be pleased to discuss with senators or staff the details supporting the summary views expressed in this brief letter.

Sincerely,

Paul

cc: Senator Arlen Specter (By Fax: 202-228-0608)