INTELLECTUAL PROPERTY OWNERS ASSOCIATION (IPO)

LUNCHEON KEYNOTE SPEECH

RECENT DEVELOPMENTS, STRATEGIES AND TACTICS
IN DAMAGES LAW CONFERENCE
WASHINGTON, DC

KEYNOTE SPEAKER:
CHIEF JUDGE PAUL R. MICHEL,
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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CHIEF JUDGE PAUL R. MICHEL

INTRODUCTION

Thank you, Herb, and greetings to all of you. I congratulate you all on being here, and particularly the two committee chairs for organizing this very useful program. I think a topic like damages is manageable in one day and much more beneficial to everyone involved, to speakers or to listeners than a program that tries to cover 10 or 20 topics in restricted time. So I really commend all of you who framed it and all who have participated.

I want to note my association with Intellectual Property Owners Association. I actually like the title because it tells us everything important: intellectual property and ownership. And of course when you have a conference on damages and injunctions, that tells you almost everything else you need to know; the rest is just prelude – infringement, validity, and prosecution of the patent and so on.

But I have an association with IPO that goes back many years. I have had a chance to speak at the annual meeting in September, in Boston, as I recall. I think two years ago I spoke at this same April-in-Washington program. I guess that we do this to coincide with the cherry blossoms or something. And in the fall of '05, Intellectual Property Owners Association sponsored and organized a terrifically productive conference with patent judges from some 40 foreign countries, as well as the United States. And maybe with a little luck, there will be a chance to do that again some time in the future.

But in sum, IPO has been tremendously important to me and to our court for many years, and has only grown more so as time goes on. So I particularly want to recognize Herb Wamsley with his terrific leadership, and Jeffrey Hawley, who carried the burden on the preparation for that international conference. Just did a terrific job. Now I hope he is getting a little bit of a rest as your immediate past president. I know Marc Adler is hard at work and is a very able guy. And we'll see him, I understand, tonight at the dinner.

Now, I am going to jump around quite a bit from one topic to another because I want to cover a lot of things that are on my mind. The first thing I want to say is very selfish, so I just admit that upfront, and that is that those of you in private practice, I submit to you that you should consider sending one of your young associates to clerk at our court. Most of us now are hiring people who have been trained by top lawyers like those of you in this room rather than people walking right out of the doors of a law school. So we are mostly looking for somebody who is, say, two to four years down the road in private practice. And if they had a district court clerkship with somebody as good as my friend Judge O'Malley, that is a double benefit; that is the jackpot.

FEDERAL CIRCUIT'S 25TH ANNIVERSARY

Now, we will be celebrating the 25th anniversary on Monday of the enactment of the legislation creating the Federal Circuit. Some of you will be participating in that; we'll have a special session in our ceremonial courtroom, newly renovated, at 3:00 in the afternoon on Monday. And the 2nd is the actual day that the legislation was signed in the Rose Garden back in April of 1982 by President Reagan.

And there is a picture we have in our courthouse – some of you have seen it – that shows that bill-signing ceremony with about a dozen people standing right behind the president. They include Professor Dan Meador, who was probably the principal architect of the new court, Judge Daniel M. Friedman, still active as a senior judge on our court who, at that point, was the chief judge of the Court of Claims, one of the two merged courts. And interestingly enough, the counsel to President Reagan, also seen in that photograph, well known to some of you, goes by the name of Fred Fielding, and lo and behold, he is now back in the White House, and he is the counsel once again to the president, but this time not Ronald Reagan but George W. Bush.

So three of the people who are in that picture and were at that Rose Garden signing ceremony will be speaking, as will a very distinguished patent litigator, well known to many of you, Donald Dunner. So we hope some of you will join us and enjoy that occasion. There probably will be a further celebration spearheaded by the Court of Federal Claims in the fall to coincide with the effective date of the Act in October, so a further celebration.

COURT WORKLOAD

You all are familiar with the proverb attributed to the Chinese that goes something like, "may you live in interesting times." And for anybody who cares about intellectual property, these are interesting times for sure. From our own narrow perspective at the court, we have more patent cases filed every year than the year before. It's nearly double the number of cases that were filed in our first year. The complexity of the cases on average is a great deal higher than it was when I joined the court, as Herb Wamsley mentioned, in 1988.

Interestingly though, we have the same 12 judges, active judges – as I say, we have senior judges, not only Judge Friedman but three others. So we have four fairly active senior judges and then 12 active judges who are working on very much of a fulltime basis. But with the filings up and the complexity up, and the same 12 judges carrying the bulk of the load, there is a great deal less time per case than there was 19 years ago when I first joined the court.

And I think that practitioners don't often focus on that, but for us, it's an everyday reality. We have about, by my rough calculation, one day per case, on average, to do everything: read the briefs, read the record, read bench memos, read cited precedent, confer with law clerks, read bench memos, talk with the other judges, go to

oral argument, conduct oral argument, go to the conference, vote on the case, and either draft the opinion or critique the opinion drafted by a colleague on the panel, finalize the opinion and then get past the full-court review that precedes public issuance – one day per case, on average. And of course some cases take less than a day and so others take a good bit more than a day.

But the amount of time available, even for a very significant patent case, is limited, and it has huge implications. I'm not going to spin them all out, but for people writing briefs on our court, or delivering oral argument in our court, there is a greater premium now than ever on being highly selective on what issues you're going to really press – pick the best ones, needless to say, and get rid of things that are secondary – and great premium on clear exposition in the briefs.

When I first was on the court, I would read the briefs and then I would read them again, and then I would read them again, and then I would go through all of these other steps. I can't do that anymore; it's just physically not possible. I get up at 5:00 in the morning and start reading, and when I quit at the end of the day, when I'm just bleary-eyed, I still haven't read more than about half of what I really ought to read. So it's just a reality for us. So a word to the wise: clarity, selectivity, realism about where the strength of your case is; address the strengths and weaknesses of your case and the other side's case.

Now, one interesting thing about patent cases that many people don't realize is, there is a significant falloff, roughly on the order of – I'm going to use very rough numbers – 500 cases are filed a year from district courts, putting aside the PTO board appeals, and putting aside Section 337 cases out of the International Trade Commission, just taking the infringement cases out of the district court – roughly 500 filed, 300 actually adjudicated. So 200 out of 500, almost half, settle mostly on their own.

Now, in a few minutes I'm going to introduce to you our full-time, high-powered mediation staff, and our new mandatory – no longer voluntary, but mandatory-mediation program. And as you can see from the workload measures that I have tried to summarize for you succinctly, we are highly dependent not only on settlements achieved by attorneys entirely on their own – the 200 cases that fall off, but also we are betting a lot on significant productivity from our newly-enhanced mediation program.

I'm told by my colleague who is the chief judge of the District of Columbia Circuit that every year the mediation program there contributes the equivalent in settlements of cases that didn't settle spontaneously by the attorneys, of one-and-a-half extra judges. So it's quite a significant potential help to our courts. You'll be hearing more about mediation both today and later.

Now, about a year ago, I testified in Congress about whether we should shift from being the – what some people like to refer to in a shorthand sort of way- as the patent court, to become the immigration court. And I'm happy to report that not only was that

idea scuttled last April, but I'm reliably assured that it is not going to be revived this April. So we will remain the patent court.

Of course, as many of you know, patents are actually not the majority of what we do. We have more personnel cases than patent cases, and we have nearly as many veterans' cases as we do patent cases. And then we have considerable numbers as well of contract cases, international trade cases, and a great variety of other things that you probably would not associate with our court, including Childhood Vaccine Injury Act medical-causation cases, tax-refund cases, cases involving Native American land rights, regulatory takings cases, and on and on and on. It's a very interesting mix, and I'm thrilled that we have it, but it's just a good reminder to the intellectual property lawyers that there is a lot else going on in our court as well.

LEGISLATION

Now, I want to just quickly touch on some of the major things going on outside of the building. Congress: As you know probably better than I, there is every prospect that there will be, very shortly here, a revving up of the patent reform legislative process. My intelligence says it will be soon, that it will be active in both the House and the Senate, that there will be bills that will be coordinated, if not nearly identical, that there will be several hearings in both bodies, exactly when of course I don't know, or how many, or with what focus; all of that remains to be seen.

And I'm told that some of the leaders think there is a realistic prospect of some significant patent revision bill. I'm not going to call it a reform bill because reform to me means improvement, and whether it's an improvement or just a change remains to be seen. But a patent change bill is thought to be possible to pass by the end of the year.

Other people say, well, maybe not this year, but more likely middle of '08. Now, obviously I have no better crystal ball than any of you, but it's going to be really active. There is a very vigorous debate. I see that just last week, I believe it was, many of the companies who are the founding members of this organization joined with others, other likeminded people to form a new 21st Century Coalition. I think that is a very constructive step.

I think courts and Congress need all of the help we can get. We have extraordinarily difficult issues to try to resolve with many countervailing considerations, many practical implications, and so I'm very hopeful that the new coalition will be an added useful voice in the halls of Congress. I know there are other industrial groupings, the Business Software Alliance, and several others have been active as well, so the new coalition is a new voice in a growing chorus. I also hope that associations like this may be able to find a way, at least on some issues. I know on certain issues it's too difficult to achieve adequate level of consensus, whether it's AIPLA or the ABA section, or IPO, or another group. But where there is adequate consensus, I hope that you may feel emboldened to speak, as a group, over and above what the 21st Century Coalition or other groups might be able to say.

Now, I made the analogy to amicus briefs in terms of courts needing all of the expert help we could get. And I have the same view there. Even if – let's say there are two issues in a case, and on one, your organization is able to reach a consensus, but not on the other issue, file an amicus brief on issue number one, skip issue number two. We don't have to have everything covered. And I say the same thing to other groups, so I'm being consistent about that.

This conference is really awfully well timed because I think that within a month, we will see actual introduced legislation. I don't know what it will look like. If it looks like the so-called Hatch bill that was introduced last fall, it will be hugely consequential for our court, as well as for the practicing bar. As some of you may remember, there was a provision in that bill to make appealable as of right what I'm going to call a bare Markman ruling – that is, no summary judgment, just a clean construction written down somewhere in some sort of opinion or order of a district judge.

According to some academics who studied the empirical data, that would probably double the district court appeals filings per year in our court. And as you can see, with less than a day on average per case under the present caseload, if we had twice as many patent cases it would impose severe burdens and it would have severe consequences for us in terms of how long it would take to get a decision issued in all of the other cases. So I have written to Senators Hatch and Specter and Leahy to point out the workload implications of that, and that is a proper thing for me to do. The tradition and the guidance and the ethics are that on the substantive issues, the judges are supposed to keep quiet and stay out of the growing chorus, and so we will. That only means that your participation in that growing chorus is all the more important.

SUPREME COURT

Now, of course, in addition to a great level of activity last year, and this, in Congress, the Supreme Court last year and this has been active at a significant level, probably more so than in the past. I think sometimes we hear a little exaggeration when some blogger or commentator says that the Federal Circuit is the new Ninth Circuit. The Supreme Court is going to take every case and reverse them every time. I'm sure that isn't going to happen. But it is noteworthy that cases like E-Bay, KSR, AT&T and a few others have recently been before the court. I think the court will be helpful, as they were in the past, with Festo and other cases like that.

I'm sure they won't answer all of the questions that you or I might have, and that a great deal will be left to the Federal Circuit, so I don't think we're going to be going out of business or having a diminished significance to your world. But whatever help the Supreme Court can provide, I'm all for it. And once again, any time an association like this great organization, IPO, can find a way to file an amicus brief on some of these great issues in the Supreme Court, as well as in our court, I hope you will consider doing so, even if it doesn't cover every issue in the case.

STRATEGIC THINKING

Now, one interesting thing I have learned from studying our own internal statistics, which is not widely known, is that of our 60 or 70 annual filings on appeal from the patent board, which of course always is a rejection that has been upheld by the Board of Patent Appeals and Interferences, the majority of those cases are now washing out, which was not true before.

When I joined the court, almost every one of those cases litigated all the way through final appellate judgment. Nowadays, the majority are washing out, and I attribute this not to inventors or their employers giving up, but to a new sense of realism in the Solicitor's Office, where they are willing to take back some rulings that are close or questionable, or dubious. And I think that is a great sign, and I just want to give credit where it's due to the Solicitor's Office for engaging in that level of realism.

Now, one thing I want to suggest to all of you is that you try to adopt what I'm going to call a dual perspective. Of course, your main interest is what is good for your company, or what is good for your client when you're in private practice. And we all tend, because we are case-oriented, to cases we're working on now, whether judge or an advocate. And that is all well and good, and that has to continue because that is our core function. You advocate in cases, and I help to vote to resolve cases.

At the same time, we all need to have a simultaneous perspective that I'm going to call strategic, that looks at a bigger picture of what is good for the country, what is good for industry, what is good for all of the clients, what is good for the system, what is good for the economy. And that is where of course amicus briefs in the Supreme Court, or our court, come into play.

You know, some of our most significant cases were not decided by the court en banc. Just one example: State Street Bank, three-judge panel, momentous ruling, still unclear exactly what it means. (Laughter.) So why didn't the process work better? Why weren't there more amicus briefs at the panel level, and why didn't the court take it en banc? No need to try to plumb the answers out of that, but it's an illustration of how much potential there is if lawyers, as a group, all of you, will think strategically as well as case-by-case. Where there is a problem, somebody ought to be looking for a case that will solve that problem. Whether it's on a cert. petition to the Supreme Court of the United States, or an en banc petition, or amicus brief supporting the same, there is a great chance for people of the learning and skill of those of you in this room, and like men and women around the country, to make a huge contribution.

It is very often my experience, as an appellate judge, sitting day-by-day, panel-by-panel, that the briefs of the parties might have an overly-narrow focus because of the fixation, understandably, on the case at hand, the victor to protect or the judgment sought to be overturned. But somebody also has to be thinking about the bigger picture and how to reshape the law, improve the law, clarify the law, and to "tee up" cases for our court,

both at the panel level, and at the en banc level. So I commend that sort of strategic thinking to you. It would be a great service to all involved.

MEDIATION

Now, I want to pause for a minute and ask my colleagues, Jim Amend and Wendy Dean to join me here at the podium. They are our new full-time, high-powered mediation staff. Wendy has been in this role for about a year or a little more, and Jim joined us – we stole him from Kirkland & Ellis, where he spent the better part of four decades as a top litigator. They are full-time. We also have 14 volunteer, part-time mediators.

And I want you to hear from them, even though it has to be very brief, and then I'm going to make a few closing comments, and take some questions, because this is very important, to you, to your clients, to your companies, as well as to the court. It's a greatly changed program. It started out as sort of an experiment, started out as totally voluntary. Now it's mandatory. Before it was entirely outside mediators. Now we have Wendy and Jim doing mediations themselves as well as using outside volunteers. So we'll get the short version this time and hopefully in the near future, the longer version of this program from the two people running it. Jim?

JIM AMEND: Thanks, Chief. They say you never want to follow a children or animal act; you also don't want to follow the Chief. That is not an ideal position.

Briefly summarizing my message today, if Yogi Berra were to deliver it, it would be, I hope you all volunteer to join our mandatory program. (Laughter.) It is mandatory. We can order people to come in and mediate, but we can't order them to settle once they get there. So we are kind of hoping that people like you, the corporate world, from private practice, realize – there has been a lot written on the advantages of mediation. It's not my purpose here today to go all over it – go over all of that, but we hope you will carefully consider, number one, participating in our program, and number two, looking for ways to resolve your cases through mediation to relieve this incredible burden that the Chief was just describing to you. They are incredibly overworked. Anything that I can do to alleviate some of that burden, they will be very grateful for, and I think you will as well.

In your handout materials today are the new guidelines for the mandatory program, and some slides that Wendy and I put together to describe the program. I don't have the time, nor do you want to listen to me go over all of that, but I recommend them to you for the description. Let me just hit very quickly a couple of the highlights of the program.

As the Chief said, I'm a full-time mediator employed by the court, and I have a staff of 14 volunteer mediators, many of whom were pillars of the patent bar who are now in retirement or semi-retirement- very skilled mediators available to you. The way we select cases for inclusion in the program is based on basically two things. There is a docketing statement that is filed at the beginning of every appeal where there is a section

devoted to settlement. Have there been settlement discussions, how have they gone, what has gone wrong, and are you willing to mediate? I encourage all of you to check the box on the docketing statement, which says, yes, we are willing to come and talk to you about settling this case.

We are in a position to offer, Wendy and I, through the court, extensions of briefing, and/or oral argument to allow mediation to run its course before parties become entrenched in their positions on appeal. So we can offer that to you as well. The other thing we can offer you – and this is very important – is confidentiality. Everything that happens in the mediation session is confidential. It's a wonderful opportunity and perhaps the first opportunity for the parties to talk to one another in a setting where what they say to each other can never come back and haunt them in further litigation.

Another important aspect of the confidentiality is the court is never made aware of what happens during the mediation session. As a matter of fact, we make every effort to screen the court from even knowing that a case is in mediation. Sometimes when there are extensions of briefing, it is necessary to advise the court that there is mediation going on, but nothing that happens in that room ever gets back to the court.

The type of mediation that we typically engage in is evaluative mediation as opposed to facilitative. Facilitative mediators simply acts as a shuttle taking you offers and demands back and forth. What we offer is more evaluative mediation; that is, we will talk to you about the issues, how we see the issues developing, what the court has been doing lately on those issues. And our experience so far indicates that the parties welcome some input from us as to what is going on in the court. We cannot predict of course how any particular case is going to come out, but we can discern trends and advise you of them.

The Chief also asked me to tell you how are we doing so far. We started this program in mid-January. We are about two months into it; we have done about nine mediations so far of patent cases, and we have been successful in four out of the nine, which, quite frankly, is encouraging to me at the appellate level. If you were doing this at the district court level before there was a trial, four out of nine probably wouldn't sound too good, but when somebody already has a judgment in hand, I think four out of nine is a pretty good start for us. Thank you very much for your attention.

(Applause.)

WENDY DEAN: I want to thank very much the Chief and also the IPO for letting us have a moment to promote this program which is very near and dear to my heart. My name is Wendy Dean and I am the Circuit Mediation Officer. I have been with the court for about six years, previously in the senior staff attorneys' office learning the workings and the character of the court, and now in the mediation office. I serve mostly as an apprentice to Jim, and I handle the administrative end of our alternative dispute program. I want you to have a face to put to my name because if you decide to come play with us at the Federal Circuit, I will be calling you.

I want to commend the court, and particularly Chief Judge Michel for his vision in bringing a mediation program to the court. And we couldn't improve upon our program going forward without the support of the full court, particularly our mediation committee, which consists of Judges Schall, Gajarsa, and Dyk. I am a strong believer in the alternative dispute resolution process. It eases the burden on what we have just heard is an already overburdened court dealing with a greater number of cases with greater complexity, and with finite resources.

As Mr. Amend explained, mediation provides flexibility and the benefits of confidentiality that a typical judicial proceeding can't, particularly in those disputes involving sophisticated business people like yourself.

Finally, I want to impress upon you the quality of the mediation process parties now have an opportunity to participate in here at the Federal Circuit on a pro bono basis. You really can get something for nothing. Our volunteer mediators are outstanding in their fields of expertise, and the majority have mediated more than a hundred cases. As to our Chief Circuit Mediator, Mr. Amend, I cannot say enough good things about him.

And, again, I commend the court for actually getting him to come to us from Chicago here to D.C. I have worked with him in almost a dozen mediations in patent matters and other IP matters, and he is one of the most creative, dynamic problem solvers I have ever met. He brings a substantive intellectual property law experience to the table, coupled with a determination to find sensible business solutions for the parties.

I hope that in listening to the Chief and Mr. Amend, and me, you will leave with at least a curiosity about our program. Mediation really does work, and it works in IP cases, and sometimes, it's really the best way to resolve a long-standing dispute and get the parties back to business. Thank you.

(Applause.)

CONCLUSION

CHIEF JUDGE MICHEL: Thank you, Jim and Wendy. I am enjoined by Herb Wamsley to be sure that class starts on time. So I'm going to close with just one further request, and then if Herb will allow, maybe take a few questions. I was talking about the importance of having your voices heard in Congress in terms of testimony, written submissions, in amicus briefs on cert. petitions, and re-hearing petitions, and merits appeals in both the Federal Circuit and the Supreme Court.

But I also think there is a great role for your companies and your law firms to play in the larger debate in writing that is going on in the literature. There are of course many fulltime academics who are participating in this commentary in a very creative way, particularly the ones like my friend Paul Janicke who have taken the trouble to find

numbers and specific facts as the basis for analysis rather than taking a more philosophical approach as some other professors have.

But it seems to me that whatever the merits and diversity of a full-time tenured professor commentary may be, it can only be helped and supplemented by commentary produced by people like those of you here in this room. So I want to encourage you to do that. Of course, you're very busy; it's hard to do, but it can have huge impact because everything ends up being recycled. Things that you write will end up in the next Federal Trade Commission report, or the next National Academy of Sciences report, or the next congressional report on a bill. So it will have an ongoing life; it will be worth the effort. I hope you will do it whenever you can.

Herb, can I take a few questions or do we have to go back to class?

MR. WAMSLEY: We have time for questions.

CHIEF JUDGE MICHEL: A few questions. Jim?

Q: On the subject of amicus filings, Chief Judge Michel, sometimes it seems in the interest of parties at the panel level to some – to fly under the radar and not to attract the attention of outside interests, even if they are the system interests that you were referring to.

CHIEF JUDGE MICHEL: Right.

Q: Is there a reason that a panel court might not be able to propound questions for amicus briefings, invite the commentary that you are soliciting?

CHIEF JUDGE MICHEL: Well, there is of course a chance for the panel to do that, and authority for the panel to do that. There is a timing problem in that our merit panel rarely gets into the case early enough to get the word out to produce briefs that would be on time to keep pace with the schedule for argument. It's about to get much easier. Within a few months, all of our briefs in your sort of cases will be filed electronically. The brief will include the opinion below, and the brief of respondent, the reply brief, will all be available on our website; it will be much easier for all of you to monitor cases that are at the panel level and still a ways away from oral argument, much less the cases where the panel has already taken it under advisement or issued an opinion. So it will get much easier real soon, and I hope that that will facilitate wider participation.

There was a question in the front here. Yes, Scott?

Q: Yes, Judge. With respect to the mediation procedure, after having gone through trial and up on appeal, the cost of the appeal is generally significantly less. Well, it is significantly less than litigating it below. So you are looking at much more cost. Is the court open to mediating a case after the briefs have been filed, and then delaying argument and what not until that mediation practice can be concluded?

CHIEF JUDGE MICHEL: I believe the main window is shortly after the appeal is filed and before the briefing, but we will look at cases in the post-briefing, pre-argument window as well. So we have two shots at a suitable case.

Other questions in the fleeting minutes here? Thank you very much for your kind attention. (Applause.)

MR. WAMSLEY: Thank you very much, Chief Judge Michel. That concludes the luncheon, and we will resume next door in about five minutes. Thank you.

(END)