FEDERAL COURTS IMPROVEMENT ACT OF 1981—S. 21
AND
STATE JUSTICE INSTITUTE ACT OF 1981—S. 537

HEARING

BEFORE THE

SUBCOMMITTEE ON COURTS

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

S. 21

A BILL TO ESTABLISH A UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, TO ESTABLISH A UNITED STATES CLAIMS COURT, AND FOR OTHER PURPOSES

AND

S. 537

TO AID STATE AND LOCAL GOVERNMENTS IN IENING AND IMPROVING THEIR JUDICIAL SYSTEMS THE CREATION OF A STATE JUSTICE INSTITUTE

MAY 18, 1981

Serial No. J-97-34

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MONDAY, MAY 18, 1981

U.S. SENATE,
SUBCOMMITTEE ON COURTS,
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2228, Dirksen Senate Office Building, Senator Robert Dole (chairman of the subcommittee) presiding.

Present: Senators Thurmond and Heflin.

Staff present: Alex A. Beehler, counsel; Arthur Briskman, minority counsel; and Linda E. White, chief clerk.

Also present: Michael J. Remington, chief counsel of the House Subcommittee on Courts, Civil Liberties, and Administration of Justice.

Senator THURMOND. The hearing will come to order.

The chairman of this subcommittee, Senator Dole, has been detained. I understand he has gone to the White House. At any rate, he will be here very soon. In the meantime we shall proceed. Senator Heflin will take his place until he arrives.

I see that Senator Dole has just entered the room.

OPENING STATEMENT OF CHAIRMAN ROBERT DOLE

Senator DOLE. Thank you, Mr. Chairman. I apologize for being late.

Today the Subcommittee on Courts will consider two diverse but very significant pieces of legislation in the following order: S. 21, the merger of the Court of Claims and the Court of Customs and Patent Appeals; and S. 537, the State justice institute proposal.

The court merger measure is truly an omnibus legislative initiative, addressing a range of technical but important subjects. It establishes a new Court of Appeals for the Federal Circuit which would exercise the nontax appellate jurisdiction presently held by the Court of Claims and the Court of Customs and Patent Appeals. It also restructures the Court of Claims into a claims court akin to a district court, handling claims cases, except for tax matters. Several other more technical changes are included, such as providing for prejudgment interest, limiting tenure for chief judges, amending the Judicial Council organization, and restructuring the retirement provisions for judges.

This proposal was conceived and developed as S. 1477, the "Federal Courts Improvements Act of 1979," in the 96th Congress by

Senator DeConcini, former chairman of this subcommittee's predecessor. Five days of extensive hearings were held on S. 1477 before the subcommittee last Congress. Though the proposal in some form passed both Houses of Congress last Congress, a final compromise measure was not acted upon due to the threat of extraneous amendments being added on the Senate floor.

Subsequently, opposition to certain aspects of the court merger concept have crystallized. The purpose of today's hearing is to explore fully the pros and cons of such a measure. In this regard, there are two panels of distinguished witnesses, the first group, against the measure; the second group, in favor of the proposal. Closing the discussion will be the Honorable Howard T. Markey, Chief Judge, U.S. Court of Customs and Patent Appeals, and the Honorable Daniel M. Friedman, Chief Judge, U.S. Court of Claims, to answer any questions engendered by today's discussions. We especially appreciate these two distinguished judges returning before the subcommittee on this matter.

At the conclusion of that testimony, the subcommittee will then consider legislation that was introduced by Senator Heflin, the State Justice Institute, S. 537.

S. 537 would establish a State Justice Institute. The institute would provide technical and financial assistance to further the development and adoption of improvements in the administration of justice in State courts throughout the United States.

State courts handle 98 percent of the matters which bring our citizens into the judicial process. It is in these courts that the great mass of our citizens make their judgment on the quality of justice that our society provides. Clearly, State courts are the people's courts and they must be perceived as providing justice. For this reason, I believe that it is the duty of the Subcommittee on Courts to focus on the quality of justice that exists in State courts, in an effort to determine if Federal assistance is needed for our State courts.

At this point in the record, I wish to insert a copy of S. 21.

[A copy of bill S. 21 follows:]

II

97TH CONGRESS
1ST SESSION

S. 21

To establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 5, 1981

Mr. DECONCINI introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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A BILL

To establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Courts Improvement Act of 1981".

TITLE I—UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT AND UNITED STATES CLAIMS COURT

PART A—ORGANIZATION, STRUCTURE, AND JURISDICTION

NUMBER AND COMPOSITION OF CIRCUITS

SEC. 101. Section 41 of title 28, United States Code, as amended by the Fifth Circuit Court of Appeals Reorganization Act of 1980, is amended by striking out "twelve" and inserting in lieu thereof "thirteen" and by adding at the end thereof the following:

"Federal	All Federal judicial districts.".

NUMBER OF CIRCUIT JUDGES

SEC. 102. (a) Section 44(a) of title 28, United States Code, as amended by the Fifth Circuit Court of Appeals Reorganization Act of 1980, is amended by adding at the end thereof the following:

"Federal	12".

(b)(1) Section 44(c) of title 28, United States Code, is amended by adding the following sentence at the end thereof: "While in active service, each circuit judge of the Federal judicial circuit appointed after October 1, 1981, and the chief judge of the Federal judicial circuit, whenever appointed, shall reside within fifty miles of the District of Columbia.".

(2) The first paragraph of section 48 of title 28, United States Code, is amended by striking out the first two sentences and inserting in lieu thereof the following:

"(a) The courts of appeals shall hold regular sessions at the places listed below, and at such other places within the respective circuit as each court may designate by rule:".

(3) Section 48(a) of title 28, United States Code, as amended by the Fifth Circuit Court of Appeals Reorganization Act of 1980, is amended further by inserting at the end of the table of circuits and places the following:

"Federal	District of Columbia.".

(4) Section 48(a) of title 28, United States Code, is amended further by striking out the final paragraph and inserting in lieu thereof the following:

"(b) Each court of appeals may hold special sessions at any place within its circuit as the nature of the business may require, and upon such notice as the court orders. The court may transact any business at a special session which it might transact at a regular session.

"(c) Any court of appeals may pretermit, with the consent of the Judicial Conference of the United States, any regular session of court at any place for insufficient business or other good cause.".

PANELS OF JUDGES

SEC. 103. (a) Section 46(a) of title 28, United States Code, is amended by striking out "divisions" and inserting in lieu thereof "panels".

(b) Section 46(b) of title 28, United States Code, is amended—

(1) by striking out "divisions" each place it appears and inserting in lieu thereof "panels"; and

(2) by inserting immediately before the period at the end of the first sentence thereof the following: ", except that the United States Court of Appeals for the Federal Circuit may determine by rule the number of judges, not less than three, who constitute a panel".

NUMBER OF JUDGES FOR HEARINGS

SEC. 104. (a) The first sentence of section 46(c) of title 28, United States Code, is amended by inserting immediately after "three judges" the following: "(except that the United States Court of Appeals for the Federal Circuit may sit in panels of more than three judges if its rules so provide)".

(b) Section 46(d) of title 28, United States Code, is amended by striking out "division" and inserting in lieu thereof "panel".

ORGANIZATION OF UNITED STATES CLAIMS COURT

SEC. 105. (a) Chapter 7 of title 28, United States Code, is amended to read as follows:

"CHAPTER 7—UNITED STATES CLAIMS COURT

"§ 171. Appointment and number of judges; character of court; designation of chief judge

"(a) The President shall appoint, by and with the advice and consent of the Senate, sixteen judges who shall constitute a court of record known as the United States Claims Court. The court is declared to be a court established under article I of the Constitution of the United States.

"(b) The Claims Court shall at least biennially designate a judge to act as chief judge.

"§ 172. Tenure and salaries of judges

"(a) Each judge of the United States Claims Court shall be appointed for a term of fifteen years.

"(b) Each judge shall receive a salary at an annual rate determined under section 225 of the Federal Salary Act of 1967 (2 U.S.C. 351–361), as adjusted by section 461 of this title.

"§ 173. Times and places of holding court

"The principal office of the United States Claims Court shall be in the District of Columbia, but the Claims Court may hold court at such times and in such places as it may fix

by rule of court. The times and places of the sessions of the Claims Court shall be prescribed with a view to securing reasonable opportunity to citizens to appear before the Claims Court with as little inconvenience and expense to citizens as is practicable.

"§ 174. Assignment of judges; decisions

"(a) The judicial power of the United States Claims Court with respect to any action, suit, or proceeding, except congressional reference cases, shall be exercised by a single judge, who may preside alone and hold a regular or special session of court at the same time other sessions are held by other judges.

"(b) All decisions of the Claims Court shall be preserved and open to inspection.

"§ 175. Official duty station; residence

"(a) The official duty station of each judge of the United States Claims Court is the District of Columbia.

"(b) After appointment and while in active service, each judge shall reside within fifty miles of the District of Columbia.

"§ 176. Removal from office

"Removal of a judge of the United States Claims Court during the term for which he is appointed shall be only for incompetency, misconduct, neglect of duty, engaging in the practice of law, or physical or mental disability. Removal

shall be by the United States Court of Appeals for the Federal Circuit, but removal may not occur unless a majority of all the judges of such court of appeals concur in the order of removal. Before any order of removal may be entered, a full specification of the charges shall be furnished to the judge, and he shall be accorded an opportunity to be heard on the charges. Any cause for removal of any judge of the United States Claims Court coming to the knowledge of the Director of the Administrative Office of the United States Courts shall be reported by him to the chief judge of the United States Court of Appeals for the Federal Circuit, and a copy of the report shall at the same time be transmitted to the judge.

"§ 177. Disbarment of removed judges

"A judge of the United States Claims Court removed from office in accordance with section 176 of this title shall not be permitted at any time to practice before the Claims Court.".

(b) The item relating to chapter 7 in the chapter analysis of part I of title 28, United States Code, is amended to read as follows:

REPEAL OF PROVISIONS RELATING TO THE COURT OF CUSTOMS AND PATENT APPEALS

SEC. 106. Chapter 9 of title 28, United States Code, and the item relating to chapter 9 in the chapter analysis of part I of such title, are repealed.

INTERLOCUTORY APPEALS FROM CERTAIN ORDERS

SEC. 107. Section 256(b) of title 28, United States Code, is amended by striking out "section 1541(b)" and all that follows through "in that section." and inserting in lieu thereof the following: "section 1292(c)(3) of this title, and the United States Court of Appeals for the Federal Circuit may, in its discretion, consider the appeal.".

REPEAL; ASSIGNMENT OF CIRCUIT JUDGES

SEC. 108. Subsection (b) of section 291 of title 28, United States Code, is repealed.

ASSIGNMENT OF DISTRICT JUDGES

SEC. 109. Section 292(e) of title 28, United States Code, is amended by striking out "the Court of Claims, the Court of Customs and Patent Appeals or" and by striking out "in which the need arises".

REPEAL; ASSIGNMENT OF OTHER JUDGES

SEC. 110. Subsections (a), (c), and (d) of section 293 of title 28, United States Code, are repealed.

JUDICIAL CONFERENCE

SEC. 111. Section 331 of title 28, United States Code, is amended—

(1) in the first paragraph, by striking out ", the chief judge of the Court of Claims, the chief judge of the Court of Customs and Patent Appeals,"; and

(2) in the third paragraph, by striking out the second sentence.

RETIREMENT

SEC. 112. (a) Section 372(a) of title 28, United States Code, is amended—

(1) in the third paragraph, by striking out "Court of Claims, Court of Customs and Patent Appeals, or"; and

(2) in the fifth paragraph, by striking out "Court of Claims, Court of Customs and Patent Appeals, or".

(b) Section 372(b) of title 28, United States Code, is amended by striking out "Court of Claims, Court of Customs and Patent Appeals, or" each place it appears.

REPEAL; DISTRIBUTION OF COURT OF CLAIMS DECISIONS

SEC. 113. Section 415 of title 28, United States Code, and the item relating to section 415 in the section analysis of chapter 19 of such title, are repealed.

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DEFINITIONS

SEC. 114. Section 451 of title 28, United States Code (including that section as it will become effective on April 1, 1984), is amended—

(1) in the first paragraph, by striking out "the Court of Claims, the Court of Customs and Patent Appeals,"; and

(2) in the third paragraph, by striking out "Court of Claims, Court of Customs and Patent Appeals,".

TRAVELING EXPENSES AND COURT ACCOMMODATIONS

SEC. 115. (a)(1) Section 456 of title 28, United States Code, is amended to read as follows:

"§ 456. Traveling expenses of justices and judges; official duty stations

"(a) The Director of the Administrative Office of the United States Courts shall pay each justice or judge of the United States and each retired justice or judge recalled or designated and assigned to active duty, while attending court or transacting official business at a place other than his official duty station, upon his certificate all necessary transportation expenses and also a per diem allowance for travel at the rate which the Director establishes not to exceed the maximum per diem allowance fixed by section 5702(a) of title 5, or in accordance with regulations which the Director shall prescribe with the approval of the Judicial Conference of the

United States, reimbursement for his actual and necessary expenses of subsistence not in excess of the maximum amount fixed by section 5702 of title 5.

"(b) The official duty station of the Chief Justice of the United States, the Justices of the Supreme Court of the United States, and the judges of the United States Court of Appeals for the District of Columbia Circuit, the United States Court of Appeals for the Federal Circuit, and the United States District Court for the District of Columbia shall be the District of Columbia.

"(c) The official duty station of the judges of the United States Court of International Trade shall be New York City.

"(d) The official duty station of each district judge shall be that place where a district court holds regular sessions at or near which the judge performs a substantial portion of his judicial work, which is nearest the place where he maintains his actual abode in which he customarily lives.

"(e) The official duty station of a circuit judge shall be that place where a circuit or district court holds regular sessions at or near which the judge performs a substantial portion of his judicial work, or that place where the Director provides chambers to the judge where he performs a substantial portion of his judicial work, which is nearest the place where he maintains his actual abode in which he customarily lives.

"(f) The official duty station of a retired judge shall be established in accordance with section 374 of this title.

"(g) Each circuit or district judge whose official duty station is not fixed expressly by this section shall notify the Director of the Administrative Office of the United States Courts in writing of his actual abode and official duty station upon his appointment and from time to time thereafter as his official duty station may change.".

(2) The item relating to section 456 in the section analysis of chapter 21 of title 28, United States Code, is amended to read as follows:

"456. Traveling expenses of justices and judges; official duty stations.".

(b)(1) Section 460 of title 28, United States Code, is amended to read as follows:

"§ 460. Application to other courts

"(a) Sections 452 through 459 and section 462 of this chapter shall also apply to the United States Claims Court, to each court created by Act of Congress in a territory which is invested with any jurisdiction of a district court of the United States, and to the judges thereof.

"(b) The official duty station of each judge referred to in subsection (a) which is not otherwise established by law shall be that place where the court holds regular sessions at or near which the judge performs a substantial portion of his

judicial work, which is nearest the place where he maintains his actual abode in which he customarily lives.".

(2) The item relating to section 460 in the section analysis of chapter 21 of title 28, United States Code, is amended to read as follows:

"460. Application to other courts.".

(c)(1) Chapter 21 of title 28, United States Code, is amended by adding at the end thereof the following new section:

"§ 462. Court accommodations

"(a) Sessions of courts of the United States (except the Supreme Court) shall be held only at places where the Director of the Administrative Office of the United States Courts provides accommodations, or where suitable accommodations are furnished without cost to the judicial branch.

"(b) The Director of the Administrative Office of the United States Courts shall provide accommodations, including chambers and courtrooms, only at places where regular sessions of court are authorized by law to be held, but only if the judicial council of the appropriate circuit has approved the accommodations as necessary.

"(c) The limitations and restrictions contained in subsection (b) of this section shall not prevent the Director from furnishing chambers to circuit judges at places where Federal

facilities are available when the judicial council of the circuit approves.

"(d) The Director of the Administrative Office of the United States Courts shall provide permanent accommodations for the United States Court of Appeals for the Federal Circuit and for the United States Claims Court only at the District of Columbia. However, each such court may hold regular and special sessions at other places utilizing the accommodations which the Director provides to other courts.

"(e) The Director of the Administrative Office of the United States Courts shall provide accommodations for probation officers, pretrial service officers, and Federal Public Defender Organizations at such places as may be approved by the judicial council of the appropriate circuit.

"(f) Upon the request of the Director, the Administrator of General Services is authorized and directed to provide the accommodations the Director requests.".

(2) The section analysis of chapter 21 of title 28, United States Code, is amended by adding at the end thereof the following new item:

"462. Court accommodations.".

(3) Section 142 of title 28, United States Code, and the item relating to section 142 in the section analysis of chapter 5 of such title, are repealed.

INTERESTS OF THE UNITED STATES IN CERTAIN ACTIONS

SEC. 116. Section 518(a) of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court or in the United States Court of Appeals for the Federal Circuit".

TRANSMISSION OF PETITIONS IN SUITS AGAINST THE UNITED STATES

SEC. 117. (a) Section 520 of title 28, United States Code, is amended—

(1) in subsection (a), by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court or in the United States Court of Appeals for the Federal Circuit"; and

(2) by striking out "Court of Claims" in the section heading and inserting in lieu thereof "United States Claims Court or in United States Court of Appeals for the Federal Circuit".

(b) The item relating to section 520 in the section analysis of chapter 31 of title 28, United States Code, is amended to read as follows:

"520. Transmission of petitions in United States Claims Court or in United States Court of Appeals for the Federal Circuit; statement furnished by departments.".

BUDGET ESTIMATES

SEC. 118. Section 605 of title 28, United States Code, is amended by inserting immediately before the period at the end of the second undesignated paragraph the following:

"and the estimate with respect to the United States Court of Appeals for the Federal Circuit shall be approved by such court" and by striking out "Bureau of the Budget" each place it appears and inserting in lieu thereof "Office of Management and Budget".

DEFINITION OF COURTS

SEC. 119. (a) Section 610 of title 28, United States Code, is amended by striking out "the Court of Claims, the Court of Customs and Patent Appeals" and inserting in lieu thereof "the United States Claims Court".

(b)(1) Section 713 of title 28, United States Code, is amended to read as follows:

"§ 713. Librarians

"(a) Each court of appeals may appoint a librarian who shall be subject to removal by the court.

"(b) The librarian, with the approval of the court, may appoint necessary library assistants in such numbers as the Director of the Administrative Office of the United States Courts may approve. The librarian may remove such library assistants with the approval of the court.".

(2) The item relating to section 713 in the section analysis of chapter 47, United States Code, is amended to read as follows:

"713. Librarians.".

(c)(1) Chapter 47 of title 28, United States Code, is amended by adding at the end thereof the following new sections:

"§ 714. Criers and messengers

"(a) Each court of appeals may appoint a crier who shall be subject to removal by the court.

"(b) The crier, with the approval of the court, may appoint necessary messengers in such number as the Director of the Administrative Office of the United States Courts may approve. The crier may remove such messengers with the approval of the court. The crier shall also perform the duties of bailiff and messenger.

"§ 715. Staff attorneys and technical assistants

"(a) The chief judge of each court of appeals, with the approval of the court, may appoint a senior staff attorney, who shall be subject to removal by the chief judge with the approval of the court.

"(b) The senior staff attorney, with the approval of the court, may appoint necessary staff attorneys and secretarial and clerical employees in such numbers as the Director of the Administrative Office of the United States Courts may approve, but in no event may the number of staff attorneys exceed the number of positions expressly authorized in an annual appropriation act. The senior staff attorney may

remove such staff attorneys and secretarial and clerical employees with the approval of the court.

"(c) The chief judge of the Court of Appeals for the Federal Circuit, with the approval of the court, may appoint a senior technical assistant who shall be subject to removal by the chief judge with the approval of the court.

"(d) The senior technical assistant, with the approval of the court, may appoint necessary technical assistants in such number as the Director of the Administrative Office of the United States Courts may approve, but in no event may the number of technical assistants in the Court of Appeals for the Federal Circuit exceed the number of circuit judges in regular active service within such circuit. The senior technical assistant may remove such technical assistants with the approval of the court.".

(2) The section analysis of chapter 47, United States Code, is amended by adding at the end thereof the following new items:

"714. Criers and messengers.
"715. Staff attorneys and technical assistants.".

OFFICERS AND EMPLOYEES OF THE UNITED STATES CLAIMS COURT

SEC. 120. (a) Section 791(a) of title 28, United States Code, is amended to read as follows:

"(a) The United States Claims Court may appoint a clerk, who shall be subject to removal by the court. The

clerk, with the approval of the court, may appoint necessary deputies and employees in such numbers as may be approved by the Director of the Administrative Office of the United States Courts. Such deputies and employees shall be subject to removal by the clerk with the approval of the court.".

(b) Section 792 of title 28, United States Code, and the item relating to section 792 in the section analysis of chapter 51 of such title, are repealed.

(c)(1) Section 794 of title 28, United States Code, is amended to read as follows:

"§ 794. Law clerks and secretaries

"The judges of the United States Claims Court may appoint necessary law clerks and secretaries, in such numbers as the Judicial Conference of the United States may approve subject to any limitation of the aggregate salaries of such employees which may be imposed by law.".

(2) The item relating to section 794 in the section analysis of chapter 51 of title 28, United States Code, is amended to read as follows:

"794. Law clerks and secretaries.".

(d)(1) Section 795 of title 28, United States Code, is amended to read as follows:

"§ 795. Bailiffs and messengers

"The chief judge of United States Claims Court, with the approval of the court, may appoint necessary bailiffs and

messengers, in such numbers as the Director of the Administrative Office of the United States Courts may approve, each of whom shall be subject to removal by the chief judge, with the approval of the court.".

(2) The item relating to section 795 in the section analysis of chapter 51 of title 28, United States Code, is amended to read as follows:

"795. Bailiffs and messengers.".

(e) Section 796 of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "Director of the Administrative Office of the United States Courts".

(f) Section 797 of title 28, United States Code, and the item relating to section 797 in the section analysis of chapter 51 of such title, are repealed.

(g)(1) The item relating to chapter 51 in the chapter analysis of part III of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(2) The chapter heading of chapter 51 of title 28, United States Code, is amended by striking out "COURT OF CLAIMS" and inserting in lieu thereof "UNITED STATES CLAIMS COURT".

ABOLISHMENT OF UNITED STATES COURT OF CUSTOMS AND PATENT APPEALS

SEC. 121. (a) Chapter 53 of the title 28, United States Code, and the item relating to chapter 53 in the chapter analysis of part III of such title, are repealed.

(b) Subsection (a) of section 957 of title 28, United States Code, is amended by striking out "(a)" and subsection (b) of such section 957 is repealed.

TECHNICAL AND CONFORMING AMENDMENTS RELATING TO REPEAL OF COURT OF CUSTOMS AND PATENT APPEALS

SEC. 122. Sections 1255 and 1256 of title 28, United States Code, and the items relating to sections 1255 and 1256 in the section analysis of chapter 81 of such title, are repealed.

COURTS OF APPEALS JURISDICTION

SEC. 123. Section 1291 of title 28, United States Code, is amended—

(1) by inserting "(other than the United States Court of Appeals for the Federal Circuit)" after "courts of appeals"; and

(2) by adding at the end thereof the following new sentence: "The jurisdiction of the United States Court of Appeals for the Federal Circuit shall be limited to the jurisdiction described in sections 1292 (c) and (d) and 1295 of this title.".

INTERLOCUTORY DECISIONS

SEC. 124. (a) Section 1292(a) of title 28, United States Code, is amended—

(1) by striking out "The courts" and inserting in lieu thereof "Except as provided in subsections (c) and (d) of this section, the courts";

(2) by striking out the semicolon at the end of paragraph (3) and inserting in lieu thereof a period; and

(3) by striking out paragraph (4).

(b) Section 1292 of title 28, United States Code, is amended by adding at the end thereof the following new subsections:

"(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

"(1) of an appeal from an interlocutory order or decree described in subsection (a) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; and

"(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

"(d)(1) When the chief judge of the Court of International Trade issues an order under the provisions of section

256(b) of this title, or when any judge of the Court of International Trade, in issuing any other interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from its order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to that Court within ten days after the entry of such order.

"(2) When any judge of the United States Claims Court, in issuing an interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from its order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to that Court within ten days after the entry of such order.

"(3) Neither the application for nor the granting of an appeal under this subsection shall stay proceedings in the Court of International Trade or in the Claims Court, as the case may be, unless a stay is ordered by a judge of the Court of International Trade or the Claims Court or by the United

States Court of Appeals for the Federal Circuit or a judge of that court.".

CIRCUITS IN WHICH DECISIONS ARE REVIEWABLE

SEC. 125. Section 1294 of title 28, United States Code, is amended by striking out "Appeals" and inserting in lieu thereof "Except as provided in section 1295 of this title, appeals".

JURISDICTION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SEC. 126. (a) Chapter 83 of title 28, United States Code, is amended by adding at the end thereof the following new sections:

"§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

"(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

"(1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights or trademarks and no

other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1254 of this title;

"(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), or 1346(e) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

"(3) of an appeal from a final decision of the United States Claims Court;

"(4) of an appeal from a decision of—

"(A) the Board of Appeals or the Board of Patent Interferences of the Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such ap-

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plicant or party to proceed under section 145 or 146 of title 35;

"(B) the Commissioner of Patents and Trademarks or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

"(C) a district court to which a case was directed pursuant to section 145 or 146 of title 35;

"(5) of an appeal from a final decision of the United States Court of International Trade;

"(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

"(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under headnote 6 to schedule 8, part 4, of the Tariff Schedules of the United States (relating to importation of instruments or apparatus);

"(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

"(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5; and

"(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 8(g)(1) of the Contract Disputes Act of 1978.

"(b) The head of any executive department or agency may, with the approval of the Attorney General, refer to the Court of Appeals for the Federal Circuit for judicial review any final decision rendered by a board of contract appeals pursuant to the terms of any contract with the United States awarded by that department or agency which the head of such department or agency has concluded is not entitled to finality pursuant to the review standards specified in section 10(b) of the Contract Disputes Act of 1978 (41 U.S.C. 609(b)). The head of each executive department or agency shall make any referral under this section within one hundred and twenty days after the receipt of a copy of the final appeal decision.

"(c) The Court of Appeals for the Federal Circuit shall review the matter referred in accordance with the standards specified in section 10(b) of the Contract Disputes Act of 1978. The court shall proceed with judicial review on the administrative record made before the board of contract appeals on matters so referred as in other cases pending in such

court, shall determine the issue of finality of the appeal decision, and shall, if appropriate, render judgment thereon, or remand the matter to any administrative or executive body or official with such direction as it may deem proper and just.

"§ 1296. Precedence of cases in the United States Court of Appeals for the Federal Circuit

"Civil actions in the United States Court of Appeals for the Federal Circuit shall be given precedence, in accordance with the law applicable to such actions, in such order as the court may by rule establish.".

(b) The section analysis of chapter 83 of title 28, United States Code, is amended by adding at the end thereof the following new item:

"1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit.
"1296. Precedence of cases in the United States Court of Appeals for the Federal Circuit.".

INTERSTATE COMMERCE COMMISSION ORDERS; JURISDICTION

SEC. 127. Section 1336(b) of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

UNITED STATES AS DEFENDANT; JURISDICTION

SEC. 128. Section 1346(a) of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

INTERSTATE COMMERCE COMMISSION ORDERS; VENUE

SEC. 129. Section 1398(b) of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

UNITED STATES AS DEFENDANT; VENUE

SEC. 130. Section 1402(a) of title 28, United States Code, is amended by inserting "in a district court" after "civil action".

CURE OR WAIVER OF DEFECTS

SEC. 131. Section 1406(c) of title 28, United States Code, is amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "Claims Court".

UNITED STATES CLAIMS COURT JURISDICTION AND VENUE

SEC. 132. (a) Section 1491 of title 28, United States Code, is amended to read as follows:

"§ 1491. Claims against United States generally; actions involving Tennessee Valley Authority

"(a)(1) The United States Claims Court shall have jurisdiction to render judgment upon any claim against the United States founded either upon the Constitution, or any Act of Congress or any regulation of an executive department, or upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort. For the purpose of this paragraph, an express or implied contract with the Army and Air Force

Exchange Service, Navy Exchanges, Marine Corps Exchanges, Coast Guard Exchanges, or Exchange Councils of the National Aeronautics and Space Administration shall be considered an express or implied contract with the United States.

"(2) To afford complete relief in controversies within its jurisdiction, the court may grant declaratory judgments and such equitable and extraordinary relief as it deems proper, including but not limited to injunctive relief; and the court may, to complete the relief afforded by a judgment, issue orders directing restoration to office or position, placement in appropriate duty or retirement status, and correction of applicable records; and any such orders issued pursuant to a grant of equitable or extraordinary relief or issued to complete relief may be issued to any appropriate official of the United States. In any case within its jurisdiction, the court shall have the power to remand appropriate matters to any administrative or executive body or official with such direction as it may deem proper and just. The Claims Court shall have jurisdiction to render judgment upon any claim by a contractor arising under section 10(a)(1) of the Contract Disputes Act of 1978.

"(b) Nothing herein shall be construed to give the United States Claims Court jurisdiction of any civil action within the exclusive jurisdiction of the Court of International

Trade, or of any action against, or founded on conduct of, the Tennessee Valley Authority, or to amend or modify the provisions of the Tennessee Valley Authority Act of 1933 with respect to actions by or against the Authority.".

(b) Section 1492 of title 28, United States Code, is amended by striking out "chief commissioner of the Court of Claims" and inserting in lieu thereof "chief judge of the United States Claims Court".

(c)(1) Sections 1494, 1495, 1496, and 1497 of title 28, United States Code, are amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(2) The section heading of section 1497 of title 28, United States Code, is amended by striking out "growers," and inserting in lieu thereof "growers' ".

(d) Section 1498 of title 28, United States Code, is amended—

(1) in subsection (a), by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court";

(2) in subsections (b) and (d), by striking out "Court of Claims" and inserting in lieu thereof "Claims Court".

(e) Sections 1499, 1500, 1501, 1502, and 1503 of title 28, United States Code, are amended by striking out "Court

of Claims" and inserting in lieu thereof "United States Claims Court".

(f) Section 1504 of title 28, United States Code, and the item relating to section 1504 in the section analysis of chapter 91 of such title, are repealed.

(g) Section 1505 of title 28, United States Code, is amended by striking out "Court of Claims" the first place it appears and inserting in lieu thereof "United States Claims Court" and by striking out "Court of Claims" the second place it appears and inserting in lieu thereof "Claims Court".

(h) Section 1506 of title 28, United States Code, and the item in the section analysis of chapter 91 of such title, are repealed.

(i) Section 1507 of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(j)(1) The item relating to chapter 91 in the chapter analysis of part IV of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(2) The chapter heading of chapter 91 of title 28, United States Code, is amended by striking out "COURT OF CLAIMS" and inserting in lieu thereof "UNITED STATES CLAIMS COURT".

(3) The item relating to section 1499 in the section analysis of chapter 91, United States Code, is amended to read as follows:

"1499. Liquidated damages withheld from contractors under Contract Work Hours Standards Act.".

REPEAL OF PROVISIONS RELATING TO THE COURT OF CUSTOMS AND PATENT APPEALS

SEC. 133. Chapter 93 of title 28, United States Code, and the item relating to chapter 93 in the chapter analysis of part IV of such title, are repealed.

REPEAL; CURE OF DEFECTS

SEC. 134. Section 1584 of title 28, United States Code, and the item relating to section 1584 in the section analysis of chapter 95 of such title, are repealed.

REPEAL; TIME FOR APPEAL

SEC. 135. Section 2110 of title 28, United States Code, and the item relating to section 2110 in the section analysis of chapter 133 of such title, are repealed.

COURT OF APPEALS JURISDICTION

SEC. 136. Section 2342 of title 28, United States Code, is amended—

(1) by inserting "(other than the United States Court of Appeals for the Federal Circuit)" after "court of appeals";

(2) in paragraph (4), by inserting "and" after the semicolon;

(3) in paragraph (5), by striking out "; and" and inserting in lieu thereof a period; and

(4) by striking out paragraph (6).

PLANT VARIETY PROTECTION OFFICE DECISIONS

SEC. 137. Section 2353 of title 28, United States Code, and the item relating to section 2353 in the section analysis of chapter 158 of such title, are repealed.

UNITED STATES CLAIMS COURT PROCEDURE

SEC. 138. (a) Sections 2501 and 2502(a) of title 28, United States Code, are amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(b)(1) Section 2503 of title 28, United States Code, is amended to read as follows:

"§ 2503. Proceedings generally

"Parties to any suit in the United States Claims Court may appear before a judge of that court in person or by attorney, produce evidence, and examine witnesses. The proceedings of the Claims Court shall be in accordance with such rules of practice and procedure (other than the rules of evidence) as the Claims Court may prescribe and in accordance with the rules of evidence applicable to trials without a jury in a district court of the United States. The judges shall fix times for trials, administer oaths or affirmations, examine witnesses, receive evidence, and enter dispositive judgments.

Hearings shall, if convenient, be held in the counties where the witnesses reside.".

(2) The item relating to section 2503 in the section analysis of chapter 165 of title 28, United States Code, is amended by striking out "before commissioners".

(c) Section 2504 of title 28, United States Code, and the item relating to section 2504 in the section analysis of chapter 165 of such title, are repealed.

(d) Section 2505 of title 28, United States Code, is amended—

(1) by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court"; and

(2) by striking out "report findings" and inserting in lieu thereof "enter judgment".

(e) Section 2506 of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(f) Section 2507 of title 28, United States Code, is amended—

(1) in subsection (a), by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court"; and

(2) in subsection (c), by striking out "Court of Claims" and inserting in lieu thereof "Claims Court".

(g) Section 2508 of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(h)(1) Section 2509(a) of title 28, United States Code, is amended to read as follows:

"(a) Whenever a bill, except a bill for a pension, is referred by either House of Congress to the chief judge of the United States Claims Court pursuant to section 1492 of this title, the chief judge shall designate a judge as hearing officer for the case and a panel of three judges of the court to serve as a reviewing body. One member of the review panel shall be designated as presiding officer of the panel.".

(2) Section 2509 of title 28, United States Code, is amended—

(A) in subsections (b), (c), (d), and (f), by striking out "trial commissioner" and inserting in lieu thereof "hearing officer";

(B) in subsections (b), (c), and (e), by striking out "chief commissioner" and inserting in lieu thereof "chief judge";

(C) in subsections (b), (f), and (g), by striking out "Court of Claims" and inserting in lieu thereof "Claims Court";

(D) in subsection (d), by striking out "of commissioners";

(E) in subsection (g), by striking out "commissioners" the first place it appears and inserting in lieu thereof "judges"; and

(F) in subsection (g), by striking out "trial commissioners" and inserting in lieu thereof "hearing officers".

(i)(1) Section 2510 of title 28, United States Code, is amended to read as follows:

"§ 2510. Referral of cases by Comptroller General

"(a) The Comptroller General may transmit to the United States Claims Court for trial and adjudication any claim or matter of which the Claims Court might take jurisdiction on the voluntary action of the claimant, together with all vouchers, papers, documents, and proofs pertaining thereto.

"(b) The Claims Court shall proceed with the claims or matters so referred as in other cases pending in such Court and shall render judgment thereon.".

(2) The item relating to section 2510 in the section analysis of chapter 165 of title 28, United States Code, is amended to read as follows:

"2510. Referral of cases by Comptroller General.".

(j)(1) Section 2511 of title 28, United States Code, is amended by striking out ", or of the Supreme Court upon review,".

(2) Sections 2511, 2512, 2513(c), 2514, and 2515(a) of title 28, United States Code, are amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(k) Section 2517 of title 28, United States Code, is amended—

(1) in subsection (a), by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court"; and

(2) in subsection (b), by striking out the comma at the end thereof and inserting in lieu thereof a period.

(l) Section 2518 of title 28, United States Code, and the item relating to section 2518 in the section analysis of chapter 165 of such title, are repealed.

(m) Section 2519 of title 28, United States Code, is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court".

(n)(1) Section 2520(a) of title 28, United States Code, is amended—

(A) by striking out "(a)";

(B) by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court"; and

(C) by striking out "$10" and inserting in lieu thereof "$60".

(2) Subsections (b) and (c) of section 2520 of title 28, United States Code, are repealed.

(3) The section heading for section 2520 of title 28, United States Code, is amended by striking out "; cost of printing record".

(4) The item relating to section 2520 in the section analysis of chapter 165 of title 28, United States Code, is amended to read as follows:

"2520. Fees.".

(o)(1) The item relating to chapter 165 in the chapter analysis of part VI of title 28, United States Code, is amended to read as follows:

"165. United States Claims Court Procedure ..... 2501".

(2) The chapter heading of chapter 165 of title 28, United States Code, is amended by striking out "COURT OF CLAIMS" and inserting in lieu thereof "UNITED STATES CLAIMS COURT".

(p)(1) Section 1926 of title 28, United States Code, is amended to read as follows:

"§ 1926. Claims Court

"(a) The Judicial Conference of the United States shall prescribe from time to time the fees and costs to be charged and collected in the United States Claims Court.

"(b) The court and its officers shall collect only such fees and costs as the Judicial Conference prescribes. The court may require advance payment of fees by rule.".

(2) The item relating to section 1926 in the section analysis of chapter 123 of title 28, United States Code, is amended to read as follows:

"1926. Claims Court.".

(q)(1) Chapter 165 of title 28, United States Code, is amended by adding at the end thereof the following new section:

"§ 2522. Notice of Appeal

"Review of a decision of the United States Claims Court shall be obtained by filing a notice of appeal with the clerk of the Claims Court within the time and in the manner prescribed for appeals to United States courts of appeals from the United States district courts.".

(2) The section analysis of chapter 165 of title 28, United States Code, is amended by adding at the end thereof the following new item:

"2522. Notice of Appeal.".

REPEAL OF PROVISIONS RELATING TO THE COURT OF CUSTOMS AND PATENT APPEALS

SEC. 139. Chapter 167 of title 28, United States Code, and the item relating to chapter 167 in the chapter analysis of part VI of such title, are repealed.

COURT OF INTERNATIONAL TRADE; PROCEDURE

SEC. 140. Section 2645(c) of title 28, United States Code, is amended by striking out "Customs and Patent Appeals within the time and in the manner provided in section 2601 of this title" and inserting in lieu thereof "Appeals for the Federal Circuit by filing a notice of appeal with the clerk of the Court of International Trade within the time and in the manner prescribed for appeals to United States courts of appeals from the United States district courts".

FEDERAL RULES OF EVIDENCE

SEC. 141. Rule 1101(a) of the Federal Rules of Evidence is amended by striking out "Court of Claims" the first place it appears and inserting in lieu thereof "Claims Court" and by striking out "and commissioners of the Court of Claims".

PART B—CONFORMING AMENDMENTS OUTSIDE TITLE 28

SEC. 142. Section 225(f)(C) of the Federal Salary Act of 1967 (2 U.S.C. 356(C)), is amended by inserting "and the judges of the United States Claims Court" immediately before the semicolon at the end thereof.

SEC. 143. Section 7703 of title 5, United States Code, is amended—

(1) in subsection (b)(1), by striking out "Court of Claims or a United States court of appeals as provided in Chapter 91 and 158, respectively, of title 28" and

inserting in lieu thereof "United States Court of Appeals for the Federal Circuit";

(2) in subsection (c), by striking out "Court of Claims or a United States court of appeals" and inserting in lieu thereof "Court of Appeals for the Federal Circuit"; and

(3) in subsection (d), by striking out "District of Columbia" and inserting in lieu thereof "Federal Circuit".

SEC. 144. The second sentence of section 71 of the Plant Variety Protection Act (7 U.S.C. 2461) is amended to read as follows: "The United States Court of Appeals for the Federal Circuit shall have jurisdiction.".

SEC. 145. Section 11(d) of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2210(d)) is amended by striking out "Court of Claims of the United States" and inserting in lieu thereof "United States Claims Court".

SEC. 146. Section 204 of title 18, United States Code, and the section heading thereof are amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court or the United States Court of Appeals for the Federal Circuit".

SEC. 147. Section 39 of the Trademark Act of 1946 (15 U.S.C. 1121) is amended by inserting "(other than the

United States Court of Appeals for the Federal Circuit)" after "circuit courts of appeal of the United States".

SEC. 148. Section 516A(a)(3) of the Tariff Act of 1930 (19 U.S.C. 1516a(a)(3)) is amended by striking out "subsections (b), (c), and (e) of".

SEC. 149. (a) Section 29 of the Act entitled "An Act to create an Indian Claims Commission, to provide for the powers, duties, and functions thereof, and for other purposes", approved August 13, 1946 (25 U.S.C. 70v–3), is amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "Claims Court".

(b) Subsection (c) of section 29 of such Act is repealed.

(c) Subsection (d) of section 29 of such Act is amended by striking "Supreme Court in accordance with the provisions of section 1255" and inserting in lieu thereof "United States Court of Appeals for the Federal Circuit in accordance with the provisions of section 1295".

SEC. 150. Section 2 of the Act of May 18, 1928 (25 U.S.C. 652) is amended by striking out "Court of Claims" and inserting in lieu thereof "United States Claims Court" and by striking out "Court of Claims of the United States" and inserting in lieu thereof "United States Claims Court" and by striking out "Supreme Court of the United States" and inserting in lieu thereof "United States Court of Appeals for the Federal Circuit".

SEC. 151. Section 7422(e) of the Internal Revenue Code of 1954 is amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "United States Claims Court".

SEC. 152. Section 7428 of the Internal Revenue Code of 1954 is amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "Claims Court".

SEC. 153. (a) The second sentence of section 7456(c) of the Internal Revenue Code of 1954 is amended to read as follows: "Each commissioner shall receive pay at an annual rate determined under section 225 of the Federal Salary Act of 1967 (2 U.S.C. 351–361), as adjusted by section 461 of title 28, United States Code, and also necessary traveling expenses and per diem allowance, as provided in the Travel Expense Act of 1949, while traveling on official business and away from Washington, District of Columbia.".

(b) Notwithstanding the preceding paragraph, until such time as a change in the salary rate of a commissioner of the United States Tax Court occurs in accordance with section 7456(c) of the Internal Revenue Code of 1954, the salary of such commissioner shall be equal to the salary of a commissioner of the Court of Claims.

SEC. 154. Section 7482(a) of the Internal Revenue Code of 1954 is amended by inserting "(other than the

United States Court of Appeals for the Federal Circuit)" after "United States Court of Appeals".

SEC. 155. Section 8(g)(1) of the Contract Disputes Act of 1978 (41 U.S.C. 607(g)(1)) is amended—

(1) in subparagraph (A), by striking out "Court of Claims" and inserting in lieu thereof "United States Court of Appeals for the Federal Circuit"; and

(2) in subparagraph (B), by striking out "United States Court of Claims for judicial review, under section 2510 of title 28, United States Code, as amended herein," and inserting in lieu thereof "Court of Appeals for the Federal Circuit for judicial review under section 1295 of title 28, United States Code,".

SEC. 156. Section 10(c) of the Contract Disputes Act of 1978 (41 U.S.C. 609(c)) is amended by striking out ", or, in its discretion" and all that follows through "of the case".

SEC. 157. Section 713 of title 44, United States Code, is amended—

(1) by striking out "eight hundred and twenty-two" and inserting in lieu thereof "eight hundred and twenty";

(2) by inserting "and" after "Superintendent of Documents;"; and

(3) by striking out "to the Court of Claims, two copies; and".

SEC. 158. Section 1103 of title 44, United States Code, is amended by striking out ", the Court of Claims," and by striking out ", chief judge of the Court of Claims,".

SEC. 159. (a) The following provisions of law are amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "United States Claims Court":

(1) Sections 1 and 2 of the Act of October 19, 1973 (87 Stat. 466).

(2) Section 8715 of title 5, United States Code.

(3) Section 8912 of title 5, United States Code.

(4) Section 2273(b) of title 10, United States Code.

(5) Section 337(i) of the Tariff Act of 1930 (19 U.S.C. 1337(i)).

(6) Section 606(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2356(a)).

(7) Section 1 of the Act entitled "An Act providing for the allotment and distribution of Indian tribal funds", approved March 2, 1907 (25 U.S.C. 119).

(8) Section 2 of the Act of August 12, 1935 (25 U.S.C. 475a).

(9) Section 6110(i)(1) of the Internal Revenue Code of 1954.

(10) Section 2 of the Act of May 28, 1908 (30 U.S.C. 193a).

(11) Section 7 of the Act of July 31. 1894 (31 U.S.C. 72).

(12) Section 1302 of the Act of July 27, 1956 (31 U.S.C. 724a).

(13) Section 183 of title 35, United States Code.

(14) Section 104(c) of the Contract Work Hours and Safety Standards Act (40 U.S.C. 330(c)).

(15) Sections 13(b) (2) and 14 of the Contract Settlement Act of 1944 (41 U.S.C. 113(b) and 114).

(16) Sections 8(d), 10(a)(1), and 10(d) of the Contract Disputes Act of 1978 (41 U.S.C. 607(d), 609(a)(1), and 609(d)).

(17) Sections 171 and 173 of the Atomic Energy Act of 1954 (42 U.S.C. 2221 and 2223).

(18) Section 10(i) of the Trading with the Enemy Act (50 U.S.C. App. 10(i)).

(19) Sections 103(f), 103(i), 105, 106(a)(6), 108, 108A, and 114(5) of the Renegotiation Act of 1951 (50 U.S.C. App. 1213(f), 1213(i), 1215, 1216(a)(6), 1218, 1218a, and 1224(5)).

(20) Section 4 of the Act of July 2, 1948 (50 U.S.C. App. 1984).

(b) The section heading of section 108A of the Renegotiation Act of 1951 (50 U.S.C. App. 1218a) is amended by striking out "COURT OF CLAIMS" and inserting in lieu thereof "UNITED STATES CLAIMS COURT".

(c) Section 108A of the Renegotiation Act of 1951 (50 U.S.C. App. 1218a) is amended by striking out "Supreme Court upon certiorari in the manner provided in section 1255" and inserting in lieu thereof "United States Court of Appeals for the Federal Circuit in accordance with the provisions of section 1295".

SEC. 160. The following provisions of law are amended by striking out "Court of Claims" each place it appears and inserting in lieu thereof "Claims Court":

(1) Section 4(c) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(c)).

(2) Section 20 of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831s).

(3) Section 403 of the International Claims Settlement Act of 1949 (22 U.S.C. 1642b).

(4) Section 2(a) of the Act of May 15, 1978 (92 Stat. 244).

(5) Section 311(i) of the Federal Water Pollution Control Act (33 U.S.C. 1321(i)).

(6) Section 10(b) of the Intervention on the High Seas Act (33 U.S.C. 1479(b)).

(7) Section 282 of title 35, United States Code.

(8) Section 5261 of the Revised Statutes (45 U.S.C. 87).

(9) Section 41(a) of the Trading with the Enemy Act (50 U.S.C. App. 42(a)).

SEC. 161. The following provisions of law are amended by striking out "United States Court of Customs and Patent Appeals" and "Court of Customs and Patent Appeals" each place they appear and inserting in lieu thereof "United States Court of Appeals for the Federal Circuit":

(1) Section 21 of the Trademark Act of 1946 (15 U.S.C. 1071).

(2) Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182).

(3) Section 305(d) of the National Aeronautics and Space Act of 1958 (42 U.S.C. 2457(d)).

SEC. 162. (a) The following provisions of law are amended by striking out "Court of Customs and Patent Appeals" each place it appears and inserting in lieu thereof "Court of Appeals for the Federal Circuit":

(1) Subsections (d) and (f) of section 516 of the Tariff Act of 1930 (19 U.S.C. 1516 (d) and (f)).

(2) Section 516A (c) and (e) of the Tariff Act of 1930 (19 U.S.C. 1516a (c) and (e)).

(3) Section 528 of the Tariff Act of 1930 (19 U.S.C. 1528).

(4) Section 337(c) of the Tariff Act of 1930 (19 U.S.C. 1337(c)).

(5) Section 284(c) of the Trade Act of 1974 (19 U.S.C. 2395(c)).

(6) Section 308(9) of the Ethics in Government Act (28 U.S.C. App.).

(7) Sections 141 through 146 of title 35, United States Code.

(b)(1) The item relating to section 141 in the section analysis of chapter 13 of title 35, United States Code, is amended by striking out "Court of Customs and Patent Appeals" and inserting in lieu thereof "Court of Appeals for the Federal Circuit".

(2) The section heading for section 141 of title 35, United States Code, is amended by striking out "Court of Customs and Patent Appeals" and inserting in lieu thereof "Court of Appeals for the Federal Circuit".

SEC. 163. The following provisions of law are amended by striking out "the United States Court of Claims, the United States Court of Customs and Patent Appeals" each place it appears and inserting in lieu thereof "the United States Claims Court":

(1) Section 6001(4) of title 18, United States Code.

(2) Section 906 of title 44, United States Code.

PART C—MISCELLANEOUS PROVISIONS

EFFECTIVE DATE

SEC. 164. Except as provided in section 170 of this title, the provisions of this title shall take effect on October 1, 1981.

CONTINUED SERVICE OF CURRENT JUDGES

SEC. 165. The judges of the United States Court of Claims and of the United States Court of Customs and Patent Appeals in regular active service on the effective date of this Act shall continue in office as judges of the United States Court of Appeals for the Federal Circuit. Senior judges of the United States Court of Claims and of the United States Court of Customs and Patent Appeals on the effective date of this Act shall continue in office as senior judges of the United States Court of Appeals for the Federal Circuit.

APPOINTMENT OF CHIEF JUDGE OF COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SEC. 166. Notwithstanding the provisions of section 45(a) of title 28, United States Code, the first chief judge of the United States Court of Appeals for the Federal Circuit shall be the Chief Judge of the United States Court of Claims

or the Chief Judge of the United States Court of Customs and Patent Appeals, whoever has served longer as chief judge of his court. When the person who first serves as chief judge of the United States Court of Appeals for the Federal Circuit vacates that position, the position shall be filled in accordance with the provisions of such section 45(a).

COURT OF CLAIMS COMMISSIONERS

SEC. 167. (a) Notwithstanding the provisions of section 171(a) of title 28, United States Code, as amended by this Act, a commissioner of the United States Court of Claims serving immediately prior to the effective date of this Act shall become a judge of the United States Claims Court on the effective date of this Act.

(b) Notwithstanding the provisions of section 172(a) of title 28, United States Code, as amended by this Act, the initial term of office of a person who becomes a judge of the United States Claims Court under subsection (a) of this section shall expire on September 30, 1986, except that no such individual shall serve as a judge after reaching the age of seventy years.

(c) Notwithstanding the provisions of section 172(b) of title 28, United States Code, as amended by this Act, until such time as a change in the salary rate of a judge of the United States Claims Court occurs in accordance with such

section 172(b), the salary of such judge shall be equal to the salary of a Commissioner of the Court of Claims.

(d) If any position of commissioner on the United States Court of Claims becomes vacant during the period beginning on the date of enactment of this Act and ending October 1, 1981, such position shall remain vacant during the remainder of such period and shall be filled, after October 1, 1981, by appointment in accordance with section 171 of title 28, United States Code, as amended by this Act.

EFFECT ON PENDING CASES

SEC. 168. Any matter pending before a commissioner of the United States Court of Claims on the effective date of this title shall be transferred to the United States Claims Court. Any appeal which has been taken from a district court of the United States prior to the effective date shall be decided by the court of appeals in which it has been filed. Any matter pending before the United States Court of Customs and Patent Appeals or awaiting disposition by the United States Court of Claims on the effective date shall be transferred to the United States Court of Appeals for the Federal Circuit.

TVA LEGAL REPRESENTATION

SEC. 169. Nothing in this Act affects the authority of the Tennessee Valley Authority under the Tennessee Valley

Authority Act of 1933 to represent itself by attorneys of its choosing.

TITLE II—GOVERNANCE AND ADMINISTRATION OF THE FEDERAL COURTS

PART A—CHIEF JUDGE TENURE

APPOINTMENT AND TERMS OF CHIEF JUDGES OF THE COURTS OF APPEALS

SEC. 201. (a) Section 45(a) of title 28, United States Code, is amended to read as follows:

"(a)(1) The chief judge of the circuit shall be the circuit judge in regular active service who is senior in commission of those judges who—

"(A) are sixty-four years of age or under;

"(B) have served for one year or more as circuit judge; and

"(C) have not served previously as chief judge.

"(2)(A) In any case in which no circuit judge meets the qualifications of paragraph (1), the youngest circuit judge in regular active service who is sixty-five years of age or over and who has served as circuit judge for one year or more shall act as the chief judge.

"(B) In any case under subparagraph (A) in which there is no circuit judge in regular active service who has served as a circuit judge for one year or more, the circuit judge in regular active service who is senior in commission and who

has not served previously as chief judge shall act as the chief judge.

"(3)(A) Except as provided in subparagraph (C), the chief judge of the circuit appointed under paragraph (1) shall serve for a term of seven years and shall serve after expiration of such term until another judge is eligible under paragraph (1) to serve as chief judge of the circuit.

"(B) Except as provided in subparagraph (C), a circuit judge acting as chief judge under subparagraph (A) or (B) of paragraph (2) shall serve until a judge has been appointed who meets the qualifications under paragraph (1).

"(C) No circuit judge may serve or act as chief judge of the circuit after attaining the age of seventy years unless no other circuit judge is qualified to serve as chief judge of the circuit under paragraph (1) or is qualified to act as chief judge under paragraph (2).".

(b) Section 45(c) of title 28, United States Code, is amended to read as follows:

"(c) If the chief judge desires to be relieved of his duties as chief judge while retaining his active status as circuit judge, he may so certify to the Chief Justice of the United States, and thereafter the chief judge of the circuit shall be such other circuit judge who is qualified to serve or act as chief judge under subsection (a).".

APPOINTMENT AND TERMS OF CHIEF JUDGES OF THE DISTRICT COURTS

SEC. 202. (a) Section 136(a) of title 28, United States Code, is amended to read as follows:

"(a)(1) In any district having more than one district judge, the chief judge of the district shall be the district judge in regular active service who is senior in commission of those judges who—

"(A) are sixty-four years of age or under;

"(B) have served for one year or more as district judge; and

"(C) have not served previously as chief judge.

"(2)(A) In any case in which no district judge meets the qualifications of paragraph (1), the youngest district judge in regular active service who is sixty-five years of age or over and who has served as district judge for one year or more shall act as the chief judge.

"(B) In any case under subparagraph (A) in which there is no district judge in regular active service who has served as a district judge for one year or more, the district judge in regular active service who is senior in commission and who has not served previously as chief judge shall act as the chief judge.

"(3)(A) Except as provided in subparagraph (C), the chief judge of the district appointed under paragraph (1) shall

serve for a term of seven years and shall serve after expiration of such term until another judge is eligible under paragraph (1) to serve as chief judge of the district.

"(B) Except as provided in subparagraph (C), a district judge acting as chief judge under subparagraph (A) or (B) of paragraph (2) shall serve until a judge has been appointed who meets the qualifications under paragraph (1).

"(C) No district judge may serve or act as chief judge of the district after attaining the age of seventy years unless no other district judge is qualified to serve as chief judge of the district under paragraph (1) or is qualified to act as chief judge under paragraph (2).".

(b) Section 136(d) of title 28, United States Code, is amended to read as follows:

"(d) If the chief judge desires to be relieved of his duties as chief judge while retaining his active status as district judge, he may so certify to the Chief Justice of the United States, and thereafter, the chief judge of the district shall be such other district judge who is qualified to serve or act as chief judge under subsection (a).".

EFFECTIVE DATE; APPLICABILITY

SEC. 203. (a) The amendments to section 45 of title 28, United States Code, and to section 136 of such title, made by sections 201 and 202 of this part, shall take effect one year after the date of enactment of this Act but shall not apply to

or affect any person serving as chief judge on such effective date.

(b) The provisions of section 45(a) of title 28, United States Code, as in effect on the day before the effective date of this part, shall apply to the chief judge of a circuit serving on such effective date. The provisions of section 136(a) of title 28, United States Code, as in effect on the day before the effective date of this part, shall apply to the chief judge of a district court serving on such effective date.

PART B—PRECEDENCE AND COMPOSITION OF PANEL

PRECEDENCE ON PANEL

SEC. 204. Section 45(b) of title 28, United States Code, is amended by inserting "of the court in regular active service" immediately after "circuit judges" in the second sentence.

COMPOSITION OF PANEL; REQUIREMENTS AND SIZE

SEC. 205. Section 46(b) of title 28, United States Code, as amended by this Act, is further amended by inserting after the first sentence thereof the following new sentence: "At least a majority of the judges of a panel of a court shall be judges of that court, unless such judges cannot sit because recused or disqualified or unless the chief judge of that court certifies that an emergency exists, including but not limited to the unavailability of a judge of that court because of illness.".

PART C—JUDICIAL COUNCILS OF THE CIRCUITS

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 206. (a) Section 3006A(h)(2)(A) of title 18, United States Code, is amended—

(1) by striking out "judicial council" each place it appears and inserting in lieu thereof "court of appeals" in each instance; and

(2) by striking out "Judicial Council of the Circuit" and inserting in lieu thereof "court of appeals of the circuit".

(b) Section 3006A(i) of title 18, United States Code, is amended by striking "judicial council" and inserting in lieu thereof "court of appeals".

(c) The amendment made by subsection (a) of this section shall not affect the terms of existing appointments.

PART D—RETIREMENT AND PENSIONS

JUDICIAL RESIGNATION AND RETIREMENT

SEC. 207. (a) Section 371 of title 28, United States Code, is amended to read as follows:

"§ 371. Resignation or retirement for age

"(a) Any justice or judge of the United States appointed to hold office during good behavior who resigns after attaining the age and meeting the service requirements, whether continuous or otherwise, of subsection (c) of this section shall,

during the remainder of his lifetime, receive an annuity equal to the salary which he was receiving when he resigned.

"(b) Any justice or judge of the United States appointed to hold office during good behavior may retain his office but retire from regular active service after attaining the age and meeting the service requirements, whether continuous or otherwise, of subsection (c) of this section. He shall, during the remainder of his lifetime, continue to receive the salary of the office. The President shall appoint, by and with the advice and consent of the Senate, a successor to a justice or judge who retires.

"(c) The age and service requirements for resignation or retirement of a justice or judge of the United States under this section are as follows:

"Attained age:	Years service
65	15
70	10.".

(b) The amendments made by subsection (a) shall apply with respect to any justice or judge of the United States who retires on or after the date of enactment of this Act.

PENSIONS OF JUDGES WHO RESIGN TO ACCEPT EXECUTIVE POSITIONS

SEC. 208. (a) Section 8332(b) of title 5, United States Code, is amended by striking out "and" at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting in lieu thereof "; and", and by inserting at the end thereof the following new paragraph:

"(10) service as a justice or judge of the United States, as defined by section 451 of title 28, and service as a judge of a court created by Act of Congress in a territory which is invested with any jurisdiction of a district court of the United States, but no credit shall be allowed for such service if the employee is entitled to a salary or an annuity under section 371, 372, or 373 of title 28.".

(b) Section 8334 of title 5, United States Code, is amended by inserting at the end thereof the following new subsection:

"(i)(1) The Director of the Administrative Office of the United States Courts shall pay to the Fund the amount which an employee may deposit under subsection (c) of this section for service creditable under section 8332(b)(10) of this title if such creditable service immediately precedes service as an employee subject to this subchapter with a break in service of no more than ninety working days. The Director shall pay such amount from any appropriation available to him as a necessary expense of the appropriation concerned.

"(2) The amount the Director pays in accordance with paragraph (1) of this subsection shall be reduced by the amount of any refund to the employee under section 376 of title 28. Except to the extent of such reduction, the amount

the Director pays to the Fund shall satisfy the deposit requirement of subsection (c) of this section.

"(3) Notwithstanding any other provision of law, the amount the Director pays under this subsection shall constitute an employer contribution to the Fund, excludable under section 402 of the Internal Revenue Code of 1954 from the employee's gross income until such time as the contribution is distributed or made available to the employee, and shall not be subject to refund or to lump-sum payment to the employee.".

PART 2—TEMPORARY ASSIGNMENT OF JUSTICES AND JUDGES

ASSIGNMENT TO OTHER OFFICES WITHIN THE JUDICIAL BRANCH

SEC. 209. (a) Title 28, United States Code, is amended by inserting the following new chapter after chapter 13:

"CHAPTER 14—TEMPORARY ASSIGNMENT OF JUSTICES AND JUDGES TO OTHER OFFICES WITHIN THE JUDICIAL BRANCH

"§ 301. Temporary assignment

"Any retired justice of the United States, or any judge of the United States in active, senior, or retired status may be temporarily assigned by the Chief Justice to the position

of Administrative Assistant to the Chief Justice, Director of the Administrative Office of the United States Courts, or Director of the Federal Judicial Center. Such service shall be without additional compensation.

"§ 302. Appointment of successor

"Upon the temporary assignment of any judge in active status pursuant to section 301 of this title, the President shall, by and with the advice and consent of the Senate, appoint a successor to fill the vacancy resulting from such temporary assignment. After such a successor is appointed, if the judge who is temporarily assigned by the Chief Justice pursuant to section 301 of this title dies, resigns, or retires, then a vacancy requiring a further appointment does not occur. If the judge temporarily assigned resumes active service pursuant to section 304(a) of this title, the first vacancy created thereafter on that court shall not be filled.

"§ 303. Official duty station

"Notwithstanding the provisions of sections 374 and 456 of this title, the official duty station of the Administrative Assistant to the Chief Justice, the Director of the Administrative Office of the United States Courts, and the Director of the Federal Judicial Center is the District of Columbia.

"§ 304. Return to active service; seniority and precedence

"(a) Any judge who was in active service at the time of his temporary assignment made pursuant to section 301 of

this title may resume such active service upon vacating his temporary assignment.

"(b) For the purposes of seniority and precedence, a judge who resumes active service under subsection (a) shall be considered to have been in continuous active service as a judge of that court.".

(b) The chapter analysis of part I of title 28, United States Code, is amended by inserting the following new item immediately after the item relating to chapter 13:

PART F—RULES OF PRACTICE

PUBLICATION OF RULES

SEC. 210. (a) Chapter 131 of title 28 of the United States Code is amended by adding at the end thereof the following section:

"§ 2077. Publication of rules; advisory committees

"(a) The rules for the conduct of the business of each court of appeals, including the operating procedures of such court, shall be published. Each court of appeals shall print or cause to be printed necessary copies of the rules. The Judicial Conference shall prescribe the fees for sales of copies under section 1913 of this title, but the Judicial Conference may provide for free distribution of copies to members of the bar of each court and to other interested persons.

"(b) Each court of appeals shall appoint an advisory committee for the study of the rules of practice and internal operating procedures of the court of appeals. The advisory committee shall make recommendations to the court concerning such rules and procedures. Members of the committee shall serve without compensation, but the Director may pay travel and transportation expenses in accordance with section 5703 of title 5.".

(b) The section analysis of chapter 131 of title 28, United States Code, is amended by adding at the end thereof the following new item:

TITLE III—JURISDICTION AND PROCEDURE

PART A—TRANSFER OF CASES

TRANSFER TO CURE WANT OF JURISDICTION

SEC. 301. (a) Title 28, United States Code, is amended by adding the following new chapter after chapter 97:

"CHAPTER 99.—GENERAL PROVISIONS

"§ 1631. Transfer to cure want of jurisdiction

"Whenever a civil action is filed in a court of the United States, the United States Claims Court, a court created by Act of Congress in a territory which is invested with any jurisdiction of a district court of the United States, or a United States bankruptcy court, and that court finds that

there is a want of jurisdiction, the court shall, if it is in the interests of justice, transfer such action to any other such court in which the action could have been brought at the time such action was filed, and the action shall proceed as if it had been filed in the transferee court on the date upon which it was actually filed in the transferor court.".

(b) The chapter analysis of part IV of title 28, United States Code, is amended by adding at the end thereof the following:

"99. General Provisions ..... 1631".

PART B—INTEREST

INTEREST ON JUDGMENTS AND PREJUDGMENT INTEREST

SEC. 302. (a) Section 1961 of title 28, United States Code, is amended—

(1) by inserting "(a)" immediately before "Interest shall" in the first sentence;

(2) by striking out "at the rate allowed by State law" in the last sentence and inserting in lieu thereof the following: "at the rate established pursuant to section 6621 of the Internal Revenue Code of 1954 as of that date. The Director of the Administrative Office of the United States Courts shall distribute notice of that rate and any changes in it to all Federal judges"; and

(3) by adding at the end thereof the following new subsections:

"(b)(1) Except as provided in paragraph (2) or unless otherwise required by law, in awarding damages to a party the court may add to the sum of actual damages awarded a sum of interest computed over a period before the time of judgment where the facts of the controversy and the manner in which the case was litigated indicate that an award of such prejudgment interest is appropriate to afford the prevailing party complete relief. This prejudgment interest shall be computed at the rate fixed under subsection (a) at the time of judgment and measured from the time that the party against whom damages have been awarded became aware of his potential liability or from the time that he should have become aware of such liability but, in any case, not to exceed a period of five years.

"(2) Interest under paragraph (1) shall not be awarded on losses which will not be incurred until after judgment, nor shall such interest be awarded where such an award would be duplicative of some other sum awarded.

"(c) Interest shall be computed daily to the date of payment and shall be compounded annually.

"(d)(1) In any judgment of any court rendered against the United States for any overpayment with respect to any internal revenue tax, interest shall be allowed at an annual rate established under section 6621 of the Internal Revenue Code of 1954 upon the amount of overpayment, from the

date of the payment or collection thereof to a date preceding the date of the refund check by not more than thirty days, such date to be determined by the Commissioner of Internal Revenue. The Commissioner is authorized to tender by check payment of any such judgment, with interest as herein provided, at any time after such judgment becomes final, whether or not a claim for such payment has been duly filed, and such tender shall stop the running of interest, whether or not such refund check is accepted by the judgment creditor.

"(2) Except as otherwise provided in paragraph (1) of this subsection, interest shall be allowed on all final judgments against the United States (including judgments of the United States Claims Court) as provided in subsections (a) and (b).".

(b) Sections 2411 and 2516 of title 28, United States Code, and the items relating to sections 2411 and 2516 in the section analyses of chapter 161 and chapter 165 of such title, respectively, are repealed.

(c) Section 1302 of the Act of July 27, 1956 (31 U.S.C. 724a), is amended by striking out "to which the provisions of subsection 2411(b) of title 28, United States Code apply" and by striking out "in accordance with subsection 2516(b) of title 28, United States Code".

TITLE IV—MISCELLANEOUS PROVISIONS

EFFECTIVE DATE

SEC. 401. The provisions of this Act shall take effect October 1, 1981, or sixty days after the date of enactment of this Act, whichever is later.

EFFECT ON PENDING CASES

SEC. 402. Any matter pending before a commissioner of the United States Court of Claims on the effective date of this Act shall be transferred to the United States Claims Court. Any appeal which has been taken from a district court of the United States prior to the effective date shall be decided by the court of appeals in which it has been filed. Any matter pending before the United States Court of Customs and Patent Appeals or awaiting disposition by the United States Court of Claims on the effective date shall be transferred to the United States Court of Appeals for the Federal Circuit.

○

Senator DOLE. I will now ask the distinguished chairman of the full committee whether he has a statement.

STATEMENT OF SENATOR STROM THURMOND

Senator THURMOND. Thank you, Senator Dole.

It is a pleasure for me to introduce to you today Mr. Fletcher C. Mann, who is a participant in the first panel.

Mr. Mann is an attorney from Greenville, S.C. where he has engaged in private practice for 33 years. He is a member of the firm of Leatherwood, Walker, Todd & Mann. He is married and is the father of three children.

After graduating from the University of North Carolina in 1942, Mr. Mann entered the active service as a member of the Naval Reserve. He served in the European theater of operations commanding an LST during the Normandy invasion.

Upon his separation from the Navy, he completed law school at the University of North Carolina, graduating in 1948. He was admitted to the bars of North Carolina and South Carolina.

In addition to a very active practice, Mr. Mann has found time to participate in many worthy causes. He has been a member and chairman of the board of directors of the Greenville County Public Defender Corp. He has been a member of the Greater Greenville Chamber of Commerce. He remains very active in the Red Cross, both locally and nationally, having previously chaired the Resolutions Committee of the American National Red Cross.

Mr. Mann has very recently served the South Carolina Bar by chairing the Procedures and Law Reform Committee. This committee's proposals affecting criminal procedures are presently under consideration by the South Carolina legislature.

Mr. Chairman, I am proud to introduce Mr. Mann.

Senator DOLE. Senator Heflin, do you have an opening statement?

Senator HEFLIN. I have a statement which I shall submit for the record.

[The statement of Senator Heflin appears on page 289.]

Senator THURMOND. I have another engagement. I will have to leave. I will take pleasure in reading this testimony later.

I am sure these other gentlemen will be introduced by you.

Senator DOLE. Thank you, Mr. Chairman. We appreciate your presence. I think we are all in the same boat, having about three committee meetings going on at the same time. However, we shall proceed as best we can. In my absence Senator Heflin has agreed to preside over part of this morning's hearing so I can go down and cut your taxes at another hearing.

I will ask the first panel to approach the witness table. This panel consists of Benjamin L. Zelenko, Landis, Cohen, Singman, & Rauh; Sidney Neuman, Neuman, Williams, Anderson & Olson; Fletcher C. Mann, Leatherwood, Walker, Todd & Mann; James W. Geriak, Lyon & Lyon; and Herbert E. Hoffman, American Bar Association.

Do you have an order in which you wish to proceed?

STATEMENT OF BENJAMIN L. ZELENKO, WASHINGTON COUNSEL, COMMITTEE TO PRESERVE THE PATENT JURISDICTION OF THE U.S. COURT OF APPEALS; MEMBER, FIRM OF LANDIS, COHEN, SINGMAN & RAUH

Mr. ZELENKO. Mr. Albert E. Jenner is unavoidably absent today. He sends his regrets and apologies to the committee.

I am Benjamin Zelenko, Washington counsel for the Committee to Preserve the Patent Jurisdiction of the U.S. Court of Appeals, and a member of the law firm of Landis, Cohen, Singman & Rauh.

With your indulgence, Mr. Chairman, we offer Mr. Jenner's statement for the record.

Senator DOLE. It will be inserted in the record.

Mr. ZELENKO. Mr. Jenner is opposed to the creation of a National Patent Court of Appeals. He has no objection to other provisions of S. 21 and the consolidation of the two courts in Washington into a single court, but strenuously objects to the creation of a national court of patent appeals which would be precedent-making. It would be the single court of nationwide, exclusive jurisdiction over patent appeals.

The arguments offered to date in its behalf are unpersuasive, Mr. Jenner states. His statement attaches very recent data. For example, it shows that a total of only 119 patent appeals were filed in the last fiscal year. Thus the creation of this new court will not relieve the dockets of the courts of appeals. The new court will not ease backlogs around the country.

No convincing argument in terms of relieving the court of appeals workload can be made. The Hruska Commission which studied this matter opposed the creation of an exclusive patent court of appeals. Mr. Jenner's statement suggests that if the committee is concerned with intercircuit conflict that it deal with that matter on a broader base than patent appeals, and perhaps consider a national court of appeals as an alternative.

Mr. Chairman, I commend Mr. Jenner's statement to the attention of the committee and the staff and would like to introduce the two witnesses sitting on either side of me.

Mr. Sidney Neuman vice chairman of the Committee to Preserve the Patent Jurisdiction of the U.S. Courts of Appeals, is from Chicago, a practicing attorney in the patent field.

Mr. Fletcher C. Mann, from Greenville, S.C., also is a member of the committee.

They will each emphasize different aspects of this bill, and I thank you for your indulgence, Mr. Chairman.

[The prepared statement of Albert E. Jenner, submitted by Mr. Zelenko, follows:]

PREPARED STATEMENT OF ALBERT E. JENNER, JR.

My name is Albert E. Jenner, Jr. I am a practicing attorney in Chicago, Illinois and am privileged to serve as Chairman of the Committee to Preserve the Patent Jurisdiction of the Courts of Appeals. I have served as Senior Counsel to the Warren Commission; Chief Special Counsel to the Minority, House of Representatives Committee on the Judiciary respecting the Impeachment of President Nixon; member of the Presidential Committee on the Causes and Prevention of Violence in the United States; Chairman of the United States Supreme Court's Advisory Committee on the Federal Rules of Evidence; and a member of the Advisory Committee on the Federal Rules of Civil Practice and Procedure.

While I am not a patent law practitioner, I have tried patent cases over the years, not to mention a great many civil, criminal, and agency cases in various federal and state courts, trial and appellate, throughout the nation. As some of your disinguished colleagues are aware, I have devoted a great deal of my time and energy for some 50 years to the improvement of the administration of justice in the state and federal courts. In that regard, the issue of specialized federal courts has often risen (and I have, in most instances, been opposed). I have long regarded the patent system, and particularly its federal judicial administration, vital to our great country.

I am accompanied today by Mr. Sidney Neuman, Vice Chairman of the Committee, who is a practicing patent attorney from Chicago, Illinois, and by Mr. Fletcher C. Mann, a member of the committee who is a practicing attorney in Greenville, South Carolina. Our committee is composed of practicing attorneys from New York City, Chicago, Philadelphia, Los Angeles, Houston, Dallas and Cleveland. We appreciate the opportunity to express our views on S. 21 and similar legislation and to indicate why we believe that the disadvantages of a national court of patent appeals far outweigh the alleged benefits that will

result. I thank you for permitting me to be one among them.

At the outset, we should make clear that we do not oppose the provisions of S.21 which would consolidate the jurisdiction and operations of the United States Court of Claims and the United States Court of Customs and Patent Appeals. Insofar as the consolidation may produce economies in operations and efficiencies in the administration of justice, our committee endorses that proposal. Rather, our testimony is directed to that part of S.21 that would confer on the new Court of Appeals for the Federal Circuit exclusive nationwide jurisdiction over appeals in patent cases under section 1338 of title 28 of the United States Code. We note that S.1477, the bill approved by the Senate Judiciary Committee in the 96th Congress, provided that the new court would not exercise national trademark jurisdiction. (S. Rept. No. 96-304 at 10). The bill now before the Subcommittee wisely continues to exclude trademark cases. We urge the Subcommittee to make a parallel amendment to S.21 and eliminate the grant of exclusive nationwide patent jurisdiction.

Perhaps the best way I can present my testimony is to analyze some of the specific reasons considered persuasive in the 96th Congress for endorsing this proposal and demonstrate why those reasons are no longer applicable. Mr. Neuman will examine the alleged uncertainty problem and the expected impact of the Patent reexamination amendments enacted last year which are due to become effective shortly. These amendments, if effective, should reduce or eliminate lengthy patent litigation. Mr. Mann will discuss the need to retain patent appellate jurisdiction in the regional courts of appeals.

For example, the House Judiciary Committee report asserted that a single national patent appeals tribunal would help to alleviate docket pressures on the regional courts of appeals (H. Rept. No. 96-1300 at 16). But, in fact, how many patent appeals are filed annually, and to what extent will transfer of this jurisdiction relieve caseload pressure on the courts of appeals around the country? The data that we have assembled show that in 1978, 163 patent appeals were filed nationally and in 1979, the number was approximately 192. (This figure may be slightly inflated since it includes trademark cases.) Moreover, recently compiled data for fiscal year 1980 indicate only 119 patent appeals filed in the eleven circuit courts of appeals. Thus, these cases

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account for approximately 1% of the total appellate caseload. While there may be other reasons advanced for a new patent court of appeals, the data simply do not support the claim that a new national court will relieve docket congestion or ease caseloads in the Courts of Appeals.

The House Committee report also sought to justify the authority of the new court to rule on non-patent questions by pointing out that the existing Court of Customs and Patent Appeals also sometimes decides cases which include issues other than patent questions, i.e., fraud, violation of antitrust laws, unfair competition, etc.

We have made a research effort through the use of Lexis to ascertain the number of CCPA decisions in which antitrust issues were in fact decided, and could find none. Nevertheless, the proposed new National Court of Patent Appeals is to be empowered to decide antitrust questions as well as other legal questions when they are raised in a patent appeal. This is a far-reaching change from present practice. We urge the Subcommittee to reconsider whether conferring such broadened power upon a new national court will aid the thoughtful development of the law and provide the best quality of appellate justice.

The Senate Committee report (S. Rept. No. 96-304 at 11-12) also suggests that the Hruska Commission which deplored "forum shopping" in the patent law, impliedly endorsed a single patent appeals court. Quite the contrary. The Hruska Commission, expressly opposed the creation of such a court.

The Commission concluded that additional appellate capacity might best be provided through a National Court of Appeals, but not by a separate appellate forum for patent appeals (or tax appeals, for that matter). The Hruska Commission found that such tribunals had substantial disadvantages and understandably opposed their creation.

The Commission met head-on and specifically rejected the claim that the need to declare national law could be remedied by a national court of patent appeals. Its words were wise indeed, and I commend and have long shared and vigorously advocated, the Commission's statements respecting specialized courts. The Commission stated:

> "Proposals for a court of tax appeals and for a court of patent appeals have been raised periodically at least for the past 25 years. More recently there have also been proposals for a

> court of environmental appeals and what would basically be a court of criminal appeals.
>
> * * * * *
>
> "After extensive discussion the Commission concluded that, on balance, specialized courts would not be a desirable solution either to the problems of the national law or, as noted elsewhere, to the problems of regional court caseloads.
>
> "Our conclusion rests in part on the disadvantages which we perceive as inherent in the creation and operation of specialized courts. A number of the witnesses testifying before the Commission have echoed the views of Simon Rifkind, first presented in an oft-cited 1951 article, that the quality of decision-making would suffer as the specialized judges become subject to "tunnel vision," seeing the cases in a narrow perspective without the insights stemming from broad exposure to legal problems in a variety of fields.
>
> * * * * *
>
> "Other objections to specialized courts also have force. Judges of a specialized court, given their continued exposure to and great expertise in a single field of law, might impose their own views of policy even where the scope of review under the applicable law is supposed to be more limited. Vesting exclusive jurisdiction over a class of cases in one court might reduce the incentive, now fostered by the possibility that another court will pass on the same issue, to produce a thorough and persuasive opinion in articulation and support of a decision . . . . Our nation is not yet so homogenous that the diversity of our peoples cannot be reflected to some advantage in the decisions of the regional courts. Excluding these courts from consideration of particular categories of cases would also contract the breadth of experience and knowledge which the circuit judges would bring to bear on other cases; the advantages of decision-making by generalist judges diminish as the judges' exposure to varied areas of the law is lessened." 1/
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> * * * * *

It is true that the Commission noted that the patent law was a problem area and that forum shopping occurred in patent cases. But despite these findings, the Commission met head-on, as I have said, the proposal to transfer appeals in patent infringement cases to the Court of Customs and Patent Appeals and rejected that idea. Its conclusion was quite specific:

> "Under all these circumstances, the Commission concluded not to recommend diverting patent appeals from the generalized circuit courts to a special court of patent appeals . . ." 2/

We would add that certainty in the law, which some in the patent field seek at any price, is simply not worth the far-reaching disruption of the administration of justice in the federal appellate court structure that I believe would follow.

1/ Commission on Revision of the Federal Court Appellate System, Washington, D.C., 1975 at pages 64 - 67.

2/ Id., at 67.

If forum shopping is the evil about which the Committee is primarily concerned, then there is a clear and simple amendment to the Judicial Code which can eliminate forum shopping in patent cases. We will suggest amendatory language for the purpose.

The Senate Committee report also noted that a number of corporate enterprises endorsed the notion of centralizing patent appeals in a national court because they believe that patent cases are inconsistently adjudicated. (S. Rept. No. 96-304, at 12). But large corporate patent users do not all share that view, as Mr. Neuman will explain. Furthermore, whether or not major patent users presently endorse or oppose a single patent appeals court, it seems to me this distinguished Subcommittee might well ask why not a single antitrust court, or a new national environmental law tribunal or a national tax court, etc. Certainly, these areas of the law generate important consequences for technological innovation and industrial advancement. It is illusory to believe that America's inventive genius and industrial technology will prosper if all appellate patent jurisdiction is merged into one national appellate tribunal.

The burden is on those who propose to tinker with the present federal appellate structure and establish a new Article III tribunal with exclusive subject matter jurisdiction. The Senate Committee report, in further support of a National Patent Court of Appeals, states:

> "... a major purpose of the bill is to create a forum to which Congress can route cases where there is a felt need for uniformity in the national law ..."

S. Rept. No. 96-304 at 14. Thus, what is being proposed today as a modest rearrangement of the jurisdiction of two existing courts, in fact, may be the precursor of a super court with expanding national jurisdiction in specific subject matter areas of the law. It represents a fundamental restructuring of federal appellate justice without parallel or precedent. As you know, the American Bar Association opposes so radical a change of the appellate court system. I was a member of the ABA Board of Governors and the ABA House of Delgates which considered that matter.

In summary, we do not believe that the data demonstrate any significant lessening of judicial workload by transferring appeals in all patent cases to a single appellate court, nor do we believe that the development of patent law

will be improved by placing exclusive jurisdiction for its enunciation in a single specialized appellate tribunal. In that regard, we concur in the conclusions reached by the Hruska Commission.

Consolidation of the Court of Claims and the Court of Customs and Patent Appeals may be a worthwhile endeavor. At the least, the consolidated Court will be less specialized than each unmerged court presently is. Furthermore, the merged court will greatly reduce expenses of administration, improve the judiciary, and advance the administration of justice.

We appreciate your invitation to appear here today and we will be happy to answer any questions following the statements of Mr. Neuman and Mr. Mann.

Thank you.

CHART I

CASES TO BE TRANSFERRED FROM THE UNITED STATES COURTS OF APPEALS TO THE PROPOSED COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PATENT AND TRADEMARK APPEALS [1]

Fiscal Year	Cases Filed	Percent of the Total Cases Filed in U.S. Courts of Appeals [2]
1979	192 [3]	1.17%
1978	163 [4]	1.04%

1/ The number of Patent Appeals alone is not reported.

2/ The percentage is derived from the total number of cases filed in the U.S. Courts of Appeals from the U.S. District Courts found in the 1979 Annual Report of the Director of the Administrative Office of the United States Courts, p. 197, Table 4.

3/ H. Rept. No. 1300, 96th Cong. 2d Sess. (1980), pp. 21 - 22.

4/ The figure refers to Patent Appeals only. Derived by subtracting the number of federal contract cases where the U.S. is a defendant (209), found in the 1979 Annual Report of the Director of the Administrative Office of the United States Courts, p. 197, Table 4, from the total of patent and federal contract cases (372) found in S. Rept. No. 304, 96th Congress, 1st Session (1979), p. 14.

CHART 2

CASES TO BE TRANSFERRED FROM THE
UNITED STATES COURTS OF APPEALS TO
THE PROPOSED COURT OF APPEALS FOR THE FEDERAL CIRCUIT

FEDERAL CONTRACT CASES WITH U.S. AS DEFENDANT

Fiscal Year	Cases Filed	Percent of the Total Cases Filed in U.S. Courts of Appeals 1/
1980	179 2/	.93%
1979	158 3/	.97%
1978	209 4/	1.34%

1/ The percentage is derived from the total number of cases filed with the U.S. Courts of Appeals from the U.S. District Courts found in the 1979 Annual Report of the Director of the Administrative Office of the United States Courts, p. 197, Table 4 and the 1980 Annual Report of the Director of the Administrative Office of the United States Courts, p. 45, Table 3.

2/ 1980 Annual Report of the Director, p. 45, Table 3.

3/ Ibid.

4/ 1979 Annual Report of the Director of the Administrative Office of the United States Courts, p. 197, Table 4.

CHART 3

U.S. COURT OF CUSTOMS AND PATENT APPEALS AND U.S. COURT OF CLAIMS COMBINED CASELOAD

Year	Cases Filed
1980	740 1/
1979	585 2/
1978	504 3/
1977	663 4/

1/ Compiled from the "United States Court of Customs and Patent Appeals Report for the Year Ended June 30, 1980" and the 1981 Annual Report from the Office of the Clerk, United States Court of Claims, p. 46. The data from the U.S. Court of Claims reflect only cases terminated in the year ending September 30, 1980.

2/ Compiled from figures in H. Rept. No. 1300, 96th Cong., 2d Sess., (1980), pp. 21 - 22.

3/ Compiled from figures in S. Rept. No. 304, 96th Cong., 1st Sess. (1979), p. 13.

4/ Compiled from the "United States Court of Customs and Patent Appeals Report for the Year Ended June 30, 1977" and the 1978 Annual Report from the Office of the Clerk, United States Court of Claims, p. 38. The data from the U.S. Court of Claims reflect only cases terminated in the year ending September 30, 1977.

CHART 4

Patent Appeals Filed by Circuit
Year Ended June 30, 1980 *

Circuit	Patent Appeals
Total	119
District of Columbia	2
First	4
Second	12
Third	15
Fourth	6
Fifth	6
Sixth	14
Seventh	21
Eighth	1
Ninth	34
Tenth	4

* Source: Administrative Office of the United States Courts
Washington, D.C.

CONTINUED

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CHART 5

Patent Cases Filed and Pending by District
Year ended June 30, 1980

Circuit and District	Patent Cases Filed	Patent Cases Pending June 30
Total	811	1,535
District of Columbia	15	18
First Circuit	41	90
Maine	-	1
Massachusetts	31	77
New Hampshire	5	6
Rhode Island	3	4
Puerto Rico	2	2
Second Circuit	104	182
Connecticut	15	36
New York:		
Northern	5	6
Eastern	14	44
Southern	63	77
Western	5	16
Vermont	2	3
Third Circuit	88	156
Delaware	20	51
New Jersey	42	60
Pennsylvania:		
Eastern	18	28
Middle	-	1
Western	8	16
Virgin Islands	-	-
Fourth Circuit	36	79
Maryland	8	16
North Carolina:		
Eastern	3	9
Middle	-	7
Western	5	8
South Carolina	1	25
Virginia:		
Eastern	13	5
Western	4	6
West Virginia:		
Northern	-	1
Southern	2	3
Fifth Circuit	113	241
Alabama:		
Northern	1	3
Middle	1	-
Southern	-	-
Florida:		
Northern	1	1
Middle	14	23
Southern	22	71
Georgia:		
Northern	12	18
Middle	3	3
Southern	1	2
Louisiana:		
Eastern	5	12
Middle	-	1
Western	6	9
Mississippi:		
Northern	-	3
Southern	2	2
Texas:		
Northern	27	44
Eastern	-	2
Southern	15	36
Western	3	11
Canal Zone	-	-

Circuit and District	Patent Cases Filed	Patent Cases Pending June 30
Sixth Circuit	101	189
Kentucky:		
Eastern	2	6
Western	2	4
Michigan:		
Eastern	45	80
Western	4	11
Ohio:		
Northern	25	47
Southern	10	26
Tennessee:		
Eastern	5	5
Middle	4	5
Western	4	5
Seventh Circuit	109	228
Illinois:		
Northern	77	157
Central	6	7
Southern	1	2
Indiana:		
Northern	7	13
Southern	5	11
Wisconsin:		
Eastern	10	33
Western	3	5
Eighth Circuit	35	69
Arkansas:		
Eastern	1	-
Western	-	-
Iowa:		
Northern	1	1
Southern	4	6
Minnesota	16	40
Missouri:		
Eastern	5	6
Western	3	8
Nebraska	2	6
North Dakota	2	1
South Dakota	1	1
Ninth Circuit	135	225
Alaska	-	1
Arizona	9	16
California:		
Northern	27	45
Eastern	7	13
Central	63	97
Southern	7	11
Hawaii	-	4
Idaho	-	1
Montana	-	1
Nevada	-	-
Oregon	6	13
Washington:		
Eastern	4	5
Western	12	18
Guam	-	-
Northern Marianas	-	-
Tenth Circuit	34	58
Colorado	9	10
Kansas	9	20
New Mexico	1	1
Oklahoma:		
Northern	1	2
Eastern	2	2
Western	6	8
Utah	5	14
Wyoming	1	1

Senator DOLE. Thank you, Mr. Zelenko.
Mr. Neuman?

STATEMENT OF SIDNEY NEUMAN, ATTORNEY, NEUMAN, WILLIAMS, ANDERSON & OLSON, CHICAGO, ILL.

Mr. NEUMAN. I am Sidney Neuman. I am a member of the Illinois Bar and I am admitted to practice in a number of the Federal district courts and regional courts of appeals.

My credentials are set forth in the written statement which has been submitted. However, I would like to mention for the record that I have been engaged in patent litigation for more than 50 years. I have been a fellow of the American College of Trial Lawyers for over 20 years.

I would like to begin by quoting Mr. Justice John Paul Stevens. This is when he addressed the Hruska Commission on behalf of all of the active judges, save one, of the Court of Appeals for the Seventh Circuit, he said:

> Since the task of the appellate court is often made relatively simple by the District Court's thorough and well-prepared findings of fact, we do not consider this phase of our work unduly burdensome. Certainly the burden of patent litigation falls more heavily on district judges than on us.

Therefore, Mr. Chairman, my first point is this: No special technical or patent expertise is required at the appellate level. The appellate court does not review the evidence for the purpose of determining whether if it were the trier of facts it would have reached a different decision on the same factual record. Its sole function is to decide whether the judgment below is legally correct.

The subject matter of a patent involved in a patent suit and the technical evidence relating to it are always covered by findings of fact which are based on the testimony of live expert witnesses. These findings are required to be accepted by the appeals court under rule 52(a) unless clearly onerous, but the rule also enjoins the court to give due regard to the opportunity of the trial court to judge the credibility of witnesses.

As the Supreme Court emphasized in the *Graver* case (336 U.S. 271), there is no case to which this clause is more applicable than a patent case involving expert testimony. In other words, Mr. Chairman, technical expertise in a patent case is supplied by live expert witnesses examined in the trial court, and not by appellate court judges.

A court of appeals may not reexamine a fact found by a jury. Nor is patent law an esoteric mystery. It may be mastered by a judge lacking previous experience with the subject just as easily as he acquires an understanding of other fields of law in which he has had no prior practice. Our basic statute is no more difficult to read and understand than other statutes which a judge must deal with.

While I do not favor specialization at either the trial level or the appellate level, I feel that I should at least point out that the approach being taken by S. 21 is the exact opposite of the British system. There the high court of justice, Chancery Division, has a "special" patent's trial judge who tries the infringement actions, but the appeals are presented to and decided by generalist judges of the court of appeals.

I prefer our present system, and I urge this committee to follow Justice Stevens' conclusion, which was this:

> As long as patent litigation is considered appropriate for trial by Federal judges it should also continue to be appropriate for Federal appellate courts of general jurisdiction.

I would now wish to take up the three basic grounds which led this committee during the last Congress to support establishment of the new court. These were:

No. 1, the court will increase doctrinal stability, that is, lead to definitive and uniform adjudications in patent cases;

Two, it will insure predictability and provide for a more reliable system by making business planning easier; and

Three, it will eliminate forum shopping.

Let me consider together grounds two and three because one of them is already satisfied and the other one may be easily attended to without creating a new court.

On July 1 of this year a reexamination procedure becomes operational in the Patent Office. This procedure will permit the Patent Office to consider prior art not previously of record and determine whether the patent should have been issued or whether it should be canceled.

According to the House report accompanying H.R. 6933, the procedure will permit resolution of validity questions without recourse to expensive litigation and will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

Surely these objectives are the very same ones sought by the corporate patent counsel proponents of the new court. And, I consequently submit that creation of the court is now duplicative; it is unnecessary, especially when all that remains to be done is to complement the reexamination procedure with the enactment of a simple amendment of the patent venue provisions which would deal with forum shopping by controlling and regulating the commencement of patent litigation. Under the amendment which we are proposing, patent owners would have priority to select the forum, subject to defeasance and the accused infringer's right to initiate the litigation under the Declaratory Judgment Act and select the forum to be preserved.

Reexamination and our proposed amendment constitute a palatable alternative to tinkering with the time-honored procedure for reviewing patent cases on appeal.

As to alleged lack of stability in the patent decisions, so far as I have been able to ascertain this ground relates principally to the decisions of the courts dealing with the obviousness issue under section 103 of the Patent Code.

There is no serious contention that the courts are guilty of misinterpretation or are misapplying the law as to dozens of other issues which arise in patent cases.

But are the courts actually mishandling the obviousness cases? I say the answer is no. They are deciding the cases on a case-by-case basis as they have been directed to do by the Supreme Court's decision in *Graham* v. *Deere*.

Obviousness is a question which must be determined vel non in the light of the specific evidence of a case. As the Supreme Court

has said, there can be no uniform definition of obviousness. It will vary from case to case and the test is always an objective one. The trier of facts must make the factual inquiries mandated by the statute and then determine whether the subject matter would have been obvious to a man skilled in the art. He is a hypothetical man. Just as in tort cases where we have the hypothetical reasonably prudent man, the trier of facts must make a judgment as to conduct or scienter, so in patent cases must the court make a judgment as to the skill of a hypothetical person.

In the factual context of the cases and in appraising the level of ordinary skill in the specific art involved, the courts are holding some patents valid for nonobviousness while in others the patents are being held invalid for obviousness. This does not mean that there is any inconsistency in the decisions. It does not mean that the courts are misinterpreting the law. It does not mean that the courts are guilty of misapplying the law. And it does not mean that the standard of patentability varies from circuit to circuit. It simply means that on a case-by-case basis there is no uniformity in the results. But this clearly is not inconsistency or uncertainty in the decisions.

The only surveys which have been made of section 103 cases decided in the last 7 years show that there is no "anti-patent" or "pro-patent" pattern in any of the circuits and that the rules laid down by the Supreme Court are being followed on a case-by-case basis. Lack of uniformity exists only in the results.

There are many other areas of the law where judges come to different conclusions while applying the same rules of law.

Finally, the concept of a single court having exclusive jurisdiction over all patent matters is incompatible with the public interest. The same court should not preside over both the U.S. Patent Office and the district courts throughout the land. This is an improper merger of the patent-issuing process which is an administrative function of the executive branch with the patent adjudication process committed to the judicial branch. If antipatent, such a court can literally destroy the patent system. On the other hand, by becoming unduly propatent, it can seriously affect the members of the public who are entitled to be freed from paying tribute to questionable patents. Whether patents should be upheld or invalidated should be left to an effective independent judiciary.

The dangerous incongruity of the twofold jurisdiction of the proposed court has been underlined by the differing statutory intents which have been expressed as to the manner in which it will discharge its appellate functions. Last year this committee authorized the use by the judges of the proposed court of technical advisers to aid in the resolution of patent cases. But the House committee has said no—to do so in adversarial litigation will violate due process.

To me this means that there is something wrong with the single court concept. And I submit that instead of attempting to reconcile these conflicting views or finding a compromise, this committee should now remove from S. 21 the provisions providing for jurisdiction over the patent decisions of the district courts.

[The prepared statement of Mr. Neuman follows:]

Prepared Statement of Sidney Neuman

Mr. Chairman and Members of the Subcommittee:

I greatly appreciate this opportunity to appear before you and testify with respect to the provisions of S-21 which would establish a Washington-based court having exclusive appellate jurisdiction over all patent cases arising in the United States Patent and Trademark Office and the United States District Courts throughout the country.

I am one of the two patent lawyers who were appointed in 1965 by President Johnson to serve as members of his President's Commission on the Patent System. The principal thrust of the recommendations of our report which was submitted to the President in November 1966 was to raise the quality and reliability of a U.S. Patent. One of our recommendations was installation of a Patent Office reexamination and cancellation procedure, a matter to which I shall hereafter make reference.

In 1970-71 I was President of the American Patent Law Association; in 1966 I served as President of the Patent Law Association of Chicago; and in 1955 I was the President of the Bar Association of the Seventh Federal Circuit which is a group of lawyers from the three states which make up the circuit, the principal function of which is to participate with the judges of the circuit in holding their annual Circuit Judicial Conference. I have been a Fellow of the American College of Trial Lawyers since 1959.

I appear in a personal capacity as an attorney who has spent many years in patent litigation; I am Vice-Chairman of Mr. Jenner's Committee and I am also authorized to speak for the Bar Association of the Seventh Federal Circuit.

Our presentation is in a very real sense a petition for rehearing; a request for reconsideration and reexamination, if you will, of the three basic grounds which appear from Senate Report No. 96-304 to have persuaded the Committee on the Judiciary to support establishment of the new court during the last Congress (S-1477). These are: (1) the court will increase doctrinal stability, i.e., lead to definitive and uniform adjudications in patent cases, (2) it will ensure predictability and provide for a more reliable patent system by making business planning easier and (3) it will eliminate forum shopping in patent cases.

I recognize that our Committee has undertaken a heavy burden but, nevertheless, I confidently hope that I can demonstrate to your complete satisfaction that:

(1) there was no basis, in fact, for the contention of the proponents of the court that there was instability and a serious lack of uniformity in the patent decisions of the regional courts of appeals;

(2) that in view of Public Law 96-517 (HR 6933, 96th Congress) which becomes effective July 1, 1981 and which provides for reexamination by the Patent Office of issued patents, there is not now any urgent need for creation of a special patent appeals court; the new law should be

afforded a reasonable time for determining whether it will make business planning easier, correct the alleged predictability problem and restore confidence in our patent system; and

(3) that a new court to eliminate forum shopping is not needed in that all that remains to be done to complement the reexamination procedure is the adoption of a simple amendment of the statute applicable to declaratory judgment actions assuring patent owners of more control over the forum in which the validity of their patents will be adjudicated.

I believe that it will assist this Committee if I spend some time discussing and explaining patent cases in general and in exploring with you whether there is any basis for a "patent-case" mystique. I hope that my discussion and explanations will convince you that patent cases - a traditional Federal-type litigation - should not be removed from the mainstream of cases going to our regional courts of appeals "as long as this type of litigation is considered appropriate for trial by federal judges". These were the words of Judge (now Justice) Stevens when he addressed the Hruska Commission in 1974 on behalf of a majority of the judges of the Court of Appeals for the Seventh Circuit. I submit that this is still true because, as was wisely pointed out by Justice Stevens, the "burden of patent litigation falls more heavily on district judges" than on circuit judges.* I also hope that I can convince you that our Federal appellate system is not malfunctioning in the patent area, which some observers seem to believe.

*As reported in the transcript of the hearings before the Commission on Revision of the Federal Court Appellate System, Second Phase, Vol. 1, 1974 hearings, p. 510.

My firm, located in Chicago, is now in its 83rd year of continuous practice of so-called "patent law". I went to work at the firm when I was 17; I studied law at Chicago Kent College of Law, then a night school and I was admitted to the Illinois Bar in 1926. I have been involved in patent litigation ever since - more than 50 years. Without any technical background, or formal scientific education, I have tried not only mechanical patent cases, but chemical and electrical patent cases as well.

My firm's practice and clientele have always covered the entire spectrum of patents. Thus, one aspect of our practice is that of representing both individual inventors and companies in the United States Patent and Trademark Office, soliciting and obtaining patents for them. Another is counseling and advising clients in patent matters, rendering opinions and negotiating and drafting agreements and licenses respecting patents. Lastly, we engage in patent litigation, either prosecuting or defending patent infringement cases. In some cases, we are on the side of the patent owner and in others we represent the party charged with infringement.

We are neither "pro-patent" nor "anti-patent", our philosophy of advocacy in simple terms being this: in a given case (and whether we are for the patent or against it) we are sworn to seek, by the use of our best efforts and by fairly employing the tools available to us, a decision favorable to the client. For example, as advocates in a case where we are for the patent, we may contend that in the <u>given factual content</u> of the case, the subject matter of the patent is non-obvious. And one week later in another case

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involving another patent and in a different factual context we may contend that the subject matter is obvious. I believe that my firm is representative of the patent trial bar. There are few if any of us who are classifiable as plaintiffs' lawyers or as defendants' lawyers as is so true in many areas of the law. It is only natural, therefore, that we at the patent trial bar should favor a judicial process or system for the adjudication of patent cases in which our courts and our judges mirror or reflect the philosophy of the bar and are neither "pro-patent" nor "anti-patent" and thus on a case-by-case basis are available to decide the issues in the light of the specific evidence and the applicable principles of the law.

And now, may I explain generally what a patent case is all about; how these cases are tried in the lower courts and handled on appeal. They are, in short, tried and appealed in precisely the same manner that other cases are tried and appealed. There is no reason whatever for considering them as a different breed of cats.

Patent infringement is, in essence a subject of the law of torts. A patent is a property right and its violation or infringement is a trespass upon that right. The action may be at law or in equity. If at law, it may be tried before a jury or qua a bench trial by the district judge. The equity actions seeking injunctive relief and an accounting are tried by the district court judge. The proof in patent cases is subject to the same laws or rules of evidence applicable to other cases.

The basic issues in a patent case are: is the patent valid and has it been infringed? There is nothing mysterious about these issues.

(a) With respect to the validity issue: although by statute the patent claims which have been granted are presumptively valid, one charged with a violation of the patent is entitled to attack its validity and ask the court to hold that, on the evidence before it, the constitutional and statutory prerequisites of patentability have not been met. The ultimate question of patentability is one of law, but its resolution is dictated by the facts as established by the evidence.

(b) With respect to the infringement issue: patent claims have been likened to the description of real estate in a deed; they fix the metes and bounds of the property right. If the words of the claim can be reasonably applied to the accused device, composition or process, infringement has been made out; otherwise not. In some cases however, even though the claims do not verbally embrace the accused object, it is still possible to reach a conclusion of infringement under the so-called "equivalents" doctrine when the accused device "performs substantially the same function in substantially the same way to obtain the same result". There are well-established rules and guidelines governing the resolution of the infringement issue on the basis of the specific evidence in the case.

Nor is knowledge of the patent law a serious problem. It may be mastered by a judge lacking previous experience with the subject just as easily as he acquires an understanding of other areas of the law in which he has had no prior practice. We have a basic statute which is no more difficult to read and understand than other statutes which a judge must deal with. My reading of literally thousands of patent decisions in the course of my many years of practice has never left me with the feeling that generalist judges were or are incapable of either comprehending the principles of patent law or applying them to the facts of a case. May I here quote that distinguished member of our profession, the Honorable Simon H. Rifkind:

> If the patent law has already become so esoteric a mystery that a man of reasonable intelligence cannot comprehend it, then something has gone seriously wrong with the patent law.*

That was thirty years ago and today - 1981 - I would paraphrase his concluding remark by observing:

> If that is so, the cure lies in correcting the law, not in tinkering with our traditional federal appellate structure.

There are a few other observations to be made at this point:

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*American Bar Association Journal, June 1951, Vol. 37 p. 425.

1. Does the trial of a patent case differ from the trial of other cases over which the federal courts have jurisdiction? The difference, if any, lies only in the nature of the subject matter. As I have said, a patent case is tried in precisely the same way that other cases are tried. Accordingly, where the subject matter or technology is complex, the parties call expert witnesses to assist the court in understanding the issues and the evidence, just as such witnesses are called for exactly the same reason, in medical, product liability, envinronmental law and other complicated cases, including tax and antitrust cases. As in such other cases, competent trial counsel provide the court with visual aids, models, charts and diagrams.

2. Is a patent appeal different from other appeals? The answer is "no". The appeal in a patent case is briefed and argued in precisely the same manner as other appeals. The facts have already been established in the trial court. The evidence is covered by findings made by the trial court pursuant to Rule 52(a) F.R. Civ. P. or by a jury and the sole function of the appellate court is to determine whether the judgment is legally correct, not whether a different result could have been reached on the same evidence. Thus, there is no de novo hearing and the standard and scope of review is no different from those in other appeals.

3. Is a special technical expertise required at the appellate level? "No." The appellate court does not review the evidence for the purpose of determining whether, if it were the trier of facts, it would have reached a different decision on the same factual record. Under Rule

52(a) F.R. Civ. P., the findings of fact will be accepted unless they are "clearly erroneous" and this rule also enjoins the appellate court to give due regard to the opportunity of the trial court to judge the credibility of witnesses. Where the experts disagree, and this is not uncommon, the choice made by the trial judge of the views of the opposing witnesses is his unique function. As the Supreme Court said in Graver Mfg. Co. v. Linde Co. 336 U.S. 271, 274-5 (1948) Rule 52(a) is especially appropriate where the evidence is largely the testimony of experts.

In other words, technical expertise in a patent case is supplied by live witnesses examined in the trial court - not by appellate court judges.

4. If patent cases are burdensome, where is this impact felt? I have no reason to disagree in any way with the observation made by Judge (now Justice) John Paul Stevens when he spoke for all of the active judges of the Court of Appeals of the Seventh Circuit before the Hruska Commission. In opposing the creation of a special patent appeals court he said,

> [I]n our judgment the benefits to be gained by using specialized appellate courts are generally overstated. As an example, we might consider the number of patent appeals. During the five-year period encompassing the fiscal years 1969 through 1973 there were only 649 such appeals in all 11 circuits; the average is only about 130 per year, or about 12 per circuit, which in turn is only

> slightly more than one patent case a year for each active circuit judge.* Since many of these appeals present fairly narrow issues, and since the task of the appellate court is often made relatively simple by the district court's thorough and well prepared findings of fact, we do not consider this phase of our work unduly burdensome. Certainly the burden of patent litigation falls more heavily on district judges than on us. We are therefore persuaded that as long as this type of litigation is considered appropriate for trial by federal judges, it should also continue to be appropriate for federal appellate courts of general jurisdiction, particularly if the ultimate power of review is to remain in the Supreme Court. [Emphasis added.]*

Patent appeals are no more burdensome today than they were in 1974. As appears from the attachment to Mr. Jenner's statement, the number of these appeals filed in the year ended June 30, 1980 totalled 119, less than the yearly average of 130 in the period covered by Justice Stevens.

A. There is No Serious or Substantial Lack of Uniformity in the Patent Decisions of the Regional Courts of Appeals

As appears from Senate Report No. 96-304 which accompanied S-1477 of the last Congress, establishment of the proposed court was favored as providing "a forum that

*Hruska Commissions Transcript Vol. I p. 510-11.

will increase doctrinal stability in the field of patent law."

While it did not say so explicity, it seems that Senator Kennedy's Committee concluded that there is no uniformity in the law of patents. It is true that the report states that testimony had been received which confirmed findings of the Commission on Revision of the Federal Court Appellate System (the Hruska Commission) that "patent cases are inconsistently decided" but this is an over simplification and there is no bill of particulars. For example, I do not find in the Commission's Report any basis for the assertion that application of the patent law "to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases." Moreover, the summary of the report of the Hruska Commission's consultants (67 F.R. D369-71) which purports to set forth the alleged findings which were said to be confirmed by the testimony is very general and non-informative. It is sprinkled with such phrases as "differences in application" and "differences in interpretation", but it does not spell out the specific substantive issues or alleged problems. In any event, the survey which was conducted is statistically insignificant because out of 1,400 inquiries, there were only 240 usable responses, a mere 17%. In contrast, a recent poll of the membership of the Patent Law Association of Chicago has a response of about 50% with 186 members voting <u>against</u> the proposed court and only 162 in favor.

So far as I have been able to ascertain, the alleged uncertainty in the law has to be the decisions of the courts dealing with the issue of "obviousness" under 35 U.S.C. §103

and only that issue. There is no serious contention that the courts are improperly interpreting any of the sections of the Patent Code cited in the margin*, or are guilty of misapplying any of the rules of law when addressing any of the issues which I have enumerated. There is hence no lack of uniformity of any uncertainty as to the dozens of other issues which arise in a patent case.

I therefore believe that I can best help this Committee by explaining the obviousness issue fully and showing that because of its essential nature, only the results in the cases are different and of necessity non-uniform. In the <u>factual</u> context of the individual cases, some patents are being held valid for non-obviousness, while in other cases, the patents are being held invalid for obviousness. This does not mean that there is any inconsistency in the decisions. It does not mean that the courts are misinterpreting the law. It does not mean that the courts are guilty of misapplying the law. And, it does not mean that the standard of patentability varies from circuit to circuit. It simply means that on a case-by-case basis, there is no uniformity in the results. Plainly, this is not inconsistency or uncertainty in the decisions.

Allow me to now quote Section 103 of the Patent Code and then demonstrate that the courts are not only

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*Lack of patentable subject matter under 35 U.S.C. §101; lack of novelty under 35 U.S.C. §102; invalidity for non-compliance with 35 U.S.C. §112; priority questions under 35 U.S.C. §§119 and 120; new matter under 35 U.S.C. §132; non-infringement under 35 U.S.C. §271 including such subsidiary issues as equivalency, file-wrapper estoppel, abandonment and late claiming; fraud on the Patent Office; and misuse or non-enforceability.

following its mandate but that of the Supreme Court as well. That section is as follows:

> A patent may not be obtained....if the difference between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Thus, the courts have been instructed, or commanded if you will, to resolve the obviousness issues in the light of the given factual contents of the cases.

In Graham v. Deere, 383 U.S. 1, 17-18 (1966) the Supreme Court fixed the interpretation to be placed upon this section. Calling for "strict observance" of the requirements, the court announced the method of analysis to be followed by the courts thus:

> The §103 condition...lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; the difference between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved.

The determination of the question of obviousness under these guidelines is required to be made vel non on the basis of the specific evidence in the case. Just as in tort cases, where there is a hypothetical "reasonably prudent man", so in patent cases involving an obviousness issue there is a hypothetical "man skilled in the art". Accordingly, the trier of facts must make the factual inquiries mandated by the Supreme Court and then determine whether under §103 the subject matter "would have been obvious" to a person having ordinary skill in the art - a hypothetical man.

The test is an objective one. There is no gray area. The "difference" is either black or white. And there is no uniform definition of obviousness. The court's judgment must always be made on the basis of the specific factual content of a specific case.

This was recognized by the Graham court. Thus, after laying down the Section 103 guidelines and method of analysis to be followed by the courts, the Supreme Court said:

> This is not to say, however, that there will not be difficulties in applying the nonobviousness test. What is obvious is not a question upon which there is likely to be uniformity of thought in every given factual context. The difficulties, however, are comparable to those encountered daily by the courts in such frames of reference as negligence and scienter, and would be amenable to a case-by-case development. We believe that strict observance of the requirements laid down here will result in that uniformity and definiteness which Congress called for in the 1952 Act. (Emphasis added)

The survey of Section 103 cases made by the Bar Association of the Seventh Federal Circuit submitted to this Committee in regard to S-677 and S-678 of the last Congress shows that in the five-year period ending May 1979 there was no "pro-patent" or "anti-patent" pattern in any circuit. In each of the circuits, appeals were decided on a case-by-case basis. Lack of uniformity existed only in the results.

I have caused that survey to be brought down to February 1981 as follows:

Circuit*	Cases	Cases Citing Graham v. Deere	Patents, Valid	Patents, Invalid
2	2	2	2	0
3	3	3	1	2
4	2	1	1	2
5	7	6	4	3
6	4	3	1	3
7	6	5	2	7
8**	1	1	0	0
9	10	10	1	6***
10	6	5	5	12

Obviously, the courts have continued to dispose of the §103 cases on a case-by-case basis. Significantly, Graham was cited in 36 of the 41 cases surveyed. Some of the decisions also cite and recognize as controlling the Supreme Court's decisions in Anderson's Black Rock Inc. v. Pavement Salvage Co., 396 U.S. 57 (1969), and Sakraida v. AgPro Inc., 423 U.S. 273 (1976).

*No patent cases concerning Section 103 were decided by the Courts of Appeals for the First and DC circuits.
**Case was remanded for new trial.
***3 design patents also held invalid.

So far as I know, no one has made comparable studies of the §103 cases. Nor has anyone demonstrated that there is confusion in the circuits as to the controlling principles of law or as to the guidelines and analysis to be followed in obviousness cases. Indeed, the only court specifically charged by the proponents with inconsistency is the Supreme Court of the United States. To the extent that there is any "inconsistency" in the decisions of the regional courts of appeals, it will be found in the rhetoric and exaggerated contentions of the proponents who, as Monday morning quarterbacks, would have decided some of the cases the other way, thus faulting the courts for making honest, objective judgments in the given context of those cases.

It is submitted that this Committee should have another look at its previous conclusion that there is uncertainty in the patent decisions of the courts.

B. In View of the Reexamination Procedure Which Will Take Effect This Year, There is No Urgent Need For a Special Patent Appeals Court

According to the Report of this Committee, the proposed court is needed to make business planning easier as "more stable and predictable law is introduced".

I submit that Public Law 96-517 (HR 6933, 96th Congress), which takes effect July 1, 1981, is designed and intended to accomplish that very objective and that a special court for that purpose is duplicative and unnecessary.

The reexamination procedure will permit the Patent Office to consider prior art not previously considered when a patent issued and determine whether it should have issued or be cancelled. It is expected that the new law will have a wholesome effect on patent litigation. The Patent Office will be authorized to cancel a patent; there should be more settlements before trial where the Patent Office has considered and found ineffective new art relied on by a defendant and, in those cases where this is not so, the trial court will have the benefit of the consideration by the Office of the new art relied on by a defendant.

As was pointed out by the House Committee in its report (H. Rept. No. 96-1307) accompanying the bill:

> This new procedure will permit any party to petition the Patent Office to review the efficacy of a patent, subsequent to its issuance, on the basis of new information about pre-existing technology which may have escaped review at the time of the initial examination of the patent application. Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation. This, in turn, will promote industrial innovation by assuring the kind of certainty about patent validity which is a necessary ingredient of sound investment decisions.

After referring to the burdensome cost of patent litigation and the need to reduce the same, the report states:

> The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.

Proponents of the new court have argued that it is needed from the standpoint of the users of the patent system; that planning will be easier as more stable and predictable patent law is introduced and that the innovative process will be stimulated. In light of the expressed statutory intent of HR 6933, is it not evident that practically all of these objectives will be effectively satisfied by the reexamination procedure which will soon be available?

The 1966 recommendation of the President's Commission on the Patent System that a reexamination procedure be adopted as a means of raising the quality and reliability of issued U.S. patents was based on the same considerations cited by the House Report in support of HR 6933. It is ironical that the recommendation did not bear fruit until 1981. Who can say that if reexamination had been earlier adopted, the so-called users of the patent system would not have found it a perfectly satisfactory alternative to a special court?

May I suggest that reexamination should be given a fair chance to achieve its goals.

C. Forum Shopping Can Be Eliminated Without Establishing a Special Patent Appeals Court

The alternative to a special court is not only the reexamination procedure, but also the combination therewith of a simple amendment to the statutes applicable to declaratory judgment actions designed to eliminate forum shopping. This amendment would merely control or limit the right of persons or companies charged with infringement or otherwise threatened with suit to initiate patent litigation and would put an end to the alleged frenzied races to the courthouse.

Prior to the enactment of the Federal Declaratory Judgments Act (28 U.S.C. §§2201-2), a patent owner had the sole right to select the forum for adjudicating his patent. Until he elected to bring suit, one charged with infringement was powerless to secure an adjudication of his liability and was required to await the bringing of the action. With the advent of the Declaratory Judgments Act, the situation changed and an alleged infringer was entitled to initiate litigation without waiting for the patent owners to act. Forum shopping thereupon developed.

Since forum shopping is directly attributable to the venue provisions applicable to patent infringement suits brought by a patent owner and to the Declaratory Judgments Act, it may be corrected by dealing with those provisions. A new court is not needed for that purpose.

Let us restore the practice which existed for many years prior to the Declaratory Judgments Act, without

completely eliminating the rights of the potential defendant in an infringement suit. We should simply defer the time when a declaratory judgment action may be initiated - make it subject to a right or priority in the patent owner to initiate the litigation and select the forum.

At the present time, under 28 U.S.C. §1400(b), the patent owner may sue either in the district of which the defendant is an inhabitant, or in any district in which the defendant shall have committed an act of infringement and has a regular and established place of business. To these venue provisions, there should be added a simple amendment which requires the patent owner to avail himself of Section 1400(b) within a reasonable period of time, such as thirty or sixty days after he has given a notice of infringement. Upon his failure to do so, the person accused of infringement may proceed under the Declaratory Judgments Act and select the forum. Thus, the patent owner will have a statutory priority which is subject to defeasance by his failure to act. Also the rights of the accused infringer have been protected. And, thus finally, the evil of forum shopping, which is merely a symptom of the venue provisions applicable to patent cases and declaratory judgment actions, will be eliminated.

Such a symptom does not warrant a special court. Let us attack in a simple, more palliative manner the cause of the problem.

For your consideration, we attach a proposed amendment to the Judicial Code to deal with forum shopping.

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D. The Exclusive Patent Jurisdiction Of the Proposed Court is Incompatible With the Public Interest

Patents are affected by a public interest. They are not and cannot be incontestable. Traditionally, the federal courts have served to oversee the exercise by the Patent Office of its patent-issuing function and have always had the power to invalidate a patent when it appears, from the evidence, that the conditions of patentability have not been met.

Whether the same court should have exclusive jurisdiction over appeals in all district court infringement actions and also over appeals from the Patent Office raises a serious public interest question. This is so because one of the jurisdictions of such a court is to supervise, regulate and otherwise attitudinize the patent-issuing process and, in this sense, it will be an extension of the Patent Office and, therefore, an instrument of the executive branch of government. Its other jurisdiction is that of reviewing the decisions of the district courts in patent infringement actions, that is to say, an instrument of the judicial branch of government.

To empower the same tribunal which controls the ex parte patent-issuing process to also serve as the court of exclusive review of inter partes adversarial patent infringement cases, improperly merges the executive and judicial branches and violates the checks and balances of time-honored patent jurisprudence.

The House Committee on the Judiciary has recognized the obvious incongruity of the two jurisdictions and the slim and yet dangerous line of demarcation between them. Thus, HR Report No. 96-1300, (96th Congress) at pp. 31-32, defines the proposed court's role when it is wearing its Patent Office or executive hat and its role when it is wearing its other or judicial hat. Technical advisers may be employed by the judges in ex parte appeals from the Patent Office, but it is quite a different matter to use them in adversary patent infringement cases and have them, without being subject to cross-examination, review and assess the technical aspects of the evidence as developed by sworn testimony and as covered by findings made by a trial judge. Otherwise, due process will be violated. On the other hand, Senator Kennedy's Committee expressly sanctioned the power of the judges to use technical advisers in adversarial patent infringement cases. Thus, Senate Report No. 90-304, p. 33, referring to the present practice and the use by the judges of the Court of Customs and Patent Appeals of technical advisers to assist them in resolving the appeals which come from the Patent Office, stated:

> Judges of the United States Court of Appeals for the Federal Circuit need a similar system of technical advisers when they review patent cases... It is anticipated that (they) will receive technical assistance at least as great as the type and quality currently being given to the Court of Customs and Patent Appeals.

This position was based on the testimony of one

of the judges of the Court of Customs and Patent Appeals who urged creation of the new court because of the "technical resource" of his court, namely the help provided by the technical advisers.

This is a novel but nonetheless impossible concept. Participation by the advisers would destroy traditional appellate review of patent cases. It would permit the judges and their technical advisers to decide the cases the way they conclude the cases should have been decided in the trial court.

The House, on the other hand, has made an attempt to preserve the traditional rights of patent litigants. It has pointed out that if patent decisions are based on opinions of technical advisers who are not subject to cross-examination due process will be violated.

Does not this controversy mean that misconceptions have been advanced in support of the new court? Does it not also mean that there has been inadequate study of the advisability of a single court which controls both the Patent Office and the federal trial courts?

We of the trial bar believe that the present patent adjudication process is best for the Nation. It is consistent with the public interest and assures an effective, independent federal judiciary to determine whether patents should be enforced. This important adjudicatory process hsould not be committed to a special court which sits over both the issuance and enforcement of patent rights.

I shall be pleased to answer any questions which the Chairman and Subcommittee members may wish to ask.

Thank you for the opportunity to present this testimony.

STATEMENT OF FLETCHER C. MANN, ATTORNEY, LEATHERWOOD, WALKER, TODD & MANN, GREENVILLE, S.C.

Mr. MANN. I am Fletcher Mann. I am an attorney from Greenville, S.C. I am indebted to Senator Thurmond for his very gracious introduction to this committee. I am also indebted to him for his many years of service to the citizens of South Carolina and to this Nation.

As indicated in his introduction, I have engaged in the general practice of law for a period of 33 years in the State of South Carolina. Neither I nor any member of the law firm of which I am a member are members of any patent bar. We are engaged in the general practice of law and primarily in the area of litigation.

Mr. Chairman, with your indulgence, I have prepared and submitted to the committee a statement in which I have expressed my personal views as they relate to the proposed bill S. 21. I would at this time adopt that prepared statement as my formal statement before this committee and will simply ask for permission to supplement it by a few remarks which I hope are in order.

Senator HEFLIN [acting chairman]. Without objection, your prepared statement will be made part of the hearing record following your oral presentation.

Mr. MANN. I am delighted to associate myself with the remarks heretofore expressed by Mr. Jenner and Mr. Neuman, my colleagues. I, too, oppose the creation of a U.S. Court of Appeals for the Federal Circuit having exclusive appellate jurisdiction from those final decisions of a district court of the United States where-in the jurisdiction of that court has been invoked under the terms and provisions of section 1338 of title 28 of the United States Code. I oppose it in principle, No. 1, because I am personally opposed to the creation of a court having exclusive jurisdiction predicated upon subject matter as contrasted with jurisdiction predicated upon general geographical areas.

I feel personally, and from my observation and experience, that specialized courts adopt a parochial viewpoint in the pronunciation of decisions with which they are concerned. They have the habit—as my colleague from New York, Simon Rivkin, a former U.S. district court judge wrote in a very famous article in 1951—they have the attitude that is formulated by what he referred to as "tunnel vision." I associate myself with the same feelings as expressed by Judge Rivkin in that article with respect to specialized courts.

For the past 15 years it has been my pleasure to become involved in the litigation of patent cases, issues of patent validity, infringement or misuse, coupled with alleged violations of the antitrust laws of the United States, the Robinson-Patman Act, Sherman 1, Sherman 2 violations, accompanied by unfair competition claims, accompanied by claims of misappropriation of trade secrets, the whole gamut of business tort. Particularly have I been so involved since the decision of the U.S. Supreme Court in *Lee* v. *Atkins* in June of 1969.

I would invite the attention of this subcommittee to the fact that a patent case basically is not tried in a vacuum. It is normally originated or initiated by the owner of a patent who seeks an

injunction and damages against a defendant alleged to infringe the patent which he holds.

The complaint by which that action is instituted is immediately answered by the defendant or the alleged infringer, and invariably the defense is: No. 1, "I do not infringe." No. 2, "your patent is invalid." No. 3, "In my counterclaim I assert that you are 'guilty of misuse of your patents; you are guilty of unfair competition; you have violated the antitrust laws of the United States.'"

Under the terms and provisions of S. 21 the proposed U.S. Court of Appeals for the Federal Circuit is to be given exclusive jurisdiction in any case in which the jurisdiction of the district court was invoked under the provisions of section 1338 in whole or in part. What is the area of expertise of this new court in the area of antitrust law? What is its expertise in the area of misappropriation of trade secrets? What is its area of expertise in the common law of the State of South Carolina or the State of North Carolina?

I respectfully submit to this honorable subcommittee that those issues are better left to be determined by the regional court of appeals having jurisdiction of the district court in which those actions are pending. For example, in the Fourth Circuit Court of Appeals, consisting of 10 judges, two from each of the five States in the circuit, there are attorneys who by their previous skill, practice, and expertise bring to the court the basic background of the common and statutory laws of the States in which they have been domiciled.

I would go further and say that I am very deeply concerned with the proposed appellate bifurcation which is permitted and which is mandated under the terms and provisions of the bill S. 21, and particularly by sections 124, 125, and 126 thereof.

It is a strange anomaly to me that in a case in which the jurisdiction of the district court has been invoked under the terms and provisions of section 1338 of title 28, United States Code, this provides that if, at trial, an interlocutory order is issued and that order is in the area of refusing or granting an injunction, or has to do with the appointment or failure to appoint a receiver, or with an admiralty claim, then under those circumstances this new U.S. Court of Appeals for the Federal Circuit will have exclusive appellate jurisdiction.

On the other hand, if, under the terms and provisions of section 1292(b) of the Code, that U.S. district judge incorporates the magic words that "such order involves a controlling question of law as to which there is a substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation," where does the appeal go? Does it go to the U.S. Court of Appeals of the Federal Circuit? No. The appeal is back to the regional court of appeals having jurisdiction over the area in which the district court sits.

Why this bifurcation? If the U.S. Court of Appeals for the Federal Circuit is to be the panacea of expediency, if it is to be the panacea for uniformity, why the bifurcated result, namely, that this court can have jurisdiction only from final decisions and three permitted areas of interlocutory appeals, but when you get to the basic fundamental rights that are involved, why do we send you back to the U.S. court of appeals for the region?

I submit you are sent back because time, wisdom, and prudence have dictated that those courts are equipped to handle and to deal with the basic fundamental rights of litigants, and that this attempt to tinker with those rights—and that is what I submit that it is, an attempt to tinker with those rights—denies to the owner a valuable property right to which he is entitled: the opinion of the highest and best judges that the court of appeals can furnish.

I am deeply concerned with this bifurcated appellate procedure. I do not believe for one moment that those attorneys engaged in the general practice throughout the United States today realize or are aware that if they bring an antitrust action in the U.S. district court and they are hit then with the claim of patent infringement, they will lose the jurisdiction of the regional court of appeals over that antitrust case and will be relegated to a court of appeals in Washington. At the same time they are to be sent to the regional court for review of certain interlocutory orders. I would submit, that if you create this bifurcated system you will see a revolution in the bar equal to nothing that has heretofore happened.

With that, I wish to express my deep appreciation to the members of this subcommittee for your time and patience and giving me the opportunity to appear here today.

At the conclusion of the other remarks I am sure that all of us would be most happy to answer any questions which any member of the committee may have.

[The prepared statement of Mr. Manu follows:]

STATEMENT OF FLETCHER C. MANN, ESQ.

Mr. Chairman and Members of the Subcommittee:

My name is Fletcher C. Mann.

I am a practicing attorney in Greenville, South Carolina, and a member of the South Carolina, the North Carolina State, and the American Bar Associations. During the thirty-three years of my active practice, my law firm has engaged in the general practice of law. Neither I, nor any other member of our firm, is a member of the Patent Bar. We hold no specialized scientific degrees. Nevertheless, during the past fifteen (15) years we, as litigators, have actively engaged, at the trial and appellate level, in a substantial number of cases involving issues of patent validity, infringement and misuse together with cases involving those issues coupled with allegations charging violations of the antitrust laws of the United States, misappropriation of trade secrets, and unfair competition under the statutory and common law of both North and South Carolina.

To further personalize my presentation, let me point out that in 1969 I became personally involved in the trial of thirty-nine (39) lawsuits which, by fiat of a multi-district court, were consolidated for discovery and trial in the District Court of South Carolina. Those cases involved just about every conceivable issue of patent, antitrust, and procedural issues that could be imagined by the Bar of the United States. As a matter of fact, the Honorable Strom Thurmond, Chairman, Judiciary Committee of the United States Senate, and a member of this Committee, may well recall visiting in 1971 the United States District Court in Spartanburg, South Carolina, and observing discovery proceedings in those cases, presided over at that time by the Honorable Robert W. Hemphill.

In addition to those cases I have been personally involved in a number of civil actions in the United States District Courts which have involved patent and unfair competition claims under the jurisdictional provisions of 28 U.S.C. 1338. As a matter of fact, I am presently engaged as counsel for the defendant in an action instituted by the firm of my colleague, Mr. Neuman, which involves issues of patent validity and/or infringement, unfair competition, unjust enrichment, misappropriation of trade secrets, that is to say, the entire spectrum of Section 1338 jurisdictional provisions together with pendant jurisdictional claims relating to alleged statutory and common law rights. Additionally, I am personally involved, as counsel for the owner of a patent, in an action instituted in the United States District Court for South Carolina under the jurisdictional provisions of Section 1338 which involves issues of patent validity and/or infringement but which action was stayed by order of the Honorable G. Ross Anderson on November 20, 1980 upon condition that the patent would be surrendered unto the Patent Office for reconsideration on an application for reissue and upon further condition that the alleged infringer would immediately submit to the Patent Office such "prior art" as it considered to be pertinent or which was overlooked in the original grant. As of May 10, 1981 the Patent Office is charged, under the reissue proceedings prescribed, to afford consideration of the reissue application on an expedited basis.

Admittedly, the determination by the Patent Office may not be binding upon the District Court of South Carolina but I respectfully submit, first, the losing party will, in my humble

opinion, have a most difficult, if not impossible, task in overcoming the considered judgment of the Patent Office in a contested arena, and second, the procedure employed clearly relegates and retains the administrative decisional process within the Executive Branch of the United States without burdening the Judicial Branch. For what it may be worth, let me add that this is not the first case in which I have been a party to this reissue proceeding. As a matter of fact, in a prior case, my client under order of the Court surrendered a patent for reissue; the Patent Office determined that the patent had been improvidently granted and the lawsuit involving issues of infringement was immediately and voluntarily dismissed upon motion of the plaintiff.

I mention all of the foregoing, not with any sense of aggrandizement, but with the fervent hope that the members of this Honorable Committee may better appreciate that the creation of a single parochial court having exclusive appellate jurisdiction of all patent cases is a matter of grave concern to all members of the Bar. Patents it may be today; products liability, criminal jurisprudence, antitrust or environmental law it will be tomorrow.

On Friday evening, May 8, 1981, I was privileged to attend, as an invited guest, the semiannual meeting of the North and South Carolina Patent Lawyers Association in Charlotte, North Carolina. As a guest, I did not participate in their discussion of the provisions of S.21, but, on a show of hands vote which the Chair conducted, it was quite obvious that a majority of those present did not favor the creation of a United States Court of Appeals for the Federal Circuit

having exclusive jurisdiction of all appeals wherein the jurisdiction of the District Court... "was based, in whole or in part, on Section 1338...".

Having said that let me assure you that a majority of the general practitioners with whom I am acquainted would oppose the creation of such a single purpose court for the same reasons which have been advanced by Messrs. Jenner and Neuman. Not only am I pleased to associate myself with their remarks but I would also like to express my personal appreciation to the members of this Committee for the privilege of appearing here today. Furthermore, if I might indulge the courtesy accorded to me, I would like humbly to present an additional item for your consideration.

It has been my experience and my observation that civil actions instituted in the United States District Courts under the jurisdictional provisions of Section 1338 are seldom limited to patent or unfair competition issues. While I have no hard statistics to support my statement, I can attest that in a vast majority of such cases there will be claims or counterclaims alleging violations of the antitrust laws of the United States. Most often the pleadings will contain allegations of state statutory or common law violations of trade secret misappropriation, unfair trade practices, unjust enrichment; in short, the whole gamut of business torts.

Such an action, when instituted, is typically tried before a judge of the vicinage; an individual, hopefully, schooled and trained in the statutory and common law of his domicile. He is already familiar, for example in South

Carolina, with the pronouncements by the Supreme Court of that State with its common law principles of trade secret misappropriation. By the same token, a judge in North Carolina is familiar with its statutory and common law provisions relating to unfair trade practices.

Under the existing Federal Court Appellate System, which I submit has served us well, an appeal from a final judgment in either of those two Courts would be heard by the Court of Appeals for the Fourth Circuit. At the present time, that appellate court is composed of ten (10) active judges, two from each of the five (5) states which comprise the circuit. That distribution is not the result of happenstance. Rather, it results from considered wisdom gleaned from years of experience; a wisdom, I respectfully submit, which recognizes the inherent value of an appellate court comprised of men who bring to it not only their skill, but their expertise and knowledge of the finite nuances of the common and statutory laws of the individual states of their domicile which comprise the particular circuit.

Let me be so bold as to suggest that the industrial might of this nation has in many respects developed on a regional basis. For example, the automotive industry is basically centered in the Michigan area, the District Courts of which are a part of the Sixth Circuit. The textile industry, for example, has in recent years at least developed in the Carolinas, a part of the Fourth Circuit. The petroleum industry, basically, lies within the confines of the Fifth Circuit while the computer industry and technology located in California falls within the ambit of the Ninth Circuit.

The tobacco industry is primarily an exclusive product of the Fourth Circuit.

To be practical for a moment, let me suggest that judges having their domicile in the area of that particularized technological development or industry are in a far better position to judge the "state of the art" than those who reside elsewhere. For example, I sincerely submit that a judge on an appellate court, such as a Haynsworth, a Russell, a Phillips or an Ervin, is in a far better position, because of his prior experience, knowledge and skill, to judge and evaluate the inventiveness of a curved tube heater on a false twist texturizing textile machine than a judge from the State of Michigan, for example, who most likely would not know the difference between a carding machine, a loom, a downtwister or a knitting machine. By the same token, a judge on the Sixth Circuit Court of Appeals, and by my count there are three from the State of Michigan, will have a far greater degree of familiarity with the automotive industry, typically, than any one judge from the Ninth Circuit.

Admittedly, we are not talking here of trials de novo. We today, however, discuss the ability of the appellate court to understand and comprehend the facts of a given case, as mandated by the United States Supreme Court in the case of Graham v. Deere, 383 U.S. 1 (1966), and then to apply the appropriate law in reaching a decision. The loss of that skill, knowledge and expertise in a pure patent case to a court possessing exclusive patent appellate jurisdiction would, in my opinion, be most regrettable.

I am equally concerned that the proposed court with its limited and specialized jurisdiction may well lose the competence to act on the broad and fundamental questions posed, for example, in antitrust cases. I believe that these requisite broad views are acquired, and continually renewed, by constant exposure to the sometimes heated, and philosophical, debates directed to all areas of the law.

It is axiomatic that the great bulk of our antitrust law is judge-made, largely at the district court trier-of-fact level, guided by the respective circuit courts of appeals and the Supreme Court. We know that the great bulk of antitrust enforcement occurs, as Congress intended, through the action of "private attorneys general", at a great saving to the public by the elimination of the need for a larger federal antitrust "police force". I respectfully submit that this system of judge-made law and private attorneys general has been effective because of regional access to district and appellate courts on all legal issues.

It is a fact of life that there are many antitrust legal problems identifiable with the "patent-antitrust interface" which may involve patent rights but the legality of which will be decided substantially without regard to the presence or absence of technical patent aspects. Such could well be true, for instance, in actions involving combinations or conspiracies to monopolize, tying, cross-licensing, pooling, price fixing (both horizontal and vertical), compulsory package licensing, covenants not to contest, covenants not to deal or compete, restrictions on competitive products, restraints of trade generally, dividing markets, and territorial allocations. I

respectfully submit that those issues involve fundamental rights, the appellate resolution of which should remain with the regional circuit courts and the Supreme Court and should not be removed from general view to a specialized court on the basis of the nebulous arguments of uniformity, expediency or the alleged sin of forum shopping.

I am further disturbed by the apparent bifurcated appellate procedure that would be possible under the terms of S.21. By the terms of Section 126 of the Bill, Chapter 83 of title 28, United States Code, would be amended to add a new section 1295 declaring that the United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal "from a final decision of a district court...". With respect to interlocutory orders issued by a district court, Section 124 of the Bill would grant appellate jurisdiction to the Court of Appeals for the Federal Circuit in only those matters described in Section 1292 (a), (1), (2) and (3). Presumably, therefore, when a district judge pursuant to the authority of Section 1292 (b) is of the opinion, and so states in his otherwise unappealable order, that "such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation..." the application for an appeal would be submitted to the court of appeals for the appropriate circuit. If the United States Court of Appeals for the Federal Circuit is to be the panacea of uniformity and expediency, why deny it jurisdiction of this most critical opportunity of appellate review? Why specifically grant it such jurisdiction when the Chief Judge of the Court of International Trade or any

judge of the United States Claims Court include the magic language in an interlocutory order, but deny it the right of such appellate review in a Section 1338 case when so certified by a United States District Judge. That omission and denial speak more eloquently to me of the merits for retaining and preserving the present appellate proceedings than do those proponents who charge that we "...appear devoid of concern for the overall functioning of the judicial system".

Thank you.

Senator HEFLIN. Mr. Geriak?

STATEMENT OF JAMES W. GERIAK, ATTORNEY, LYON & LYON, LOS ANGELES, CALIF.

Mr. GERIAK. I am James Geriak. I am a practicing attorney from Los Angeles, Calif. I am a trial attorney. I try patent cases, but I also try other types of cases. In my experience I have tried libel cases, bankruptcy cases, and product liability cases.

However, the majority of cases I have tried have been patent cases. My trial practice, while not nearly as extensive as that of Mr. Mann or Mr. Neuman, extends over a period of slightly more than 20 years.

In this context, and looking at this legislation, I look at it first as an American citizen; second as a lawyer; last as a patent attorney.

As an American citizen and as a lawyer, this is bad legislation. As a patent attorney, I view it as bad legislation. As a legislator, if I were a legislator, I would want to know: First, whether there was a problem that could be solved by this legislation; second, whether the proposed legislation had a rational possibility of solving that problem; and, last, whether that solution, if it were a solution at all, would introduce more problems than it would solve. The present legislation cannot pass those tests.

Before I turn to specifics let me say this: In my avocation—as it turns out, baseball—I appear before you with a broken finger suffered from a line drive a week ago. I am about to make a baseball analogy.

If you ask someone how an umpire is doing, and in this context courts are analogous to umpires, the least effective opinion is that of the people in the stands. The most effective opinion is that of the players on the field.

When the fans boo and shout, "kill the umpire," but the batter walks to the dugout without coming back to the plate after a called third strike, we all know the umpire was right. So it is here.

The litigating lawyers—and they are sitting here before you—believe that this is unwise legislation, that there is nothing wrong with the court's umpires. Rather, there is a misconception on the part of the spectators, the people sitting in the stands, with regard

to the competence and quality of the judges of this land. Those complaints are not justified.

Now to be specific. First, it is argued that the patent system has led to lack of predictability in patent litigation. That is a historic fact, and, as it turns out, a relatively true fact. However, that fact has nothing to do with the competence of judges. Rather, it had to do with the fact that the issuance of a patent is an administrative act by an administrative agency.

Until the adoption late last year of the reexamination legislation, 35 U.S.C. 301 through 307, the actions of the Patent Office were based on inadequate factual records, necessarily so because the patent-granting process was ex parte, not open to the public, and as a result the Patent Office, through no fault of either the Patent Office or the patent applicant, was routinely and virtually always without knowledge of all of the facts required to make a reasonable and sound administrative determination. Thus, the issuance of patents led only to a first level of evaluation and analysis of the patentability of the invention.

Now, with reexamination after the issuance of a patent, the Patent Office retains jurisdiction. The matter goes back to the Patent Office whenever the patent owner or someone with an interest adverse to the patent desires that that happens, and the reexamination determinations of the Patent Office will be reliable in drastic contrast to the earlier situation where all patent lawyers knew that if you looked long enough and hard enough you could always find new facts not known to the Patent Office which would have a material bearing on the validity of a patent. Thus, the arguments directed to lack of predictability are obsolete. Anyone who is arguing in favor of this legislation should explain to this committee and to the Congress why reexamination does not solve the predictability problem.

Next, there is the question of forum shopping. I said in my testimony before the relevant committee of the House of Representatives on H.R. 2405, the counterpart legislation in that body, that I thought that forum shopping was overblown in terms of being the basis of an argument for this type of legislation. Since that time I have been approached by many of my nonlitigating brethren and asked whether I was really serious. Indeed I am.

I think that there is a myth that forum shopping is a viable operation in the patent litigation area. It is not. Forum shopping means you can go somewhere and be assured of a favorable outcome in your case. It does not exist. If it did, we would all be there. There would be only one or two courts with any patent cases in this country. That is not true. In point of fact, most patent cases are brought in metropolitan areas where there are 10 to 20 district court judges. In Los Angeles different judges have different attitudes toward a whole variety of things.

We are all familiar with disparity in criminal sentences when you walk across the hall. There are also disparities in other economic and social attitudes. That is where the action is, at the district court level. You cannot choose your district court judge.

Indeed, I made a quick check. In the ninth circuit where I live, in the last 30 patent cases to reach the ninth circuit court of appeals, 29 were affirmances. What does that mean? That means that the

courts of appeals relatively routinely affirm the district court judge. To the extent that there are differences of views, those differences of views are expressed in the decisions of district court judges, not in the decisions of the courts of appeals.

As the speakers who have preceded me have said—and I wholeheartedly embrace and endorse their comments—patent cases are not a problem of the court of appeals either in terms of workload, in terms of competence of the court, or indeed in terms of lack of so-called uniformity. In this regard let me make this point:

Any system which produced a statistically consistent set of decisions in a judicial context would be subject to criticism, not approval. All cases are decided on their merits. There is no statistic going in that tells you that this is a good case or a bad case.

In patent cases the patents are as good as the inventions upon which those patents are based are good. To suggest that, because in one circuit 30 percent of the patents were held valid and in another circuit 70 percent of the patents were held valid, there is something wrong, I submit is silly. It is equivalent to saying that given the results of the baseball endeavors in the National League in the 1970's that Cincinnati was uncommonly blessed with fine umpires. That is misconstruing the results. It is an awesome non sequitur.

Finally, with regard to uniformity, this country is based on rational diversity, on the opportunity to trade points of view, to compete for acceptance in the marketplace, and for the correct view, the sensible view, the sound view to emerge and become adopted.

For all of its accomplishment—and it has many—the common law of our sister country, Great Britain, was subject to one disgrace, and that was that the dead hand of stare decisis often controlled in cases where either an incorrect decision was cast in concrete and took centuries to change or words were torn out of context and applied literally rather than rationally with equally bad results.

In this country the 11 circuit courts of appeal provide us who practice in the courts with an opportunity where if 1 court does get off the track to present the same issues in another court and to create a competition for the sound point of view which in our system, I submit, has routinely emerged and been adopted.

To quote from one of my former relatives, "If it ain't broke, don't fix it."

[The prepared statement of Mr. Geriak and the prepared statements of Messrs. Zelenko and Whitney, which were submitted by Mr. Geriak, follow:]

Prepared Statement of James W. Geriak

Mr. Chairman and Members of the Subcommittee:

I am James W. Geriak, a practicing attorney from Los Angeles, California. I was recently Chairman of the Committee on Intellectual Properties Litigation of the American Bar Association's Section of Litigation and just prior to that was a member of Council of the American Bar Association's Patent, Trademark and Copyright Section. I am also presently a member of the Board of Directors of the American Patent Law Association, a member of the Executive Committee of the California State Bar Association's Section of Patent, Trademark and Copyright Law and a member of the Board of Directors of the Los Angeles Patent Law Association. I am deeply grateful for the opportunity which you have afforded to me to present the view of the American Bar Association in opposition to that portion of S.21 which would create a new United States Court of Appeals for the Federal Circuit.

The American Bar Association has previously presented its views on similar predecessor legislation in the testimony of George W. Whitney, its distinguished Chairman of the Committee on Patent Litigation of the Association's Section of Litigation, and the testimony of Benjamin L. Zelenko, the distinguished Chairman of the Association's Special Committee on Coordination of Federal Judicial Improvements. Both Mr. Whitney and Mr. Zelenko testified in opposition to the

legislation. The views which they expressed remain valid and, for your convenience, copies of their testimony are attached as Appendix A and Appendix B to my testimony.

There is, however, a compelling need for further testimony on the question of whether there should be "a single court of patent appeals" for two very important reasons, which are:

1. The enactment, on December 12, 1980, of 35 U.S.C. 301-307 (Public Law 96-517, H.R.6933, 96th Congress) - the legislation enabling the Patent and Trademark Office to reexamine patents. This legislation will have a profoundly beneficial effect on the predictability and expense of patent litigation, thereby removing these factors as even arguable bases for creating a single court of patent appeals.
2. The dialogue in professional circles which has ensued since the Department of Justice first made concrete proposals with regard to a single court of patent appeals has made it clear that, at best, such a court would not eliminate forum shopping; it would simply substitute a new and less desirable type of forum shopping for that which arguably exists today.

A Brief Review

The reasons most frequently given in support of establishing a single Court of Patent Appeals are, in

descending order of importance, that patent litigation presently is:

1. unacceptably unpredictable in result;
2. excessively expensive;
3. subject to excessive forum shopping;
4. subject to non-uniform doctrinal rules of law in the various circuits.

These were, for example, the principal factors considered in the panel discussion entitled "A Federal Appellate Court With Exclusive Patent Jurisdiction: An Idea Whose Time Has Come?" at the Sixth Annual Judicial Conference of the United States Court of Customs and Patent Appeals held on May 9, 1979 which is reported at 84 F.R.D. 465-482. Mr. Whitney and I were privileged to participate in this panel discussion together with Daniel J. Meador, who was at that time Assistant Attorney General for Improvements in the Administration of Justice and who was the Administration's primary spokesman in advocating the creation of a single Court of Patent Appeals.

Predictability and expense are interdependent and have been fundamentally impacted by the reexamination legislation, 35 U.S.C. 301-307. Forum shopping has, from the outset, been overblown and, to the extent that it exists, would continue to do so in a more aggravated form if the proposed court were created. Lack of uniformity among the circuits is currently remedied by the self-corrective process of the circuits exchanging views until a given proposition emerges as the majority rule; rigid uniformity is not a desirable goal and rational diversity is part of the genius of the federal system. I will discuss these matters in somewhat more detail.

Predictability and Expense

It cannot be denied that predictability is directly dependent upon the amount and quality of knowledge

possessed by the person attempting to make the prediction. This is reflected in mundane matters such as athletic events in which it is important to know which players are injured, who will pitch, etc., to aid the predictive effort in attempting to pick a winner. In science, this is reflected in the scientific method of proceeding first from a hypothesis (a tentative prediction which is recognized to rest on an inadequate amount of provable facts) to a theory (a prediction considered to be fairly reliable, but which is still recognized to be based only upon a preponderance of the evidence such that the acquisition of additional facts might require that it be modified) to a scientific fact (that which has been proven beyond a reasonable doubt).

In the case of patents, the issuance of a patent, prior to enactment of the reexamination legislation, resulted only in the hypothesis that the patent might be valid. This is not a criticism of the Patent and Trademark Office nor of the patent applicant, but merely an indisputable fact of life resulting from the nature of the patent examination process as it existed for approximately two centuries and the resources of the parties involved in the patent application and examination process.

To explain, the question of whether a patent is valid depends on the degree to which the invention upon which the patent is based is innovative. This, in turn, depends upon how different from or similar to that invention is from the prior work accomplished by others. This prior work is frequently referred to by the courts as "prior art".

It is almost always the case that the prior art known to the patent applicant and to the Patent and Trademark Office at the time a patent application is examined by the Office does not include extremely important items of prior

art which are not readily available and which can be found only by expensive and wide ranging searching. However, when a patent is litigated, it is because the invention covered by that patent has become economically important enough to justify and permit the expenditure of large sums of money in searching for, usually with success, items of prior art which are more pertinent than the prior art found by the Office. For this reason, there are countless reported decisions which hold that the statutory presumption of patent validity, 35 U.S.C. 282 created by the Congress, is dissipated when even one item of prior art more pertinent than any cited by the Patent Office is presented to the court.

Thus, the unpredictability which has indeed been chronically associated with patent litigation is a function of imperfect knowledge of the pertinent facts at the time the litigation commences, not any inadequacy on the part of the courts and particularly not the courts of appeal. Furthermore, because prior to the reexamination legislation being enacted the claims of a patent were frozen by the issuance of a patent such that if the patentee erroneously claimed too broadly, he had substantial difficulty in remedying this problem because it was often not possible to meet the requirements of the reissue statute, 35 U.S.C. 251. In addition, those parties having an interest adverse to the patent had no standing to invoke the examination process of the Patent and Trademark Office with regard to an issued patent and were vulnerable to the often crushing expense of litigation if suit were brought by an unprincipled patent owner. The reexamination legislation essentially removes these problems. Now, both the patent owner and the party with an interest adverse to the patent have the right to invoke further administrative action by the Patent and Trademark Office by seeking reexamination. Once

this reexamination has been completed, there will be a further administrative action by the Office which will vastly increase predictability because this further action will have been taken with an increased knowledge of the facts. This increased predictability will necessarily reduce the amount of patent litigation in the courts because the single greatest incentive to litigate is uncertainty of result.

Furthermore, in patent infringement actions, the major component of expense is not attributable to the trial of the action, but rather to the discovery which has taken place prior to trial. It is safe to say that reexamination will have a truly enormous impact in reducing this discovery expense. The expense of search for prior art will be present no matter what system exists, but now, rather than taking long and expensive depositions of inventors, experts and others to provide the evidence upon which a court will be asked to decide the issue of patent validity, reexamination will permit submission of the prior art to the Patent and Trademark Office together with the argument of counsel, a vastly less expensive process. Because the technical expertise of the Patent and Trademark Office permits it to understand the prior art and the parties' arguments relating to the prior art, the great expense involved in such depositions will not be a part of the reexamination process.

Finally, because reexamination will give the courts an adequate and meaningful administrative record with which to work, the trial of patent cases will be simplified and less expensive. Prior to reexamination, the most important validity questions in virtually every patent litigation matter involved prior art which had not been previously considered by the Patent and Trademark Office and as to which the court did not have the benefit of the view of the Office, much less an administrative ruling on the validity issue. This undesirable situation is now a part of history.

Forum Shopping

The arguments made by proponents of the single Court of Appeals for patents relating to forum shopping are seriously exaggerated. I speak as a lawyer who has devoted his entire professional life to the litigation of patent matters. In that time, I have filed well over 100 complaints charging patent infringement or seeking declaratory judgment of patent invalidity and/or noninfringement. "Forum shopping" as that term is generally understood, i.e., the choice of a forum because that forum can reasonably be expected to rule in favor of the party choosing it, has never played a role in my selection of a forum because, as a realistic matter, it is impossible to find a forum where the objective sought, a favorable result by reason of choice of forum, can be achieved. In this regard, it is important to point out that, to the extent that lawyers do indulge in daydreaming about forum shopping, it is the trial courts, i.e. the district courts, not the courts of appeals, which must be viewed as having controlling importance.

In the real world of patent litigation, forum selection for a plaintiff-patentee is rather narrowly circumscribed by the patent venue statute, 28 U.S.C. 1400(b), which restricts the choice of forum to that location where the defendant is incorporated or has his principal place of business or to a location at which the defendant has committed acts of infringement and has a regular and established place of business. Thus, in a typical case, there are very few locations which can even be considered as a possible forum for a patent infringement action. As a result, forum selection in patent infringement actions turns on (1) convenience and (2) avoidance of notoriously inadequate or erratic district court judges. Such selection involves only the avoidance of

inconvenience and, if possible, trial judges whom the lawyer views as unacceptably deficient. Since the circuit courts of appeal are regional in nature and since many business operations are regional in nature, such forum selection often involves alternative locations within a single circuit.

In my experience and to my knowledge there was, for a period of several years, one entire circuit as to which the conventional wisdom was that it should be avoided because that circuit, after experiencing two reversals of holdings of patent validity by the Supreme Court, appeared to be suffering from a backlash effect which was viewed as inhibiting it from holding any patents valid. However, I believe that all patent attorneys would agree that that problem, if it truly did exist, ceased to do so at least five years ago.

There are those who argue that forum shopping must be the inevitable result of the statistical disparity in the percentage of patents held valid over any given period of time in each of the circuits. With the possible exception of the avoidance of a circuit which appears to have lost its objectivity, no experienced patent litigator would accept this view. It is tantamount to suggesting that, given the results of baseball endeavors during the 1970's, Cincinnati must be blessed with exceptionally fine umpires. The predominating causative factor in the outcome of patent litigation is the quality of the invention which determines the quality of the patent. Reexamination will reinforce this situation because it will improve the quality of patents which are granted on inventions of quality.

Thus, forum shopping under existing law is not a significant problem in patent infringement actions; I believe it can be fairly characterized as trivial. In any event, since forum selection considerations center on the trial court rather

than the appellate court, creation of a single Court of Appeals for patents would have an insignificant effect on a matter which is itself insignificant.

Much more importantly, creation of a single Court of Patent Appeals would create a more severe forum shopping problem than any which exists at the present time. Under the proposed legislation, any non-patent matter which is joined with a patent matter would be within the jurisdiction of the Court of Appeals for the Federal Circuit. If the Court of Appeals for the Federal Circuit is to be rationally staffed, it will, as the Court of Customs and Patent Appeals presently does, include among its judges a significant number drawn from the patent bar to enable it to discharge the responsibilities of its specialized jurisdiction by benefiting from the expertise of judges whose experience and training makes them particularly competent to decide matters coming within that specialized jurisdiction. However, and this is the problem with any specialized court, there is an inevitable trade-off here. To the extent that patent-trained judges are preferable for deciding patent matters, they will probably, although not necessarily, be less so for non-patent matters. Of the matters which are often joined with patent matters, antitrust causes of action are the most frequent. Thus, there can be no doubt that the Court of Appeals for the Federal Circuit will become a Twelfth Circuit which will generate a substantial jurisprudence relating to antitrust issues. However, since the appellate jurisdiction of the Court of Appeals for the Federal Circuit would be national rather than regional, severely undesirable anomalies would be very likely to occur. For example, the Ninth Circuit, whose jurisdiction includes California, has long adhered to the view announced in Lessig v. Tidewater Oil Co., 327 F.2d 459 (1964) that an "attempt to monopolize" is actionable under the Sherman Act even if it is not directed to a definable relevant

market. Every other circuit which has considered this question, and there are several, has disagreed and has held that, in order to be an actionable attempt to monopolize, the attempt must be directed to a definable relevant market. This majority view has emerged because, in the view of most commentators as well as most judges, it makes more sense. Thus, it is reasonable to expect that the Court of Appeals for the Federal Circuit would adopt the majority view on this question. What, then, would be the fate of a Californian charged with an attempt to monopolize? If this charge was not made in conjunction with a charge of patent infringement, the Ninth Circuit standard of Lessig would apply. However, if the attempted monopolization charge were joined with a patent infringement charge or if the defendant counterclaimed for patent infringement and/or declaratory judgment of invalidity of plaintiff's patents, the different standard of the majority view would apply. Thus, the same acts committed by the same entity in the State of California might or might not constitute an attempt to monopolize actionable under the Sherman Act dependent upon whether plaintiff or defendant chose to inject a patent infringement question into the suit!

Similarly, in every other instance where the view of the Court of Appeals for the Federal Circuit on a non-patent matter differed from the view of the regional Court of Appeals for the circuit in which the district court was located, astute lawyers would choose, by way of complaint or counterclaim, to inject patent infringement issues to secure the jurisdiction of the Court of Appeals for the Federal Circuit if its view was favorable to their client's position. This would have two highly undesirable effects which are:

1. It would generate unnecessary, expensive and time-consuming patent litigation for purely tactical reasons, thereby increasing the burden on the courts.

2. Since either plaintiff or defendant would be able to inject a patent issue into an antitrust suit if it elected to do so, in most cases at least one of the parties would elect to do so and, in time, a large majority of the appeals in antitrust cases would, because the case also involved patent issues, go to the Court of Appeals for the Federal Circuit; a (largely) single Court of Antitrust Appeals would then have been created even though it was a single Court of Patent Appeals which was intended.

Similar forum shopping would occur with regard to other non-patent causes of action, always with the effect that an increase in the amount of patent litigation would be encouraged if either plaintiff or defendant wanted to change appellate jurisdiction from the regional Court of Appeals to the Court of Appeals for the Federal Circuit. Any legislation which encourages the bringing of actions for tactical reasons is difficult to justify and this is especially so when the encouraged litigation is patent litigation which is so expensive for the parties and so time-consuming for the courts.

Uniformity

Uniformity, without more, i.e., without regard to whether the uniformity produces beneficial or detrimental results, is quite plainly not a desirable objective. The diversity fostered in so many different ways by our federal system has proven itself to be extraordinarily useful and beneficial. To the extent that the present Circuit Courts of Appeal differ with each other from time to time on points of law, the legal system as a whole reaps the reward that various

ideas are able, in the words of Mr. Justice Holmes, to "compete for acceptance in the marketplace" such that the law is refined and grows in a rational and just manner.

In marked contrast, for all of its accomplishments, it was the disgrace of the English common law that the dead hand of stare decisis often worked great unfairness because of the English courts' great reluctance to depart from the precedent set by earlier decisions, even when it was recognized that they were wrongly decided.

Thus, it is contrary to the American tradition and contrary to the lessons taught by the experience of many centuries both here and in England to create a court which will engender rigid and monolithic uniformity in the law of patents.

To paraphrase Voltaire, "I may disagree with any given decision by one of the existing Circuit Courts of Appeal, but I will defend to the death a legal system which provides the opportunity for another Circuit Court of Appeals to decide the question differently without being bound by wrongly decided precedent."

Summary

The proposal for creation for the Court of Appeals for the Federal Circuit was made with the best of intentions. In fact, we patent lawyers are somewhat unusual in the legal profession because we routinely represent both plaintiffs and defendants in patent matters. Thus, it is fair to say that all of us who have offered our testimony to you have the best interests of the patent system, which is extraordinarily valuable to the technological progress of this nation, and the judicial system at heart. We differ only on how those interests may best be served.

Let there be no doubt that the legislation which you

are presently considering is not a minor restructuring of the courts, it is major legislation which will have a wide-ranging impact on patent and non-patent litigation. It will also, as Messrs. Whitney and Zelenko have so cogently pointed out, set an important precedent with regard to the creation or not of specialized courts.

ATTACHMENT A

PREPARED STATEMENT OF BENJAMIN L. ZELENKO

Mr. Chairman and Members of the Subcommittee:

I am Benjamin L. Zelenko, a practicing attorney in Washington, D.C. and the Chairman of the American Bar Association Special Committee on Coordination of Federal Judicial Improvements. Both the Association and I appreciate the invitation to share with you our interest and concerns about H.R.3806, S.1477 and similar measures to establish a Court of Appeals for the Federal Circuit and a United States Claims Court. I am accompanied by Mr. George W. Whitney, Chairman of the Committee on Patent Litigation of the ABA Section on Litigation and also President-Elect of the American Patent Law Association. Mr. Whitney is an experienced patent litigator, whose experience and background can provide a helpful perspective on the subject at hand.

At the outset, I want to add my personal commendation to the Subcommittee and its Chairman for determination and leadership in the cause of developing a more effective federal court system. This objective also is a central concern of the American Bar Association. We believe it is the duty of the organized bar to contribute constructively to the improvement of the court system and of the administration of justice generally.

Improving access to justice requires not only a commitment to judicial reform and innovative ideas but also a thoughtful analysis of the costs and benefits of proposed change. In that spirit, our Committee undertook to study the legislation to restructure this sector of the federal appellate courts.

We began our examination more than a year ago. Then, in August, 1979 at the ABA Annual Meeting, I chaired a special meeting of representatives of a number of Association entities held to discuss S.1477, legislation which, in part parallels H.R.3806. Thereafter, the Special Committee was asked to perform its coordinating function and prepare a report on the proposed appellate court restructuring. A variety of Association entities were invited by the President of the Association to contribute their views. These included the Sections of Administrative Law, Antitrust Law, Corporation, Banking and Business Law, Criminal Justice, General Practice, Labor and Employment Law, Litigation, Public Contract Law and Taxation; copies of our draft report were also sent to the Judicial Administration Division, Standing Committees on Customs Law and Environmental Law and the Special Committee on the Delivery of Legal Services. The Chairman of each of these entities was requested to submit views to the Chairman of the Special Committee.

Thereafter, the Special Committee drafted its Report and Recommendation, which was submitted to the House of Delegates of the American Bar Association. At the Midyear Meeting in Chicago in February, 1980, the recommendation of our Committee was adopted. It reads:

> BE IT RESOLVED, That the American Bar Association disapproves creation of a Court of Appeals for the Federal Circuit and a United States Claims Court as provided in the proposed Federal Courts Improvement Act of 1970 (S.1477), and the creation of a United States Court of Tax Appeals as provided in the proposed Tax Court Improvement Act of 1979 (S.1691); and
>
> BE IT FURTHER RESOLVED, That the American Bar Association recognizes the continuing need to study and evaluate administrative, procedural and structural reforms of the federal judiciary and is dedicated to cooperate with the Congress, the Executive Branch and the Federal Judiciary in developing innovative reforms to assure improved access to justice.

It should be stressed that no floor amendment or modification to our recommendation was offered when our report was considered.

Our report noted the differences of views among the patent practitioners. The Litigation Section and its Committee on Patent Litigation opposed the creation of an appellate tribunal with nationwide appellate jurisdiction. The Section of Patent, Trademark and Copyright Law supported the new court in principle. Clearly, there are differences of opinion as to the wisdom or need for the proposed appellate court revi-

sion, and these conflicting views were fully considered by the Association in formulating its position.

The creation of a twelfth Judicial Circuit Court of Appeals is said by its proponents to make only a modest change in the federal court appellate structure. It would reduce the number of appellate tribunals and provide a single forum for the definitive adjudication of certain cases. The new court of appeals would absorb the business of the United States Court of Claims and the United States Court of Customs and Patent Appeals. It would have exclusive jurisdiction over all appeals in patent cases and from the Merit Systems Protection Board.

The bench of the new court would consist of twelve article III judges; and, as a transitional provision, the bill provides that the new court would be composed of the existing judges of the two courts whose combined jurisdiction it will possess. The bill also would establish a new trial court, the United States Claims Court, that would assume the functions of the trial division of the existing Court of Claims. The bill would authorize the President to appoint, with the advice of the Senate, 16 judges to constitute the United States Claims Court. These judges would serve under article I for a term of 15 years. As a transitional measure, the bill provides that persons serving as Commissioners of the United States Court of Claims would be judges of the United States Claims Court.

The Senate Judiciary Committee in its report on S.1477 has also pointed to administrative efficiencies and economies that would result from consolidation of the two courts. As I have mentioned, the desirability of creating this new appellate court has been carefully examined by several components of the Association including the Special Committee. In addition, the subject was extensively discussed during the August, 1979 meeting in Dallas, and sharp differences of opinion among various components of the Association were revealed.

For example, the Section of Patent, Trademark and Copyright Law adopted a resolution favoring in principle legislation that would confer

exclusive appellate jurisdiction on a single federal court of appeals in patent litigation. Although it did not expressly endorse the appellate court proposed in S.1477, the Section explained its position favoring a national appellate forum on the basis of a need for doctrinal uniformity and certainty in patent litigation and to eliminate forum shopping. The Section of Public Contract Law indicated its endorsement of the proposed new court of appeals and of the new United States Claims Court. However, the Section urged that the new Claims Court be constituted as an article III rather than an article I court, as did the Standing Committee on Judicial Selection, Tenure and Compensation. It also urged that existing tax refund jurisdiction be retained in the Claims Court. By amendment to S.1477 on the Senate floor, tax refund jurisdiction was conferred on the new United States Claims Court. The floor amendment also provides that an appeal of a tax decision from the United States Claims Court would lie to the home circuit of the taxpayer.

On the other hand, the Section of Litigation and the Section of Labor and Employment Law disapproved the creation of the new appellate tribunal. The opposition of the Section of Litigation can be summarized as follows: (1) proponents have not demonstrated persuasively that there is a serious problem with conflicts in the circuits in those areas of substantive law that would be assigned to the new court; (2) the new court would not have any significant impact on reducing the present caseloads of existing courts of appeals; and (3) although a degree of uniformity in the field of patent law would result, this benefit is not sufficient reason to restructure the appellate tier in the manner proposed. In sum, the Section of Litigation was unconvinced that the new appellate court would meet any demonstrated current need.

In further support of its proposal, the Senate Committee report notes: "A major purpose of this bill is to create a forum to which Congress can route cases where there is a felt need for uniformity in the national law..." (S. Rept. 96-304 at 14). On this point, several

Association entities expressed a concern that what may appear today as a modest rearrangement of the jurisdiction of two existing tribunals may in the future become a specialized appellate court with expanding national jurisdiction. Since the Association is presently on record in support of the establishment of a National Court of Appeals, the creation of a new twelfth Circuit Court of Appeals with jurisdiction over 95 district courts as proposed in S.1477 and H.R.3806 may have broad unintended consequences which undercut the rationale for the national court.

Another question arises with respect to whether the judges of the new Claims Court should be appointed under article III or under article I. Although there is a sharp division of opinion on the question, our view was that such judges should serve for a term of years comparable to the tenure of judges of the Tax Court.

Clearly, there are divisions of opinion within the organized bar concerning the wisdom and need for this new appellate court. The benefits of doctrinal stability in the patent law are not, in our opinion, sufficient reason to support the proposed appellate restructuring. We also question whether the new Court of Appeals for the Federal Circuit will have sufficient caseload to justify its creation. If such a new appellate court is created, a controversy arises over the status of the judges of the new Claims Court. There seems to be a consensus in the Association that the creation of the new court offers a far-reaching solution to a limited problem. In this context, we recommend that the Subcommittee disapprove the creation of the proposed new appellate court at this time. If there is a jurisdictional need established wherein such a court could relieve circuits of pending caseloads, then the question should be reexamined.

In sum, we do not believe there is a demonstrated need for the enactment of the proposed legislation. Moreover, as proposed in H.R.3806, federal appellate restructuring can have adverse unintended consequences. Establishment of a court with exclusive appellate jurisdiction over specific subject matter represents a significant departure from

existing practice. It should not be undertaken unless an overwhelming case has been made. Accordingly, we believe such revisions should not be undertaken at the present time.

Thank you.

ATTACHMENT B

PREPARED STATEMENT OF GEORGE W. WHITNEY

Mr. Chairman and Members of the Subcommittee:

I am George W. Whitney, a practicing attorney from New York City and the Chairman of the Committee on Patent Litigation of the American Bar Association's Section of Litigation. I am also the Chairman-Elect of the American Patent Law Association. I appear before you today, however, with Benjamin Zelenko on behalf of the American Bar Association to voice the Association's views on proposed legislation to create a new United States Court of Appeals for the Federal Circuit -- H.R.3806, H.R.4044, and S.1477.

At the outset, I would like to recount briefly the history of the development of the American Bar Association's policy in this area. The Council of the Section of Litigation, the second largest section of the Association, first considered the various provisions of what has now been introduced as the Federal Courts Improvement Act of 1979 at its September, 1978 meeting on the basis of certain written proposals made by the Office for Improvements in the Administration of Justice (OIAJ) of the Department of Justice. The proposal of OIAJ that attracted the most interest and became the focus of discussion was the proposal to create a new United States Court of Appeals that would have exclusive jurisdiction for appeals in certain specialized areas of law. At that time, OIAJ proposed to give the new court of appeals exclusive jurisdiction, among other matters, over appeals in patent, tax and environmental cases from district courts throughout the country. The discussion at the September, 1978 Council meeting revealed substantial opposition to the creation of such a specialized court of appeals.

The Section Chairman appointed an ad hoc committee, of which I was a member, to arrange to meet with attorneys in OIAJ to communicate the concern of the Section over the proposal for a new specialized court of appeals and to try to modify that proposal, if possible. The Committee held such a meeting on October 26, 1978. While the meeting produced no tangible results, it did provide a useful exchange of information. When the Department of Justice incorporated a modified version of the proposal for the new specialized court of appeals into proposed legislation, the Council of the Section again considered the matter at its January, 1979 meeting, and the Council expressed its unanimous disagreement with that proposal. The Council, speaking on behalf of the Section, continues to oppose that proposal. Its position was later adopted and endorsed by the Special Committee on Coordination of Federal Judicial Improvements under the chairmanship of Ben Zelenko, and then by the ABA House of Delegates.

The reasons for the Association's opposition to the proposed United States Court of Appeals for the Federal Circuit can be succinctly stated:

First, there is a general consensus that limiting jurisdiction on appeal in certain categories of cases to a single specialized court will inhibit rather than promote the orderly development of legal principles relating to those substantive areas. The argument in favor of a specialized court to hear all appeals in particular areas of substantive law appears to be that such a court would eliminate the present problems of conflicts among the various courts, thereby reducing uncertainty as to what controlling law is and reducing the incentive for forum shopping. The ABA does not believe that such a result, if it were achieved by the proposed the workload of existing courts of appeals that there is no reason to believe that appellate judges presently hearing such appeals cannot master the elements of patent law necessary to resolve such matters.

The evolution of the proposal for the Court of Appeals for the Federal Circuit from the initial proposal issued by OIAJ to the legislation pending before the Congress seems quite clearly to demonstrate that the proposal is little more than a solution in search of a problem. OIAJ rather quickly dropped its suggestion that environmental law appeals be assigned to the

new specialized appellate court as soon as significant opposition developed in those segments of the bar specializing in environmental litigation. And, after dropping environmental law appeals from its proposal, OIAJ seemed to scurry around rather desperately to find additional categories of appeals to include within the jurisdiction of the new court so that the new court would appear to have an adequate caseload. If there was a principled basis for including environmental law appeals within the jurisdiction of the proposed new court, the mere opposition to that proposal by segments of the litigating bar should not have caused OIAJ to beat such a hasty retreat.

A final concern of the American Bar Association is the Justice Department's acknowledgment in written statements and in testimony before the Senate that, in its present form, the proposal to create a Court of Appeals for the Federal Circuit is only a foot in the door. The Justice Department, through its various spokesmen, has acknowledged that, once in place, a Court of Appeals for the Federal Circuit could become a dumping ground for jurisdiction over any other categories of cases that the Congress wished to assign to such a court. The realities of the legislative process are that the most difficult battle to win is the battle to create a new agency or a new entity. However, once that battle is won, it is very difficult to keep the new entity or agency from expanding its reach or authority over matters not contemplated when it was created. The American Bar Association is genuinely concerned that what now appears to be a modest proposal for creating a specialized appellate court could evolve into a court of ever-expanding jurisdiction without any serious consideration given to whether such expanded jurisdiction is wise or desirable.

Last fall, the Senate Judiciary Committee approved S.1477 and referred it to the Senate floor. Title IV of that bill -- which was introduced by Senators Kennedy and DeConcini as the legislative redraft and successor to the earlier bills entitled "Federal Court Improvement Act of 1979," S.678, and the "Administration Bill," S.677, originally prepared by the Justice Department -- was passed by the Senate on October 30, 1979.

As forthrightly stated by Professor Meador in his testimony before the Senate subcommittee on March 20 and May 7, 1979: "A central purpose of this bill is to create an appellate forum capable of exercising jurisdiction over appeals from throughout the country in areas of the law where Congress determines that there is a special need for national uniformity...(and) to which it can route categories of cases as needs and conditions change."

The Court of Claims and the Court of Customs and Patent Appeals -- both located in the same courthouse on Washington's Lafayette Square -- seem to be readily available sources of judicial and administrative staff.

The problem: What do you add to the current dockets of the two Article III Courts to justify combining them? Do you have to create additional, exclusive, subject matter jurisdiction? The Justice Department and the Senate Judiciary Committee answer affirmatively. My answer is NO. The same number of judges, staff and courtrooms can continue to handle the same combined number of cases, and more when appropriate.

From the time the Meador proposals -- forerunners of S.1477 -- were first broached on July 21, 1978, the Justice Department viewpoint (drawing on the extensive earlier consideration of specialized appellate forums and the proposal for a third-tier National Court of Appeal) has been "that law and justice are likely to be better served through appellate tribunals which are not limited in their jurisdiction to a single category of cases... (and) undue specialization of courts and judges should be avoided." (Meador, May 7, 1979)

The C.C.P.A. current jurisdiction, at least in the area of patents and trademarks, is the appellate review of quasi-judicial or administrative proceedings. They do not review inter-partes infringement litigation.

The currently proposed new and exclusive appellate jurisdiction over S.1338 (patents, plant variety protection, copyrights, trademarks and pendent unfair competition -- original jurisdiction of United States District Courts) except for "pure" copyright and trademark cases, is an ill-

considered, last-ditch attempt to mute the storm of opposition that greeted the 1978 preliminary suggestion of patents, environmental, and taxation cases.

Environmental was the earliest dropout shortly followed by taxation before the Justice proposal became the Administration proposal. Caught in a philosophical inconsistency of seeming to create a "specialized court of appeals," the drafter toyed with adding diverse subject matter such as CAB, FAA and certain ICC cases to the proposed docket along with trademarks.

In January, 1979, the draft proposal still included civil tax matters and, in the intellectual property area, all of S.1338 with the exception of "pure" copyright cases -- not withstanding that the common law and state statutory law had been preempted as of January 1, 1978, by the Federal Copyright Act. In March, the Administration bill, S.677, dropped civil tax matters, CAB or FAA. The Kennedy-DeConcini bill, S.678, on the other hand continued the FAA cases, sought to establish a separate tax appellate structure, and dropped all copyright cases.

The most recent exclusion of "pure" trademark cases evidences a failure of even a basic understanding of intellectual property law and its litigation. Unlike patent law and now copyright law wherein common law and state statutory law have been preempted, trademarks are governed not only by federal law but also common law and state statutory law. In most trademark litigation, trademark matters are coupled with unfair competition counts governed by common law and state statutory law.

To have such cases reviewed by a single appellate court in Washington defies the fundamental concepts on which our time-established regional courts of appeal are based.

The distinction as to "pure" trademark cases would encourage the very "forum shopping" anathematized by the proponents of the legislation. It would, of necessity, also create a further lack of uniformity and uncertainty in both federal and state trademark law.

While there may exist highly specialized areas involving regulatory authority that should better be reviewed at the appellate level in a single national court based in Washington, proponents of the removal of established areas of substantive law from the "mainstream" of the ever-developing general body of law in which they are intimately entwined have a heavy burden of persuasion.

It is not sufficient to say that there is "uncertainty" and "lack of uniformity," therefore we need a single appellate court; especially when the proponents recognize that, for example, in the patent system the heart of the problem may well lie in the original granting and examination procedures in the Patent and Trademark Office.

As developed by polls and questionnaires during the past two years, the reasoning for opposition was based on the following viewpoints:

1. Variety of views developed in different circuits on various points produces review by the Supreme Court and growth in the law; absent opportunity for diversity of views the law will stagnate and rigidify, raising the question of whether any case would get to the Supreme Court.

2. Patent Law is just another branch of the law, wherein the general rule is no specialized courts of appeal from administrative bodies or lower courts.

3. No special expertise is needed, especially at the appellate level.

4. Presumed expertise of single Court of Appeals would encourage attempts to retry cases at appellate level, and encourage the Court to substitute its judgment for that of the trial court, thereby changing the standards and level of review.

5. The new court would have a disproportionate load of "complex" cases.

6. More equitable decisions by courts of general jurisdiction.

7. Patent appeals de minimus load on Circuit Courts of Appeal.

8. Appeal in a patent case should be to the Court of Appeals that hears all the appeals from the specific District Court is thereby in a

better position to review the evidentiary and procedural aspects of the case.

9. Docket of the proposed court would be unattractive to high quality lawyers.

Those favoring the proposal expressed the following views:

a. One well-educated court would eliminate some prejudices of Courts of Appeals and willingness to ignore trial testimony and findings and reconsider all issues at appellate level.

b. Current lack of understanding of patent laws -- new Court would be more fair and certainly better for patents.

c. Expertise, consistency and reduced pendency, but caveat that patent lawyers might well not be selected and without their expertise the patent system could be harmed.

d. Single court would give patentee a better chance.

e. Bring technical expertise and interest to patent appeals and promote uniformity in application of 35 U.S.C. §§102 and 103, while avoiding criticisms of a special Court of Patent Appeals.

Both groups responding to the polls have wide ranges of experience, although the proportion having over fifteen years experience opposed the proposal on a three-to-one basis.

However, we respectfully submit that PATENTS, TRADEMARKS, UNFAIR COMPETITION, RELATED ANTITRUST AND COPYRIGHT do not properly fall within categories of substantive law that should be removed from the developmental mainstream of the law in which they are being formed and reformed on the time-proven anvil of regional courts of appellate review by a generalist judiciary cognizant of regional as well as national needs and of the overall spectrum of the laws regulating our highly developed industrial and commercial society through which Congress has sought to balance the long established national policies of free competition and encouragement of innovation.

My personal comments are based on over thirty years of experience as

an active practitioner in the patent, trademark, unfair competition and antitrust fields. As a litigator I have for more than twenty-five of those years (and am now) on one hand aggressively asserted proprietary rights and on the other vigorously defended against the assertion of such rights. My firm -- in which I have been a partner for 20 years and associated with for twenty-eight years -- and I represent individuals, small companies and giant multi-billion dollar corporations. Because of these diverse interests, my predilections are strongly to a middle-of-the-road approach to proprietary rights. I believe in the system and I want it to continue to work in the public interest. It must be flexible and adaptable to the changing economic world and the overall body of law, of which it is only a small part, and its judicial administration cannot be biased in either a pro or anti-patent direction.

The patent and trademark systems while working well in this country for almost two hundred years do have problems. My colleagues are properly concerned, as am I, with the complex, lengthy, expensive and uncertain nature of the enforcement of patent rights, and as Leo Levin testified on the opening session of the Senate hearings -- "innovative, creative efforts at arriving at a practicable solution" to those problems is appreciated and should be highly commended. There must be both legislative and judicial effort in that direction.

The battle cry of the proponents of exclusive appellate jurisdiction for intellectual property law such as patents, trademarks, copyrights, and unfair competition is "uniformity" and "certainty." As a litigator and one interested in establishing and enforcing VALID proprietary rights, I remind this Committee and my colleagues-at-the-bar that that is a two-edged sword. It wasn't too many years ago that the CCPA was not held in the high esteem that it is today. As Deputy Assistant Attorney General Hugh Morrison stated in testifying in favor of stronger judicial control in the July, 1978 hearings before the National Commission for the Review of Antitrust Laws and Procedures - "The system as it is set up, at least in my view, is okay. It's a people problem."

Judge Newman in his testimony on March 20, 1979 before the Senate expressed a caveat that "patent cases often involve antitrust claims or defenses not necessarily appropriate for a court of patent expertise" and suggested that issues other than patent validity and infringement such as antitrust issues be left for appeal to the present courts of appeals "with their more generalist approach."

I submit that patent cases today are so intertwined with issues of antitrust, unfair competition, misuse, fraud in the enforcement, fraud in the procurement and a plethora of contract issues that appellate review -- fundamentally issues of law, not fact -- should be by generalists.

Considering trademark law, which has only just been added as an afterthought to fill up the crack on removal of environmental law and civil tax jurisdiction from the proposed CA Federal Circuit, there is even less justification for removing it from the mainstream of appellate review. Most problems of trademark law involve common law rights both federal and state, federal and state statutory law and unfair competition. It is essential in such cases that the appellate reviewing authority be not far removed from the nuances of such regional and local law and the predilections of the trial court. This is particularly true at the first appellate level.

I commend to your serious consideration Judge Newman's suggested alternative approach to handling the problem of conflicting results on issues of federal statutory construction. On page 10 of his formal presentation on March 20 before this Committee, he suggests as "a modest and far less controversial step...some formal mechanism to call these conflicts explicitly to the attention of the Congress."

Furthermore, I do not find cause for alarm in the frequently cited statistics as to invalidity holdings on patents. As quoted very recently in the Draft Report of the Advisory Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation on which my colleague Don Dunner served, Chief Judge Markey of the CCPA suggests that:

> "the number of appellate patent decisions does not represent a statistically valid sample of U.S. Patents.

> The number of patents adjudicated by the appellate courts between 1968 and 1972, for example...(was) less than 2/10 of 1% of those issued.

Over the ten years from 1968 to 1977, only 622 patents were adjudicated by the 11 circuit courts of appeal and the Court of Claims of which 25.7 were held valid and infringed, 57.7% invalid and 10.8% not infringed.

In Germany in 1975, 90 patents were challenged for invalidity -- I believe at least in most instances in the special patent court --, 22% were found invalid and another 19% partially invalid.

Do we really want to have a higher rate?

Staying with that Advisory Committee report, reference is made by its Chairman Bob Benson to a recent article pointing out that "many of our great inventions represented relatively minor structural deviations from the impractical or unsatisfactory forerunner -- the electric lamp, barbed wire fence, telephone, induction motor and air brake." The involved patents were upheld in Court after extensive litigation.

The recent position paper of the Industrial Research Institute in supporting a single appellate court to achieve this uniformity and certainty also emphasizes the need to "speed up litigation and reduce the costs."

The place where that can best be done is at the trial court level. At the appellate level, the parties in patent, trademark, copyright and unfair competition cases submit the same size briefs, have the same 20 to 30 minutes to argue their respective points of law and have the same briefing schedule. Bearing in mind that these cases at best account for only one to three percent of total appellate court load -- where is the burden on the system?

Earlier in my testimony, I cited the results of a poll taken regarding improvements in federal appellate procedure. Overall, the poll reflected 61% opposition to the specific proposal under consideration.

An even stronger opposition was generated in response to an early effort to eliminate the dual routes of appeal in patent and trademark cases. The bulk of such cases proceed from the administrative procedures in the Patent and Trademark Office on the basis of the written record. However, there is a need and a current opportunity to go forward de novo with live

testimony and cross-examination (not otherwise available). This right, while not too frequently used, is deemed highly important by substantial portions of the patent and trademark bars (Recent polls of specialized bar groups).

Some have criticized such polls as being dominated by patent and trademark litigators. I can only say that we are the ones that live in the crucible of the system. We don't want it any more hazardous than it is. We do want to improve it. I do not believe that the current proposal as to exclusive appellate jurisdiction is the answer. It can best be described as - A REMEDY LOOKING FOR A PROBLEM.

The patent and trademark bars recognize that there are problems that are susceptible of resolution. Please give us the opportunity to use our expertise to help find the solutions.

I call your attention to the interchange between Senator DeConcini and Dean Griswold during Dean Griswold's testimony before the Senate Judiciary Committee on March 20, 1979:

"Senator DeConcini: - Do you think the bills are setting our sights too low?

"Dean Griswold: - Senator, my thought about that has been that I would like to get the camel's nose in the tent.

* * *

to provide the entering wedge.

* * *

If we try to make it too broad now, we will concentrate the opposition."

Chief Judge Markey of the Court of Customs and Patent Appeals on May 10, 1979, testified that if the sole purpose was "to remove non-uniformity and forum shopping from Patent Law, the obvious, simplest, and most economic means would be to transfer...appeals in patent cases to the (CCPA).***Should courts adopt a broader interest in the problem, and in greater employment of the unique technical capabilities of the CCPA, it may wish to consider direction of appeals in other technically oriented cases to that court."

In summary, we believe the case has not been made for the proposed new court, that the proposal raises serious questions, and that your Subcommittee should oppose creation of the new United States Court of Appeals for the Federal Circuit.

STATEMENT OF HERBERT E. HOFFMAN, DIRECTOR, AMERICAN BAR ASSOCIATION, WASHINGTON, D.C.

Mr. HOFFMAN. All of my colleagues at the table here have addressed themselves to the Court of Appeals for the Federal Circuit, including Mr. Geriak, who spoke for the American Bar Association on that issue. I want to call your attention to titles II and III of this bill, particularly in view of your own background. Titles II and III, which relate to other improvements and changes in the court system.

I filed a statement, which I ask be made part of the record, and I would like very briefly to touch on the points made in the statement.

Senator HEFLIN. It will appear following the oral presentation of the panel.

Mr. HOFFMAN. Title II makes what the American Bar Association considers meritorious changes in Federal court governance and administration. We support the proposed changes in the appointment and terms of chief judges of the courts of appeals and district courts, precedence and composition of circuit court panels, and judicial resignation and retirement.

We have never addressed the question dealt with in part C of title II of the bill—whether the judicial councils of the circuits or the courts of appeals should appoint Federal public defenders. However, since district court judges will be on the councils effective October 1 of this year, the change may not be quite as "technical" as it is denoted in the heading of the part.

Part E of title II, providing for the temporary assignment of justices and judges to the positions of Administrative Assistant to the Chief Justice, Director of the Administrative Office of the U.S. Courts, and Director of the Federal Judicial Center, is the only part of title II to which the American Bar Association objects. We believe it to be a waste of article III judgepower—without any demonstrated need, I might add—and therefore undesirable. In our view, judges should be used to judge.

Title III is in two parts. We support part A which provides for the transfer of misfiled matters between courts in the interest of justice. However, we believe it is desirable clearly to make the provision applicable to appeals as well as original actions.

We disapprove of part B which would provide for uniform rates of interest. Basically, our position as to the uniform rate relates to problems with implementation, and our objection to prejudgment interest is predicated on similar grounds plus the absence of any demonstrated need to alter current law.

I wish to express my appreciation for the opportunity for the American Bar Association to present its views on titles I, II, and III. I would be happy to answer questions you might have.

[The prepared statement and additional material submitted by Mr. Hoffman follow:]

Prepared Statement of Herbert E. Hoffman

Mr. Chairman and Members of the Subcommittee:

I am Herbert E. Hoffman, Director of the Washington office of the American Bar Association and appear to present to you the views of the Association on the provisions of Titles II and III of S.21, the proposed "Federal Courts Improvement Act of 1981". With me is Mr. James W. Geriak of Los Angeles, California, a patent law attorney who will speak to Title I, which would create a United States Court of Appeals for the Federal Circuit and a United States Claims Court.

Title II, entitled "Governance and Administration of the Federal Courts" is in six parts as follows:

Part A would provide that no judge shall serve as chief judge of a circuit or of a district for more than seven years, and no judge shall assume that position unless he is under 65 years of age, has served for at least one year, and shall not previously have been chief judge. Adequate provision appears to be made for unusual situations in which the general policy cannot be followed. Also, chief judges incumbent on the effective date -- October 1, 1981, or sixty days after the date of enactment, whichever is later -- are grandfathered. The American Bar Association supports these changes.

Part B would assure that precedence and presiding authority among the judges of a court of appeals will be determined in order of seniority among judges in regular active service. It would also require that in ordinary circumstances at least a majority of the judges of a panel hearing a matter in a court of appeals would be judges of that circuit and the presiding judge would be a judge of that circuit in regular active service. The American Bar Association supports these changes.

Part C would transfer from the judicial councils of the circuits to the courts of appeals the power to appoint federal public defenders. The American Bar Association has not previously addressed these proposed changes, but I do observe that pursuant to Public Law 96-458 district court judges will on and after October 1, 1981 be members of the judicial councils. Therefore, the amendments which are denoted in the bill as "technical" may be quite substantive in the minds of district court judges. Whether the proposed change is nevertheless desirable is a question as to which the American Bar Association has no policy at this time.

Part D would permit resignations of Article III judges for age on the same basis as retirements are permitted. Currently judges may resign at full salary only after attaining age 70 and 10 years of service. This bill would permit resignations at age 65 with 15 years of service, as well. The American Bar Association supports this change, as it does the proposed amendment to 5 U.S.C. 8334 relating to deposits into the civil service retirement fund.

Part E would authorize active or retired judges or justices to be assigned temporarily as Administrative Assistant to the Chief Justice, Director of the Administrative Office of the United States Courts, or Director of the Federal Judicial Center. It would authorize the appointment of a successor by the President on a temporary basis and would provide for the judge who accepted the administrative position to resume his or her judicial position at the conclusion of the temporary assignment. The American Bar Association opposes this provision as being wasteful of judicial manpower and because no need has been shown to support the use of an active judge in such an administrative role. As for Senior Judges accepting such appointments, there is no need for a statutory amendment. Actually, there may not be any need for any amendment with respect to active judges for I find nothing which precludes them from accepting such assignments. In addition, insofar as the Judicial Center is concerned,

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existing law appears to authorize the Center's Board to select a judge or justice, in active or retired status, to serve as Director (28 U.S.C. 626).

Part F would require each court of appeals to publish rules for the conduct of the business of the court, including operating procedures. It also would require the appointment of an advisory committee to make recommendations concerning rules of practice and internal operating procedures. The American Bar Association supports this provision of the bill but suggests that the term "operating procedures" be defined or recast so as clearly to exclude the court's internal deliberations and discussions or the work products of its clerks. Perhaps using the term "rules for the conduct of business" or the term "rules of practice" would accomplish this clarification.

Title III is in two parts. Part A would authorize a federal court in which a civil action is filed and as to which it finds it has no jurisdiction, to transfer such action to any court in which it could have been brought at the time it was filed. Transferred causes would proceed as if they had been filed in the transferee court originally. The American Bar Association supports this provision but suggests that the language be amended to make clear that appeals as well as original proceedings may be transferred. One suggestion for accomplishing this would be to insert the words "originally or on appeal" after the word "filed" on line 19 on page 65 of S.21.

Part B of Title III would establish a uniform rate of interest on judgments obtained in the Federal courts, by adopting the rate used by the Internal Revenue Service in connection with interest on taxes. It would authorize district courts in their discretion to require a party against whom a money judgment has been entered to pay interest on the amount of the judgment "from the time that the party... became aware of his potential liability or from the time he should have become aware... but, in any case, not to exceed a period of five years."

The American Bar Association is unable to support this provision of the legislation. For one thing, it is our understanding that the rate applied by the Internal Revenue Service generally lags behind the commercial rate by 12 to 18 months. Thus, it is far from certain that current practices

would be measurably improved by the adoption of the uniform rate as proposed. Further, with respect to the award of prejudgment interest concept, there is a sharp division of opinion. In general, it is the prevailing view that if such interest is allowed by state law, Federal courts should follow that practice in diversity cases. In Federal question cases, however, considerable discussion centers on the proposed statutory guideline which triggers liability on a party's "awareness". Some members of the litigating bar have expressed a view that such a standard is uncertain and that increased litigation would be engendered by the use of such a guideline. Also, as drafted the provision is unclear whether such additional interest could be awarded on compensatory damages only or on punitive damages as well. So far as we are aware there appears to be no demonstrable need to alter existing provisions governing the award of interest on judgments in Federal courts.

And now, if the Committee wishes I shall be pleased to respond to questions or, if you wish, Mr. Geriak will proceed to discuss Title I of the bill.

PROPOSED AMENDMENT RE "FORUM SHOPPING"

Amend either 28 U.S.C. §1400 or 1404 by adding:

If actions have been commenced in two or more district courts which present issues of validity, infringement or enforceability of the same patent, the district court in which the first action was commenced shall have priority of jurisdiction unless it is a proceeding under 28 U.S.C. §2201-2 and was commenced earlier than sixty (60) days from the date on which the plaintiff in said action was charged with infringement or otherwise threatened with suit by the owner of the patent.

COMMENTARY

This provision does not withdraw or eliminate the right of a potential defendant in a patent infringement suit to have recourse to the courts as a plaintiff in a declaratory judgment action. Rather, it merely defers the time when such an action may be instituted by allowing the patent owner a reasonable period of time in which to commence his action against an alleged infringer. This was the traditional right of all patent owners until the advent of the Declaratory Judgment Act.

If the patent owner fails to act within the prescribed time, a person subject to suit for patent infringement may then seek judicial relief as a plaintiff. There will no longer be races to the courthouse between patent holders and other claimants or users. The evil of "forum shopping" and the costly and protracted controversy connected with that practice therefore will be effectively eliminated.

The proposed amendment is patterned on 28 U.S.C. §2112A.

Schedule A

DECISIONS (1974 - 1978)
AS TO VALIDITY BASED ON § 103

Submitted by the
COMMITTEE TO PRESERVE THE PATENT
JURISDICTION OF THE UNITED
STATES COURT OF APPEALS

before the

SUBCOMMITTEE ON COURTS
COMMITTEE OF THE JUDICIARY
U.S. SENATE

on the

PROPOSED COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

S-21

May 18, 1981

1st Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Avant, Inc. v. Polaroid Corp., 572 F.2d 889, 197 U.S.P.Q. 593 (1st Cir. 1978)		1	
2. Suully Signal Co. v. Electronics Corp. of America, 570 F.2d 355, 196 U.S.P.Q. 657 (1st Cir. 1978)		1	X
3. International Telephone and Telegraph Corp. v. Raychem Corp., 538 F.2d 453, 191 U.S.P.Q. 1 (1st Cir. 1978)	1		X
4. Forbro Design Corp. v. Ratheon Co., 532 F.2d 758, 190 U.S.P.Q. 49 (1st Cir. 1976)		1	X
5. Norton Co. v. Carborundum Co., 530 F.2d 435, 189 U.S.P.Q. 1 (1st Cir. 1976)	1		X
6. Potter Instrument Co., Inc. v. Odec Computer Systems, Inc., 449 F.2d 209, 182 U.S.P.Q. 386 (1st Cir. 1974)		1	X
7. Sylvania Electric Products, Inc. v. Brainerd, 499 F.2d 111, 182 U.S.P.Q. 385 (1st Cir. 1974)	1		X
TOTAL	5		

All seven lower court decisions affirmed.

2nd Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Eutectic Corp. et al v. Metco, Inc. 579 F.2d 1, 197 U.S.P.Q. 129 (2nd Cir. 1978)	2		
2. Digitronics Corp. (now Amperex Electronic Corp.) v. The New York Racing Assn., Inc. et al, 553 F.2d 740 (2nd Cir. 1977)		1	X
3. U.S. Phillips Corp. v. National Micronetics Inc. et al., 550 F.2d 716, 193 U.S.P.Q. 65 (2nd Cir. 1977)		1	X
4. Plantronics, Inc. v. Roanwell Corp., 535 F.2d 1397, 192 U.S.P.Q. 67 (2d Cir. 1976)	1	2	
5. Maclaren et al. v. B-I-W Group, Inc., et al., 535 F.2d 1367, 190 U.S.P.Q. 513 (2nd Cir. 1976)		1	X
6. Timely Products Corp. et al. v. Arron et al., 523 F.2d 288, 187 U.S.P.Q. 257 (2nd Cir. 1975)		3	X
7. Koppers Co., Inc. et al. v. S & S Corrugated Paper Machinery Co., Inc., 517 F.2d 1182, 185 U.S.P.Q. 705 (2nd Cir. 1975)		1	X
8. Esso Research and Engineering Co. v. Kahn & Co., Inc. et al., 513 F.2d 1341, 186 U.S.P.Q. 317 (2nd Cir. 1975)		1	X

2nd Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
9. Vanity Fair Mills Inc. v. Olga Co. (Inc.), 510 F.2d 336, 184 U.S.P.Q. 643 (2nd Cir. 1975)		2	X
10. Kahn v. Dynamics Corp. of America, 508 F.2d 939, 184 U.S.P.Q. 260 (2nd Cir. 1974)		1	X
11. Lancaster Colony Corp. v. Aldon Accessories, Ltd. et al., 506 F.2d 1197, 184 U.S.P.Q. 193 (2nd Cir. 1974)	1 (design)		X
12. Julie Reasearch Laboratories, Inc. v. Guideline Instruments, Inc. et al., 501 F.2d 1131, 183 U.S.P.Q. 1 (2nd Cir. 1974)			
13. The General Tire Rubber Co. v. Jefferson Chemical Co. Inc., 497 F.2d 1283, 182 U.S.P.Q. 70 (2nd Cir. 1974)		1	
14. Supreme Equipment and Systems Corp. v. Lear Siegler, Inc. et al., 495 F.2d 860, 181 U.S.P.Q. 609 (2nd Cir. 1974)		1	X*
TOTAL 8 affirmances 4 reversals 2 modifications	4	16	

*also citing Anderson's Black Rock, Inc. v. Pavement Salvage Co.

3rd Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Paeco Inc. v. Applied Moldings, Inc. 562 F.2d 870, 194 U.S.P.Q. 353 (3rd Cir. 1977)		1	X
2. Aluminum Co. of America et al. v. Amerola Products Corp., 552 F.2d 1020, 194 U.S.P.Q. 1 (3rd Cir. 1977)		1	X
3. Systematic Tool and Machine Co. et al. v. Walter Kidde & Co., Inc., 555 F.2d 342 (3rd Cir. 1977)		1	X
4. Tokyo Shibaura Electric Co., Ltd. v. Zenito Radio Corp., 548 F.2d 88, 193 U.S.P.Q. 73 (3rd Cir. 1977)		1	X
5. Universal Athletic Sales Co. v. American Gym, Recreational & Athletic Equipment Corp., Inc. et al., 546 F.2d 530, 192 U.S.P.Q. 193 (3rd Cir. 1976)	1		X*
6. Allegheny Frop Forge Co. v. Portec, Inc., 541 F.2d 383, 191 U.S.P.Q. 541 (3rd Cir. 1976)		1	X
7. ADM Corp. v. Speedmaster Packaging Corp. et al., 525 F.2d 662, 188 U.S.P.Q. 546 (3rd Cir. 1975)		1	X

3rd Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
8. American Roller Co. v. Budinger, 513 F.2d 982, 185 U.S.P.Q. 577 (3rd Cir. 1975) -- on motion for disqualification of counsel	-----	------	
9. Kaiser Industries Corp. v. Jones & Laughlin Steel Corp., 515 F.2d 964, 185 U.S.P.Q. 343 (3rd Cir. 1975) -- Reversed because the district court failed to recognize a Blonder Tongue-type collateral estoppel, issue of patent validity not reached.	-----	------	
10. Layne-New York, Inc. v. Allied Asphalt Co., Inc., 501 F.2d 405, 183 U.S.P.Q. 132 (3rd Cir. 1974)		1	X
11. Arrow Safety Device Co. v. Nassau Fastening Co. et al. 469 F.2d 644, 181 U.S.P.Q. 481 (3rd Cir. 1974)		1	X
TOTAL	1	8	

4 affirmances
2 reversals
2 modifications
1 judgment vacated
2 patent validity and/or infringement not at issue

4th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Tights, Inc. v. Acme-McCrary Corp. et al. 541 F.2d 1047, 191 U.S.P.Q. 305 (4th Cir. 1976)	1		X
2. Deering Milliken Research Corp. v. Braunit Corp., 538 F.2d 1022, 189, U.S.P.Q. 565 (4th Cir. 1976)		1	X
3. Diamond International Corp. v. Maryland Fresh Eggs, Inc., 523 F.2d 113, 187 U.S.P.Q. 193 (4th Cir. 1975)		1	X
TOTAL	1	2	

1 affirmance
2 reversals

5th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Steelcase, Inc. v. Delwood Furniture Co., Inc. 578 F.2d 74, 199 U.S.P.Q. 69 (5th Cir. 1978)		2	X
2. Bird Provision Co. v. Owens Country Sausage, Inc., 568 F.2d 369, 197 U.S.P.Q. 134 (5th Cir. 1978)		1	X
3. Robbings Co. v. Dresser Industries, Inc., 554 F.2d 1289, 194 U.S.P.Q. 409 (5th Cir. 1977)		1	X
4. Fred Whitaker Co. v. E.T. Barwick Industries, Inc., 551 F.2d 622, 194 U.S.P.Q. 113 (5th Cir. 1977)		1	X
5. Yoder Bros., Inc. v. California-Florida Plant Corp. et al., 537 F.2d 1347, 193 U.S.P.Q. 264 (5th Cir. 1976)	7 (plant patents)		X
6. Ag Pro, Inc. v. Sakraida, 536 F.2d 110 (5th Cir. 1976) -- vacated and remanded as per the S.Ct.'s declaration patent invalidity.	------	-----	
7. Parker v. Motorola, Inc., 524 F.2d 518, 188 U.S.P.Q. 225 (5th Cir. 1975)		1	X*

5th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
8. Becton, Dickinson and Co. v. Sherwood Medical Industries, Inc., 516 F.2d 514, 187 U.S.P.Q. 200 (5th Cir. 1975)		2	
9. White v. Mar-Bel, Inc. et al., 509 F.2d 287, 185 U.S.P.Q. 129 (5th Cir. 1975)	1		X
10. Keystone Plastics, Inc. v. C & P Plastics, Inc., et al., 506 F.2d 960, 184 U.S.P.Q. 454 (5th Cir. 1975)	1	1	
11. Gaddis v. Calgon Corp., 506 F.2d 880, 184 U.S.P.Q. 449 (5th Cir. 1975)	1		X
12. Williamson-Dickie Mfg. Co. v. Hortex, Inc. et al., 504 F.2d 983, 184 U.S.P.Q. 197 (5th Cir. 1975)		1	X*
TOTAL	10	10	

6 affirmances
2 reversals
3 modifications
1 judgment vacated
and remanded

6th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. American Seating Co. v. National Seating Co., 586 F.2d 611, 199 U.S.P.Q. 257 (6th Cir. 1978)		1	X
2. Nickola v. Peterson, 580 F.2d 898, 198 U.S.P.Q. 385 (6th Cir. 1978)		1	X
3. Licerne Products, Inc., et al. v. Cutler-Hammer, Inc., 568 F.2d 784, 195 U.S.P.Q. 472 (6th Cir. 1977)		1	X
4. Kearney & Trecker Corp. v. Cincinnati Milacron Inc. 562 F.2d 365, 195 U.S.P.Q. 402 (6th Cir. 1977)	1 (but unenforceable)	1	*
5. Union Carbide Corp. v. Borg-Warner Corp. et al., 550 F.2d 355, 193 U.S.P.Q. 1 (6th Cir. 1977)		1	
6. Reynolds Metals Co. v. Acorn Building Compounds, Inc., 548 F.2d 155, 192 U.S.P.Q. 737 (6th Cir. 1977)		1	X*
7. National Rolled Thread Die Co. v. E.W. Ferry Screw Products, Inc., et al., 541 F.2d 593, 192 U.S.P.Q. 358 (6th Cir. 1976)	1 (held valid but not infringed)		X

6th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
8. Bolkum et al. v. Carborundum Co., 523 F.2d 492, 187 U.S.P.Q. 466 (6th Cir. 1975)		1	X*
9. Schlegel Mfg. Co. v. USM Corp., 525 F.2d 775, 187 U.S.P.Q. 417 (6th Cir. 1975) -- aff'd lower court decision holding defendants in contempt	-----	-----	
10. Dickstein v. Seventy Corp. et al., 522 F.2d 1294, 187 U.S.P.Q. 138 (6th Cir. 1975)		1	*
11. Cole v. Sears, Roebuck & Co., 520 F.2d 673, 17 U.S.P.Q. 65 (6th Cir. 1975)	1	1	
12. Buzzelli v. Minnesota Mining & Mfg. Co., 521 F.2d 1162, 186 U.S.P.Q. 464 (6th Cir. 1975)		1	
13. Philips Industries, Inc. et al. v. State Stove and Mfg. Co., Inc., 522 F.2d 1137, 186 U.S.P.Q. 458 (6th Cir. 1975)		1	*
14. Hieger et al. v. Ford Motor Co., 516 F.2d 1324, 186 U.S.P.Q. 374 (6th Cir. 1975)		1	X
15. Cardinal of Adrian, Inc. v. Peerless Wood Products, Inc. et al., 515 F.2d 534, 185 U.S.P.Q. 712 (6th Cir. 1975)	1	1	X

CONTINUED

2 OF 5

6th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
16. Lifetime Doors, Inc. v. Walled Lake Door Co., 505 F.2d 1165, 184 U.S.P.Q. 1 (6th Cir. 1974)		1	
17. Westwood [illegible]mical v. Molded Fiber Glass Body Co., 49[illegible]2d 1115, 182 U.S.P.Q. 517 (6th Cir. 1974)		1	
18. Avery Product Corp. v. Morgan Adhesives Co., 496 F.2d 254, 1 U.S.P.Q. 737 (6th Cir. 1974)		1	
19. Fairway Construction Co. v. Allstate Modernization, Inc., 495 F.2d 1077, 181 U.S.P.Q. 614 (6th Cir. 1974)		1	
20. Deyerle et al. v. Wright Mfg. Co. et al., 496 F.2d 45, 181 U.S.P.Q. 685 (6th Cir. 1974)	1 (valid but not infringed)		
21. Tec-Pak, Inc. v. St. Regis Paper Co., 491 F.2d 1193, 181 U.S.P.Q. 75 (6th Cir. 1974)	1		
TOTAL	6	17	

14 Affirmances
3 Reversals
3 Modifications
1 Judgment vacated

7th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Harig Products, Inc. v. K.O. Lee Co. et al., No. 77-2154 (7th Cir., decided February 20, 1979)		1	X
2. Republic Industries, Inc. v. Schlage Lock Co., 200 U.S.P.Q. 769 (7th Cir. 1979)		1	X
3. Centsable Products, Inc. v. Lemelson, 591 F.2d 400 (7th Cir. 1979)		1	X
4. Scholl, Inc. v. S.S. Kresge Co., 580 F.2d 244, 199 U.S.P.Q. 74 (7th Cir. 1978)		1	
5. Allen Group, Inc. v. Nu-Star, 575 F.2d 146, 197 U.S.P.Q. 849 (7th Cir. 1978)		1	X
6. St. Regis Paper Co. v. Bemig Co., Inc., 549 F.2d 833, 193 U.S.P.Q. 8 (7th Cir. 1977)		1	X
7. Illinois Tool Works, Inc. v. Foster Grant Co., Inc., 547 F.2d 1300, 192 U.S.P.Q. 365 (7th Cir. 1976)		1	X

7th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
8. Louis A. Grant, Inc. v. Keibler Industries, Inc., 191 U.S.P.Q. 424 (7th Cir. 1976)		1 (if valid, defendant would infringe)	X
9. Pederson v. Stewart-Warner Corp., 192 U.S.P.Q. (7th Cir. 1976)		1	X
10. Ortho Pharmaceutical Corp. et al. v. American Hospital Supply Corp. et al., 534 F.2d 89, 190 U.S.P.Q. 397 (7th Cir. 1976)	1		
11. Airtex Corp. v. Shelley Radiant Celing Co., 536 F.2d 145, 190 U.S.P.Q. 6 (7th Cir. 1976)		1	X
12. Feed Service Corp. v. Kent Feeds, Inc. et al., 528 F.2d 756, 188 U.S.P.Q. 616 (7th Cir. 1976)	1 (valid but not infringed)		X
13. Red Cross Mfg. Corp. v. Toro Sales Co., 525 F.2d 1135, 188 U.S.P.Q. 241 (7th Cir. 1975)	1		

7th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
14. E-T Industries, Inc. v. Whittaker Corp. et al., 523 F.2d 636, 187 U.S.P.Q. 369 (7th Cir. 1975)		1	
16. Tracor, Inc. v. Hewlett-Packard Co., 519 F.2d 1288 (7th Cir. 1975)	1		X
17. Gettelman Mfg. Inc. v. Wisconsin Marine, Inc. et al., 517 F.2d 1194, 186 U.S.P.Q. 376 (7th Cir. 1975)		1	X
18. Panduit Corp. v. Burndy Corp. et al., 517 F.2d 535, 186 U.S.P.Q. 75 (7th Cir. 1975)		1	X
19. Crane Co. v. Aeroquip Corp., 504 F.2d 1086, 183 U.S.P.Q. 577 (7th Cir. 1974)	1		
20. Marrese et al. v. Richard's Medical Equipment, Inc., et al., 504 F.2d 479, 183 U.S.P.Q. 517 (7th Cir. 1974)		1	
21. Research Corp. v. Nasco Industries, Inc., 501 F.2d 358, 182 U.S.P.Q. 449 (7th Cir. 1974)		1	X
22. Speakman Co. v. Water Saver Faucet Co., Inc., 497 F.2d 410, 182 U.S.P.Q. 130 (7th Cir. 1974)		1	*

7th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
23. Popeil Brothers, Inc. v. Schick Electric, Inc. et al., 494 F.2d 162, 181 U.S.P.Q. 482 (7th Cir. 1974)		1	X
TOTAL:	6	17	

15 affirmances
6 reversals
2 modifications

8th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Reinke Mfg. Co., Inc. v. Sidney Mfg. Corp., No. 78-1341, 78-1301 (7th Cir., filed February 26, 1979)		1	X
2. Clark Equipment Co. et al. v. Keller et al., 570 F.2d 778, 197 U.S.P.Q. 208 (8th Cir. 1978)	1	2	
3. Pfizer, Inc. v. International Rectifier Corp. et al., 538 F.2d 180, 190 U.S.P.Q. 273 (8th Cir. 1976)	-----	-------	
-- patent validity was not an issue.			
4. Airlite Plastics Co. v. Plastilite Corp., 526 F.2d 1078, 189 U.S.P.Q. 327 (8th Cir. 1975)		1	X
5. Bolt, Bernaek and Newman, Inc. v. McDonnell Douglas Corp., 521 F.2d 338, 187 U.S.P.Q. 142 (8th Cir. 1975)		1	X
TOTAL:	1	5	

2 affirmances
1 reversal
1 modification
1 patent not at issue

9th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. SSP Agricultural Equipment, Inc. v. Orchard-Rite Ltd., slip opinion (9th Cir. 1979)		1	X
2. Photo Electronics Corp. v. England, 581 F.2d 772, 199 U.S.PQ. 710 (9th Cir. 1978)	2		X
3. Penn International Industries v. Pennington Corp. et al., 583 F.2d 1078, 200 U.S.P.Q. 651 (9th Cir. 1978)	1		X
4. Lee Pharmaceuticals v. Kreps, 577 F.2d 610, 198 U.S.P.Q. 601 (9th Cir. 1978) action to compel production of abandoned patent applications	------	-------	
5. Santa Fe-Pomeroy, Inc. v. P & Z Co., Inc., et al., 569 F.2d 1084, 197 U.S.P.Q. 449 (9th Cir. 1978)	1		X
6. Lyon v. Boeing Co., 566 F.2d 676, 200 U.S.P.Q. 19 (9th Cir. 1977)		2	
7. Astro Music, Inc. v. Eastham, 564 F.2d 1236, 197 U.S.P.Q. 339 (9th Cir. 1977)		1	X*

9th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
8. English v. North Pacific Products, Inc., 559 F.2d 566, 200 U.S.P.Q. 20 (9th Cir. 1977)		1	X*
9. Ceco Corp. v. Bliss & Laughlin Industries, 557 F.2d 687, 195 U.S.P.Q. 337 (9th Cir. 1977)		1	X
10. Globe Linings, Inc. et al. v. City of Corvallis et al., 555 F.2d 727, 194 U.S.P.Q. 415 (9th Cir. 1977)		1	X
11. St. Regis Paper Co. v. Royal Industries et al., 552 F.2d 309, 194 U.S.P.Q. 52 (9th Cir. 1977)		1	X
12. Kamei-Autokomfort et al. v. Eurasian Automotive Products, 553 F.2d 603, 194 U.S.P.Q. 362 (9th Cir. 1977)		1	X
13. Garbell, Inc. et al. v. Boeing Co., 546 F.2d 297, 192 U.S.P.Q. 481 (9th Cir. 1976)		1	
14. Grayson v. McGowan et al., 543 F.2d 79, 192 U.S.P.Q. 571 (9th Cir. 1976)		2	X

9th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
15. American Safety Flight Systems, Inc. v. Garrett Corp., 528 F.2d 288, 190 U.S.P.Q. 287 (9th Cir. 1975)		2	
16. Norwood v. Ehrenreich Photo-Optical Industries, et al., 529 F.2d 3, 189 U.S.P.Q. 196 (9th Cir. 1975)		1	X*
17. Alcor Aviation, Inc. v. Radair Inc. et al., 527 F.2d 113, 188 U.S.P.Q. 549 (9th Cir. 1975)		1	X
18. Schroeder et al. v. Owens-Corning Fiberglas Corp., 514 F.2d 901, 185 U.S.P.Q. 723 (9th Cir. 1975)	1		X
19. Deere & Co. v. Sperry Rand Corp., 513 F.2d 1131, 185 U.S.P.Q. 495 (9th Cir. 1975)		1	X
20. Rex Chainbelt Inc. v. Harco Products, Inc., 512 F.2d 993, 185 U.S.P.Q. 10 (9th Cir. 1975)		1	X
TOTAL:	5	18	

15 affirmances
2 reversals
1 mofification
1 judgment vacated
1 patent not at issue

10th Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Tanks, Inc. v. Reiter Industries, Inc., 545 F.2d 1276, 195 U.S.P.Q. 230 (10th Cir. 1976)		1	X
2. Rutter v. Williams, 541 F.2d 878 (10th (Cir. 1976)		1	*
3. CMI Corp. v. Metropolitan Enterprises, Inc., 534 F.2 874, 189 U.S.P.Q. 770 (10th Cir. 1976)	1 (valid but not infringed)		X
4. Halliburton Co. v. Dow Chemical Co., 514 F.2d 377, 185 U.S.P.Q. 769 (10th Cir. 1976)		1	X
5. Price et al. v. Lake Sales Supply R.M., Inc., 510 F.2d 388, 183 U.S.P.Q. 519 (10th Cir. 1974)	1		X
TOTAL:	2	3	

2 affirmances
1 reversal
2 modifications

Schedule B

DECISIONS (May, 1979 - Feb., 1981)
AS TO VALIDITY BASED ON § 103

Submitted by the
COMMITTEE TO PRESERVE THE PATENT
JURISDICTION OF THE UNITED
STATES COURT OF APPEALS

before the

SUBCOMMITTEE ON COURTS
COMMITTEE OF THE JUDICIARY
U.S. SENATE

on the

PROPOSED COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

S-21

May 18, 1981

2nd Circuit	Patent Valid and Infringed	Patent Invalid and Noninfringed	Citing Graham v. Deere
1. Morris Phillip v. Mayer, Rothkope Industries and Mayer & CIE GmbH, No. 80-7321 Slip opinion (2d Cir. 1980)	1		X
2. Champion Spark Plug Co. v. Gyromat Corp., 603 F.2d 361, 202 U.S.P.Q. 785 (2d Cir. 1979)	1 (Infringement not at issue)		X*
TOTAL	2	0	*Also cited Sakraida v. Ag Pro, Inc.

1 affirmance
1 reversal

3rd Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Eli Lilly & Co. v. Premo Pharmaceutical Laboratories, Inc., 630 F.2d 120,207 U.S.P.Q. 719 (3rd Cir. 1980)	1		X
2. American Sterilizer Co. v. Sybron Corp., 614 F.2d 890, 205 U.S.P.Q. 97 (3rd Cir. 1980)		1	X
3. Sims v. Mack Truck Corp. et al, 608F. 2d 87, 203 U.S.P.Q. 961 (3d Cir. 1979)		1	X*
TOTAL	1	2	*Also citing Sakraida v. Ag-Pro and Anderson's Black Rock, Inc. v. Pavement Salvage Co.

2 affirmances
1 reversed in part,
vacated & remanded in part.

4th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. John Deere
1. Marino Systems, Inc. v. J. Cowhey & Sons, Inc., 631 F. 2d 313, 207 U.S.P.Q. 1065 (4th Cir. 1980)	1 (Valid but not infringed)		
2. Kabushiki Kaisha Audio-Technica v. Atlantis Sound, Inc., 629 F. 2d 978, 207 U.S.P.Q. 809 (4th Cir. 1980)		2	X
TOTAL	1	2	

1 affirmance
1 reversal

5th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Ludlow Corporation v. Textile Rubber and Chemical Co., No. 78-3435, Slip Opinion (5th Cir. 1981)		1	
2. Continental Oil Co. v. Jimmy R. Cole, 634 F. 2d 188 (5th Cir. 1981)	1		X
3. Whitley v. Road Corp., 624 F. 2d 698, 207 U.S.P.Q. 369 (5th Cir. 1980)		1	X*
4. Huron Machine Products, Inc. v. A. and E. Warbern, Inc., 615 F.2d 222, 205 U.S.P.Q. 777 (5th Cir. 1980)	1		X*
5. John Zink Co. v. National Airoil Co., Inc., 613 F.2d 547, 205 U.S.P.Q. 494 (5th Cir. 1980)	1		X*
6. Control Components, Inc. v. Valtek, Inc., 609 F.2d 763, 204 U.S.P.Q. 785 (5th Cir. 1980)	1		X
7. Cathodic Protection Service v. American Smelting & Refining Co., 594 F.2d 499, 203 U.S.P.Q. 102 (5th Cir. 1979)		1	X*
TOTAL	4	3	*Also citing Sakraida v. Ag-Pro, Inc. and Anderson's Black Rock, Inc. v. Pavement Salvage Co.

5 affirmances
2 reversals

6th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Park-Ohio Industries, Inc. v. Letica Corp., 617 F.2d 450, 205 U.S.P.Q. 781 (6th Cir. 1980)		1	
2. Smith v. Acme General Corporation, 614 F.2d 1086, 204 U.S.P.Q. 1060 (6th Cir. 1980)		1	X*
3. Hanson v. Alpine Valley Ski Area, Inc. 611 F.2d 156, 204 U.S.P.Q. 803 (6th Cir. 1979)	1		X**
4. Eltra Corp. v. Basic, Inc., 599 F.2d 745, 202 U.S.P.Q. 630 (6th Cir. 1979)		1	X*
TOTAL	1	3	

*Also citing Sakraida v. Ag-Pro and Anderson's Black Rock, Inc. v. Pavement Salvage Co.

**Also citing Anderson's Black Rock, Inc. v. Pavement Salvage Co.

4 affirmances
1 reversal

7th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Scheller-Globe v. Milsco Manufacturing Co., No. 80-1344, Slip Opinion (7th Cir. 1980)		2	
2. Schemitz v. Deere and Co., Inc., 623 F.2d 1180 (7th Cir. 1980)		1	X
3. Dual Manufacturing and Engineering Inc. v. Burris Industries, Inc., 619 F.2d 660, 205 U.S.P.Q. 1157 (7th Cir. 1980)		2	X*
4. Beatrice Foods Co. v. Tsuyama Mfg. Co. et al, 619 F.2d 3,204 U.S.P.Q. 889 (7th Cir. 1979)		1	X
5. AMP Incorporated v. Bunker-Ramo Corp., 604 F.2d 24,203 U.S.P.Q. 324 (7th Cir. 1979) Summary judgement reversed for trial in accordance with Graham guide lines.	-	-	X
6. Lee Blacksmith, Inc. v. Lindsay Brothers, Inc., 605 F.2d 341, 203 U.S.P.Q. 211 (7th Cir. 1979)		1	X**
7. American Hoist and Derrick Co. v. Manitowoc Co., Inc., 603 F.2d 629, 202 U.S.P.Q. 705 (7th Cir., 1979)	2 (Valid but not infringed)		
TOTAL	2	7	

*Also citing Sakraida v. Ag-Pro and Anderson's Black Rock v. Pavement Salvage Co.

**Also citing Anderson's Black Rock, Inc. v. Pavement Salvage Co. (in dissenting opinion)

4 affirmances
3 reversals

8th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
E.I. DuPont de Nemours v. Berkley & Co. Inc. 620 F.2d 1247, 205 U.S.P.Q. 1 (8th Cir. 1980) reversed & remanded for new trial.	-	-	X (also citing Sakraida v. Ag Pro

9th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Tveter v. AB Turn-O-Matic, 633 F.2d 831 (9th Cir. 1980)		1	X*
2. Houston v. Polymer Corp., Nos. 78-2714, 78-2860, Slip Opinion (9th Cir. 1980)		-	X
3. Mayview Corp. v. Rodstein, 620 F.2d 1347, 205 U.S.P.Q. 302 (9th Cir. 1980)		4 (3 design)	X
4. Palmer v. Orthokinetics, Inc., 611 F.2d 316, 204 U.S.P.Q. 893 (9th Cir. 1980) Summary judgement reversed and remand for trial in accordance with Graham guide lines.	-		X**
5. Jones v. Vefo, Inc., 609 F.2d 409, 204 U.S.P.Q. 535 (9th Cir. 1979) Summary judgement reversed and remand for trial in accordance with Graham guide lines.		-	X
6. Mollura v. Miller, 609 F.2d 381, 204 U.S.P.Q. 434 (9th Cir. 1979)		1	X
7. Speed Shore Corp. v. Denda, 605 F.2d 469, 203 U.S.P.Q. 807 (9th Cir. 1979)	1		X
8. Norris Industries, Inc. v. Tappan Co., 599 F.2d 908, 203 U.S.P.Q. 169 (9th Cir. 1979)		2	X*

9th Circuit (cont'd)	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
9. Satco, Inc. v. Transequip, Inc., 594 F.2d 1318, 202 U.S.P.Q. 567 (9th Cir. 1979)		1	X**
10. Herschensohn v. Hoffman, 593 F.2d 893, 201 U.S.P.Q 721 (9th Cir. 1979)		1	X**
TOTAL	1	10	*Also citing Anderson's Black Rock, Inc. v. Pavement Salvage Co.

4 affirmances
3 reversals
2 vacated & remanded
1 affirmed in part, vacated & remanded in part

**Also citing Sakraida v. Ag Pro and Anderson's Black Rock, Inc. v. Pavement Salvage Co.

10th Circuit	Patent Valid & Infringed	Patent Invalid	Citing Graham v. Deere
1. Escoa Fintube Corp. v. Tranter Corp., 631 F.2d 682, 207 U.S.P.Q. 1067 (10th Cir. 1980)		2	X*
2. Norfin, Inc. v. International Business Machines, 625 F.2d 357, 207 U.S.P.Q. 737 (10th Cir. 1980)	1		
3. Milgo Electronic Corp. v. United Business Communications, Inc., 623 F.2d 645, 206 U.S.P.Q. 481 (10th Cir. 1980)	3		X
4. Plastic Container Corp. v. Continental Plastics of Oklahoma, 607 F.2d 885, 203 U.S.P.Q. 27 (10th Cir. 1979)	1		X
5. True Temper Corp. v. CF&I Steel Corp., 601 F.2d 495, 202 U.S.P.Q. 412 (10th Cir. 1979)		2	X
6. Deere and Co. v. Hesston Corp., 593 F.2d 956, 201 U.S.P.Q. 444 (10th Cir. 1979)		8	X*
TOTAL	5	12	*Also citing Sakraida v. Ag-Pro and Anderson's Black Rock, Inc. v. Pavement Salvage Co.

6 affirmances
1 reversal

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May 27, 1981

Honorable Robert J. Dole, Chairman
Subcommittee on Courts
Committee on the Judiciary
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

On May 18 the Subcommittee, with Senator Heflin in the Chair, heard a number of witnesses for and against the creation of a Court of Appeals for the Federal Circuit as proposed in S.21. In providing for the creation of the court, S.21 would require that all appeals in patent cases be heard by the newly created court.

For the reasons stated in the testimony of Mr. James W. Geriak on behalf of the American Bar Association, we are very much opposed to the creation of the proposed court.

Because of the nature of some of the testimony given in support of the legislation I am constrained to submit this letter for your consideration and for the hearing record.

First, Mr. Donald R. Dunner, in testifying on behalf of the American Patent Law Association, referred to his service as a consultant to the Commission on Revision of the Federal Court Appellate System (the so-called Hruska Commssion) and to the fact that he and a co-consultant recommended support for a court of appeals with exclusive jurisdiction in patent litigation. I do not know what recommendations Mr. Dunner and his colleague made to the Hruska Commission, but I am enclosing copies of pages #63 through #68 of the final report of that Commission which succinctly sets out some very compelling reasons for rejecting the creation of the proposed court. As you will note, the Commission rejected the proposal not only as an alternative

to a National Court of Appeals, but because such an alternative is "unequal to the task of meeting the demonstrated need". I urge you and the members of the Subcommittee carefully to study the Hruska Commission rationale.

Also, when I heard Mr. Dunner testify on behalf of the 4,500 member American Patent Law Association I as a spectator came away with the impression that the American Patent Law Association was solidly behind legislation such as S.21. I have since learned that the Association has never voted on the subject, and that the position offered by Mr. Dunner is one which was taken by the Association's governing Board despite an adverse recommendation by a Committee which had studied the subject.

Mr. Donald Banner, a former Commissioner of Patents and Trademarks, also testified in support of the legislation. He indicated he had been chairman of a committee of the Patent Section of the American Bar Association and that the Section supports the legislation. I am advised that relatively few of the members of that Section formally have expressed a view and in doing so 99 voted in support of the legislation while 66 opposed its enactment. Not a very overwhelming demonstration of support!

In closing, I urge you and your Subcommittee to disapprove the creation of the proposed Court of Appeals for the Federal Circuit and, instead, to consider the advantages of a National Court of Appeals with jurisdiction to entertain cases referred to it by the Supreme Court of the United States.

Sincerely,

Herbert E. Hoffman

Herbert E. Hoffman

mcH:eg

cc: Members, Subcommittee on Courts

EXCERPT

HRUSKA COMMISSION

Specialized Courts

Some have suggested that the lack of capacity to declare the national law should be remedied by the creation of specialized courts, specifically a court of tax appeals and a court of patent appeals.[40] The

[40] Specialized courts and a National Court of Appeals are not mutually exclusive. As Donald C. Alexander, Commissioner of Internal Revenue, and Meade Whitaker, Chief Counsel, Internal Revenue, wrote the Commission, expressing their individual views:

> We do not mean to infer by our advocacy of a National Court of Tax Appeals that the proposed National Court of Appeals would not be needed or that it should not have the same

suggestions are, of course, familiar: proposals for a court of tax appeals and for a court of patent appeals have been raised periodically at least for the past twenty-five years. More recently there have also been proposals for a court of administrative appeals, a court of environmental appeals and what would basically be a court of criminal appeals. The debate over the desirability of such courts has spawned a rich literature, focusing on the special needs of the respective specialties on the one hand, and, on the other, on broader concerns with the factors which make for the highest quality of appellate adjudication.

After extensive discussion the Commission has concluded that, on balance, specialized courts would not be a desirable solution either to the problems of the national law or, as noted elsewhere, to the problems of regional court caseloads.

Our conclusion rests in part on the disadvantages which we perceive as inherent in the creation and operation of specialized courts. A number of the witnesses testifying

[40] jurisdiction over cases decided by the specialist court as over any other appellate court. To the contrary, there is a place for both in our judicial system.

before the Commission have echoed the views of Simon Rifkind, first presented in an oft-cited 1951 article, that the quality of decision-making would suffer as the specialized judges become subject to "tunnel vision," seeing the cases in a narrow perspective without the insights stemming from broad exposure to legal problems in a variety of fields. Much the same point was made by the Chairman of the Section of Taxation of the American Bar Association, in testimony before the Commission opposing a proposal for a specialized tax court of appeals:

> Tax cases are difficult and time consuming for generalist judges; yet those judges do bring a judgment and experience which produce decisions that integrate the development of tax law with contemporaneous legal developments. Without this leavening, tax law might become even more esoteric and arbitrary than it sometimes appears to many to be.

Other objections to specialized courts also have force. Judges of a specialized court, given their continued exposure to and great expertise in a single field of law, might impose their own views of policy even where the scope of review under the applicable law is supposed to be more limited. Vesting exclusive jurisdiction over a class of cases in one court might reduce the incentive, now fostered by the possibility that another court will pass on the same issue,

to produce a thorough and persuasive opinion in articulation and support of a decision. Furthermore, giving a national court exclusive jurisdiction over appeals in a category of cases now heard by the circuit courts would tend to dilute or eliminate regional influence in the decision of those cases. Our nation is not yet so homogenous that the diversity of our peoples cannot be reflected to some advantage in the decisions of the regional courts. Excluding these courts from consideration of particular categories of cases would also contract the breadth of experience and knowledge which the circuit judges would bring to bear on other cases; the advantages of decision-making by generalist judges diminish as the judges' exposure to varied areas of the law is lessened. Finally, concern has been expressed about the quality of appointments to a specialized court, not only because of the perceived difficulties in finding truly able individuals who will be willing to serve, but also due to the fear that because the entire appointment process would operate at a low level of visibility, particular seats or indeed the court as a whole may be "captured" by special interest groups.

In analyzing the advantages and disadvantages of specialized tribunals, the Commission gave particular attention to the proposal for centralizing in a single national tribunal appellate review of decisions involv-

ing patent related issues. The problem of forum shopping in this area has already been described. The Court of Customs and Patent Appeals is presently current in its docket and, if additional judgeships were added to the existing five, would offer additional capacity for decision of patent appeals on a national basis.

Nevertheless, substantial objections to the proposal were presented. A survey of the patent bar by the Commission's consultants, Professor James Gambrell and Donald R. Dunner, Esq., demonstrated that the practitioners themselves are sharply divided on the issue. The Commission also heard testimony expressing the strong preference of a majority of the judges of the Court of Appeals for the Seventh Circuit for retaining appellate jurisdiction over patent cases in the circuit courts. This view was particularly noteworthy, coming as it did from the circuit with the heaviest patent caseload.

Under all these circumstances, the Commission concluded not to recommend diverting patent appeals from the generalized circuit courts to a special court of patent appeals. As is more fully developed in another section of this report, the proposed National Court of Appeals, if implemented, is expected to increase the national capacity for appropriate monitoring of patent decisions in the circuits, and thereby to reduce the forum shopping which, in light of perceived

attitudinal differences among the various circuits, today characterizes the patent field.

Quite apart from the undesirable consequences of creating specialized tribunals, however, the Commission's studies show that the problem of inadequate appellate capacity is not limited to one or two areas of the law. For instance, of 90 direct conflicts studied by Professor Feeney, only three were on issues of tax law and three in the area of patents. It may well be that the relative rarity of tax and patent cases in Professor Feeney's study is a function of the phenomenon already discussed: the low probability of review on the merits deters lawyers from filing petitions for certiorari. Whatever the extent of the problem in the areas of tax and patents, however, there certainly exists a serious problem of lack of capacity for definitive adjudication of issues of national law in other areas of the law, as the wide range of subject matter in the illustrative cases of Section I of Appendix B demonstrates.

In short, we reject the creation of specialized courts as an alternative to the National Court of Appeals, not only because of the disadvantages inherent in specialized courts, but also because this alternative would be unequal to the task of meeting the demonstrated need.

Senator HEFLIN. Does the American Bar oppose the creation of this court?

Mr. HOFFMAN. Yes.

Senator HEFLIN. I am interested in some discussion of the fact that jurisdiction will be ancillary to jurisdiction of antitrust matters, security matters, or something else that might be tied into patent matters coming before the court. I have heard some arguments that this would be unhealthy.

I would like a fuller explanation of what they see as a danger of a patent having primary jurisdiction by bringing in ancillary jurisdiction of other issues.

Mr. GERIAK. If I might, as a Supreme Court judge, use the opportunity for the junior member to be heard first.

There is a very serious problem, Senator Heflin. For example, under the terms of the legislation, any antitrust claim joined with a patent action will go to the Court of Appeals for the Federal Circuit. The converse is also true, namely, if you add a patent action to an antitrust claim it will also go to the Court of Appeals for the Federal Circuit.

I believe that in virtually every antitrust case one party or the other will want the case to go to the Court of Appeals for the Federal Circuit if that court is created and that the natural tactical decisions made by lawyers attempting to do their best for their clients will be to add patent actions either as part of the complaint or as a counterclaim in antitrust actions, so that the net effect of the legislation will be to encourage the bringing of patent actions for tactical reasons rather than independent substantive reasons, and that that will be very, very undesirable.

In addition, there is at the present time a situation in the antitrust law in which there are majority and minority views.

For example, in my circuit, the ninth circuit, there is a case, *Lessig* v. *Tidewater Oil,* which says in an attempt to monopolize the case, it need not be shown that the attempt is directed toward a definable relevant market. That is a distinct minority view.

Every other circuit which has addressed that question has held to the contrary; that is that there must be a definable relevant market.

What happens if in California a fellow who under the lesser standard applicable in the ninth circuit, but only in the ninth, commits acts which would be an attempt to monopolize in the ninth circuit but would not under the majority view in the other circuits?

Assuming for the moment—and I think it is a reasonable assumption—that the Court of Appeals for the Federal Circuit adopted the majority view, the result would be that the same act by the same person in the State of California would or would not violate the Sherman Act, depending on whether a patent action was joined with the antitrust action.

That is a very, very undesirable state of law.

Senator HEFLIN. Any other comments?

Mr. MANN. If I might, I would again associate myself with Mr. Geriak's comment but expound on another area of potential conflict.

In the course of discovery in a patent antitrust action invariably there will be a substantial number of documents which are withheld, predicated upon a claim of attorney-client privilege or upon a claim under Federal Rules of Civil Procedure 26(b)(3), work product immunity of a document in which an attorney has expressed mental opinions, et cetera.

Senator HEFLIN. If you deal with those sections you make me a specialized Senator. Talk in common South Carolina language.

Mr. MANN. I am sure you will recall—and I know you are a former Justice of the Alabama court—you will recall an attorney-client privilege, that is as simple as I can make it in South Carolinian, work product immunity——

Senator HEFLIN. Mr. Mann, you are speaking as if we have a computer to bring up those statistics.

Go ahead.

Mr. MANN. The district judge who looks at these documents in camera makes a determination that certain documents will be produced and that other documents are entitled to be withheld. In the exercise of that decision he uses, for example in the third circuit, what is referred to as the control group test; namely, if the executive who has offered the document is a corporate executive then the corporation is entitled to the privilege, but if it was a janitor who offered the document the privilege is not accorded to the particular defendant or corporation.

The third circuit exercises a test referred to as a control group test. If that judge in his order, which is unappealable otherwise, certifies something that merits the attention of the court of appeals, under the provisions of this law that appeal will still go to the regional circuit court of appeals.

If, on the other hand, the trial court fails to make such a determination or fails to send it up, ultimately the issue will wind its way into the U.S. Court of Appeals for the Federal Circuit.

The fourth circuit, as an example, rejects the control group test. What is this court, the new U.S. Court of Appeals, going to do? Whose test will it adopt—the ninth circuit, the third circuit, the fourth circuit, or will it promulgate yet another test for the determination of whether these documents are privileged or not?

These are fundamental rights, as I have submitted, and I stand by my argument that appellate review should remain in the U.S. Court of Appeals within the regions where the district court sits.

Mr. NEUMAN. I agree with what Mr. Geriak and Mr. Mann have said. I would like to add one additional thought, and that is this: Section 1338(b) of title 28, United States Code, provides for district court original jurisdiction of unfair competition cases when joined to a patent claim. That means that where you have the patent cause of action and a pendent unfair competition cause of action, it can involve State common law, trademark, and related matters. I should point out that exclusive jurisdiction over trademark cases has been excluded under the bills which are pending.

It seems to me that what we are going to generate will be a lot of confusion and conflicting decisions as to what the trademark law in the Federal circuit is as contrasted with the trademark law in the other circuits, and similarly what the unfair competition law in the

Federal circuit is compared to the unfair competition law, which is usually based upon common law State right, is in the other circuit.

Senator HEFLIN. Patent law is the most unionized closed shop law in the country, I suppose, is it not? You will all say it is because of your expertise, I am sure.

Is there real gut opposition here; that is, that this court is likely to get Potomac judicial fever? Is this one of the major things to which you have objection; that is, that it can generate a Potomac judicial fever to the litigation in the patent field?

Mr. NEUMAN. If I may answer that one first, I do not think that is our objection, that it will degenerate into a Potomac fever ourt.

The patent bar is divided on this matter. The corporate patent counsel want the court. They employ outside trial counsel like Mr. Geriak and myself to handle the litigation, and we are neither propatent nor antipatent, and we try each case on its merits and its own facts. We believe that that is best for this country; that is, that there be no court of exclusive jurisdiction which has the potential for becoming an antipatent court or the potential for becoming a propatent court.

Mr. GERIAK. I subscribe to what Mr. Neuman said. The patent bar is unique in many ways. One of those ways is that Mr. Neuman and I and others routinely represent both plaintiffs and defendants in patent cases. There is no plaintiffs' bar or defendants' bar as there is in many other areas of law.

The different points of view you hear expressed are expressed by both the proponents and adversaries of this legislation with the best intention as to what is best for the patent system, in the first place. However, my concern and that of Mr. Neuman's is that the people who are in favor of this legislation in the patent bar have tunnel vision as to what they think is a cure for problems they perceive rather than looking at this in terms of what is good for the legal system or the country.

With all of that, I am also not concerned about a "Potomacization" of a court. I think the appointment process would probably staff the court with people who are not terribly different in competence, background, whatever, from the regional courts of appeals. I think the difficulty is that it creates an awkward, unworkable, and unwise restructuring of the court.

My biggest concern about this is the abolishment of the diversity that the circuit system provides. That has been good for the law for two centuries. If it has been good for the law in all other areas of the law, and one has suggested ever that I am aware of that it has been bad, why has it suddenly become bad for patent cases? It has not.

That is the interest that motivates me to appear before you.

Mr. HOFFMAN. I have one general observation in response to your question, Senator, beyond the patent field.

You are well aware, of course, of the well-known Hruska Commission, which was really a blue-ribbon commission which investigated the appellate system of the country way beyond just patent litigation. It concluded, I believe with no dissent among the members, that specialized courts were bad. It expounded on some of the reasons.

By and large, whether we talk patents or other litigation, it concluded that specialized courts were not a good thing.

Mr. MANN. If I might, without belaboring the point and to the extent that I can speak from the standpoint of a general practitioner, my query is this: If it is patents today, it will be product liability tomorrow.

If it is a question of complicated issues, I would submit that a thalidamide liability case is as complicated as any patent case you can imagine. If it is going to be product liability, tomorrow it will be a specialized court for appeals in environmental law, then they will sooner or later come to the criminal law.

If we are going to deal in specialized courts, I would respectfully submit that in accordance with the recommendations of the Hruska Commission let's create a national intermediate appellate court having jurisdiction to hear appeals from circuit courts in all areas of the law. Why should it be specialized?

Mr. HOFFMAN. This is the view of the American Bar Association. I believe it is something you have spoken about on occasion.

I must say that Mr. Mann is really omniscient because we have already gone through part of what he sees for the future. This legislation, when it started out a few years back, had environmental cases in it. It had tax cases in it—I have forgotten what else—oh, yes, trademarks.

Mr. GERIAK. Interstate Commerce Commission.

Mr. HOFFMAN. For various reasons each of these things has been deleted. If it is enacted in its present form, my guess is, as Mr. Mann indicated, pressures will be to get them back into specialized courts.

Senator HEFLIN. Thank you, gentlemen. We appreciate your testimony.

Next we have Pauline Newman, FMS Corp.; Richard C. Witte, The Procter & Gamble Co.; Donald Banner, Schuyler, Banner, Birch, McKie & Beckett; Donald Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner; and Clarence T. Kipps, Jr., Miller & Chevalier.

If you would summarize your testimony, it would be appreciated. I think this group has appeared before.

We can adopt the record of the previous hearing as part of this record. If you would, summarize your statements as briefly as you can.

STATEMENT OF DONALD R. DUNNER, ATTORNEY, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER

Mr. DUNNER. I appear as immediate past president of the American Patent Law Association. Interestingly enough, I was also one of the two patent consultants to the Hruska Commission of which we have heard much today.

I will be mercifully short in accordance with your suggestion, Mr. Chairman. I will not reread my statement but rely on statements previously submitted. I will devote a few minutes of my time to responding to some of the points I have heard today.

First of all, with regard to the the Hruska Commission, I know as well as anybody else sitting at this table before me today what

that commission did since I was one of the two patent consultants with Professor Gambrell.

We recommended to the commission, and the commission printed our recommendations, that if the national court of appeals that we are talking about were to be enacted we would favor that over a special court of patent appeals.

That legislation is going no place. We expressly placed a caveat in our report, and we said if that comes to be the case we would then favor reconsidering a special court of patent appeals. The Hruska Commission report suggested a number of reasons, including several suggested by Judge Rifkind, alluded to by Mr. Mann, as to why a special court would not be acceptable. It is the genius of this legislation that it deals effectively with those objections. One of the principal objections, one we heard today, was the tunnel vision objection, the fact that courts become parochial if they have only a limited jurisdiction.

It was for that reason, among others, but that principally, that this court is given jurisdiction not only over patent matters but over other matters so that its jurisdiction will be broadened, so that its tunnel vision will not exist. That is exactly a reason for the bill, not a reason against the bill.

We have heard from Mr. Geriak and others that litigating lawyers oppose, that the patent bar is split.

Well, the American Patent Law Association has about 4,500 members, and not only did the board of directors of that association vote overwhelmingly in favor of this legislation, representing many, perhaps half, of the litigating lawyers—and I am one of its members—but it reaffirmed that view when the recent reexamination bill was passed by the Congress in December of last year, and it reaffirms that today.

Former Commissioner Banner, who is here, will speak about the patent lawyers in the ABA and I will not deal with that.

There has been a proposal, we have heard from Mr. Neuman, about the way to solve the problem; that is, through a change in the venue statute. That will not change anything. The circuits will continue to generate diverse views based on attitudinal differences, which is what the Hruska Commission talked about.

Moreover, that proposal, the language of which I have seen, will do nothing that cannot be done today by patentees going into court immediately without waiving choosing the forum of their choice. Moreover, it will encourage litigation. It will encourage the patentee in a race to the courthouse if he complies with the language that they have.

It also has been suggested that reexamination will solve the problem. Congress in December passed a new reexamination law which is going into effect in July of this year.

Certainly that new law will contribute, hopefully significantly, to a diminution of the problems we faced in the patent litigation area, but the sponsors of that bill, the originators of that bill, people who know about it, never in their lifetimes thought that a bill such as that would solve the problems completely. In fact, the President's Domestic Policy Review, on which I served, had reexamination and court reform as two—not alternative but two cumulative—solutions to the problem in the patent area.

I submit reexamination will help but it will not solve the problem.

Finally, Mr. Chairman, Mr. Geriak talked about a new form of tactical pleading which would result if we had this new bill. Let me assure you, Mr. Chairman, if there is sham pleading in order to get an antitrust or another issue before this new court, the Federal courts, be they the circuit courts of appeal or the new Court of Appeals for the Federal Circuit, will have no trouble dealing with sham pleadings. If there is true pleading, then logically, deservedly, and understandably, it should come before this court.

I would be glad to answer further questions you might have. I will leave further comments to the rest of this panel.

[The prepared statement and appendix 2 submitted by Mr. Dunner follow:]

81-714 O—81——14

PREPARED STATEMENT OF DONALD R. DUNNER

The American Patent Law Association (APLA) is a national society of lawyers engaged in the practice of patent, trademark, copyright, licensing and related fields of law relating to commercial and intellectual property rights. APLA membership includes lawyers in private, corporate, and government practice; lawyers associated with universities, small business and large business; and lawyers active both in the domestic and international transfer of technology areas.

We commend this Subcommittee for undertaking this most important series of hearings which directly relate to the alarming decline in American industrial productivity and innovation. We very much appreciate the privilege of appearing here today to discuss the recommendations made by President Carter in a message to Congress relating to declining industrial innovation.

There are facts and impressive statistics known to the Members of this Subcommittee which demonstrate that U.S. technical superiority in the world is now threatened. We in APLA know from first-hand experience that competition in world markets in high technology products and goods produced by advanced technological methods and processes is growing stiffer for American business each year. This declining ability to compete is clearly having a serious impact on American exports and imports and is contributing to America's massive trade deficit.

Relating to patents, the method by which advances of technology are protected, we offer these statistics. In 1929, the Patent Office received 87,039 applications and issued 43,617 patents. In Fiscal Year 1978, the Patent and Trademark Office (PTO) received 100,473 applications and issued 65,963 patents, a per year advance of only 15% in applications and 50% in new patents in a 50-year period. In

1966, 66,243 patents issued and in 1978, 65,963 patents issued. Significantly, during this recent period the number of applications filed by residents of foreign countries dramatically increased. In 1978, 37% of all patents issued by the American government were to foreign inventors. These statistics suggest to us that fewer and fewer Americans are laboring at the cutting edge of technology, while such labor is increasingly effective elsewhere in the world.

* * *

It is the strong belief of the American Patent Law Association that among the various legislative matters being considered by this Committee are proposals which would have a significant and positive impact on industrial innovation in the United States. Without in any way intending to diminish the importance of several of these proposals, which I will address specifically below, there are two legislative items which I feel have special importance with respect to the future of U.S. industrial innovation.

These items --dealing with reexamination and the formation of a federal court with exclusive appellate patent jurisdiction-- would, I submit, have a greater positive impact on the future of industrial innovation than any patent-oriented proposals considered by Congress during my 25-year professional career. I will accordingly address them first.

* * *

Federal Court with Exclusive Appellate Patent Jurisdiction

Though there exist a number of Senate and House bills dealing with the creation of a federal court having exclusive appellate jurisdiction over patent-related cases, the APLA has directed its specific attention to S. 1477. While the ensuing comments will be keyed to that bill, the applicability of these comments to the House counterparts of S. 1477 will be readily apparent.

For reasons to follow, APLA strongly favors the basic concept of S. 1477 creating a Court of Appeals for the Federal Circuit having exclusive appellate jurisdiction over patent-related cases as a vehicle for contributing meaningfully and positively to the climate in which industrial innovation will thrive.

The concept of a specialized patent court has been the subject of much discussion and thinking and has elicited both highly positive and negative reactions. In 1975, the Hruska Commission recommended against such a court and, in the course of so doing, catalogued the various arguments advanced against its creation, to wit: (1) the quality of decision-making would suffer as the specialized judges become subject to "tunnel vision," seeing the cases in narrow perspective without the insights stemming from broad exposure to legal problems in a variety of fields; (2) judges of a specialized court, given their continued exposure and great expertise in a single field of law, might impose their own views of policy even where the scope of review under the applicable law is supposed to be more limited; (3) vesting exclusive jurisdiction over a class of cases in one court might reduce the incentive, now fostered by the possibility that another court will pass on the same issue, to produce a thorough and persuasive opinion in articulation and support of a decision; (4) giving a national court exclusive jurisdiction over appeals in a category of cases now heard by the circuit courts would tend to dilute or eliminate regional influence in the decision of those cases; (5) excluding these courts from consideration of particular categories of cases would also contract the breadth of experience and knowledge which the circuit court judges would bring to bear on other cases; and (6) concern has been expressed about the quality of appointments to a specialized court, not only because of the

perceived difficulties in finding truly able individuals willing to serve bu due to the fear that because the entire appointment process would operate at a low level of visibility, particular seats or indeed the court as a whole may be "captured" by special interest groups. Still others have questioned the need for a national patent court by pointing to the paucity of actual conflicts --in the classical sense-- between holdings of the various federal circuit courts of appeal.

The Hruska Commission did not deny the existence of special problems in the patent area. Indeed, the Commission report acknowledged them with the observation that

> The problem has been particularly acute in the field of patent law. The Commission's consultants, Professor James B. Gambrell of New York University and Donald R. Dunner, Esq., confirmed what has long been asserted: the perceived disparity in results in different circuits leads to widespread forum shopping. "[M]ad and undignified races," Judge Henry Friendly describes them, "between a patentee who wishes to sue for infringement in one circuit believed to be benign toward patents, and a user who wants to obtain a declaration of invalidity or non-infringement in one believed to be hostile to them."
>
> Such forum shopping, write Professor Gambrell and Mr. Dunner, "demeans the entire judicial process and the patent system as well." At the root of the problem, in their view, is the "lack of guidance and monitoring by a single court whose judgments are nationally binding." The Supreme Court has set, and can be expected to continue to set, national policy in the area of patent law as in other areas of federal law. However, the Court should not be expected to perform a monitoring function on a continuing basis in this complex field.... (Footnotes omitted.)
>
> "Structure and Internal Procedures: Recommendations for Change," Commission of Revision of the Federal Court Appellate System, p. 15 (June 1975).

The Commission felt, however, that these problems would be better dealt with through its proposal of a National Court of Appeals rather than through an appellate court having exclusive patent jurisdiction.

At the present time, the Hruska proposal for a National Court of Appeals is going nowhere quickly and, as best I can tell, has a less than positive future. The patent problems

noted by the Commission are, however, still very much with us. More specifically, while there may not be extensive conflicts in the holdings of the various federal circuit courts of appeal on given legal issues, the present judicial system for reviewing patent disputes has generated extensive differences in the various circuits' application of the patent law which, in turn, has generated actual and perceived differences in the degree of hospitality which the different circuits accord to patents which, in turn, has generated widespread forum shopping by both patentees and alleged infringers seeking forums most favorable to their point of view, which in turn has inordinately increased litigation expenses and made it extremely difficult for patent lawyers to advise their clients as to the likelihood of success in a given case.

Moreover, contrary to the view of some that there exists no plethora of actual conflicts in the classical sense between the various federal courts of appeal, there has been a wide variety of views among the circuits as to the nature of the test to be applied to determine whether patentable invention exists. By way of example, some courts insist that "synergism" must be present before an invention rises to the level of patentability; other courts reject this requirement. Some courts impose a special test of patentability applicable to so-called "combination" inventions; other courts recognize that all inventions are "combinations" of old elements and that there can, accordingly, be no such special test. And so on.

The consequences of the foregoing are not susceptible to ready documentation. Certain consequences, however, are easily discernible without documentation and common to the experience of most practicing patent lawyers. With the inability of lawyers to advise their clients reliably in a given fact situation and with the courts under even the most

favorable of reported surveys holding patents valid in no more than approximately 50 percent of the litigated cases, the necessary end result is that litigation --conventionally costing each side a quarter of a million dollars or more in a typical patent case-- obtains in abundance. Moreover, businessmen of ordinarily high ethics dishonor patents (as the courts so often do) and indulge in the self-help of compulsory license by infringement-plus-a-long-drawn-out litigation, secure in the knowledge that courts hardly ever find infringement to be deliberate since they are deemed by most to be legitimate public-policy-favored tests of the validity of presumptively odious patent monopolies.

The problem is not alleviated by the Supreme Court, partly because that Court has not had the time to review a sufficient number of cases in the patent field but because, when it has taken such cases, it has spoken inconsistently and created a wide disparity of views among the lower courts as to the precise legal guidelines which are to govern the resolution of patent disputes.

But the existence of the present federal appellate system in the patent area has still other pernicious effects. While it is true that many businessmen and inventors have respected patents with full knowledge and appreciation of what they were doing, the patent system functions in significant part because many inventors and businessmen of moderate posture do not know how poorly it functions. And they proceed with their R&D holding a gambler's hope for a Xerox invention and a blind faith that their government would not work a fraud upon them by offering no real protection of their invention within reasonable price and time parameters.

But it is the informed judgment of many that numerous companies have cut back their patent programs as too expensive. Many have cut back their R&D as not providing any return on investment.

During the recent deliberations of the Subcommittee on Patent Policy of the Advisory Committee on Industrial Innovation of President Carter's Domestic Policy Review, members of the subcommittee related the pessimism that infects the decision-making process in the United States industrial environment: No right to exclude competitors can be obtained in much less than about four years or for less than X hundred thousand dollars, and the odds of success are no better than 50 percent. Given these conditions, much thought is given to spending money on business investments other than patent litigation as providing a better return on investment. The mood is one which permeates not only the decision on a particular plagerism, but he boardroom when the R&D department budget comes up and the anticipated return from prior research is seen to be at best a possible dream.

While it is difficult to quantify the extent to which frustration over the shortcomings of the patent system has deterred investment in R&D, it is clear that R&D is per se a high-risk investment, with cost overruns more the rule than the exception. Our society is becoming more security conscious at all levels, including the board or budget committee room. When decisions are being made, the gambler's spirit is low and any minor cold water on a request for research --with its cost and ROI uncertain-- is apt to militate against a favorable research decision. And this is particularly so given the fact that any ROI realized is apt to come well after the present budget committee members have hopefully moved on to other positions. Such decision-makers need a more immediate and certain return on their dollar expenditure than is frequently provided by the R&D dollar.

R&D and innovation are not popular places to spend money when a safe savings and loan is paying over 8 percent. What does it take to attract money from safe, high-yield investments into R&D? In my view and that of the DPR Patent

Policy Subcommittee, it takes at least a modicum of competitive safety and high yield. Moreover, it is my view --again shared by the DPR Patent Policy Subcommittee-- that the uniformity and reliability made possible by a centralized patent court would contribute meaningfully to the achievement of those conditions, their perception by industrial decision-makers and the inevitable improvement in the presently unfavorable climate pervading industrial innovation in the United States. That same uniformity and reliability will inevitably result in a reduction of forum shopping and, perhaps more significantly, the increased predictability of outcome would inevitably reduce the amount and expense of litigation in the patent field.

Whether S. 1477 is the perfect, ultimate answer to the problems noted above may be the subject of legitimate debate. Certain aspects of this bill are, however, worthy of special note.

No doubt the oft-repeated and fundamental objection to each proposal for any "special" patent court has been that previously noted in connection with the Hruska Commission study, that the quality of decision-making would suffer as the specialized judges become subject to "tunnel vision," seeing the cases in narrow perspective without the insight stemming from broad exposure to legal problems in a variety of fields. Perhaps the single most significant advantage of S. 1477 is that it significantly disarms this objection by providing the judges on the new Court of Appeals for the Federal Circuit with a fairly broad jurisdictional base, which would include patents, trademarks, customs, government contracts, Indian claims, etc., not to mention the vast array of issues which invariably are generated in patent and trademark litigation including those involving contracts, antitrust, trade secrets, unfair competition, and more.

Moreover, S. 1477 should put to rest other concerns, expressed by the Hruska Commission and others, regarding so-called "special" courts. Thus, concern that vesting exclusive jurisdiction over a class of cases in one court might reduce the incentive to produce a thorough and persuasive opinion in articulation and support of a decision is belied by the articulated opinions generated by existing specialized courts such as the Court of Customs and Patent Appeals, whose opinions have been cited with great regularity in recent years and which would form part of the new Court of Appeals for the Federal Circuit. Concern as to the quality of appointments to a specialized court has some historical justification but is significantly undermined by the relatively high quality of the appointments to courts such as the Court of Customs and Patent Appeals and the Court of Claims over the past 20-year period. And, concerns over possible dilution or elimination of regional influences in the decision-making process of patent cases and the possible contraction of the breadth of experience and knowledge which the generalist circuit judges would otherwise bring to bear on other cases are deemed to be extremely marginal and questionable considerations which, assuming their more than marginal significance, hardly counterbalance the potential advantages of a national court having exclusive patent jurisdiction of the type contemplated by S. 1477, which cannot help but have a stabilizing influence in the interpretation and application of the patent laws and increase industry's confidence in and reliance upon the patent grant, the cornerstone of the innovation system.

The foregoing comments support generally the concepts embodied in S. 1477. The APLA has, however, also analyzed the specific provisions of S. 1477 and concluded that several of these provisions would be improved if modified. These

modifications are attached hereto as Appendix 1. Also attached as Appendix 2 are comments on additional objections which have been lodged by others against the notion of a national court having exclusive appellate patent jurisdiction.

* * *

Reexamination

The APLA wholeheartedly supports legislation providing for reexamination of issued patents by the Patent and Trademark Office. Almost two years ago, the APLA Board of Managers passed a resolution expressing this support, to wit:

> BE IT RESOLVED, that the American Patent Law Association favors in principle reexamination by the United States Patent and Trademark Office of any United States patent at any time during its term when requested by any person upon citation of patents and printed publications which had not been previously

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Appendix 2

COMMENTS ON ADDITIONAL OBJECTIONS MADE BY OTHERS AGAINST THE NOTION OF A NATIONAL COURT HAVING EXCLUSIVE APPELLATE PATENT JURISDICTION

CONTENTION 1: The variety of views developed in different circuits on various points produces review by the Supreme Court and growth in the law; absent opportunity for diversity of views the law will stagnate and rigidify, raising the question of whether any case would get to the Supreme Court

RESPONSE: This question presupposes that the Supreme Court only reviews cases following a diversity (viz. conflict) of views between the circuits. That, however, is no longer the case and, in fact, the Supreme Court has recently granted writs on petitions for certiorari from the CCPA in two cases (Parker v. Flook, 437 U.S. 584 (1978) and Parker v. Bergy, 438 U.S. 902 (1978)) notwithstanding the absence of any conflict on the issues involved. Recent experience has thus demonstrated that should the new court deviate in any meaningful respect from what the law should be, Supreme Court review will be available.

[Editor's note: Only appendix 2 was received.]

As to the growth in the law resulting from the variety of views developed in different circuits, there is some merit to the contention that some of this would be lost by the proposed consolidation, though diversity of viewpoint would still be generated by different district court judges applying the law to differing fact patterns as the law evolves. In any event, to the extent that "percolation" (as the process is called) is sacrificed by the proposed court, this is a small price to pay for the significant advantages to be gained from its adoption, as spelled out elsewhere in this paper.

CONTENTION 2: There is disparity of application both great and small between circuits in almost all bodies of federal law and there will always be disparity. Disparity is cured and has always been cured either by the Supreme Court or by the Congress.

RESPONSE: The patent law has long been beset by difficulties both at the Congressional and Supreme Court level. In 1952, a general revision and codification of the patent laws took place, with the drafters of that revision and codification feeling confident that their efforts would have a stabilizing effect and minimize great departures which had appeared in numerous prior judicial holdings. Their efforts were, however, anything but successful, since the courts have since then gone off in a variety of opposed directions on the interpretation of key provisions of the law and the Supreme Court, at least partly because it has paid so little attention to the patent area and reviewed such cases so infrequently --mostly speaking in rhetorical flourishes when it did-- and has thus provided no meaningful guidance to lower courts. Moreover, attempts to correct the situation with further revision of the patent law over the past decade have gotten totally bogged down in debates and disputes as to how the law should be changed, the end result of which has been no change whatever. Whether other fields of law have

similar problems has certainly not been established and, should they exist, those other fields may well be in need of similar relief.

CONTENTION 3: Judges of a specialized court, given their continued exposure and great expertise in a single field of law, might impose their own views of policy even where the scope of review under the applicable law is supposed to be more limited.

CONTENTION 3 (VARIANT): Presumed expertise of single court of appeals would encourage attempts to retry cases at the appellate level and encourage the court to substitute its judgment for that of the trial court, thereby changing the standards and level of review.

RESPONSE: These contentions are not fully understood. To the extent the Court of Appeals for the Federal Circuit is reviewing questions of fact from a lower court, that review will be subject to the same restrictions as is review by all federal appellate courts of district court findings of fact. As to questions of law, the new court would be as free to substitute its own judgment of what the law is or should be as are all other federal appellate courts at present, the district court view of the law not being binding at all. If the point here is intended to suggest that judges of a specialist court who are exposed more than other judges to a given field of the law will pervert the law without regard to what it should be, the foundation for this notion is at best questionable and, in any event, whatever the court does is subject to Supreme Court control to keep it in toe. In this connection, it should be much simpler for the Supreme Court to control the views of a single court on a given subject than it is to control the views of 11 different courts.

CONTENTION 4: Courts of general jurisdiction render "more equitable decisions" than would courts such as the proposed federal court of appeals for the federal circuit.

RESPONSE: Anyone who is at all familiar with the decisions of the Court of Customs and Patent Appeals over the past 10-20 year period cannot seriously make this contention. The fact is that those decisions are at least as "equitable" and take into account the "realities" of life as do decisions of courts of general jurisdiction.

CONTENTION 5: No special expertise is needed, especially at the appellate level.

CONTENTION 5 (VARIANT): No one judge has expertise in sufficient technical areas to be an expert in any more than a limited portion of the technical cases which would come before a court having exclusive patent jurisdiction.

RESPONSE: The expertise which would be relevant to the ability of a judge to handle patent-oriented cases is not a specific expertise in chemistry or electronics or the like but an expertise in dealing with technical cases generally, since those with some technological training or background ordinarily feel more at ease dealing with technical subject matter than do those who are not so trained. In any event, this is really a non-issue since the need exists for an appellate court having exclusive appellate patent jurisdiction without regard to whether or not the existing appellate courts are technically capable of handling patent-related appeals.

CONTENTION 6: The new Court of Appeals for the Federal Circuit would have a disproportionate load of "complex" cases.

RESPONSE: I have seen no numbers supporting the view that the new court would have a "disproportionate" load of "complex" cases, nor what is regarded as a "disproportionate" load. Aside from the fact that this argument is inconsistent

with another argument made by the opponents of the Court of Appeals for the Federal Circuit, to wit, that patent appeals presently impart a de minimus load on existing circuit courts of appeal, the powers that be presumably can structure this new court so that the number of judges to be assigned to it are capable of handling its caseload without undue difficulty.

CONTENTION 7: An "expert" court will be "inexpert" with regard to issues outside of its prescribed jurisdiction.

RESPONSE: To the extent that judges of a Court of Appeals for the Federal Circuit would be "inexpert" with regard to issues other than the patent, trademark and other cases as to which it has exclusive appellate jurisdiction, it will be no more "inexpert" on those subjects than any of the other circuit courts of appeal. Its ability to deal with those issues, on the other hand, will inevitably diminish (if not eliminate) the "tunnel vision" problem which forms the underpinning for many of the arguments lodged against such a court.

CONTENTION 8: The Supreme Court's decision in Blonder-Tongue, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971), making applicable the doctrine of unilateral collateral estoppel to patent cases, diminishes or eliminates the need for a court having exclusive appellate patent jurisdiction.

RESPONSE: How Blonder-Tongue in any way diminishes the need for a Court of Appeals for the Federal Circuit or like appellate court having exclusive appellate patent jurisdiction is not at all seen. Indeed, the fact that the first bite at the apple by a patent owner might well be his last would appear to exaggerate the need for careful selection of the "right" jurisdiction in which to litigate the patent, thus intensifying rather than diminishing the race to the courthouse.

CONTENTION 9: The establishment of a Court of Appeals for the Federal Circuit will oblige district courts to apply different laws in ajudicating contract, common law, unfair competition, antitrust and other claims depending on whether or not they are accompanied by patent claims and/or other claims over which this court will have exclusive jurisdiction.

RESPONSE: While it may well be that this contention is accurate, it should pose absolutely no problem since a district court judge should know in advance whether he is dealing with a case the review of which will be to the Court of Appeals for the Federal Circuit or to an existing court of appeals. With this advance knowledge, any decision reached by him can be fashioned accordingly.

CONCLUSION:

The proposed Court of Appeals for the Federal Circuit may possess deficiencies, both in detail and conceptually. It does, however, come to grips with a major problem which exists in the patent field and which, at the same time, provides a meaningful answer to the "tunnel vision" critics of specialized courts of appeals whose voices in protest have traditionally damned the concept of a national court of appeals having exclusive patent jurisdiction.

Given the advantages of this proposal, the question arises as to whether or not we are willing to accept whatever disadvantages inhere in it as a "trade-off" for the benefits to be accrued. In my view, the answer is a resounding affirmative.

Senator HEFLIN. Please proceed down the table.

STATEMENT OF DONALD W. BANNER, ATTORNEY, SCHUYLER, BANNER, BIRCH, McKIE & BECKETT

Mr. BANNER. I am Donald Banner. I also have submitted testimony for the record. I will merely comment on some high points as I see them, sir.

The origination of the input to the Domestic Policy Review, to which Mr. Dunner has just referred, came from my office when I was Commissioner of Patents and Trademarks. In that context we recommended that there be, first of all, reexamination, and, second and additionally, a review of this matter of single court for patent appeals for the purpose of reducing the cost of litigation and for increasing certainty.

The Domestic Policy Review people finally did, as Mr. Dunner has said, recommend both of those salutary steps. One is not a substitute for the other. One was never intended to be a substitute for the other. Reexamination will not do what this Court of Appeals for the Federal Circuit will do.

Second, sir, I would like to comment on the point that has been made that the patent bar is split on this issue. In addition to having been the Commissioner of Patents and Trademarks, I was the chairman of the section of Patent Trademark and Copyright Law for the American Bar Association. Mr. Dunner was chairman of the American Patent Law Association, as I was, and I have been president of the Association of Corporate Patent Counsel.

It is interesting, sir, that the American Patent Law Association has voted in favor of this legislation, and so has the section of Patent Trademark and Copyright Law of the American Bar Association. The people who are expert in this field have voted in favor of this legislation.

We have heard that there is a feeling on the part of lawyers who specialize in litigation that those who vote in favor of the bill may be propatent inclined or negative patent inclined. We have heard that people who specialize in patent litigation are on both sides of the coin. So, sir, are the people in the American Patent Law Association and in the ABA section of Patent and Trademark and Copyright Law who are on both sides all the time. They have to be. As I said, they voted for this legislation. There is no pro- or anti-patent aspect to this at all. There cannot be.

We want to, however, strengthen the patent system so it is more reliable and less costly. We think this bill will effect that result. Thank you.

[The prepared statement of Mr. Banner follows:]

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Prepared Statement of Donald W. Banner

Mr. Chairman:

I am grateful to you, and the other members of the Subcommittee, for the opportunity to present my testimony in support of this legislation, particularly as it relates to a single court for patent appeals.

My experience in the field of patent law extends for over thirty years. I have been United States Commissioner of Patents and Trademarks; Chairman of the Section of Patent, Trademark and Copyright Law of both the American Bar Association and the Illinois State Bar Association; President of the American Patent Law Association and President of the Association of Corporate Patent Counsel. For over fifteen years before becoming Commissioner I was the General Patent Counsel of a large corporation. For some twenty years I have been a teacher of patent and antitrust law. I am now a partner in a Washington law firm and President of Intellectual Property Owners, Inc.

As you know, with the recognition that innovation in our country was not what it should be in 1978, the President instituted a Domestic Policy Review relating to that subject. As Commissioner — and Chairman of the Intergovernmental Task Force on Patents and Information — I was asked to recommend steps which would strengthen our patent system and thereby improve our innvoation ambience. In response, I recommended legislation to effect reexamination, which we now have; in addition I stated that it was necessary to address the "problem of high cost of patent litigation and the inconsistency between circuits of judicial approach to patent cases." The establishment of a central patent court was therefore recommended for consideration.

These two recommendations were not conceived as solutions to all of the problems that ever would exist; rather they were viewed as steps toward the goal of making the patent system operate more rapidly, at lower cost and with greater certainly. It is, in my opinion, absolutely essential that we take such steps. Indeed, it is, in my opinion, imperative that immediate progress be made toward improving the reliability of the patent system so that inventors and investors — particularly, but not exclusively, those with

limited means — can have confidence that they are not simply deluding themselves and wasting their substance when they try to move toward the cutting edge of technology. As I stated at the outset of the Domestic Policy Review, "Unless the inventor can have reasonable certainty that, once granted, his patent is (1) valid and (2) enforceable, then the rights conveyed by a patent are illusory, the government has defaulted on its responsibilities under the patent contract, a patent is worthless and, ultimately, the patent system becomes a cruel hoax."

The importance of increased reliability and certainty in the operation of the patent system cannot be overemphasized — particularly to individuals and small businesses.

In considering that issue it is important to realize that there are critical issues upon which the Circuit Courts disagree which are in addition to the "obviousness" issue. Reexamination will help — but will not eliminate — the difficulties associated with "obviousness". However while opponents of this legislation sometimes seem to suggest that the "obviousness" issue is the only issue affecting patent validity or enforcement on which the circuits differ, it should be understood that this is not the case. The Circuit Courts differ, for example, on issues such as the "on sale" defense;[1/] they differ on the "late claiming" issue;[2/] they differ on whether "synergism" is required for patent validity, they differ on the parameters of "experimental use", on the issue of whether "obviousness" is a question of fact or law, as well as on the determination and effect of "file wrapper estoppel."[3/]

So let us be very clear on the fact that significant differences in the interpretation of the patent law separate the circuits — differences which establish either validity or invalidity — in addition to the "obviousness" consideration. Because there are these differences, lawyers try to pick the forum most favorable to their case. There obviously is nothing wrong in

1/ Robert L. Zeig, Developments in Law of "On Sale"; Journal of the Patent Office Society, August, 1976, Vol. 58, No. 8, p. 470.

2/ Robert C. Ryan, The Muncie Gear Doctrine And The Effect of Section 132 Upon It; Loyola University of Chicago Law Journal, Spring, 1980, Vol. 11, Number 3, p. 375.

3/ Jack C. Goldstein, Conflicting Rules of Patent Law Within The Federal Judicial System, Intellectual Property Law Review, 1980, p. 135 (Clark Boardman).

doing this but forum shopping in patent litigation does exist. Furthermore it very definitely adds to the cost of patent litigation. And when the issue of patent validity includes a factor based upon the geographical location of the tribunal — an unforeseeable factor at the time the patent application is being prepared — the uncertainty of the result is compounded to an unacceptable degree.

I am in agreement with my colleagues in the American Patent Law Association and I respectfully cannot support the view that forum shopping does not exist expressed in the House hearings by the distinguished representative of the American Bar Association. In this regard, I invite your attention to the fact (expressed in last year's hearing) that the Section of Patent, Trademark and Copyright Law of the ABA supported the concept of a single court for patent appeals. While the overall organization opposes that concept it would seem fair to conclude that the members of the Section are more knowledgeable and experienced in the ramifications of this matter than are lawyers whose practice is largely in other fields of law.

When we consider the status of U.S. innovation today, I believe we are forced to conclude that there are some things we are doing wrong. We are going to have to take those steps necessary to effect the desired changes. One such step is to make the validity and enforceability of the United States patent more reliable. I believe this legislation will contribute to such a result; therefore I support it and recommend it to you.

Thank you again, Mr. Chairman, for the opportunity to appear before the Subcommittee with regard to this legislation.

STATEMENT OF RICHARD C. WITTE, CHIEF PATENT COUNSEL, PROCTER & GAMBLE CO., CINCINNATI, OHIO

Mr. WITTE. I am Richard C. Witte. I am here today to support the single court of patent appeals on behalf of the Industrial Research Institute. This institute comprises more than 250 companies which do most of the industrial research which is done in the United States. The IRI strongly supports the patent system. It recognizes the good points of the patent system and some weak points.

The IRI member companies pay a lot of money to do industrial R. & D. They pay a lot of money to obtain patents. They also pay a lot of money to litigation lawyers who are retained to enforce their patents and defend patent infringement suits brought by other corporations. Unlike these litigating lawyers, however, the IRI members voted by a large majority to advocate consideration of a single court of patent appeals.

The IRI is convinced that the continued industrial success of the United States requires the incentive of the patent system to encourage and protect the investment of capital and effort in research and in the commercialization of inventions. This is necessary not only for the patented technology to make profits for these companies, but also to be used to benefit society and for further scientific stimulation.

The IRI study of the patent system was not limited to a small group of patent lawyers. The IRI study committee comprised R. & D. executives. They had the benefit of advice from their patent lawyers. But it is the views of the management scientists and engineers of the Industrial Research Institute which I am expressing here today.

These R. & D. executives identified the cost, nonuniformity, and uncertainty of patent litigation as a major factor discouraging the patent incentive by an 84- to 10-percent vote. They feel strongly that the way patents are being tried and appeals are being made can and should be improved.

Businessmen, such as industrial R. & D. executives, want certainty and uniformity in their patents and the way that they are enforced. By a 72- to 26-percent vote, they identified a single court of patent appeals as a significant way to increase the certainty, uniformity, and objectivity which they desire in patent litigation.

They desire these things whether they are asserting their own company's patent or are defending a patent infringement suit brought by another corporation. Corporations don't want all patents upheld or all invalidated. They want objectivity and predictability for their own patents and the patents of others. They want a Federal patent law which doesn't vary from circuit to circuit.

The IRI supported reexamination in addition to a single court of patent appeals. Both are needed: reexamination to provide a better patent, and a single court of patent appeals to have patents litigated on a sounder basis.

[The prepared statement of Mr. Witte follows:]

Prepared Statement of Richard C. Witte

Thank you for your invitation to testify. I am Richard C. Witte. I am speaking on behalf of the Industrial Research Institute in support of a single court of patent appeals. I am Chief Patent Counsel for The Procter & Gamble Company, a member of the I.R.I., which also supports this court.

Industrial Research Institute, Inc. is a non-profit organization, founded in 1938. It has a membership of over 250 industrial companies (list attached), who are responsible for the conduct and management of a large portion of all industrial research and development activity being carried on in the United States. These companies own and use the patents which cover this R&D activity. They pay the fees of the litigation lawyers when patents are asserted by or against them.

Purposes of the Industrial Research Institute are six-fold: (1) to promote, through the cooperative efforts of its members, improved economical, and effective techniques of organization, administration, and operation of industrial research; (2) to foster interaction between research and other corporate functions; (3) to generate understanding and cooperation between the academic and industrial research communities; (4) to afford a means for industry to cooperate effectively with government in matters related to research; (5) to stimulate and develop an understanding of research as a force in economic, industrial, and social activities; (6) to encourage high standards in the field of industrial research.

The I.R.I.'s support of the single patent appeals court developed early in 1978, when the I.R.I. decided to study and prepare a position statement on the U.S. patent system and its impact on industrial research and development. This study was conducted by a special committee of reserach and development executives of several of the I.R.I. member companies.

The position statement on the patent system was sent to each I.R.I. member for comments and approval. The position statement identified strengths and weaknesses of the patent system from the standpoint of its impact on industrial research and development. It commented very favorably on the value of the patent system, stating: "Continued industrial success of the U.S. requires the incentives of the patent system, not only to encourage the necessary investment of capital and effort in research and for the commercialization of inventions so that society can enjoy their benefits, but also to encourage the disclosure of inventive technology."

It also identified sevcral areas for improvement. Among these were the need for greater certainty, uniformity, and speed when patents are asserted in the U.S. court system. To achieve these objectives, the I.R.I. supported the concept of a single court of patent appeals for all patent litigation. The full background in the position statement is as follows:

> Enforceability of a patent is an integral part of the patent system because assertion in litigation is the ultimate test of the basic exclusionary property right of the patent. Many patents are afforded their deserved respect without the necessity of litigation. This respect will be broadened if overall patent quality is improved by better examination. There has, however, historically been a need to litigate patents which involve honest differences of opinion on validity and scope between the patentee and alleged infringer. Unfortunately, such litigation has become complex, lengthy, and expensive, in a large measure because of the scope of discovery; this presents difficulties for both the patent owner and accused infringer. Litigation problems have unduly discouraged patent owners, particularly those with limited financial resources, from asserting their patents because a validity determination by a court is expensive and uncertain; and if the patent is upheld, the damages may not be enough to pay for the litigation. This reluctance to assert has encouraged infringement of patents which should otherwise be respected. Litigation expense may intimidate a patent owner into accepting unfavorable settlements. Conversely, a patent owner may intimidate a weak infringer with the expense of litigation. Compounding these problems is the variance in the opinions in the Federal courts regarding patentability standards. Patent owners and infringers jockey to get into courts which favor their own interests. This further adds to the expense and uncertainty of owning patents and making investments in reliance on patents.
>
> The I.R.I. supports legislative and judicial efforts to decrease the expense, uncertainty, and inequities experienced by patent owners and those accused infringers having honest differences of opinion on the validity and scope of a patent. We believe that it would be worthwhile to give careful consideration to a single court of appeals for patent litigation which would speed up patent litigation and make it more uniform and certain. If such a court could institute discovery reform, litigation expenses could be reduced. This concept of a patent appeals court has been controversial because of a prediction that the patent court would be rigid, technical, inflexible, and unable to handle issues ancillary to patent validity and infringement, such as unfair competition and antitrust issues. Even if this prediction were accurate, we submit that the reduction in expense, time, and uncertainty would significantly offset any shortcomings of the specialized court.

Prior to final approval of the position statement with this proposal, a draft was sent to each member company of the I.R.I. in June, 1978. Comments on the statement were requested. A questionnaire was employed for this purpose. Over 50% of the I.R.I. member companies responded to this questionnaire. Many substantive comments were added beyond the yes/no answers. This indicates a high level of understanding and interest in the subject matter. A 50% response level is very high for this sort of survey and represents most of the major industrial research and development effort in country.

The following questions were addressed to the issue of a single court of patent appeals:

Enforceability of a patent in court is so complex, lengthy, expensive, and uncertain that the full value of the patent incentive is being eroded:
Yes - 84% No - 10% No Answer - 6%

Variance in the courts on standards of patentability is a part of these problems:
Yes - 84% No - 11% No Answer - 5%

Some legislative and judificial efforts to decrease these problems should be made:
Yes - 86% No - 7% No Answer - 7%

A single court of appeals for patent litigation should be considered:
Yes - 72% No - 26% No Answer - 2%

Would such a court, if properly organized, streamline and speed up patent litigation and make it more uniform?
Yes - 76% No - 13% No Answer - 11%

Would such a court tend to be rigid, technical, inflexible, and unable to handle issues ancillary to patents?
Yes - 21% No - 674% No Answer - 15%

If such a court did have these problems, would the improvement advantages outweigh them for the principal industrial users of the patent inrentive?
Yes - 59% No - 29% No Answer - 12%

Responsive to this comprehensive survey, the official position paper of the Industrial Research Institute was finalized and reported to the I.R.I. membership at a meeting on October 23, 1978, and approved by its Board of Directors on December 15, 1978.

Senator HEFLIN. Ms. Newman?

STATEMENT OF PAULINE NEWMAN, DIRECTOR OF PATENTS AND LICENSING, FMC CORP., PHILADELPHIA, PA.

Ms. NEWMAN. I am director of patents and licensing with FMC Corp. I have submitted a statement for the record which I will summarize briefly.

I appear on behalf of the 102 companies and institutions which are listed in the attachment to my statement. I appear on behalf of those whose property rights are the subject of this proposed legislation. Together these companies represent a large—a very large—segment of U.S. technology-based industry; and included in this list are two of the major academic research institutions of the country. We all support the principle of a centralized court for appeals in patent cases.

We all have in common a certain dependence on the patent system. We all have house counsel who are specialists in patent law, and we have extensive experience in the ways that court structure and judicial systems impact on our industries, on our technology-based innovations, on our research, and on our commercial decisions.

We urge that the proposed court will enhance the industrial incentive toward technological growth. We believe it will have a direct benefit on investment decisions and commercial incentives.

I would like to discuss our reasons for this belief. Technological advance, as you know, starts with invention, with research and development. The industries of this group are not in the business of gadgets or gimmicks. We know the costs of research and development, the uncertainty of research success, the gamble in the search for new products and improved processes.

My company, which is far from the biggest or most research dependent, spent $100 million on commercially oriented R. & D. in 1980. This means that each year a fair return must be recovered in the form of new products and enhanced productivity, cumulatively year after year, to justify this investment; with adjustments for leadtime, capital commitments that dwarf R. & D., costs and all the other costs involved in technological innovation.

In industry the successful research must carry the unsuccessful. Most advanced technology is much more expensive to invent and develop than to copy. Thus, a businessman calculates the potential return on this R. & D. investment, with all of the uncertainties of such calculations.

In my experience and in our collective experience the patent factor plays a very troublesome role in such considerations because of its unpredictably defeasible nature. Maybe you have an enforceable patent, maybe you don't. Maybe it shields your investment to enable the calculated return or it may suddenly fail to fulfill this purpose. An estimated percentage chance of surviving attack, depending on the forum, gives indigestion to the computer and businessman that calculate risk ratios.

I'm leading up to why, Mr. Chairman, I believe our view of this proposed court, and the view of most house patent counsel and entrepreneurs and many counsel who represent them, differs from that of the distinguished trial counsel facing us.

If I may draw on my personal experience, my day-to-day experience advising the research scientist, the market specialist, the businessman decisionmaker. This advice is given not when infringement of a commercialized product appears and judicial remedy is sought. That is when outside trial counsel is consulted. This advice is given on a day-by-day basis, before the research is started, and during the steps of creative development, as the technology evolves, as the millions of R. & D. dollars are committed; and finally when the capital needs and payout time and return on investment are calculated.

Each of these investment decisions is of course influenced by many factors. The patent aspects are more an underpinning to these commercial decisions than a variable risk factor. All a patent does is convert your idea into your property. The value of that property will depend on many things. Your title to that property, if as cloudy as it is today, is a strong negative factor.

I am not speaking for the copiers, Mr. Chairman, but I speak for those but for whom there would be nothing to copy.

Inventors and investors in innovation have been accused of the impure motive of favoring the establishment of a court whose jurisprudence may tilt toward sustaining patents, thus frustrating the public's interest in litigation for the purpose of invalidating patents. This contention raises some fundamental intellectual issues concerning the public interest, and thrusts deep into the philosophy of the national purposes of a patent system.

It is indeed true—it is common wisdom—that few patents today are expected to survive attack in circuit after circuit, as is now permitted, until the patent finally succumbs. Even the threat of such litigation is often enough to force a license, a sharing of the invention, sometimes for the price of litigation. This type of settlement in itself negates the purported public responsibility of throwing one's resources into legal battles against patent property.

A centralized court would be expected to apply a more consistent interpretation of the complex provisions of the patent statute. I would hope for and expect a greatly enhanced degree of predictability of the outcome of patent litigation. The predictability that patents improvidently granted will be held invalid is of no less interest to us, as manufacturers and purveyors of goods, than the predictability that patents will be held valid if they represent proper protection of innovative technology. As in all contested situations, a more predictable outcome will encourage the contestants to avoid litigation.

I suspect that every one of the patent counsel in whose behalf I speak has had personal exprience with the disincentive to research and investment due to the differences among the circuits, not only as to standards used in applying principles of patent law to factual situations but also at times in the definition of these principles themselves. The public interest lies in the fair resolution of disputes, the consistent application of the law, and the progress of the national economy. We believe this proposed court will help to achieve these goals.

Thank you, Mr. Chairman and members of the subcommittee.

[Names of corporations and institutions referred to previously are on file with the committee.]

[The prepared statement of Ms. Newman follows:]

Prepared Statement of Pauline Newman

MR. CHAIRMAN, AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the one hundred and two companies listed in the attachment to this statement, may I express our appreciation at the opportunity to appear before you. Together these companies represent a large segment of technology-based industry. We support the principle of a centralized court for appeals in patent cases.

There is substantial interest in this legislation among the innovators of technology. This group of companies is not an organized group; we are not a trade association; we are manufacturers and researchers and competitors. We have in common a certain dependence on the patent system, and we all have house counsel who are specialists in patent law. We have collective experience in the ways that court structure and judicial systems impact upon our industries, on our technology-based innovations, on our research, and on our commercial decisions.

We believe that the proposed court will enhance the industrial incentive toward technological growth, and will have a direct and tangible benefit on our investment decisions and commercial incentives. This change in judicial structure will thus, in our opinion, be a positive factor in that recovery of industrial productivity which is essential to the resolution of our present economic ills.

THE DOMESTIC POLICY REVIEW OF 1978-79 PROPOSED A SIMILAR CONSOLIDATED COURT FOR PATENT MATTERS.

Although the present proposal originated, I understand, in a study undertaken within the Department of Justice, a similar concept was recommended by the Patent Advisory Subcommittee to the Domestic Policy Review of Industrial Innovation. There was

consensus in perception of the weaknesses, the disincentives, flowing from the present regional structure in the application of patent law: the variations in jurisprudence, and the gambler's uncertainty in treatment of major issues of fact and law. The DPR study group concluded that this disincentive can be and should be diminished, in furtherance of industrial innovation.

The concept of a national court of patent appeals evolved as one of the three priority recommendations of that study group. The two other major recommendations, to improve the quality and reliability of patents by examination and reexamination within the patent office, remain incomplete without a mechanism for obtaining expert and consistent interpretation and application of the patent laws. The proposed legislation would complete the process.

This DPR Advisory Committee included representatives of large and small business, individual inventors, and private practitioners. The ensuing publicity and the debates, over the past two years, have facilitated the consensus which I believe now exists among the majority of innovative industries and entrepreneurs.

THE RISK/RETURN CALCULATION FOR INVESTMENT IN NEW TECHNOLOGY INCLUDES A FACTOR FOR PATENT VALUES.

Technological leadership starts with invention, with research and development. The industries of this ad hoc group are not in the business of gadgets and gimmicks; we know the costs of R&D, the uncertainty of research success, the gamble in the search for new products and improved processes. My company - far from the biggest or the most research-dependent - spent $100 million on commercially-oriented R&D in 1980; this means that each year a fair return must be recovered in the form of new products and enhanced productivity; cumulatively,

year after year; with adjustments for lead times, capital commitments that dwarf R&D costs, and all the other costs involved in technological innovation. The pitfalls along the way influence the decision to start out on this road.

Further, the successful research must carry the unsuccessful. Most advanced technology is much more expensive to invent and develop than to copy. Thus the businessman calculates the potential return on this R&D investment, with all the uncertainties of such calculations. In my experience, the patent factor plays a troublesome role in such considerations, because of its unpredictably defeasible nature: maybe you have an enforceable patent, or maybe you don't; maybe it shields your investment to enable the calculated return, or it may suddenly fail to fulfill this purpose. An estimated percentage chance of surviving attack, depending on the forum, gives indigestion to the computer that calculates risk ratios.

I'm leading up to why I believe our view of this proposed court, and the view of most house patent counsel and entrepreneurs, differs from that of the distinguished trial counsel facing us. If I may draw on my personal experience - my day to day experience advising the research scientist, the market specialist, the businessman decision-maker. This advice is solicited, and given, not when infringement of a commercialized product appears and judicial remedy is sought. That is when outside trial counsel is consulted. This advice is given on a day by day basis, before the research is started, before and during the steps of creative development, as the technology evolves, as the millions of R&D dollars are committed; and finally after the invention is made and defined and the patent applications are filed and the capital expenditures and payout time and ROI are calculated.

These investment decisions are influenced by many factors. The patent aspects are more an underpinning to these commercial decisions, than a variable risk factor. All that a patent does is convert your idea into your property. Who would build a house on land to which the title is in doubt - on land to which the title may vary with the court; and to complete the analogy, on land to which the title won't be clarified until after you've moved into the house. Thus we see the strength of this court proposal, in diminishing the uncertainty about your title to your patent property. We who are the developers of new technology believe the impact will be real and beneficial.

I am not speaking for the copiers - I am speaking for those but for whom there would be nothing to copy.

THE COST OF LITIGATION, AND THE OBLIGATION TO LITIGATE, DIVERT RESOURCES FROM INNOVATION.

Inventors and investors in the patent system have been accused of the impure motive of favoring the establishment of a court whose jurisprudence may tilt towards sustaining patents, thus frustrating the public's interest in litigation for the purpose of invalidating patents. This contention raises some fundamental intellectual issues concerning the public interest. It sets aside any rhetoric of self-interest on either side of this panel, and thrusts deep into the philosophy of the national purposes of a patent system.

It is indeed true - it is common wisdom - that few patents today are expected to survive attack in circuit after circuit, as is now permitted, until the patent finally succumbs. Even the threat of such litigation is often enough to force a license, a sharing of the invention, sometimes for the price of litigation. This type of settlement in itself negates the purported public responsibility of throwing one's resources into legal battles against patent property.

A centralized court that understands the processes of invention and innovation, and the economic and scientific purposes of a patent system, would be expected to apply a more consistent interpretation of the standards of patentability and the other complex provisions of the patent statute. With a consistent nationwide application of the law, I would hope for and expect a greatly enhanced degree of predictability of the outcome of patent litigation. The predictability that patents improvidently granted will be held invalid is of no less interest to us as manufacturers and purveyors of goods than the predictability that patents will be held valid if they represent proper protection of a valuable investment in innovative technology. As in all contested situations, a more predictable outcome may encourage the contestants to avoid litigation: the rules of law need not be challenged daily, to reinforce the rule of law.

And if, indeed, it is sought to circumscribe our national patent system, to tighten (or perhaps to loosen) the standards of invention, to force more rigorous examination and reexamination, I suggest that this is the province of the Congress, not the courts. A consistent jurisprudence, applying the standards set by Congress, can be no less in the national interest in the patent than in any other arena.

THE PROPOSED COURT IS A STEP TOWARD ACHIEVING THE PUBLIC PURPOSES OF THE UNITED STATES PATENT SYSTEM.

The purpose of the patent system is to provide an incentive for invention and investment, intertwined with those equitable considerations that give legal substance to the fruits of one's intellect. The public interest has never been to deny that incentive to an inventor or an investor, nor to find ways to deprive the creator of technology of ownership of that technology.

The United States patent laws do not provide patent protection for that which is merely new, or merely better, but only for that which is "unobvious" to those skilled in that field. This question of what is "unobvious" is deemed by the courts to be a matter of law based on the facts adduced at trial. It is easy to see how conscientious courts can differ, particularly where complex technologies are involved. I suspect that every one of us listed with this ad hoc group has had personal experience with the disincentive to research and investment due to the differences among the circuits, not only as to standards used in applying principles of patent law to factual situations but also at times in the definition of these principles themselves. The public interest lies in the fair resolution of disputes, the consistent application of the law, and the progress of the national economy.

The patent counsel on the attached list are not inexperienced in the uses of the patent law, the courts, the decisions of the CCPA and the Circuits, the jurisprudence and the traditions. This is our business, our profession. Within this ad hoc group, some of us believe this opportunity for stability in the patent law is of enormous potential value, to industrial incentive and to technological growth. Others of us may be more moderate in our expectations. But all of us believe this step will have a positive impact on the long-term health of research and innovation.

* * *

Senator HEFLIN. Mr. Kipps?

STATEMENT OF CLARENCE T. KIPPS, JR., ATTORNEY, MILLER & CHEVALIER, WASHINGTON, D.C., ACCOMPANIED BY STEVEN C. LAMBERT, CHAIRMAN, COURT OF CLAIMS COMMITTEE

Mr. KIPPS. I am testifying today on behalf of the Bar Association of the District of Columbia.

I also have submitted a statement for the record and I would like briefly to summarize it now.

Our bar association has committees which have worked with the U.S. Court of Claims and Court of Customs and Patent Appeals for many years. The present chairman of our Court of Claims Committee is here today, Mr. Lambert. I am chairman of the Court of Claims Restructuring Subcommittee and past chairman of the Court of Claims Committee, former law clerk of the Court of Claims, and practitioner before that court for 25 years.

The Bar Association of the District of Columbia appreciates the opportunity to testify on this very important judicial improvement. I would like for the committee to know that some of us who know nothing about patents have a strong interest in this legislation.

D.C. BAR ASSOCIATION SUPPORTS PROPOSED LEGISLATION

Our bar association supports the proposed legislation. It will be a conceptually sound, practical and cost-effective judicial improvement. It makes sense to combine these two courts into a single court to continue their existing jurisdiction and to add whatever additional jurisdiction is particularly suitable for such a court. This can be done without sacrificing the quality of justice and can result in final judgments in a more expeditious and less costly manner and this can be achieved in all areas of its jurisdiction.

In 1977 our Court of Claims Committee created the Court of Claims Restructuring Subcommittee in recognition of the fact that the trial functions of the Court of Claims could be better served through an independent article III court. While our bar strongly supports the appellate level changes, our primary interest is in the improvement of the trial function of the Court of Claims.

BAR RECOMMENDATIONS

Our bar recommends three amendments which we believe will more effectively restructure these two courts. The first amendment deals with the restructured trial court. We recommend to the Congress that it makes this trial court an article III rather than an article I court.

The Court of Claims was created in 1855 as a court of original jurisdiction, as an article III court to determine claims against the United States. The jurisdiction of the Court of Claims of some cases under $10,000 and in tax cases is shared by the Federal district courts. The Court of Claims, however, has exclusive jurisdiction of the bulk of the litigation, monetary litigation against the United States. These claims include tax, Government contracts, Indian, patent, renegotiation, civilian and military pay, transportation and just compensation—a large variety, Mr. Chairman, you can see, of

various jurisdictions, not a highly specialized court. These claims vary from a few thousand dollars to sums exceeding $100 million.

The Court of Claims is an article III court which now performs both trial and appellate functions. The trial functions are performed by 16 commissioners.

Our entire judicial system is designed so that the trial judge is the one required to give the most extensive and careful consideration to the merits, all facets, of a case. Review is limited to alleged errors of the trial judge. The trial judge should be independent of the reviewing court and have the full powers of a district court judge.

The judges on the claims court to be created by the proposed legislation will be performing the same functions as a Federal district judge on monetary claims against the Government. In addition, they will handle the largest and most complex cases against the Government. It makes no sense to downgrade these trial judges to a lesser status than the Federal district judges.

More importantly, there is the practical need for article III status in order to attract the highly qualified people needed to fulfill the functions of this important trial court.

Our Court of Claims Committee has had extensive involvement in the process of judicial selection for the Court of Claims. I know that article III is essential to attract the highly qualified judges for this trial court. Without article III we will only attract what we have now, largely former Department of Justice attorneys and other Government employees. Very few private practitioners can be convinced to give up their practice and to accept a judgeship for a 5-year term. Only life tenure and article II status will give us access to a balanced trial court.

The trial and decisionmaking functions of the restructured court of claims will be identical to the Federal district court on monetary claims against the Government and the Court of International Trade in New York.

An amendment to make the claims court an article III court would eliminate a number of special and troublesome provisions in the proposed legislation relating to removal of judges, compensation and retirement.

Under no circumstances should the Court of Appeals for the Federal Circuit be permitted to remove a judge from the claims court. Such direct control over a trial court by an appellate court is conceptually and as a matter of practice a bad idea. Such a procedure would make recruitment of qualified trial judges more difficult and deprive the trial judge of the independence essential to unintimidated decisions.

Likewise, inferior and noncompetitive compensation and retirement provisions will attract only inferior persons for this extremely important trial court.

If article I is to be the status of the claims court, the compensation and retirement provisions should be at least equal to those of the U.S. Tax Court. Also, the section of the initial term of the commissioners for the transition period, who will become judges for this transition period, should be shortened so that the entire act can be implemented with dispatch.

PANELS OF JUDGES

Our bar also has a second recommendation relating to the panels of the Court of Appeals for the Federal Circuit. We believe these panels should be no less than five judges.

The Meador report issued by the Department of Justice recognizes the merit for a five-judge panel.

As a practical matter this court would be a supreme court in Federal claims. It, therefore, should have the high level of justice which can be achieved by combining the talents and experience of at least five judges. The present and projected workload of the Federal circuit would permit five-judge panels.

PRESIDENT TO APPOINT CHIEF JUDGE

Lastly, we recommend amendment of the section covering the appointment of the Chief Judge of the Court of Appeals for the Federal Circuit to provide that the Chief Judge of the U.S. Court of Appeals for the Federal Circuit will always be appointed by the President rather than selected on the basis of seniority of commission. The Chief Judge sets the tone for the quality of justice rendered by the court and controls the delicate balance between perfection in deciding cases and getting the cases decided promptly. This will be the second most important court in the United States, and the President should always appoint its Chief Judge.

Thank you.

[The prepared statement of Mr. Kipps follows:]

PREPARED STATEMENT OF CLARENCE T. KIPPS, JR.

Mr. Chairman and Members of the Subcommittee:

I am Clarence T. Kipps, Jr., and I have with me Steven C. Lambert. I am testifying on behalf of The Bar Association of the District of Columbia. This Bar Association was founded in 1871, has more than 4,500 members, and has Committees which have worked for many years with the Court of Claims and the Court of Customs and Patent Appeals in the administration of justice. Mr. Lambert is Chairman of the Court of Claims Committee of this Bar, a former Law Clerk at the Court of Claims, and has been a practitioner before the Court of Claims for six years. I am a past Chairman of the Court of Claims Committee, the Chairman of the Court of Claims Restructuring Subcommittee, a former Law Clerk at the Court of Claims, and have been a practitioner before the Court of Claims for twenty-five years. The Bar Association of the District of Columbia and Mr. Lambert and I appreciate the opportunity to testify on this very important judicial improvement.

The Bar Association of the District of Columbia supports this proposed legislation. It would be a conceptually sound, practical, and cost effective judicial improvement. The Court of Claims and the Court of Customs and Patent Appeals (CCPA) are highly regarded national courts which can serve even greater national roles. It makes sense to corbine these Courts into a single national court to continue their existing appellate jurisdiction with such additions that are particularly suitable for such a court. Without sacrificing the quality of justice, final judgments in a more expeditious and less costly manner could be achieved in all areas of jurisdiction of these Courts.

Under no circumstances should the existing tax jurisdiction of the Court of Claims be removed from the trial court or the Court of Appeals from the Federal Circuit. On the con-

trary, the Court should be able to accommodate additional appeals. Appellate jurisdiction in patent cases is now needlessly divided among the Court of Claims, the CCPA, and the Circuit Courts of Appeal. Giving the Court of Appeals for the Federal Circuit exclusive appellate jurisdiction in patent appeals would be a major improvement in the handling of patent litigation. Also, this action would be an excellent way to determine whether, in time, other matters should be assigned to the Court.

In 1977, our Court of Claims Committee established a Court of Claims Restructuring Subcommittee in recognition of the fact that the trial function of the Court of Claims should be performed by an Article III Court. Shortly thereafter, Dean Daniel J. Meador, formerly Assistant Attorney General (Office for Improvement In The Administration Of Justice), proposed in his July 21, 1978, Report the genesis of the proposed legislation. While our Bar strongly supports the appellate level changes, our prime interest is still in converting the present trial judge system in the Court of Claims into an Article III trial court. Angelo A. Iadarola, formerly Chairman of the Court of Claims Committee and later Co-Chairman of the Court of Claims Restructure Subcommittee, substantially participated in the conception of the views expressed by our Bar here today. (See Proceedings of the Court of Claims Judicial Conference 1979 (Matthew Bender).)

The essence of the proposed legislation is as follows:

1. Combine the appellate Judges and jurisdiction of the Court of Claims with the Judges and jurisdiction of the CCPA and call the resulting Court the Court of Appeals for the Federal Circuit;

2. Give the resulting Court exclusive jurisdiction over all patent appeals;

3. Leave the trial jurisdiction of the Court of Claims unchanged; and

4. Create a new Article I "Claims Court" to handle the existing trial jurisdiction of the Court of Claims.

Our Bar proposes the following amendments which, we believe, will simplify the proposed legislation and more effectively restructure these Courts:

1. Amend the section establishing the Claims Court to provide that the restructured trial court (which would hear and decide the cases now within the jurisdiction of the Court of Claims) will be an Article III Court.

The Court of Claims was created in 1855 as a court of original jurisdiction to hear and determine monetary claims against the United States. Jurisdiction of some claims under $10,000 and tax cases is shared with the Federal District Courts. The Court of Claims, however, has exclusive jurisdiction of the bulk of the monetary claims against the United States Government. The claims include tax, government contracts, Indian, patent, renegotiation, civilian and military pay, transportation, and just compensation. These claims vary from a few thousand dollars to sums exceeding $100 million. Some of the claims are decided through dispositive motions (i.e., motion for summary judgment and motion to dismiss), but most are decided after a trial on merits. The first Chief Judge of the Court described the magnitude and complexity of the claims as follows:

> "'As to the business of the court, we are convinced that no one who has not had personal experience on the subject, can have any correct idea of its diversity, its intricacy, its perplexity, the exhausting labor necessary for its investigation, or the large sum of money it involved. * * *'" (17 Ct.Cl. 6 (History, Jurisdiction, And Practice))

The Court of Claims is an Article III Court which now performs both trial and appellate functions. The trial functions are performed by sixteen Commissioners (called Trial Judges under the Court's Rules). The seven Article III Judges now perform essentially only appellate functions.

The Trial Judges are appointed by the Court and have neither the authority nor the independence of a District Court Judge and do not have the authority to enter judgment. This trial system and the automatic review in all cases of all of the Trial Judge's factual determinations and legal recommendations are antiquated.

Our entire Judicial system is designed so that the trial judge is the one required to give the most extensive and careful consideration to the merits--all facets--of a case. Review is limited to the alleged errors of the trial judge. Such a judge should be independent of the reviewing court and have the full powers of a trial judge. The trial judges in the Court of Claims should have the same powers as a District Court judge so that greater control can be exercised over the case. The cases could be more effectively pretried, the issues narrowed, and the focus placed on the dispositive issues. Unnecessary discovery could be eliminated, and the judge could take an active role in the settlement of cases. All procedural and dispositive motions could be decided by the trial judge. The trial judge should have the authority to enter judgments, which, for most cases, ends the litigation. Notwithstanding our great respect for the Court of Claims as an institution, we are convinced that the quality and efficiency of the work of the Court of Claims would be dramatically improved by the creation of a separate trial court with authority to enter judgment and with the powers of a District Court judge. Article III is the appropriate status for such a trial court.

The Judges on this trial court will be performing the same functions as District Court Judges on monetary claims against the United States and, in addition, will be handling the largest and most complex cases. It makes no sense to downgrade the Court that has responsibility for the largest and most complex cases against the Government. More importantly, there

is the practical need for Article III status to attract the highly qualified judges required for such a Court.

Our Court of Claims Committee has had extensive involvement in the process of judicial recruitment for the Court of Claims. In a different context, a House Committee Report cogently expresses what I know is also true in judicial recruitment for this Trial Court.

> "As noted above, a principal reason for the establishment of an independent court is to attract highly qualified judges. Life-tenure will contribute toward that goal. An attorney with a successful practice would be less likely to seek appointment to a fifteen year term, when the likelihood of reappointment at the expiration of the term is small. If the attorney's age is such that he would not be ready to retire at the end of the term, then he is unlikely to accept such appointment. There may be means to remedy the problem, such as senior status, if that were the only problem, policy would not favor life tenure. Other reasons exist.
>
> "A life-tenure judgeship is a more prestigious position than a term judgeship. The Department of Justice recently observed that the more prestigious the position, the better the judges that will be attracted. It noted
>
> "We will never pay the incomes to judges that they earn in other pursuits and we must not create conditions that require us to settle for second best in the federal courts." (H. Rep. 95-595, 95th Cong., 1st Sess., p. 22)

The trial and decision-making functions of the restructured Court of Claims would be identical to those of the Federal District Court in monetary claims against the Government and of the existing Article III Court of International Trade (in New York). The Administrative Office of the U. S. Court has approved the restructuring of these Courts essentially in accordance with the proposed legislation. We do not believe it would object to Article III status for the trial court. Dean Daniel J. Meador, who developed the basic concepts reflected in this proposed legislation, had no problem with the trial court's being an Article III Court. At this point, we do not know what position the Administration will take on Article III status.

Article III would provide flexibility as workloads warrant for temporary assignment of Judges to and from the Court of Claims and the Court of Appeals for the Federal Circuit and other Federal courts. The Congressional reference cases (which the Supreme Court has held are not appropriate for an Article III Court) represent a very small part of the Court's work and can be handled through the continuation of the existing commissioner procedure on a very limited scale.

An amendment to make the Claims Court an Article III Court would eliminate a number of other special and troublesome provisions relating to removal, compensation and retirement. Under no circumstances should the Court of Appeals for the Federal Circuit be permitted to remove a judge from the Claims Court. Such direct control over a trial court by an appellate court is conceptually and as a matter of practice bad. Such a procedure would make recruitment of qualified trial judges even more difficult and deprive the trial judges of the independence essential to unintimidated decisions. Removal should be permitted only by the President or under a Judicial Council procedure comparable to that provided in P.L. 96-458. Likewise, inferior and non-competitive compensation and retirement provisions will attract only inferior persons for this extremely important trial court. If Article I is to be the status of the Claims Court, the compensation and retirement provisions should be at least commensurate to those of the U. S. Tax Court. The section on the initial term of the commissioners who would become judges should be shortened so that the entire Act can be implemented with dispatch.

2. The sections providing for panels of the U. S. Court of Appeals for the Federal Circuit should be amended to provide for panels of not less than five judges, rather than three judges. The Meador Report (July 21, 1978) recognized the merit for a five-judge panel, as follows:

> "* * * A convincing argument may be made, however, for panels of five judges each in the new court to increase doctrinal stability and authoritativeness of decision. P. Carrington, D. Meador, and M. Rosenberg, Justice on Appeal 160 (1976). These enlarged panels would make it feasible to dispense with any en banc procedure and provide for further review only in the Supreme Court. By gradual rotation of panel assignments by subject matter category, 5-judge panels could achieve a measure of expertise while avoiding the pitfalls of undue specialization. * * *" (p. 21)

As a practical matter, this will be a Supreme Court in Federal claims. It, therefore, should have the high level of justice which can be achieved by combining the talent and experience of at least five judges. The projected workload of this Federal Circuit would permit 5-judge panels.

3. Amend the section covering the appointment of the Chief Judge of the Court of Appeals for the Federal Circuit to provide that the Chief Judge of the U. S. Court of Appeals for the Federal Circuit will always be appointed by the President rather than selected on the basis of seniority of commission. The Chief Judge sets the tone for the quality of justice rendered by the Court and controls the delicate balance between perfection in deciding cases and getting the cases decided promptly. This will be the second most important Court in the United States, and the President should always appoint its Chief Judge.

We will discuss with the Committee Staff the specific language changes required to implement our Bar's recommended amendments.

Thank you. Mr. Lambert and I would be pleased to answer any questions the Committee might have on this matter.

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Senator HEFLIN. Mr. Dunner, you mentioned being on the Hruska Commission. If in the next 2 years a national court of appeals could be created, or some form of a national court of appeals, drawing judges from the various circuits as a panel where they would serve as a review board, and these are the two alternate proposals before us—let us first take the court of appeals—would you prefer having a national court of appeals under the Hruska proposal as opposed to what you are recommending today?

Mr. DUNNER. I would not. Aside from the fact that it is my personal belief that that legislation is unlikely from my own reading of the situation to come about, at the time we were consultants to the Hruska Commission, Professor Gambrell and I, we never had before us an imaginative bill such as this.

We ourselves were concerned, as were people in the patent bar, about the tunnel vision argument and arguments such as the one Judge Rifkind raised.

This bill, which I never heard of when we were on the Hruska Commission, and which was not generated until later, attempts to solve that problem by giving a jurisdiction to this court which is wider than a narrow special court jurisdiction, and therefore would deal with that problem.

Also, since the Hruska Commission time we have had a crisis in innovation in the United States, one which led to the appointment of a Domestic Policy Review 2 years ago. We are now having a significant balance of payments problem. I think we have a real problem which exists today. We have a real solution which eliminates many of the concerns we had then, and it is therefore my belief—and I know it is Professor Gambrell's belief, who was coconsultant with me—that this proposal should be passed today even if a national court of appeals were a possibility today.

Senator HEFLIN. They proposed a Federal circuit court of appeals where primarily all tax matters would come to a centralized court of appeals. They also proposed a new circuit court of appeals or a national court of appeals on State courts from courts of final jurisdiction of a State primarily designed to bring an end to the many, many types of proceedings that go on under postconviction and criminal relief efforts. These are just two specialized courts in addition to this court which are being advocated.

Are we headed from this into a proliferation of specialized separate courts to meet special problems in the country today if we passed such legislation as you advocate?

Mr. DUNNER. At the time of the Hruska Commission, as I recall, they focused on four special problems. One was tax; one was patents. I believe antitrust might have been one, and the fourth one I do not recall.

Of course, I am most familiar with the problems in the patent area. At that time the Commission felt, even though it recommended the national court of appeals, that there was a major special problem different from the problems in other fields in the patent area resulting from attitudinal differences in the courts.

Patents are dealt with nationally, and it depends on where the parties are. You may be in one circuit or another circuit. It was

felt by the drafters of the current legislation that because of that this special problem should be dealt with specially.

If indeed there are problems in other areas, such as tax areas, it may well be, and I am not expert enough to talk about it, that we should look at special legislation in those areas.

However, I am not fearful that the passage of this bill will lead to proliferation of specialized courts. We have been talking about a special court of patent appeals, one of exclusive jurisdiction. We have been talking about an exclusive court having special jurisdiction in patent areas. For many years now we have recognized the special problem. It will not lead to a proliferation of Federal specialized courts.

Mr. KIPPS. I made a point in our testimony because I think it is important. The Court of Claims is not a specialized court at this time. When these two courts merge, it will bring together a body of judges and a series of jurisdictions which are diverse enough that they will not be considered highly specialized in any area. I think that is a feature of the bill.

I am not in favor of specialization. I think in the tax area—and my firm does substantial tax work—that presents a different problem. I do not believe the tax jurisdiction for many reasons would be added to this court as an exclusive appellate court.

I do not believe this sets a precedent other than for the purpose of objectively looking at areas of jurisdiction which can be added to an existing court to provide for uniformity without really sacrificing any real basic rights. I do not see this as a precedent.

Senator HEFLIN. If this legislation is adopted in a national court of appeals, as the Hruska Commission recommends, and comes into being, is there an interrelationship which should be considered?

Mr. DUNNER. I hate to monopolize but, since I worked for that Commission, I would like to comment on that.

I would imagine that if a national court of appeals were enacted in the form contemplated by the Hruska Commission it would have jurisdiction over all circuit courts of appeals in the areas defined, and that would include not only the existing circuit courts of appeals but it would include the Court of Appeals for the Federal Circuit. That would present no special problem.

Senator HEFLIN. Thank you. We appreciate your appearance.

Senator HEFLIN. Our next panel will consist of Chief Judge Howard T. Markey, U.S. Court of Customs and Patent Appeals, and Chief Judge Daniel M. Friedman, U.S. Court of Claims, Washington, D.C.

STATEMENT OF HON. HOWARD T. MARKEY, CHIEF JUDGE, U.S. COURT OF CUSTOMS AND PATENT APPEALS, WASHINGTON, D.C.

Judge MARKEY. I am Howard Markey. It is a pleasure to appear before a former distinguished justice and now a distinguished Senator.

Neither Judge Friedman nor I are here in an advocacy role per se nor in an unseemly role of opposing our colleagues in the bar.

As a matter of fact, Mr. Chairman, you may be aware that for over 2 years now that the matter has been before Congress I have personally refused, even when I am importuned, to take a position

for or against the merits of the proposal. This is for an obvious reason. I was much too close to the trees.

I have, however, been freed of that now because the Judicial Conference of the United States, after six members of the Federal judges of the Subcommittee on Judicial Improvements, the 16 judges of the Committee on Court Administration, and all 24 of the judges including all the chief judges of the circuits in the Judicial Conference, unanimously approved a proposal made to the Congress to consolidate Judge Friedman's court and mine into the Federal Court of Appeals for the Federal Circuit.

I, therefore, appear, Mr. Chairman, as a representative of the Conference, as does Judge Friedman, in support of this proposal. I emphasize that because the proposal is not S. 21; it is what was formerly title III of S. 21. The Judicial Conference proposal relates solely to the consolidation concept of the two courts.

In 1979 the Judicial Conference approved that concept, left it to the Congress and the two courts appearing here to work out the details. Those details now appear, as I have said, in a proposal, a bill formally and unanimously approved by the Judicial Conference.

I have submitted, Mr. Chairman, a statement in an earlier appearance on April 24. I have a supplemental statement submitted today. I would request the chairman's permission to have those made part of the record.

Senator HEFLIN. They will be made part of the record following your oral presentation.

Judge MARKEY. In view of the time, I should like to comment on those two statements and on the major segments of them. Then I would request the opportunity—I hope not with unseemly basis—to respond to some of the questions raised this morning from the judicial viewpoint.

I am not sure whether or not I have tunnel vision. For 34 years, at least when flying jet airplanes, the Air Force decided I had 20/20 vision. Since my retirement I have been examined and these glasses are used only for show. I use them only when I want to see.

In any event, Mr. Chairman, in appearing in support, in our earlier statement I listed five advantages of the consolidation concept. I put first, and, with forethought, that the consolidation concept would increase clarity and reliability of the law. That is what we are dealing with, the law.

It would, of course, reduce specialization in the courts. The Court of Appeals for the Federal Circuit is obviously less specialized, whatever that word means, than either of the two courts it consolidates by definition since, as the Chair knows, we will continue all of our present jurisdiction plus. It will end the expense and delay of what I consider the disease of forum shopping. It would provide an upgraded and better organized trial forum for the Government claims cases and it would reduce costs.

Costs should be kept in mind. You heard the testimony of those who pay the bills, as to the need for this bill. But so far as appropriations are concerned, no additional expense is involved in this proposal, none.

In referring to the reliability of the law, I indicated that there is a crying need for definitive uniform judicial interpretation of the

national law of patents on which our citizens may then rely and plan with some certainty.

For 60 years that need has been recognized, but it is even greater now when we are faced with a need to reindustrialize, to improve the productivity growth rate which is now approaching zero, to reverse our falling status in international trade, and to encourage investment in innovative products and new technology.

In my earlier statement I cited a number of nonstatutory slogans employed in decisions in the present circuits. I gave a list of those slogans, and there are many others. I commend that to you and to the subcommittee staff.

I wish now, Mr. Chairman, to emphasize another factor. History repeats itself.

In 1909 in this country if anyone were to have imported this glass into the United States, in New York it would have been called perhaps a drinking glass, and the Customs duty on that product would be 2 cents, let us say.

If the same identical product from the same manufacturer in Germany, Britain, or anywhere, were to be imported into New Orleans, it would be called a household product, and the duty might be 10 cents.

If it were imported in San Francisco it would be called a container and the duty would be a half cent.

Congress, recognizing that chaos in the law of customs, established our predecessor court, the Court of Customs Appeals. Thereafter, Mr. Chairman, the growth of custom law was not impeded. On the contrary, it has continued to this day to grow in a nationally uniform consistent and reliable manner. At the same time, knowingly frivolous appeals, appeals made solely for delay and forum shopping facilitated by the non-uniformity just described, these were all rendered virtually useless devices in the field of customs law.

With respect to forum shopping, this bill provides the Congress an opportunity—and I know Congress is pressured something awful, but it has facing it now—and I congratulate the committee and its staff for continuing its effort to make this improvement in the administration of justice—it has a chance—to end that 60-year history of forum shopping which, as I have indicated, is worse now than ever. To insist that those who pay the bills, Mr. Chairman—industry which must pay attorneys' fees, consumers who pay increased costs to cover those fees, and taxpayers who pay for operation of the judicial system—to insist that those people all wait years while lawyers fight over where the case will be tried and then wait years to be heard, and then wait for a decision an average of 16 months, in three circuits from 21 to 29 months, for a decision on appeal, while the law continues to be obfuscated, while business decisions are delayed or abated, and while costs mount appears to be grotesque.

I will skip in view of time, Mr. Chairman, to a number of other factors.

In the supplemental statement I elected to cite six areas of conflict now existing in the circuits in view of what I anticipated would be a presentation to this committee that there ain't no problem.

The first one was the synergism conflict. In that respect, I would request respectfully that the article by Judge Jack R. Miller, former Senator from Iowa and now an associate judge of our court, and which has been printed in the American Patent Law Journal, be made part of the record.

Senator HEFLIN. So ordered.

Judge MARKEY. In that article Judge Miller identifies specifically with case citations, and so on, those circuits which have rejected the judge-created synergism test entirely, those which have adopted it, and those circuits where it has been adopted by some panels and not others.

I listed, also, the conflict in holding whether or not the nonobviousness question is one of fact or of law. I cite *Moore* in the 10th circuit and *Rosen* in the 1st circuit, both of which say it is a question of fact. I cite a case for each of the other circuits, all of whom say it is a question of law.

On whether or not a licensee may contest validity of the patent without giving up the license, I cite *Warner-Jeckinson Co.* in the 2nd circuit and *American Sterilizer* in the 3rd circuit which say it can, and *Milprint* in the 7th and *Product Engineering* in the 10th which says it can't.

On properties of chemical compounds I cite cases where circuits are in direct conflict.

On subjective intent I cite cases such as *Yarn Processing Patent Validity Litigation,* and also *File Wrapper Relation to Validity.* I recommend to the staff particularly that they might want to look at those cases.

Indeed, the circuit court opinions have themselves expressly acknowledged these conflicts. The Supreme Court is confronted with demand for decision in so many cases of great national and social import, as the commentators repeatedly recognize, and finds it impossible to preclude those conflicts in this one unique area of the law.

With that, Mr. Chairman, I will move quickly to some of the things I heard this morning to which I feel the Chair would appreciate a judicial response.

One of the problems in this world, Mr. Chairman, is expressed very well by the old philosopher Josh Billings. He said the problem in the world is not what the people know for darn sure; it's what people know for darn sure that ain't so.

For example, it was presented to you this morning, I am sure with the greatest and best intention—I would never ascribe an improper motivation to any man—I do confess, however, an inability to understand some of the things mentioned here this morning in arguments supporting the status quo, the do nothing approach.

First there was reference to "patents today and other fields tomorrow." I suggest, Mr. Chairman, that Congress can be trusted to decide those issues when and if they arise on their merits, as was recognized and done on this bill.

Tax, environmental, and trademark matters were originally included. Congress in its wisdom eliminated those three items.

If in the future Congress should decide, or if it is proposed to Congress that other fields be added, Congress is perfectly willing to handle that matter when and if it comes up, and anyone having objections to those additions would certainly be heard.

Next, I will not comment on the reference to parochial, single-purpose, and specialized courts. I never have understood that thoroughly. I understand some of the objections of so-called specialization, although I suspect if I had brain surgery to be conducted I would want a brain surgeon.

With reference to regional courts, it is suggested they are much more familiar with local industry and State law. I don't understand that since today a patent owner in South Carolina has his case heard on appeal in the ninth circuit in California. A patent owner in California has his appeal heard in the seventh circuit in Chicago, et cetera.

It was said there is no serious lack of uniformity. My statement lists six areas of direct, admitted and acknowledged conflicts—there are others. There was reference to Judge Rifkind's famous speech of now 30 years ago, in which he referred specifically to the trial courts, not the appellate courts, not the need for guidance and a consistent jurisprudence in the law.

With regard to reference to a ball game, the law is not a sport.

It was suggested that forum shopping requires certainty. Of course it requires only an expectation or a hope of a happy outcome.

Of course the problem is not in the result. With that, I agree with some of the statements made earlier. The problem is in the means and the method and the approach to decisionmaking on which lawyers and their clients should be able to rely.

With reference to common law and the need for the common law to grow, we are dealing with a statute, Mr. Chairman, a statute, one national statute passed by this body in 1952.

Interestingly, there was some reference to an absence of forum shopping, but we heard a great deal about how lawyers would forum shop if they had a chance and how this bill would somehow create maneuvers for tactical reasons of injecting patent issues into other cases. I think the courts, Mr. Chairman, can be relied upon, as they have since our country started, to do away with sham pleadings.

I was interested in the discussion of the conflicts in the circuits in other fields. I will shorten this, but it also has been suggested here this morning, and in some of the written statements submitted to you, that this is new and unparalled, a precedent. As I mentioned a moment ago, customs law has been facilitated, a uniform customs law since 1909, in precisely this manner.

Presently—and Judge Friedman can speak better on this subject—the Court of Claims hears all contract appeals, all renegotiation of such matters, and Indian claims against the Government.

It was suggested there are only 119 patent appeals and, therefore, it would not help the courts much. What was not mentioned was that patent cases in the regional courts of appeals now require 11½ months average time to decide after they are heard.

I mentioned earlier 29 months from filing. This subcommittee now has before it the request of the Judicial Conference and the judges for 11 permanent and 3 temporary additional judges in the

courts of appeals. It suggests to me that if this proposal assists those judges at all it is worthwhile.

The national court of appeals discussion, I think, was pretty well cleared up. The big difference to me is that that is another tier.

With that I will wind up where I started, Mr. Chairman. There was reference to the need for diversity in the law. In my book diversity is valuable. Where you have a pluralistic society, diversity in politics, in almost anything, is good. But to tell our citizens that the law is one thing here and another thing there, to give diversity to the statutory law is to me—I cannot give it a better word—grotesque.

Mr. Chairman, the judges of our court, of course, will accept with good grace and continued dedication whatever duties Congress in its wisdom may designate.

With expressions for appreciation for the chairman's patience, I will be glad at the appropriate time to attempt to answer whatever questions the chairman may have.

[The prepared statement of Chief Judge Markey and article of Judge Miller follow:]

PREPARED STATEMENT OF CHIEF JUDGE HOWARD T. MARKEY

I WELCOME, MR. CHAIRMAN, YOUR INVITATION TO APPEAR A SECOND TIME IN SUPPORT OF THE CONSOLIDATION OF THE COURT OF CLAIMS AND THE COURT OF CUSTOMS AND PATENT APPEALS AS SET FORTH IN THE PROPOSAL SUBMITTED BY THE JUDICIAL CONFERENCE OF THE UNITED STATES.

I RESPECTFULLY REQUEST THAT MY STATEMENT MADE OF RECORD ON THE OCCASION OF MY APPEARANCE ON APRIL 24, 1981, BE SUPPLEMENTED BY THE PRESENT STATEMENT AND THAT THE PRESENT STATEMENT BE MADE OF RECORD ALSO. I REAFFIRM, OF COURSE, MY EARLIER STATEMENT AND WILL NOT REPEAT ITS CONTENT HERE, EXCEPT TO REPEAT MY APPRECIATION OF ALL OF THE WORK OF THIS SUBCOMMITTEE AND ITS STAFF IN CONTINUING ITS EFFORT TOWARD IMPROVEMENT IN THE ADMINISTRATION OF JUSTICE. AS THE CHAIRMAN IS AWARE, THE CONSOLIDATION CONCEPT WAS EMBODIED IN BILLS PASSED BY BOTH HOUSES OF THE CONGRESS LAST YEAR. I AM HOPEFUL THAT, DESPITE THE PRESSURES UPON THE CONGRESS, THE SUCCESSFUL TRACK RECORD TO DATE WILL RESULT IN RETENTION OF THE 1 OCTOBER 1981 EFFECTIVE DATE, WHICH HAS APPEARED IN ALL VERSIONS OF THE BILLS PASSED LAST YEAR AND IN THOSE NOW UNDER CONSIDERATION.

IN MY APRIL 24TH STATEMENT I EMPHASIZED CLARITY IN THE LAW AS THE PRIMARY NEED ADDRESSED AND MET BY THE PROPOSAL BEFORE THIS SUBCOMMITTEE. ACHIEVEMENT OF A CONSISTENT JURISPRUDENCE, AS I THERE INDICATED, WOULD NOT ONLY AID OUR COUNTRY'S INDUSTRIES BUT WOULD BRING AN END TO THE COSTLY AND OUTRAGEOUS FORUM SHOPPING WHICH HAS INCREASINGLY PLAGUED PATENT LITIGATION FOR OVER 60 YEARS. I CITED, IN MY EARLIER STATEMENT, EXAMPLES OF SYSTEM-DESTROYING SLOGANS WHICH EPITOMIZE THE PRESENT OBFUSCATION OF THE PATENT LAW. IN THIS STATEMENT, I PROPOSE TO SET FORTH A FEW EXAMPLES OF THE DISPARATE TREATMENT OF VARIOUS PATENT LAW AREAS AMONG THE CIRCUIT COURTS OF APPEAL. THESE EXAMPLES ILLUSTRATE THE MUDDIED SOIL SO FERTILE FOR FORUM SHOPPING.

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In so doing, Mr. Chairman, I intend no untoward reflection upon my colleagues who serve with such selfless dedication on the circuit courts of appeals. I have had the honor and privilege of sitting with them in every circuit, in almost 1,000 cases involving every field of law, and can attest that every one I have met has proven dedicated to that ideal which haunts the days and dreams of every true judge--that he decide each case correctly--that he do justice in every case. The problem of disparate treatment of the patent law arises, as I said in my earlier statement, solely from unfamiliarity with a unique statute rarely seen.

In view of time and space limitations, I list only six examples of the disparate treatment contributing to the present absence of clarity in the law of patents:

(1) The employment and non-employment of a judge-created "synergism" test in determining whether an invention is patentable.

(2) Treatment of non-obviousness as a question of fact and as a question of law;

(3) Permitting, and refusing to permit, a licensee to contest validity of the licensed patent without first cancelling the license;

(4) Considering, and refusing to consider, the properties of a chemical compound in determining the validity of claims drawn to the compound;

(5) Considering, and refusing to consider, evidence of subjective intent in determining whether a use was experimental.

(6) Considering, and refusing to consider, limitations added during prosecution of a patent application as the sole basis for determining validity.

(1) "Synergism"

Whether the invention meets the non-obviousness standard set forth in Section 103 of the statute is a critical determination required in virtually every patent case. In making that determination, some circuit court opinions have set forth a condition for patentability not set forth in the statute, a condition labeled "synergism." That condition is defined as a

requirement that the elements of an invention achieve together a result greater than the sum of the effects of the elements taken separately. Apart from the impossibility of meeting such a test, the condition has produced clear and widespread conflict among the circuits.

Judge Jack R. Miller, formerly a United States Senator from Iowa and now an Associate Judge of the Court of Customs and Patent Appeals recently spoke on "Factors of Synergism and Level of Ordinary Skill in the Art in Section 103 Determinations." That talk was published as an article in the American Patent Law Journal, Volume 8, November 4. In the first 18 pages of that article, Judge Miller reviews the widely disparate treatment of synergism among the circuits, identifying those circuits which have rejected the judge-created synergism test entirely, those that have adopted it, and the three circuits within which it has been adopted by some panels and rejected by other panels. The article includes citations of the cases illustrating this particular disparity of treatment. No useful purpose would be served by adding further examples, Mr. Chairman, and I therefore respectfully request that the attached 18 pages of Judge Miller's article be made part of the record in the present hearing.

(2) The Non-obviousness Question

The question of whether the invention would have been obvious when made is viewed as a question of fact, and thus subject to the "clearly erroneous" rule, in the 10th Circuit, Moore v. Shultz, 491 F.2d 294, and in the 1st Circuit, Rosen v. Lawson-Hemphill, Inc, 549 F.2d 205. It is viewed as a question of law, and thus free of the clearly erroneous rule, in the remaining circuits: Julie Research Lab. Inc. v. Guildline Instruments Inc., 501 F.2d 1131 (2d Cir.); Hadco Prod. Inc. v. Walter Kidde & Co., 462 F.2d 1265 (3d Cir.); Blohm & Voss AG v. Prudential-Grace Lines, Inc., 489 F.2d

231 (4TH CIR.); SWOFFORD V. B & W, INC., 395 F.2D 362 (5TH CIR.); NICKOLA V. PETERSON, 580 F.2D 898 (6TH CIR.); ST. REGIS PAPER CO. V. BEMIS CO., 549 F.2D 833 (7TH CIR.); FLOUR CITY ARCHITECTURAL METALS V. ALPANA ALUMINUM PRODUCTS, INC., 454 F.2D 98 (8TH CIR.); HENSLEY EQUIPMENT CO. V. ESCO CORP., 375 F.2D 432 (9TH CIR.); HIGLEY V. BRENNER, 387 F.2D 855 (DC CIR.)

(3) LICENSEE CONTEST OF VALIDITY

SOME CIRCUIT COURT OPINIONS SAY THAT A LICENSEE MAY CHALLENGE THE VALIDITY OF THE LICENSED PATENT IN A DECLARATORY JUDGMENT ACTION WITHOUT TERMINATING THE LICENSE: WARNER-JENKINSON CO. V. ALLIED CHEMICAL CORP., 567 F.2D 184 (2D CIR.); AMERICAN STERILIZER CO. V. SYBRON CORP., 526 F.2D 542 (3D CIR.). OTHER CIRCUIT COURT OPINIONS SAY A LICENSEE MAY NOT DO SO: MILPRINT V. CURWOOD, INC., 562 F.2D 418 (7TH CIR.); PRODUCT ENGINEERING V. BARNES, 424 F.2D 42 (10TH CIR.).

(4) PROPERTIES OF CHEMICAL COMPOUNDS

IN TWO CIRCUITS, A PRESUMPTION OF OBVIOUSNESS MAY BE REBUTTED BY EVIDENCE THAT THE CLAIMED COMPOUND POSSESSES NEW AND UNEXPECTED PROPERTIES: COMMISSIONER OF PATENTS V. DEUTSCHEGOLD-UND-SILBER-SCHEIDEANSTALT VORMALS ROESSLER, 397 F.2D 656 (D.C. CIR.); ELI LILLY & CO. V. GENERIX DRUG SALES, INC., 460 F.2D 1096 (5TH CIR.). IN TWO OTHER CIRCUITS, DISTRICT COURTS HAVE HELD TO THE CONTRARY, AND THE ISSUE WAS NOT REACHED BY THE CIRCUIT COURTS WHEN THE CASES WERE APPEALED: MONSANTO CO. V. ROHM & HAAS CO., 312 F. SUPP. 778, AFF'D 456 F.2D 592 (3D CIR.); CARTER-WALLACE, INC. V. DAVIS-EDWARDS PHARMACAL CORP., 341 F. SUPP. 1303, AFF'D SUB NOM, CARTER-WALLACE, INC. V. OTTE, 474 F.2D 529 (2D CIR.).

(5) SUBJECTIVE INTENT

IN THE 5TH CIRCUIT, AN INVENTOR'S SUBJECTIVE INTENT MUST BE CONSIDERED IN DETERMINING WHETHER A TRANSACTION INVOLVING AN

INVENTION, OCCURRING MORE THAN ONE YEAR BEFORE THE FILING DATE OF HIS PATENT APPLICATION WAS MERELY "EXPERIMENTAL," AND WOULD NOT THEREFORE DEFEAT HIS RIGHT TO A PATENT, IN RE YARN PROCESSING PATENT VALIDITY LITIGATION, 498 F.2D 271. IN THE 9TH CIRCUIT, AN INVENTOR'S SUBJECTIVE INTENT HAS NO PROBATIVE VALUE IN DETERMINING WHETHER THE TRANSACTION WAS EXPERIMENTAL, ROBBINS CO. V. LAWRENCE MFG. CO., 482 F.2D 426, AMERICAN MACHINE & HYDRAULICS, INC. V. MERCER, 585 F.2D 404.

(6) FILE WRAPPER RELATION TO VALIDITY

IN THE 5TH CIRCUIT, A PATENTEE WHO NARROWED HIS CLAIM DURING PROSECUTION OF HIS PATENT APPLICATION IS NOT PRECLUDED FROM CONTENDING THAT HIS CLAIM AS ORIGINALLY SUBMITTED WAS ERRONEOUSLY REJECTED IN THE PATENT AND TRADEMARK OFFICE, INGERSOLL-RAND CO. V. BRUNNER AND LAY, INC., 474 F.2D 491. IN THE 7TH CIRCUIT, A PATENTEE IS SO PRECLUDED, THE REJECTION OF HIS ORIGINALLY SUBMITTED CLAIM BEING VIEWED AS ESTABLISHING INVALIDITY OF THAT CLAIM AND THE PATENTEE BEING REQUIRED TO PROVE NON-OBVIOUSNESS OF THE FEATURES DISTINGUISHING HIS NARROWED FROM HIS ORIGINAL CLAIM, BURLAND V. TRIPPE MFG. CO., 543 F.2D 588.

CONCLUSION

THE FOREGOING LIST IS NOT EXHAUSTIVE. NOR IS THE EXISTENCE OF THESE AND OTHER CONFLICTS IN VARIOUS AREAS OF THE PATENT LAW OPEN TO QUESTION. INDEED, CIRCUIT COURT OPINIONS HAVE REPEATEDLY ACKNOWLEDGED THE EXISTENCE OF CONFLICTS. AS COMMENTATORS HAVE UNIVERSALLY NOTED, THE SUPREME COURT IS CONFRONTED WITH DEMAND FOR DECISION IN SO MANY CASES OF GREAT NATIONAL AND SOCIAL IMPORT AS TO EFFECTIVELY PRECLUDE IT FROM RESOLVING CONFLICTS IN THIS ONE UNIQUE AREA OF THE LAW. THE CONSOLIDATION CONCEPT PRESENTED TO THIS SUBCOMMITTEE BY THE JUDICIAL CONFERENCE, BY DIRECTING ALL APPEALS IN PATENT CASES TO THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT, WOULD AUTOMATICALLY PRECLUDE THE OCCURRENCE OF CONFLICT IN THE

INTERPRETATION AND APPLICATION OF THE NATIOINAL LAW OF PATENTS. AS A REPRESENTATIVE OF THE JUDICIAL CONFERENCE, I THEREFORE RECOMMEND APPROVAL BY THIS SUBCOMMITTEE, AND BY THE CONGRESS, OF THIS IMPORTANT CONTRIBUTION TO AN IMPROVED ADMINISTRATION OF JUSTICE.

WITH APPRECIATION FOR YOUR PATIENCE, MR. CHAIRMAN, I WILL CLOSE THIS SUPPLEMENTAL STATEMENT AND WILL BE PLEASED TO ATTEMPT ANSWER TO ANY QUESTION YOU OR THE MEMBERS OF YOUR SUBCOMMITTEE MAY WISH TO VOICE.

FACTORS OF SYNERGISM AND LEVEL OF ORDINARY SKILL IN THE PERTINENT ART IN SECTION 103 DETERMINATIONS *

by Jack R. Miller **

I. SYNERGISM

In discussing the factor of synergism, it seems prudent to take as a point of departure the Supreme Court's opinion in Graham v. John Deere, 383 U.S. 1, 148 USPQ 459 (1966), where a unanimous court (Justices Stewart and Fortas not taking part) set forth for the first time its interpretation of 35 USC § 103. Of particular importance is the fact that in no subsequent case involving section 103 has the Court made any statement that its interpretation set forth in Graham v. Deere was being changed. It is, therefore, a reasonable assumption that this interpretation is as viable today as it was when the opinion was handed down in 1966. The Court began with a caveat: "while the clear language of § 103 places emphasis on an inquiry into obviousness, the general level of innovation necessary to

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* This article is based on the author's speech before the Los Angeles Patent Law Association at its annual Seminar at Rancho La Costa, Carlsbad, California, June 8, 1980.

** Judge, United States Court of Customs and Patent Appeals; formerly United States Senator from Iowa (1961-1973).

sustain patentability remains the same." It then set forth what, for purposes of this discussion, is the correct analytical approach to a section 103 issue:

> Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobvousness, these inquiries may have relevancy.

Although it is a reasonable assumption that this analytical approach is still the correct one, because nowhere has the Court disavowed it, the patent bar has understandably been concerned over what the Court said about "synergism" in the Anderson's-Black Rock case, 396 U.S. 57, 163 USPQ 673 (1969), some three years later and, more recently, in its 1976 opinion in Sakraida v. Ag Pro, 425 U.S. 273, 189 USPQ 449, reh. denied, 426 U.S. 955. Many had thought that Graham v. Deere laid to rest the Court's unfortunate statement about combination patents in its 1950 opinion in the Atlantic & Pacific Tea Co. case, 340 U.S. 147, 87 USPQ 303 (1950), namely:

> The conjunction or concert of known elements must contribute something; only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable. Elements may, of course, especially in chemistry or electronics, take on some new quality or function from being brought into concert, but this is not a usual result of uniting elements old in mechanics. . . .
>
> Courts should scrutinize combination patent claims with a care proportioned to the difficulty and improbability of finding invention in an assembly of old elements. . . .

Nevertheless, in the Anderson's-Black Rock case (opinion by Justice Douglas) the Court found the 19-year old A & P case alive and well and cited it as support for this statement:

> A combination of elements may result in an effect greater than the sum of the several effects taken separately. No such synergistic result is argued here. It is, however, fervently argued that the combination filled a long felt want and has enjoyed commercial success. But those matters "without invention will not make patentability."

Only two Justices (Black and Douglas) had been on the Court when the 1950 A & P decision was handed down. However, five of the seven Justices who took part in the Graham v. Deere case were there for the Anderson's-Black Rock case. In his concurring opinion in A & P, Justice Douglas had emphasized that the standard of patentability is a constitutional standard and that standard is one of "invention." In his opinion in Anderson's-Black Rock, he reemphasized this point. He finessed Graham v. Deere by quoting from its opinion, thus:

> We believe that . . . legislative history, as well as other sources, shows that the revision was not intended by Congress to change the general level of patentable invention. We conclude that the section [103] was intended merely as a codification of judicial precedents embracing the Hotchkiss[1/] condition . . . .

Justice Douglas then paid lip service to section 103 by adding:

> We conclude further that to those skilled in the art the use of the old elements in combination was not an invention by the obvious-nonobvious standard. . . .

In January, 1969, prior to the decision in Anderson's-Black Rock the following December, the CCPA in In re Sponnoble, 56 CCPA 823, 832, 405 F.2d 578, 583, 160 USPQ 237, 243 (1969), had said: "A patentable invention, within the ambit of 35 USC 103, may result even if the inventor has, in effect, merely combined features, old in the art, for their known purpose, without producing anything beyond results inherent in their use." This statement has been quoted with approval by the CCPA several times. In re Roberts, 470 F.2d 1399, 1401, 176 USPQ 313, 314 (CCPA 1973); In re McLaughlin, 443 F.2d 1392, 1395-96, 170 USPQ 209, 212 (CCPA 1971); In re Passal, 426 F.2d 409, 411,

1/ Hotchkiss v. Greenwood, 52 U.S. (11 How.) 248 (1850).

165 USPQ 702, 704 (1970). Similar views were expressed by the Court of Claims in Bowser, Inc. v. United States, 388 F.2d 346, 349-50, 156 USPQ 406, 409 (Ct. Cls. 1967).

Several years later, in Sakraida v. Ag Pro, supra, with four of the Justices remaining of those who took part in the Anderson's-Black Rock case, the Court again looked for a "synergistic result" and, not perceiving one, reversed the Fifth Circuit, which, in the course of upholding validity of the involved patent, made the mistake of citing Anderson's-Black Rock and saying:

> Although the plaintiff's flush system does not embrace a complicated technical improvement, it does achieve a synergistic result through a novel combination. . . .

Ag Pro, Inc. v. Sakraida, 474 F.2d 167, 173, 177 USPQ 106, 111 (5th Cir. 1973). I say the Fifth Circuit made a mistake in saying that Ag Pro's flush system achieved a "synergistic result," because this became a key point in the Supreme Court's opinion. If the Fifth Circuit had merely stayed with the analysis prescribed by Graham v. Deere in determining patent validity, the Supreme Court might not have reached the synergism test. Sakraida himself was also inadvertently to blame. He had the burden of proving the patent invalid in the face of the presumption of validity, but introduced no substantive evidence with respect to the level of ordinary skill in the art. The Fifth Circuit carefully pointed out that its decision upholding validity was based on the record before it and clearly indicated its displeasure over Sakraida's lack of evidence.

Different judges and different lawyers have taken differing views of Sakraida. For example, Judge Rich of the CCPA has said that the Supreme Court "simply expressed disagreement with the lower court's view that there was a synergistic result"; and that "the Supreme Court has never held synergism to be a necessary condition of patentability--as indeed it is not." 60 JPOS 297-98 (1978). The Commissioner of Patents, observing that "[n]owhere in its decisions in those cases [Sakraida v. Ag Pro and Anderson's-Black Rock] does the Court

state that the 'new or different function' and 'synergistic result' tests supersede a finding of unobviousness or obviousness under the Graham test," has ruled that the Office will continue to follow Graham v. Deere in the examination of patent applications. MPEP § 706 (4th ed. 1979) (Rev. 1 Jan. 1980). Judge Conner of the Southern District of New York, on the other hand, recently said in his opinion in Brennan v. Mr. Hanger, Inc., 479 F. Supp. 1215, 203 USPQ 697 (S.D. N.Y. 1979), that he felt bound to follow the synergism test laid down by the Supreme Court in Sakraida, although he had criticized such a test, saying:

> Every machine, every electrical circuit and electro-mechanical device, and almost every mechanical instrument of any kind, consists of a combination of elements. . . . Moreover, in every such combination, each individual component always performs its characteristic function: a gear always acts like a gear, a resistor like a resistor, and so on. And the overall performance of the combination is always precisely equal to the sum of the functions of its components. In the real world, two plus two never equals five.

V APLA QUARTERLY JOURNAL 77, 84-85 (1977). I agree with Judge Conner's criticism, but I strongly disagree with his conclusion that he was bound to follow what amounts to dicta in Sakraida. Interestingly, Judge Conner proceeded to find synergism, and the case was not appealed. At the same time, I cannot so readily dismiss the impact of Sakraida as Judge Rich. Here is how I read Sakraida:

The Fifth Circuit said that, although the patent combined admittedly old elements for applying water from a storage tank to a conventional sloped floor in a dairy barn equipped with drains at the bottom of the slope, the arrangement of the old elements effected the abrupt release of a cascade of water to wash the barn floor. This, it said, was a synergistic result. The Supreme Court, although conceding that

perhaps a "more striking result" was produced, said it could not agree "that the combination of these old elements to produce an abrupt release of water . . . can properly be characterized as synergistic." It declared that:

> A patent for a combination which only unites old elements with no change in their respective functions . . . obviously withdraws what already is known into the field of its monopoly and diminishes the resources available to skillful men. . . .

The Court quoted from Anderson's-Black Rock for the meaning of synergism, namely: "an effect greater than the sum of the several effects [of the elements of a combination] taken separately." Of course, one might wonder why a "more striking result" from the abrupt release of a cascade of water would not be considered to meet this definition. The holding itself was that the combination would have been obvious, falling under the heading of "the work of the skilled mechanic, not that of the inventor," the Court citing Hotchkiss v. Greenwood, supra. Graham v. Deere was cited approvingly, without the slightest indication that the analytical approach therein prescribed was being changed in the case of so-called combination inventions. However, it can well be argued that the rationale for the Court's holding was the absence of a synergistic effect from what the Court referred to as "this particular use of the assembly of old elements." If so, absence of a synergistic effect will relegate a combination invention to the status of "the work of the skilled mechanic, not that of the inventor." The level of skill in the art will thus be determined without regard to other evidence, such as secondary considerations. I cannot reconcile this with Graham v. Deere.

In early 1978, the Eighth Circuit, in Clark Equipment Co. v. Keller, 570 F.2d 778, 197 USPQ 209 (1978), affirmed a holding of patent validity using a Graham v. Deere analysis and rejected a requirement of synergism, saying:

> In the patent law context, "synergism" has no talismanic power; synergism is merely one indication of nonobviousness.

However, a year later another panel, affirming the district court's holding of invalidity, stated that "if the claims cover a structure that combines old and well known elements, one of the factors this court must look for . . . is synergism," and cited Sakraida and Anderson's-Black Rock. Reinke Manufacturing Co. v. Sidney Manufacturing Co., 594 F.2d 644, 648, 201 USPQ 344, 348 (8th Cir. 1979). In February of 1979, the Seventh Circuit, in Republic Industries Inc. v. Schlage Lock Co., 592 F.2d 963, 200 USPQ 769 (1979), reversed a decision of a district judge who had held invalid a patent on a new combination of old elements because he felt obliged to follow a 2-1 ruling of a Seventh Circuit panel in St. Regis Paper Co. v. Bemis Co., 549 F.2d 833, 193 USPQ 8 (1977), that certain patents were invalid because the claimed combinations did not produce a synergistic result. The excellent opinion by former Chief Judge Swygert in Schlage Lock effectively disposed of the synergism test, saying, inter alia:

> [W]hen using the synergism approach to determine whether one element functions differently or whether the whole somehow exceeds the parts, one is required to look solely to the operation of the elements after they are combined. This analysis suffers from two defects. First, a test which looks exclusively to the functioning of the individual components after they are combined must necessarily be premised on the assumption that it is always obvious to take known elements and combine them. . . .
>
> The second and more basic defect with synergism is that section 103 sets as the standard of patentability the nonobviousness of the invention "at the time the invention was made to a person having ordinary skill in the art . . . ." . . . From this vantage point the critical question becomes whether the level of skill in the art was such that the combining of the elements in the manner claimed would have been obvious, not in retrospect, but at the time it was done by the inventor. . . . Synergism, however, precludes this analysis. Because synergism centers exclusively on the performance of the elements after combination and without regard to the obviousness or nonobviousness of making the combination, synergism does not comport with the Graham mandate to apply section 103.

Schlage Lock was followed by different panels of the Seventh Circuit in Beatrice Foods v. Tsuyama Manufacturing Co., 619 F.2d 3, 204 USPQ 889 (7th Cir. 1979), and Lee Blacksmith, Inc. v. Lindsay Brothers, Inc., 605 F.2d 341, 343 n.3, 203 USPQ 211, 213 n.3 (7th Cir. 1979). The opinions, also by Judge Swygert, said that synergism was irrelevant. See also AMP Inc. v. Bunker Ramo Corp., 604 F.2d 24, 203 USPQ 324 (7th Cir. 1979).

In the Sixth Circuit in 1978, Chief Judge Howard Markey of the CCPA, sitting by designation, wrote the opinion of a panel in Nicola v. Peterson, 580 F.2d 898, 198 USPQ 385, cert. denied, 440 U.S. 961 (1979), affirming the district court's holding of invalidity of a combination patent. At the same time, the opinion declared:

> [T]he opinion below elsewhere refers to "combination" inventions and to "combinations of old elements," as though the statute were to be applied differently to "combination" inventions. Court opinions referring to "combination" inventions have not clearly distinguished patentability criteria applicable to different types of inventions. The statute makes no such distinction in patentability criteria . . . . From the facts in some cases, the reference to "combination" may have been intended to separate mechanical or machine inventions from chemical, electrical or process-type inventions. But the statute makes no such distinction . . . . No statutory warrant appears . . . for treating the patentability of "combination" inventions differently in law from the patentability of some other type of invention . . . .

This dictum was clearly at odds with earlier statements by different panels that synergism is a key requirement of patentability. Reynolds Metals Co. v. Acorn Building Components, Inc., 548 F.2d 155, 161, 192 USPQ 737, 742 (6th Cir. 1977); Philips Industries, Inc. v. State Stove Manufacturing Co., 522 F.2d 1137, 1141, 186 USPQ 458, 462 (6th Cir. 1975). And three months later, another panel of the Sixth Circuit affirmed a holding of invalidity, saying:

> [B]ecause the . . . patent is composed of a combination of old elements, the combination, in order to be patentable, must produce a synergistic effect or result.

American Seating Co. v. National Seating Co., 586 F.2d 611, 199 USPQ 257 (6th Cir. 1978), cert. denied, 441 U.S. 907 (1979).

On January 15, 1980, yet another panel of the Sixth Circuit rendered an opinion in Smith v. ACME General Corp., 614 F.2d 1086, 204 USPQ 1060, affirming the district court's ruling of invalidity. It held, inter alia, that a synergistic result had not been shown for the involved patent (an adjustable assembly for a folding door) and said:

> Courts have roughly defined synergism as when the "whole in some way exceeds the sum of its parts," when the combination produces a "new or different function," or "unusual or surprising consequences."
>
> . . . .
>
> It seems apparent from the Black Rock and Sakraida decisions that the Supreme Court has recognized synergism to a limited extent as a term symbolizing the more stringent standard for combination patent claims. [Footnote omitted.]

Nevertheless, the panel hedged by saying:

> Unquestionably this standard was not meant to reduce emphasis on the Graham analysis for obviousness under § 103. If we understood synergism to require such, synergism would be tossed aside immediately.

And the panel actually quoted from the opinion in Schlage Lock. Just a month earlier, still another Sixth Circuit panel had held that a patent on a snow-making process, which it referred to as a "combination" patent, achieved a synergistic result and, therefore, met the standard of nonobviousness set forth by section 103. Hansen v. Alpine Valley Ski Area, Inc., 611 F.2d 156, 204 USPQ 803 (1979).

Recently, the Third Circuit, in Sims v. Mack Truck Corp., 608 F.2d 87, 93, 203 USPQ 961, 967 (1979), cert. denied, 100 S. Ct. 1319 (1980), said that since it was holding that the patent at issue failed to meet the test set down by Graham v. Deere, it did not need to rule on whether a finding of synergism is a precondition to validity of combination patents, noting that the circuits are split on the question.

In the Ninth Circuit, as in the Sixth and Eighth, the significance of synergism has depended on the makeup of the

panel. In 1971, in Reeves Instrument Corp. v. Beckman Instruments, Inc., 444 F.2d 263, 170 USPQ 74, a panel comprising Judges Barnes, Duniway, and Wright declared that the Ninth Circuit "has consistently followed the analysis . . . prescribed in Graham" and emphasized that 35 USC 103 provides that the inquiry into patentability "must be drawn toward the 'subject matter as a whole' and not to the elements of a claimed combination and their individual novelty." It rejected an argument that the claimed invention was invalid because it consisted of old elements which it said would preclude patenting of virtually every new mechanical or electrical device "since the vast majority, if not all, involve the construction of some new device . . . from old elements." In 1977, a panel comprising Judges Chambers, Tuttle, and Wallace, citing A & P, Black Rock, and Sakraida, declared that a mere combination of devices well known in the prior art is obvious unless the whole exceeds the sum of its parts; that there should be "unusual or surprising consequences." Astro Music, Inc. v. Eastham, 564 F.2d 1236, 197 USPQ 399. In March of 1979, another panel, in Herschensohn v. Hoffman, 593 F.2d 893, 201 USPQ 721, cited Sakraida and said it was clear that the involved patent was invalid, "having no new, unusual, or synergistic result." The next month, a panel comprising Judges Chambers, Bright (from the Eighth Circuit who, incidentally, was not on the Eighth Circuit panel which, in deciding Clark Equipment Co., said that "synergism is merely one indication of nonobviousness"), and District Judge Tang, held that the district court "properly considered failure of [the subject patented] device . . . to create a synergistic result or to disclose any 'unusual or surprising consequences.'" The panel noted that the device combined old elements and cited Sakraida and Black Rock. Satco, Inc. v. Transequip, Inc., 594 F.2d 1318, 1322, 202 USPQ 567, 570 (9th Cir. 1979). On September 17, 1979, another panel, in an unpublished opinion

(No. 77-2504), affirmed a judgment of invalidity, following the combination patent approach of A & P and Sakraida. Osmose Wood Preserving Co. v. City of Los Angeles, 449 PTCJ A-1 (Oct. 11, 1979), cert. denied, 100 S. Ct. 1597 (1980).

However, the latest word from the Ninth Circuit came in January of 1980 from a panel comprising Judges Goodwin, Sneed, and District Judge Jameson in Palmer v. Orthokinetics, Inc., 611 F.2d 316, 204 USPQ 893. In a memorandum decision (declaratory judgment action), the district court had held a patent invalid for obviousness, saying that although the combination of elements--all said to be old--resulted in a new mechanical device that performed a useful function (a chair designed to simplify moving a wheelchair-bound person by car), that function was not synergistic, "because the interaction of these old elements produced an expected result." On appeal the patentee attacked the district court's failure to make the factual inquiries required by Graham v. Deere and also its failure to make findings regarding the secondary indicia of nonobviousness. The Ninth Circuit panel reversed and remanded because of what it termed "conclusory statements" regarding synergism which made it impossible to determine whether the district court made the proper inquiries under section 103 in accordance with the Graham v. Deere analysis. Judge Jameson wrote the opinion, and it is apparent that Schlage Lock, which he cited, exerted a strong influence. He wrote:

> A trial court must determine whether the patent in issue would have been obvious to one having ordinary skill in the art "at the time the invention was made". 35 U.S.C. § 103 (emphasis added). "From this vantage point the critical question becomes whether the level of skill in the art was such that the combining of the elements in the manner claimed would have been obvious, not in retrospect, but at the time it was done by the inventor." Republican Industries, Inc. v. Schlage Lock Co., 592 F.2d 963, 971, 200 USPQ 769, 778-79 (7th Cir. 1979) (emphasis added). Moreover, "the mere fact that each of the elements making up the

> combination covered by the claims in suit appears somewhere in the prior art does not by itself negate patentability. All structural inventions of necessity involve a combination of old elements, i.e., gears, levers, tubes, bolts, etc. A new structure is patentable only because the elements are combined in a new and unobvious arrangement."

The opinion goes on to say that the district court's findings that the consequences of combining the elements were not unusual or surprising did not resolve the question of whether the level of ordinary skill in the art was such that the combining of the elements in the manner claimed would have been obvious at the time the invention was made. Thus, although, as I will discuss later, unexpected results are probative of the level of ordinary skill in the art, the opinion correctly points out that the absence of unexpected results does not preclude patentability. However, the opinion then says, somewhat amorphously:

> Although we have often noted that a synergism test will assist a court in determining whether a combination patent is nonobvious, the findings and conclusions of the trial court must be guided by the requirements of § 103 and Graham v. John Deere Co. [Footnotes omitted.]

In 1979 I was privileged to sit as a visiting judge with the Second and Tenth Circuits and to be assigned to write the opinion in a patent case for each court. The Second Circuit case, Champion Spark Plug Co. v. Gyromat Corp., 603 F.2d 361, 202 USPQ 785 (1979), cert. denied, 100 S. Ct. 1276 (1980), was an appeal from a declaratory judgment that Gyromat's patent was invalid and unenforceable for obviousness. One of Champion's arguments for affirmance was that claims of the involved patent merely defined an "arrangement of old elements," each performing "the same function it had been known to perform," and that such combinations are not patentable, citing Sakraida. In response to this, we said:

> In the factual setting of the Sakraida case, we have no difficulty with the holding that the invention there involved was not patentable.

> However, we do not agree with what amounts to an oblique suggestion that the dicta in the Supreme Court's opinion overruled the statutory test of nonobviousness established by 35 U.S.C. § 103 along with the analytical guidelines for that test established by the Court in Graham v. John Deere Co. . . . which the opinion in Sakraida cites with approval. . . . Most, if not all, inventions involve a combination of old or known elements. . . . If the inventions are new, useful, and nonobvious, they are patentable. . . .

We then held that the statutory presumption of validity of the involved patent had not been rebutted by Champion. I might add that the opinion cited Judge Learned Hand's 1960 opinion in Reiner v. I. Leon Co., 285 F.2d 501, 504, 128 USPQ 25, cert. denied, 366 U.S. 929, which declared:

> It is idle to say that combinations of old elements cannot be inventions; substantially every invention is for such a "combination": that is to say, it consists of former elements in a new assemblage. All the constituents may be old, if their new concourse would not "have been obvious at the time the invention was made to a person having ordinary skill in the art" (§ 103, Title 35).

We also cited B.G. Corp. v. Walter Kidde & Co., 79 F.2d 20, 22, 26 USPQ 288, 289-90 (2d Cir. 1935), in which the opinion by Judge Hand twenty-five years earlier set forth the same doctrine.

The Tenth Circuit case, Plastic Container Corp. v. Continental Plastics of Oklahoma, Inc., 607 F.2d 885, 203 USPQ 27 (10th Cir. 1979), cert. denied, 444 U.S. 1018 (1980), was an appeal from a summary judgment by the district court in favor of Continental and from denial of summary judgment requested by Plastic Container. The panel unanimously reversed and remanded. A key issue was whether a reissue patent to one Samuel Hall, Jr., owned by Plastic Container, was invalid for obviousness under 35 USC 103. We said that Continental should have an opportunity, on remand, to show the obviousness of the Hall reissue claims by presenting to the district court additional prior art, which was not before the PTO, which it might consider pertinent. We then said (footnotes omitted):

> The obviousness or nonobviousness of the Hall Reissue claims can then be determined in accordance with the analytical guidelines established by the Supreme Court in Graham v. John Deere Co. . . . We note that these guidelines do not require that, for a combination of known elements to be nonobvious, the result achieved by the combination must be synergistic. . . . "If the level of skill of a person of ordinary skill in the pertinent art is such that the differences between the subject matter sought to be patented and the prior art would not have been obvious to that person, the test for nonobviousness is met." [Quoting from Champion Spark Plug Co. v. Gyromat Corp.]

A footnote in the opinion cited two 1979 Tenth Circuit opinions in which a requirement of synergism had been suggested, by way of dictum. In July of 1980 another panel of the Tenth Circuit acknowledged the apparent conflict between these two opinions and our statement in the Plastic Container Corp. case, but, in affirming the district court's holding of nonobviousness of a combination patent (Norfin, Inc. v. International Business Machines Corp., 453 F. Supp. 1072, 199 USPQ 57 (D. Colo. 1978)), left resolution of the conflict for a "later day," saying that no matter what test was applied, the invention was patentable. Norfin, Inc. v. International Business Machines Corp., 625 F.2d 357, 365, 207 USPQ 737, 745 (10th Cir. 1980).

Senator HEFLIN. Judge Friedman, will you summarize your thoughts please?

STATEMENT OF HON. DANIEL M. FRIEDMAN, CHIEF JUDGE, U.S. COURT OF CLAIMS, WASHINGTON, D.C.

Judge FRIEDMAN. I will be very brief, Senator. I have submitted a statement. There are two or three things I would like to respond to which were said here today.

To repeat what Judge Markey said about specialized courts, we do not consider our court to be a specialized court. We have jurisdiction in a large number of areas. We consider ourselves to be generalists with areas of expertise. To the extent there is any element of specialization at the present time between these two courts, it will be reduced and not increased by combining the 2 courts of 12 judges of the proposed Court of Appeals for the Federal Circuit. We will have a much broader jurisdiction than each of the courts now has, and there will be a cross fertilization; there will be the opportunity for all of these judges to get into the areas that some of them are now not in.

Also the concern, viewing with alarm, that if you permit this to take place now who knows what will come next—well, that is up to the Congress. If it should turn out at a future date there is a need for some other specialized court, Congress will take care of that. However, it cannot be fairly said that merely because you create this court now and it becomes a forum in being this will encourage Congress to create new courts or to transfer other areas of jurisdiction to this court.

I also would like to refer to the questions you raised with respect to the antitrust aspects of these patent cases. I speak with some measure of familiarity in this area because I have perhaps argued more antitrust cases before the Supreme Court during my tenure in the Department of Justice than anyone else.

That is not a serious problem at all. Most antitrust cases do not involve patent issues. There are charges of price fixing, charges of monopolization, charges of irregularities, improprieties in connection with distributorships and that kind of thing, allocation of markets, limiting what distributors can do, and so on. It seems to me almost unbelievable that if such a suit were brought someone would try to dream up a patent violation by the plaintiff in the hope of getting the case into the Court of Appeals for the Federal Circuit.

Indeed, it is far from clear under the bill whether the filing of an antitrust claim and a counterclaim would operate to bring the case into the Court of Appeals for the Federal Circuit at all.

However, if some cases with antitrust issues which now are heard by the circuits are heard by the Court of Appeals for the Federal Circuit, that seems wholly appropriate. There is no reason why this new court cannot decide antitrust cases just as well and just as effectively as any of the courts of appeals do now.

This bill has great advantages. It is a simple bill. It avoids many of the difficulties of some of the other attachments put on earlier drafts of the bill. All it does basically is to combine the two existing courts into a single court, combine the jurisdiction of those courts into the new court, giving the new court exclusive jurisdiction in

patent infringement litigation, and creating a U.S. claims court to exercise the trial jurisdiction that the Court of Claims now exercises.

We think that the bill has an advantage. It is stripped of many of the more controversial aspects that existed in prior litigation.

The judges of our courts since the inception have favored this proposed concept of combining the courts and creating a special independent claims court, and we urge upon the committee to approve this legislation.

[The prepared statement of Chief Judge Friedman and attached statement of trial judges of the U.S. Court of Claims follow:]

Prepared Statement of Daniel M. Friedman

Mr. Chairman, and Members of the Subcommittee:

The Court of Claims appreciates the opportunity to present to the subcommittee its views on this proposed legislation. My statement reflects the views of all active judges of the court.

We commend the committee for its initiatives in these important efforts to improve the administration of justice, and we stand ready to assist it or your staff in any way you desire.

Some background information regarding the Court of Claims may be useful in putting the issues in perspective. The Court of Claims has broad jurisdiction over suits against the United States for money damages. Our cases include government contract cases, tax cases, civilian and military pay cases, patent infringement suits against the United States, claims by Indians, suits for just compensation, and various other cases based upon the Constitution, statutes, or government regulations. 28 U.S.C. § 1491.

Since the subcommittee may not be familiar with the patent jurisdiction of the Court of Claims, I refer to it briefly. The court has exclusive jurisdiction over suits charging infringement by the United States. This exclusive jurisdiction also covers cases in which the alleged infringement was committed by a government contractor in performing the contract; in that situation the patentee may sue only the United States and not the contractor. In determining these patent cases, we decide the same issues that the district courts resolve in infringement litigation between private parties: whether the patent is valid; if it is valid, whether it has been infringed; and if these questions are answered affirmatively, the amount of damages. Our patent cases also involve questions of patent licenses, government contracts, and sometimes patent abuse.

The patent cases constitute an important part of our work. In the fiscal year ended September 30, 1980, we had 46 patent cases pending at the beginning of the year and 46 pending at the end. Seventeen cases were filed, and 17 were disposed of during the year. These patent cases constitute almost 3 percent of the total cases we disposed of and approximately 2-1/4 percent of our total docket. These statistics, however, tend to understate the significance of those cases as part of our total workload, since those cases generally are among our most complex, protracted, and difficult.

An important consequence of the breadth of our jurisdiction is that although we decide cases involving only certain areas of the law, we are not a "specialized" court in the invidious sense in which that term sometimes is used. Rather, we should be viewed as a court of generalists with expertise in a defined number of subjects. The soundness of this characterization is confirmed by the fact that for many years our judges have been sitting and continue to sit on the courts of appeals for the different circuits and have decided civil and criminal cases involving all areas of the law.

The proposed bill would retain the existing nonexclusive tax refund suit jurisdiction of the Court of Claims but would allocate to the Claims Court the trial jurisdiction and to the Court of Appeals for the Federal Circuit the appellate jurisdiction over these cases. Since an earlier version of this legislation the Senate passed last year (S. 1477) would have given the Claims Court trial jurisdiction over tax cases but would have diverted to the various regional courts of appeals appellate jurisdiction over those decisions of the Claims Court, I think it appropriate to refer briefly to the tax refund jurisdiction the Court of Claims now has.

The Court of Claims has been exercising jurisdiction over tax cases for more than 60 years, ever since the Supreme Court held in United States v. Emory, 237 U.S. 28, in 1915 that the

court's basic jurisdictional statute, the Tucker Act of 1887, covers tax refund suits. Tax cases constitute the largest single category of the court's docket. In the fiscal year ended September 30, 1980, for example, 166 petitions were filed in tax cases, constituting almost one-quarter of the total of 697 cases filed. Similarly, the court disposed of 167 tax refund cases, approximately 30 percent of its total disposition of 571 cases. During the same period, all of the circuit courts of appeals together decided 235 tax cases, an average of only 21.4 per circuit. Over the years the percentage of tax cases in this court has been somewhat higher than it was in 1980, generally averaging between 30 and 35 percent of our total filings and dispositions. The number of tax cases filed in this court also has increased over the years. These cases involve virtually every area of tax law, including income tax, estate tax, gift tax, and excise tax.

Many of these tax cases are extremely complicated and difficult, with lengthy records and numerous issues. Frequently they present novel questions. Presumably because of the court's long experience with and expertise in the tax field and the suitability of its procedures, tax cases involving the larger claims gravitate toward the Court of Claims. For example, although there is no dollar limit to the jurisdiction of either the Tax Court or the district court, the average amount involved in tax cases in the Court of Claims has been substantially greater than that involved in those cases in the other courts. As of September 30, 1980, the amount in dispute in the average tax case pending in the Court of Claims was $935,594, as against $146,917 in the Tax Court and $185,279 in the district courts. Annual Report of the Commissioner of Internal Revenue for 1980, pp. 47-48. Earlier reports show similar figures.

I believe that over the years the Court of Claims has become recognized as a particularly suitable forum for the trial

of the larger, more complex and difficult tax cases. The large number of tax cases that are filed each year in the Court of Claims indicates that many taxpayers prefer to litigate their cases in this court. We think it appropriate that we should retain this jurisdiction. The theory underlying this legislation is that the new appellate court should handle all the appellate cases that the Court of Claims and the Court of Customs and Patent Appeals now handle; previous proposals to route appeals from the tax decisions of the Claims Court to the various courts of appeals were inconsistent with that objective.

If the Court of Appeals for the Federal Circuit does not retain jurisdiction to review tax decisions of the Claims Court, the judges of the new appellate court might not have sufficient work to keep them fully occupied.

The Court of Claims consists of seven Article III judges. The court has a Trial Division, consisting of 16 trial judges whom it appoints; the trials that those judges conduct are held throughout the country. The court functions primarily as an appellate tribunal, reviewing the decisions of its trial judges, although it also decides so-called dispositive motions, such as motions to dismiss or for summary judgment. The establishment of the proposed United States Claims Court to take the place of the Trial Division would, we believe, provide a significant improvement in the functioning of the Court of Claims.

Since under chapter 91 of Title 28, only the "Court of Claims" may "render judgment," the trial judges' decisions, conclusions of law and findings of fact, as 28 U.S.C. § 2503 provides, are recommendations only. The trial judges cannot enter a final judgment disposing of a case; only the court may do that. As a result, all of the decisions of the trial judges must be reviewed by the court. Many of the decisions of the trial judges are appealed by the parties and must be reviewed by the court on extensive substantive grounds. Indeed, even where neither party excepts to the trial judge's decision,

still it is necessary for the prevailing party to carry the case to the court and request the court to enter a judgment effectuating that decision. The result is that the judges of the court are burdened with the duty of reviewing many decisions that they would not be required to review if the trial judges' rulings were accorded finality in the absence of an appeal.

Because only the court can finally decide a case, the filing of a dispositive motion suspends the reference of a case to a trial judge. See Rule 14(b)(2) of the Rules of the Court of Claims. The filing of such a motion frequently suspends proceedings before the trial judge for a substantial period. If the court denies the motion, the ultimate disposition of the case will have been delayed while the motion was pending. Under the bill, however, the judges of the Claims Court themselves would decide all dispositive motions.

The inability of the trial judges to enter judgments probably also contributes to a lower rate of settlement of cases in the Trial Division than would otherwise exist if judgment could be entered there.

The knowledge that their decisions always will be reviewed by the court frequently leads the trial judges to write far more extensive opinions and make far lengthier and more detailed findings than may be necessary to the decision of the issues they resolve. Since they cannot foretell what issues the court will deem significant or the parties will raise on review, or on what points the court may want to have findings of fact, many trial judges feel impelled to cover every possible legal issue and factual consideration in the case with a full discussion and findings. The consequence is a substantially greater burden upon the trial judges in preparing their opinions and findings than they would have if they discussed only the issues they decided. Another effect of this practice is that the trial judges take substantially longer to render their decisions

than would be necessary if their rulings were final. Both the court and the bar are concerned over what many perceive to be undue delays in the decision of cases by the trial judges and undue prolixity in their opinions and findings. Many of these problems could be avoided if the trial judges had authority to render final decisions.

The active judges of the Court of Claims have, since its original proposal, favored in principle the combination of the two courts to form a single appellate tribunal with the expanded patent jurisdiction the proposed legislation contemplates, provided that the jurisdiction of the new combined court will be sufficient to keep our judges fully occupied. On the assumption that that is the case, we consider the basic objectives of the proposed bill to offer an improvement in the federal judicial system. The new court would combine two appellate courts with national jurisdiction into a single tribunal which, in our view, would perform more effectively the functions that each court now performs separately. A merger of the courts would create a tribunal with broader jurisdiction than each of the existing courts has, and thus create a more "generalist" court than either of the existing courts. At the same time, no substantive increase in the number of courts or of judges will result from the proposal. The concentration of all patent appeals in a single court would eliminate the existing uncertainties about the validity of particular patents and the delays in obtaining a binding judicial determination of validity.

In addition to the foregoing general comments, we have a few suggested changes.

1. Section 169 of the proposed bill (pp. 38-39, lines 21-4), dealing with the effect of the Act upon pending cases, could be clarified to eliminate ambiguities. The principal problem stems from the fact that under Rule 14(b)(2) of the Rules of the Court of Claims, the filing of a dispositive motion suspends the reference of a case to the trial judge. A

case in which such a motion has been filed therefore no longer may be pending before the trial judge. However, if the Court of Claims has not acted on the motion on the effective date of the Act, that motion should be decided by the Claims Court rather than by the Court of Appeals for the Federal Circuit.

This ambiguity and another one noted below could be eliminated by changing section 169 to read as follows:

> (a) Any case pending before the Court of Claims on the effective date of this Act in which a report on the merits has been filed by a commissioner, or in which there is pending a request for review, and upon which the court has not acted, shall be transferred to the United States Court of Appeals for the Federal Circuit.
>
> (b) Any matter pending before the United States Court of Customs and Patent Appeals shall be transferred to the United States Court of Appeals for the Federal Circuit.
>
> (c) Any petition for rehearing, reconsideration, alteration, modification, or other change in any decision of the United States Court of Claims or the United States Court of Customs and Patent Appeals rendered prior to the effective date of this Act that has not been determined by either of those courts on the effective date of this Act, or that is filed after that date, shall be determined by the United States Court of Appeals for the Federal Circuit.
>
> (d) Any matter pending before a commissioner of the United States Court of Claims on the effective date of this Act, or any pending dispositive motion that the United States Court of Claims has not determined on that date, shall be transferred to the United States Claims Court.
>
> (e) Any case in which a notice of appeal has been filed in a district court of the United States prior to the effective date of this Act shall be decided by the court of appeals to which the appeal was taken.

The change that suggested subparagraph (e) above makes in the second sentence of section 169 of the bill, is designed to eliminate any question relating to cases in which a notice of appeal was filed in the district court prior to the effective date of the Act but in which the appeal was not docketed in the court of appeals prior to that date.

2. Section 128 of the proposed bill excepts from the jurisdiction of the Court of Appeals for the Federal Circuit

certain cases in which the jurisdiction of the district court was invoked under specified provisions of 28 U.S.C. § 1346 (p. 16, lines 13-24). Perhaps inadvertently, however, the exception does not include section 1346(f), which gives the district courts exclusive jurisdiction over quiet title actions under section 2409a relating to land in which the United States claims an interest. The Court of Claims generally has not decided title questions, and it seems inappropriate to give the new appellate court jurisdiction over those cases.

This could be accomplished by eliminating the word "or" on line 20 of page 16, adding the words "or 1346(f)" after "1346(e)" on that line.

3. Section 122(e) of the proposed bill (p. 12, lines 7-9) would amend 28 U.S.C. § 796 by transferring the authority the Court of Claims now has to make reporting contracts to the Director of the Administrative Office of the United States Courts. Unlike the district courts, the Court of Claims does not employ salaried reporters, but obtains reporting services solely through contract. Since the reporting of Court of Claims proceedings differs in some respects from the reporting of district court proceedings, we suggest that the authority of the Director to make reporting contracts for the United States Claims Court should be subject to the approval of that court. This could be done by inserting at the beginning of section 796 the words "Subject to the approval of the United States Claims Court."

4. Section 140(j) of the proposed bill (p. 27, lines 3-6) amends sections 2511, 2512, 2513, 2514, and 2515(a) of Title 28 to substitute "United States Claims Court" for "Court of Claims." It makes no such substitution in section 2516(a), which governs the award of interest in judgments of the Court of Claims. Such substitution is necessary. At the same time, section 2516(b), which deals with interest on judgments of the Court of Claims that the Supreme Court has affirmed, should be

repealed, since under the bill the judgments of the Claims Court will be reviewed not by the Supreme Court, but by the Court of Appeals for the Federal Circuit. If section 2516(b) is eliminated, the reference in 31 U.S.C. § 724a to interest payable pursuant to section 2516(b) also should be eliminated. This could be accomplished by adding, at page 33, end of line 25, the words:

> , and striking out "in accordance with subsection 2516(b) of Title 28."

5. On line 4 of page 1 of the proposed bill the words "PART A" should be substituted for "TITLE I" to conform the nomenclature with Parts B and C, which begin on pages 29 (line 16) and 36 (line 23), respectively.

6. There should be added to section 112 of the proposed bill (p. 7-8, lines 20-3) a new subsection (c) reading as follows:

> (c) Section 372(c)(17) of title 28, United States Code, is amended by striking out "Court of Claims, the Court of Customs and Patent Appeals, and the Customs Court" and inserting in lieu thereof "Claims Court, Court of International Trade, and the Court of Appeals for the Federal Circuit".

This addition is designed to make the same change in the provision of the Judicial Councils Reform and Judicial Conduct and Disability Act of 1980, Pub. L. No. 96-458 (Oct. 15, 1980), governing the prescription of rules by the Court of Claims, the Court of Customs and Patent Appeals, and the Court of International Trade (section 3) that section 112 of the proposed bill makes in sections 372(a) and (b) of Title 28.

7. Section 116(a) of the proposed bill (p. 8, line 25) should be amended to delete the words "455 and sections 457 through" so that it will read "sections 452 through 459 of this". Section 456 of Title 28, which section 116(a) as now written would not cover, deals with travel expenses of justices and judges, and it should be made applicable to the judges of the United States Claims Court.

8. Section 140(m) of the proposed bill (p. 27, line 18) should be amended to add at the end the words "and striking out (a)." Since section 140(l) (lines 12-14) repeals sections 2520(b) and (c) of Title 28, there no longer will be a subsection (a) of section 2520.

There is attached a Statement of the Trial Judges of the United States Court of Claims reflecting a consensus among them on certain changes they suggest should be made in the bill.

Prepared Statement of Trial Judges of U.S. Court of Claims

SUGGESTING CERTAIN CHANGES IN A PROPOSED BILL
APPROVED BY THE JUDICIAL CONFERENCE OF THE UNITED STATES
"TO ESTABLISH A
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT,
TO ESTABLISH A UNITED STATES CLAIMS COURT,
AND FOR OTHER PURPOSES."

No. 1. Section 105 of the bill (p. 5, lines 15-25; p. 6, lines 1-5) provides a new 28 U.S.C. § 176 - Removal from office, which would confer removal jurisdiction on the new Court of Appeals for the Federal Circuit. The trial judges believe this procedure is unwise, and recommend adoption of the provision previously approved and reported by the House Judiciary Committee in H.R. 3806, 96th Cong., 2d sess., as follows:

> Delete lines 15 through 25 on page 5, and lines 1 through 5 on page 6 and insert:
>
> "§ 176. Removal from office
>
> Judges of the United States Claims Court may be removed by the President, after notice and opportunity for public hearing, for inefficiency, neglect of duty, or malfeasance in office, but for no other cause."

No. 2. Section 105(a) of the bill amends 28 U.S.C. § 171 (p. 4, lines 11 and 12) to provide for the biennial designation of a chief judge by the Claims Court. The trial judges would prefer such election be avoided, as follows:

Delete lines 11 and 12 on page 5 and insert:

"(b) The chief judge of the United States Claims Court on the effective date of this Act shall be the judge who is senior in appointment as a commissioner in the United States Court of Claims and is under 70 years of age. Former commissioners of the United States Court of Claims are eligible to act as chief judge until a judge has been appointed and qualified by the President pursuant to section 171(a) of title 28, United States Code, as amended by this Act, and has served as a Claims Court judge for one year. Thereafter vacancies in the position of chief judge shall be filled in the manner prescribed for district courts as provided in section 136(a) of title 28, United States Code, as amended."

No. 3. Section 122(f) of the bill (p. 12, lines 10-12) repeals section 797 of title 28, United States Code, which presently authorizes the United States Court of Claims to recall retired commissioners whose experience or services are needed for the same reasons as senior judges of other courts and retired Tax Court judges are recalled. Absent such a provision a Claims Court judge who is required to retire on a particular date would be unable to complete a trial or decide a tried and briefed case. In addition, he would be required to abstain from trials long prior to reaching retirement age for fear that he could not complete the decision in time.

In the similar bill introduced in the House, the Court of Appeals for the Federal Circuit Act of 1981 (H.R. 2405), section 120(f)(1) contains a recall provision for judges of the United States Claims Court by a revision of 28 U.S.C. § 797 to provide for the designation of a retired Claims Court judge as a "senior judge" and for the recall of such senior judges. The trial judges of the Court of Claims support the House revision of section 797 with an amendment: subsection 797(b) of the House bill provides that the recall of a retired senior judge of the Claims Court shall be made by the chief judge of the United States Court of Appeals for the Federal Circuit. The trial judges believe the recall more appropriately should be made by the chief judge of the United States Claims Court. The latter obviously will be better informed about the needs of his own court than will the chief judge of the appellate court. There is no need for supervision by another court in such regard and it would detract from the independance of the Claims Court in an unprecedented manner.

The proposed Senate Courts Consolidation Bill should be amended as follows:

Delete subsection 122(f) on lines 10 through 12, on page 12 and insert:

(f)(1) Section 797 of title 28, United States Code, is amended to read as follows:

"§ 797. Recall of retired judges

"(a) Any judge of the United States Claims Court who has retired from regular active service under the Civil Service Retirement Act shall be known and designated as a senior judge and may perform duties as a judge when recalled pursuant to subsection (b) of this section.

"(b) The chief judge of the United States Claims Court, whenever he deems it advisable, may recall any senior judge, with such senior judge's

consent, to perform such duties as a judge and for such period of time as the chief judge may specify.

"(c) Any senior judge performing duties pursuant to this section shall not be counted as a judge for purposes of the number of judgeships authorized by section 171 of this title.

"(d) Any senior judge, while performing duties pursuant to this section, shall be paid the same allowances for travel and other expenses as a judge in active service. Such senior judge shall also receive from the Claims Court supplemental pay in an amount sufficient, when added to his civil service retirement annuity, to equal the salary of a judge in active service for the same period or periods of time. Such supplemental pay shall be paid in the same manner as the salary of a judge."

(2) The item relating to section 797 in the section analysis of chapter 51 of title 28, United States Code, is amended by striking out "commissioners" and inserting in lieu thereof "judges".

No. 4. There is concern that the Courts Consolidation Bill does not make specific provision for continued coverage for civil service retirement and civil service life insurance and health benefits programs. Such coverage could be accomplished as follows:

Amend section 168(a) of the bill by the addition of the following at line 2, page 38:

"During service as a judge of the United States Claims Court pursuant to this section, commissioners of the United States Court of Claims shall be deemed to be officers of the judicial branch of the United

States Government within the meaning of subsection III (relating to civil service retirement) of chapter 83, chapter 87 (relating to Federal employees' group life insurance), and chapter 89 (relating to Federal employees' health benefits program) of title 5 of the United States Code."

An alternative method to accomplish this result also would be provided by the following amendments:

(a) Amend section 105(a) of the bill by adding, after line 9, on page 6, a new section 178 in title 28, United States Code as follows:

"§ 178. Retirement and other programs

"A judge of the Claims Court shall be deemd to be a judge of the United States for purposes of section 2104 of title 5, United States Code."

(b) Amend section 145 of the bill (p. 29, line 22 through p. 30, line 6) by redesignating it as section 145(a) and insert a new subsection (b) after line 6 on page 30 as follows:

(b)(1) Section 8331 of title 5, United States Code, is amended --

(1) by striking out "and" at the end of paragraph (21);

(2) by striking out the period at the end of paragraph (22) and inserting "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(23) 'judge of the United States Claims Court' means an individual appointed as a judge of the United States Claims Court under section 171 of title 28."

(b)(2) For the purpose of section 8331 of title 5, United States Code, as amended by this Act, an

individual serving as a judge of the Claims Court pursuant to section 304(a) of this Act shall be deemed to have been appointed as a judge under section 171 of title 28.

No. 5. Section 120 of the bill (p. 10) amends 28 U.S.C. § 610 - Definition of courts, and has the effect of conferring authority for budget estimates of the new Claims Court in the Director of the Administrative Office, under the supervision of the Judicial Conference (28 U.S.C. § 605). The bill, however, does not provide for the Claims Court to be represented on the Judicial Conference, with the result that Claims Court budgetary interests would depend upon the representative of the Court of Appeals for the Federal Circuit. The new Court of Appeals for the Federal Circuit, on the other hand, in section 119 of the bill (p. 10) controls its own budget. Either the Claims Court (a) should be represented on the Judicial Conference, or (b) it should retain control of its own budget. These alternatives may be accomplished as follows:

(a) Delete lines 12 through 18 on page 7 of the bill and insert:

"Sec. 111. Section 331 of title 28, United States Code, is amended --

(1) in the first paragraph, by striking out, ", the Chief Judge of the Court of Claims, the Chief Judge of the Court of Customs and Patent Appeals,"; and substituting therefore "the Chief Judge of the Claims Court;" and

(2) in the third paragraph by striking out from the second sentence "Chief Judge of the Court of Claims or Chief Judge of the Court of Customs and Patent Appeals; and the words "an associate," and substituting therefore, "Chief Judge of the Claims Court" and the word "another" respectively.

or, in the alternative

(b) Amend section 119 of the bill (p. 10, lines 3 through 7) to provide for approval of budget estimates by the new Claims Court in 28 U.S.C. § 605:

Delete lines 3 through 7 on page 10 and insert:

Sec. 119. Section 605 of title 28, United States Code, is amended by inserting immediately before the period at the end of the second undesignated paragraph the following: ", the estimate with respect to the United States Court of Appeals for the Federal Circuit shall be approved by such court, and the estimate with respect to the United States Claims Court shall be approved by such court".

No. 6. The status of the new Claims Court would be upgraded and its attraction as a judicial appointment would be improved by an amendment that would provide better compensation to Presidential appointees. To accomplish this, section 168(c) of the bill (p. 38, lines 9 through 13) should be amended, as follows:

Delete lines 9 through 13 on page 38 and insert:

(c) Notwithstanding section 172(b) of title 28, United States Code, as amended by this Act, until such time as a change in the salary rate of a judge of the United States Claims Court occurs in accordance with such section 172(b), the salary of a person who becomes a judge under subsection (a) of this section shall be equal to the salary of a commissioner of the Court of Claims. Each judge of the United States Claims Court appointed by the President pursuant to section 171(a) of 28, United States Code, as amended by this Act, shall receive a salary at the same annual rate as judges of district courts of the United States, as determined under section 225 of the Federal

Salary Act of 1967 (2 U.S.C. §§ 351-61), as adjusted by section 461 of title 28, United States Code.

No. 7. The Judicial Councils Reform and Judicial Conduct and Disability Act of 1980 (Pub. L. No. No. 96-458, Oct. 15, 1980) amended 28 U.S.C. § 332 (Judicial Councils) and 28 U.S.C. § 372 (Retirement for Disability; substitute judge on failure to retire) to provide for representation of district judges in proceedings that relate to "conduct prejudicial to the effective and expeditious administration of the business of the courts" or allegations of inability "to discharge all the duties of office by reason of mental or physical disability." Section 3 of Pub. L. No. 96-458 amends 28 U.S.C. § 372 to add a new subparagraph (c)(17) that directs the Court of Claims, the Court of Customs and Patent Appeals, and the Customs Court to prescribe rules consistent with the new procedures. The proposed Courts Consolidation Bill should amend 28 U.S.C. § 372(c)(17) to substitute the new Court of Appeals for the Federal Circuit and the new Claims Court, and to allow representation by the new Claims Court in section 373(c) proceedings.

Section 112 of the bill, page 8, after line 3 add the following new subsection:

(c) Section 372(c)(17) of title 28, United States Code, is amended by striking out "Court of Claims, the Court of customs and Patent Appeals, and the Customs Court" and inserting in lieu thereof "Claims Court, Court of International Trade, and the Court of Appeals for the Federal Circuit", and to add the following sentence at the end of said subsection 372(c)(17): "In any proceeding pursuant to section 372(c) of title 28, United States Code, as amended, that involves a judge of the Claims Court, the chief judge of the Court of Appeals for the Federal Circuit shall appoint equal numbers of circuit and Claims Court judges to any special committee created under paragraph (4) of subsection (c), section 372, of title 28, United States Code, as amended, and such Claims Court judges shall participate in the subsection (c) proceedings in the manner authorized for district court judges."

Senator HEFLIN. This will conclude this hearing on this bill. I want to announce that due to Chairman Dole's inability to return at this time that the hearing on Senate bill 839 will be rescheduled to commence at 3 p.m. today in this room.

We will take a brief recess. In the meantime, if the panel on the State Justice Institute Act will come forward, we will have hearings on that bill, which is S. 537.

[A brief recess was taken.]

AFTERNOON SESSION

OPENING STATEMENT OF SENATOR HOWELL HEFLIN

Senator HEFLIN. We will now begin today's hearing to examine S. 537, the State Justice Institute Act of 1981. Essentially, this bill would establish a nonprofit national institute to provide technical and financial assistance to State courts. The need for such an institute was well established during extensive hearings held on this legislation in the 96th Congress. I would like to introduce into the record a copy of the State Justice Institute Act report from last Congress.

State courts share with the Federal courts the awesome responsibility of enforcing the rights and duties of the Constitution and laws of the United States. However, in recent years the workload of our State courts has significantly increased due to a number of factors, including decisions of the U.S. Supreme Court, wide-reaching social legislation by Congress and diversion of cases from the Federal courts. It has been determined that State courts decide approximately 95 percent of all suits tried.

It is, therefore, appropriate and necessary that the Federal Government provide financial and technical assistance to State courts to help alleviate many of the administrative problems which these actions at the Federal level have caused. This legislation would help insure that our State courts remain strong and effective.

Last Congress the Senate Judiciary Committee favorably reported out the State Justice Institute Act after adopting two important amendments proposed by Senator Strom Thurmond. On July 21, 1981, the Senate passed the bill without dissent.

In the House of Representatives, Congressman Robert W. Kastenmeier introduced the State Justice Institute Act, which was unanimously approved by the House Subcommittee on Courts, Civil Liberties, and the Administration of Justice.

Today, we continue our examination of the need and feasibility of assistance to State courts in the form of a State Justice Institute. We are fortunate to hear today from Judge Lawrence H. Cooke, chief judge, State of New York, chairman, Committee on Federal State Regulations of the Conference of Chief Justices; Justice Robert F. Utter, former chief justice of the Supreme Court of Washington, chairman of the task force of the State Justice Institute Act of the Conference of Chief Justices; and William H. Adkins II, State administrator for the courts of Maryland, chairman of the National Conference of State Court Administrators.

[A copy of S. 537 and the report referred to above by Senator Heflin follow:]

II

97TH CONGRESS
1ST SESSION

S. 537

To aid State and local governments in strengthening and improving their judicial systems through the creation of a State Justice Institute.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, FEBRUARY 16), 1981

Mr. HEFLIN introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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A BILL

To aid State and local governments in strengthening and improving their judicial systems through the creation of a State Justice Institute.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "State Justice Institute Act of 1981".

DEFINITIONS

SEC. 2. As used in this Act, the term—

(1) "Institute" means the State Justice Institute;

(2) "Board" means the Board of Directors of the Institute;

(3) "Director" means the Executive Director of the Institute;

(4) "Governor" means the Chief Executive Officer of a State;

(5) "recipient" means any grantee, contractor, or recipient of financial assistance under this Act;

(6) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States; and

(7) "Supreme Court" means the highest appellate court within a State unless, for the purposes of this Act, a constitutionally or legislatively established judicial council acts in place of that court.

ESTABLISHMENT OF INSTITUTE; DUTIES

SEC. 3. (a) There is established a private nonprofit corporation which shall be known as the State Justice Institute. The purpose of the Institute shall be to further the development and adoption of improved judicial administration in State courts in the United States. The Institute may be incorporated in the District of Columbia or in any other State.

To the extent consistent with the provisions of this Act, the Institute shall excercise the powers conferred upon a nonprofit corporation by the laws of the State in which it is incorporated.

(b) The Institute shall—

(1) direct a national program of assistance designed to assure each person ready access to a fair and effective system of justice by providing funds to—

(A) State courts;

(B) national organizations which support and are supported by State courts; and

(C) any other nonprofit organization that will support and achieve the purposes of this Act;

(2) foster coordination and cooperation with the Federal judiciary in areas of mutual concern;

(3) make recommendations concerning the proper allocation of responsibility between the State and Federal court systems;

(4) promote recognition of the importance of the separation of powers doctrine to an independent judiciary; and

(5) encourage education for judges and support personnel of State court systems through national and State organizations, including universities.

(c) The Institute shall not duplicate functions adequately performed by existing nonprofit organizations and shall promote, on the part of agencies of State judicial administration, responsibility for success and effectiveness of State court improvement programs supported by Federal funding.

(d) The Institute shall maintain its principal offices in the State in which it is incorporated and shall maintain therein a designated agent to accept service of process for the Institute. Notice to or service upon the agent shall be deemed notice to or service upon the Institute.

(c) The Institute, and any program assisted by the Institute, shall be eligible to be treated as an organization described in section 170(c)(2)(B) of the Internal Revenue Code of 1954 and as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954 which is exempt from taxation under section 501(a) of such Code. If such treatments are conferred in accordance with the provisions of such Code, the Institute, and programs assisted by the Institute, shall be subject to all provisions of such Code relevant to the conduct of organizations exempt from taxation.

(f) The Institute shall afford notice and reasonable opportunity for comment to interested parties prior to issuing rules, regulations, guidelines, and instructions under this Act, and it shall publish in the Federal Register, at least thirty

days prior to their effective date, all rules, regulations, guidelines, and instructions.

BOARD OF DIRECTORS

SEC. 4. (a)(1) The Institute shall be supervised by a Board of Directors, consisting of eleven voting members to be appointed by the President, by and with the advice and consent of the Senate. The Board shall have both judicial and nonjudicial members, and shall, to the extent practicable, have a membership representing a variety of backgrounds and reflecting participation and interest in the administration of justice.

(2) The Board shall consist of—

(A) six judges, to be appointed in the manner provided in paragraph (3);

(B) one State court administrator, to be appointed in the manner provided in paragraph (3); and

(C) four public members, no more than two of whom shall be of the same political party, to be appointed in the manner provided in paragraph (4).

(3) The President shall appoint six judges and one State court administrator from a list of candidates submitted by the Conference of Chief Justices. The Conference of Chief Justices shall submit a list of at least fourteen individuals, including judges and State court administrators, whom the conference considers best qualified to serve on the Board. Prior

to consulting with or submitting a list to the President, the Conference of Chief Justices shall obtain and consider the recommendations of all interested organizations and individuals concerned with the administration of justice and the objectives of this Act.

(4) In addition to those members appointed under paragraph (3), the President shall appoint four members from the public sector to serve on the Board.

(5) The President shall appoint the members under this subsection within sixty days from the date of enactment of this Act.

(6) The members of the Board of Directors shall be the incorporators of the Institute and shall determine the State in which the Institute is to be incorporated.

(b)(1) Except as provided in paragraph (2), the term of each voting member of the Board shall be three years. Each member of the Board shall continue to serve until the successor to such member has been appointed and qualified.

(2) Five of the members first appointed by the President shall serve for a term of two years. Any member appointed to serve for an unexpired term arising by virtue of the death, disability, retirement, or resignation of a member shall be appointed only for such unexpired term, but shall be eligible for reappointment.

(3) The term of initial members shall commence from the date of the first meeting of the Board, and the term of each member other than an initial member shall commence from the date of termination of the preceding term.

(c) No member shall be reappointed to more than two consecutive terms immediately following such member's initial term.

(d) Members of the Board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred in the performance of their official duties.

(e) The members of the Board shall not, by reason of such membership, be considered officers or employees of the United States.

(f) Each member of the Board shall be entitled to one vote. A simple majority of the membership shall constitute a quorum for the conduct of business. The Board shall act upon the concurrence of a simple majority of the membership present and voting.

(g) The Board shall select from among the voting members of the Board a chairman, the first of whom shall serve for a term of three years. Thereafter, the Board shall annually elect a chairman from among its voting members.

(h) A member of the Board may be removed by a vote of seven members for malfeasance in office, persistent neglect

of, or inability to discharge duties, or for any offense involving moral turpitude, but for no other cause.

(i) Regular meetings of the Board shall be held quarterly. Special meetings shall be held from time to time upon the call of the chairman, acting at his own discretion or pursuant to the petition of any seven members.

(j) All meetings of the Board, any executive committee of the Board, and any council established in connection with this Act, shall be open and subject to the requirements and provisions of section 552b of title 5, United States Code, relating to open meetings.

(k) In its direction and supervision of the activities of the Institute, the Board shall—

(1) establish such policies and develop such programs for the Institute as will further achievement of its purpose and performance of its functions;

(2) establish policy and funding priorities and issue rules, regulations, guidelines, and instructions pursuant to such priorities;

(3) appoint and fix the duties of the Executive Director of the Institute, who shall serve at the pleasure of the Board and shall be a nonvoting ex officio member of the Board;

(4) present to other Government departments, agencies, and instrumentalities whose programs or ac-

tivities relate to the administration of justice in the State judicia-ies of the United States, the recommendations of the Institute for the improvement of such programs or activities;

(5) consider and recommend to both public and private agencies aspects of the operation of the State courts of the United States considered worthy of special study; and

(6) award grants and enter into cooperative agreements or contracts pursuant to section 7(a).

OFFICERS AND EMPLOYEES

SEC. 5. (a)(1) The Director, subject to general policies established by the Board, shall supervise the activities of persons employed by the Institute and may appoint and remove such employees as he determines necessary to carry out the purposes of the Institute. The Director shall be responsible for the executive and administrative operations of the Institute, and shall perform such duties as are delegated to such Director by the Board and the Institute.

(2) No political test or political qualification shall be used in selecting, appointing, promoting, or taking any other personnel action with respect to any officer, agent, or employee of the Institute, or in selecting or monitoring any grantee, contractor, person, or entity receiving financial assistance under this Act.

(b) Officers and employees of the Institute shall be compensated at rates determined by the Board, but not in excess of the rate of level V of the Executive Schedule specified in section 5316 of title 5, United States Code.

(c)(1) Except as otherwise specifically provided in this Act, the Institute shall not be considered a department, agency, or instrumentality of the Federal Government.

(2) This Act does not limit the authority of the Office of Management and Budget to review and submit comments upon the Institute's annual budget request at the time it is transmitted to the Congress.

(d)(1) Except as provided in paragraph (2), officers and employees of the Institute shall not be considered officers or employees of the United States.

(2) Officers and employees of the Institute shall be considered officers and employees of the United States solely for the purposes of the following provisions of title 5, United States Code: Subchapter I of chapter 81 (relating to compensation for work injuries); chapter 83 (relating to civil service retirement); chapter 87 (relating to life insurance); and chapter 89 (relating to health insurance). The Institute shall make contributions under the provisions referred to in this subsection at the same rates applicable to agencies of the Federal Government.

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(e) The Institute and its officers and employees shall be subject to the provisions of section 552 of title 5, United States Code, relating to freedom of information.

GRANTS AND CONTRACTS

SEC. 6. (a) The Institute is authorized to award grants and enter into cooperative agreements or contracts, in a manner consistent with subsection (b), in order to—

(1) conduct research, demonstrations, or special projects pertaining to the purposes described in this Act, and provide technical assistance and training in support of tests, demonstrations, and special projects;

(2) serve as a clearinghouse and information center, where not otherwise adequately provided, for the preparation, publication, and dissemination of information regarding State judicial systems;

(3) participate in joint projects with other agencies, including the Federal Judicial Center, with respect to the purposes of this Act;

(4) evaluate, when appropriate, the programs and projects carried out under this Act to determine their impact upon the quality of criminal, civil, and juvenile justice and the extent to which they have met or failed to meet the purposes and policies of this Act;

(5) encourage and assist in the furtherance of judicial education;

(6) encourage, assist, and serve in a consulting capacity to State and local justice system agencies in the development, maintenance, and coordination of criminal, civil, and juvenile justice programs and services; and

(7) be responsible for the certification of national programs that are intended to aid and improve State judicial systems.

(b) The Institute is empowered to award grants and enter into cooperative agreements of contracts as follows:

(1) The Institute shall give priority to grants, cooperative agreements, or contracts with—

(A) State and local courts and their agencies,

(B) national nonprofit organizations controlled by, operating in conjunction with, and serving the judicial branches of State governments; and

(C) national nonprofit organizations for the education and training of judges and support personnel of the judicial branch of State governments.

(2) The Institute may, if the objective can better be served thereby, award grants or enter into cooperative agreements or contracts with—

(A) other nonprofit organizations with expertise in judicial administration;

(B) institutions of higher education;

(C) individuals, partnerships, firms, or corporations; and

(D) private agencies with expertise in judicial administration.

(3) Upon application by an appropriate Federal, State, or local agency or institution and if the arrangements to be made by such agency or institution will provide services which could not be provided adequately through nongovernmental arrangements, the Institute may award a grant or enter into a cooperative agreement or contract with a unit of Federal, State, or local government other than a court.

(4) Each application for funding by a State or local court shall be approved by the State's supreme court, or its designated agency or council, which shall receive, administer, and be accountable for all funds awarded by the Institute to such courts.

(c) Funds available pursuant to grants, cooperative agreements, or contracts awarded under this section may be used—

(1) to assist State and local court systems in establishing appropriate procedures for the selection and

removal of judges and other court personnel and in determining appropriate levels of compensation;

(2) to support education and training programs for judges and other court personnel, for the performance of their general duties and for specialized functions, and to support national and regional conferences and seminars for the dissemination of information on new developments and innovative techniques;

(3) to conduct research on alternative means for using nonjudicial personnel in court decisionmaking activities, to implement demonstration programs to test innovative approaches, and to conduct evaluations of their effectiveness;

(4) to assist State and local courts in meeting requirements of Federal law applicable to recipients of Federal funds;

(5) to support studies of the appropriateness and efficacy of court organizations and financing structures in particular States, and to enable States to implement plans for improved court organization and finance;

(6) to support State court planning and budgeting staffs and to provide technical assistance in resource allocation and service forecasting techniques;

(7) to support studies of the adequacy of court management systems in State and local courts and to

implement and evaluate innovative responses to problems of record management, data processing, court personnel management, reporting and transcription of court proceedings, and juror utilization and management;

(8) to collect and compile statistical data and other information on the work of the courts and on the work of other agencies which relate to and effect the work of courts;

(9) to conduct studies of the causes of trial and appellate court delay in resolving cases, and to establish and evaluate experimental programs for reducing case processing time;

(10) to develop and test methods for measuring the performance of judges and courts and to conduct experiments in the use of such measures to improve their functioning;

(11) to support studies of court rules and procedures, discovery devices, and evidentiary standards, to identify problems with their operation, to devise alternative approaches to better reconcile the requirements of due process with the needs for swift and certain justice, and to test their utility;

(12) to support studies of the outcomes of cases in selected subject matter areas to identify instances in

which the substance of justice meted out by the courts diverges from public expectations of fairness, consistency, or equity, to propose alternative approaches to the resolving of cases in problem areas, and to test and evaluate those alternatives;

(13) to support programs to increase court responsiveness to the needs of citizens through citizen education, improvement of court treatment of witnesses, victims, and jurors, and development of procedures for obtaining and using measures of public satisfaction with court processes to improve court performance;

(14) to test and evaluate experimental approaches to providing increased citizen access to justice, including processes which reduce the cost of litigating common grievances and alternative techniques and mechanisms for resolving disputes between citizens; and

(15) to carry out such other programs, consistent with the purposes of this Act, as may be deemed appropriate by the Institute.

(d) The Institute shall incorporate in any grant, cooperative agreement, or contract awarded under this section in which a State or local judicial system is the recipient, the requirement that the recipient provide a match, from private or public sources, equal to 25 per centum of the total cost of

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such grant, cooperative agreement, or contract, except that such requirement may be waived in exceptionally rare circumstances upon the approval of the chief justice of the highest court of the State and a majority of the Board of Directors.

(e) The Institute shall monitor and evaluate, or provide for independent evaluations of, programs supported in whole or in part under this Act to insure that the provisions of this Act. the bylaws of the Institute, and the applicable rules, regulations, and guidelines promulgated pursuant to this Act, are carried out.

(f) The Institute shall provide for an independent study of the financial and technical assistance programs under this Act.

LIMITATIONS ON GRANTS AND CONTRACTS

SEC. 7. (a) With respect to grants or contracts made under this Act, the Institute shall—

(1) insure that no funds made available to recipients by the Institute shall be used at any time, directly or indirectly, to influence the issuance, amendment, or revocation of any Executive order or similar promulgation by any Federal, State, or local agency, or to undertake to influence the passage or defeat of any legislation by the Congress of the United States, or by any State or local legislative body, or any State proposal

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by initiative petition, unless a governmental agency, legislative body, a committee, or a member thereof—

(A) requests personnel of the recipients to testify, draft, or review measures or to make representations to such agency, body, committee, or member; or

(B) is considering a measure directly affecting the activities under this Act of the recipient or the Institute;

(2) insure all personnel engaged in grant or contract assistance activities supported in whole or part by the Institute refrain, while so engaged, from any partisan political activity; and

(3) insure that every grantee, contractor, person, or entity receiving financial assistance under this Act which files with the Institute a timely application for refunding is provided interim funding necessary to maintain its current level of activities until—

(A) the application for refunding has been approved and funds pursuant thereto received; or

(B) the application for refunding has been finally denied in accordance with section 406 of this Act.

(b) No funds made available by the Institute under this Act, either by grant or contract, may be used to support or

conduct training programs for the purpose of advocating particular nonjudicial public policies or encouraging nonjudicial political activities.

(c) The authorization to enter into contracts or any other obligation under this Act shall be effective for fiscal year 1981 and any succeeding fiscal year only to the exent, and in such amounts, as are provided in advance in appropriation Acts.

(d) To insure that funds made available under this Act are used to supplement and improve the operation of State courts, rather than to support basic court services, funds shall not be used—

(1) to supplant State or local funds currently supporting a program or activity; or

(2) to construct court facilities or structures, except to remodel existing facilities to demonstrate new architectural or technological techniques, or to provide temporary facilities for new personnel or for personnel involved in a demonstration or experimental program.

RESTRICTIONS ON ACTIVITIES OF THE INSTITUTE

SEC. 8. (a) The Institute shall not—

(1) participate in litigation unless the Institute or a recipient of the Institute is a party, and shall not participate on behalf of any client other than itself;

(2) interfere with the independent nature of any State judicial system nor allow sums to be used for the funding of regular judicial and administrative activities of any State judicial system other than pursuant to the terms of any grant, cooperative agreement, or contract with the Institute, consistent with the requirements of this Act; or

(3) undertake to influence the passage or defeat of any legislation by the Congress of the United States or by any State or local legislative body, except that personnel of the Institute may testify or make other appropriate communication—

(A) When formally requested to do so by a legislative body, committee, or a member thereof;

(B) in connection with legislation or appropriations directly affecting the activities of the Institute; or

(C) in connection with legislation or appropriations dealing with improvements in the State judiciary, consistent with the provisions of this Act.

(b)(1) The Institute shall have no power to issue any shares of stock, or to declare or pay any dividends.

(2) No part of the income or assets of the Institute shall inure to the benefit of any director, officer, or employee,

except as reasonable compensation for services or reimbursement for expenses.

(3) Neither the Institute nor any recipient shall contribute or make available Institute funds or program personnel or equipment to any political party or association, or the campaign of any candidate for public or party office.

(4) The Institute shall not contribute or make available Institute funds or program personnel or equipment for use in advocating or opposing any ballot measure, initiative, or referendum, except those dealing with improvement of the State judiciary, consistent with the purposes of this Act.

(c) Officers and employees of the Institute or of recipients shall not at any time intentionally identify the Institute or the recipient with any partisan or nonpartisan political activity associated with a political party or association, or the campaign of any candidate for public or party office.

SPECIAL PROCEDURES

SEC. 9. The Institute shall prescribe procedures to insure that—

(1) financial assistance under this Act shall not be suspended unless the grantee, contractor, person, or entity receiving financial assistance under this Act has been given reasonable notice and opportunity to show cause why such actions should not be taken; and

(2) financial assistance under this Act shall not be terminated, an application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than thirty days, unless the grantee, contractor, person, or entity receiving financial assistance under this Act has been afforded reasonable notice and opportunity for a timely, full, and fair hearing, and, when requested, such hearing shall be conducted by an independent hearing examiner. Such hearing shall be held prior to any final decision by the Institute to terminate financial assistance or suspend or deny funding. Hearing examiners shall be appointed by the Institute in accordance with procedures established in regulations promulgated by the Institute.

PRESIDENTIAL COORDINATION

SEC. 10. The President may, to the extent not inconsistent with any other applicable law, direct that appropriate support functions of the Federal Government may be made available to the Institute in carrying out its functions under this Act.

RECORDS AND REPORTS

SEC. 11. (a) The Institute is authorized to require such reports as it deems necessary from any grantee, contractor, person, or entity receiving financial assistance under this Act regarding activities carried out pursuant to this Act.

(b) The Institute is authorized to prescribe the keeping of records with respect to funds provided by grant or contract and shall have access to such records at all reasonable times for the purpose of insuring compliance with the grant or contract or the terms and conditions upon which financial assistance was provided.

(c) Copies of all reports pertinent to the evaluation, inspection, or monitoring of any grantee, contractor, person, or entity receiving financial assistance under this Act shall be submitted on a timely basis to such grantee, contractor, or person or entity, and shall be maintained in the principal office of the Institute for a period of at least five years after such evaluation, inspection, or monitoring. Such reports shall be available for public inspection during regular business hours, and copies shall be furnished, upon request, to interested parties upon payment of such reasonable fees as the Institute may establish.

(d) Non-Federal funds received by the Institute, and funds received for projects funded in part by the Institute or by any recipient from a source other than the Institute, shall be accounted for and reported as receipts and disbursements separate and distinct from Federal funds.

AUDITS

SEC. 12. (a)(1) The accounts of the Institute shall be audited annually. Such audits shall be conducted in accord-

ance with generally accepted auditing standards by independent certified public accountants who are certified by a regulatory authority of the jurisdiction in which the audit is undertaken.

(2) The audits shall be conducted at the place or places where the accounts of the Institute are normally kept. All books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Institute and necessary to facilitate the audits shall be made available to the person or persons conducting the audits. The full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to any such person.

(3) The report of the annual audit shall be filed with the General Accounting Office and shall be available for public inspection during business hours at the principal office of the Institute.

(b)(1) In addition to the annual audit, the financial transactions of the Institute for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States.

(2) Any such audit shall be conducted at the place or places where accounts of the Institute are normally kept. The

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representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Institute and necessary to facilitate the audit. The full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to such representatives. All such books, accounts, financial records, reports, files, and other papers or property of the Institute shall remain in the possession and custody of the Institute throughout the period beginning on the date such possession or custody commences and ending three years after such date, but the General Accounting Office may require the retention of such books, accounts, financial records, reports, files, and other papers or property for a longer period under section 117(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 67(b)).

(3) A report of such audit shall be made by the Comptroller General to the Congress and to the Attorney General, together with such recommendations with respect thereto as the Comptroller General deems advisable.

(c)(1) The Institute shall conduct, or require each grantee, contractor, person, or entity receiving financial assistance under this Act to provide for, an annual fiscal audit. The report of each such audit shall be maintained for a period of at least five years at the principal office of the Institute.

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(2) The Institute shall submit to the Comptroller General of the United States copies of such reports, and the Comptroller General may, in addition, inspect the books, accounts, financial records, files, and other papers or property belonging to or in use by such grantee, contractor, person, or entity, which relate to the disposition or use of funds received from the Institute. Such audit reports shall be available for public inspection during regular business hours, at the principal office of the Institute.

AUTHORIZATIONS

SEC. 13. There are authorized to be appropriated $20,000,000 for fiscal year 1982, $30,000,000 for fiscal year 1983, and $40,000,000 for fiscal year 1984.

EFFECTIVE DATE

SEC. 14. The provisions of this Act shall take effect on October 1, 1981.

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Calendar No. 927

96TH CONGRESS
2d Session

SENATE

REPORT
No. 96-843

THE STATE JUSTICE INSTITUTE ACT OF 1980

JULY 1 (legislative day, JUNE 12), 1980.—Ordered to be printed

Mr. HEFLIN, from the Committee on the Judiciary, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 2387]

The Committee on the Judiciary, to which was referred the bill (S. 2387) to aid State and local governments in strengthening and improving their judicial systems through the creation of a State Justice Institute, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

STATE JUSTICE INSTITUTE ACT OF 1980, S. 2387

I. PURPOSE

State Courts share with federal courts the awesome responsibility for enforcing the rights and duties of the Constitution and laws of the United States. Our expectations of state courts, and the burdens we have placed upon them, have increased significantly in recent years. Decisions of the United States Supreme Court, the enactment of wide-reaching legislation by the Congress, and the diversion of cases from the federal courts, for example, have all taken their toll on state courts dockets and the workload of state judges and courts personnel.[1]

[1] Statement of Senator Howell Heflin, hearings held before the Subcommittee on Jurisprudence and Governmental Relations, Senate Judiciary Committee, Oct. 18, 1979, p. 2.

Today, state courts handle over ninety-six percent of all the cases tried in the United States.[2] It is therefore quite apparent that the quality of justice in the United States is largely determined by the quality of justice in our state courts.

Moreover, there have been major changes in the mission of courts and judges, both in the state and federal systems, over the last few decades. For instance, earlier in this century there was much argument as to whether judges' functions included an obligation to see that cases in their courts moved toward disposition in a regular and efficient manner. Today, however, problems of administration have taken their place alongside problems of adjudication as legitimate responsibilities of judges. Nearly everyone has come to acknowledge that judges have a duty to insure that their cases do not simply languish on the docket, but instead are moved to a conclusion with as much dispatch and economy of time and effort as practicable.[3]

We do not look with disfavor on the occurrence of any of these events, nor do our state courts shirk from the discharge of their constitutional duties. But it is appropriate for the federal government to provide financial and technical assistance to state courts to insure that they remain strong and effective in a time when their workloads are increasing as a result of federal policies and decisions.

As the late Tom Clark, Associate Justice of the Supreme Court, once wrote, "Courts sit to determine cases on stormy as well as calm days. We must therefore build them on solid ground, for if the judicial powers fails, government is at an end."[4]

If we are to build our state courts on "solid ground," if we are to have state courts which are accessible, efficient, and just, we must have the following: structures, facilities, and procedures to provide and maintain qualified judges and other court personnel; educational and training programs for judges and other court personnel; sound management systems; better mechanisms for planning, budgeting and accounting; sound procedures for managing and monitoring caseloads; improved programs for increasing access to justice; programs to increase citizen involvement and guaranteed greater judicial accountability.

S. 2387 would be a major step toward the achievement of these goals. It creates a State Justice Institute to aid state and local governments in strengthening and improving their judicial systems. Such an institute—consistent with the doctrines of federalism and separation of powers that are essential to an independent judiciary—could assure strong and effective state courts, and thereby improve the quality of justice available to the American people.

[2] See the "Report to the Conference of Chief Justices" (hereinafter referred to as the Task Force Report), from the Task Force on a State Court Improvement Act of the Conference of Chief Justices, August 1979, p. 5. (The report also cites a memorandum from Nora Blair of the National Center for State Courts to Francis J. Taillefer, Project Director, National Courts Statistics Project, which suggests that 98.8 percent of current cases are handled in state courts.)

[3] Testimony of Maurice Rosenberg, Assistant Attorney General, Office of Improvements in the Administration of Justice, United States Department of Justice, before the Subcommittee on Jurisprudence and Governmental Relations, Senate Judiciary Committee, Nov. 19, 1979, pp. 50, 51. It should be noted that Mr. Rosenberg did not testify as a representative of the Justice Department nor the Office that he heads. Rather, his testimony reflects his personal beliefs and opinions based on his experience in court management.

[4] Clark, "Colorado at Judicial Crossroads," 50 *Judicature* 118 (December 1966).

[S. 2387, 96th Cong., 2d sess.]

II. TEXT OF THE BILL

A BILL To aid State and local governments in strengthening and improving their judicial systems through the creation of a State Justice Institute

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "State Justice Institute Act of 1980".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that—

(1) the quality of justice in the Nation is largely determined by the quality of justice in State courts;

(2) State courts share with the Federal courts the general responsibility for enforcing the requirements of the Constitution and laws of the United States;

(3) in the Federal-State partnership of delivery of justice, the participation of the State courts has been increased by recently enacted Federal legislation;

(4) the maintenance of a high quality of justice in Federal courts has led to increasing efforts to divert cases to State courts;

(5) the Federal Speedy Trial Act has diverted criminal and civil cases to State courts;

(6) an increased responsibility has been placed on State court procedures by the Supreme Court of the United States;

(7) consequently, there is a significant Federal interest in maintaining strong and effective State courts; and

(8) strong and effective State courts are those which produce understandable, accessible, efficient, and equal justice, which requires—

(A) qualified judges and other court personnel;

(B) high quality education and training programs for judges and other court personnel;

(C) appropriate use of qualified nonjudicial personnel to assist in court decisionmaking;

(D) structures and procedures which promote communication and coordination among courts and judges and maximize the efficient use of judges and court facilities;

(E) resource planning and budgeting which allocate current resources in the most efficient manner and forecast accurately the future demands for judicial services;

(F) sound management systems which take advantage of modern business technology, including records management procedures, data processing, comprehensive personnel systems, efficient juror utilization and management techniques, and advanced means for recording and transcribing court proceedings;

(G) uniform statistics on caseloads, dispositions, and other court-related processes on which to base day-to-day management decisions and long-range planning;

(H) sound procedures for managing caseloads and individual cases to assure the speediest possible resolution of litigation;

(I) programs which encourage the highest performance of judges and courts to improve their functioning, to insure their accountability to the public, and to facilitate the removal of personnel who are unable to perform satisfactorily;

(J) rules and procedures which reconcile the requirements of due process with the need for speedy and certain justice;

(K) responsiveness to the need for citizen involvement in court activities through educating citizens to the role and functions of courts, and improving the treatment of witnesses, victims, and jurors; and

(L) innovative programs for increasing access to justice by reducing the cost of litigation and by developing alternative mechanisms and techniques for resolving disputes.

(b) It is the purpose of this Act to assist the State courts and organizations which support them to obtain the requirements specified in subsection (a)(9) for strong and effective courts through a funding mechanism, consistent with doctrines of separation of powers and federalism, and thereby to improve the quality of justice available to the American people.

DEFINITIONS

SEC. 3. As used in this Act, the term—

(1) "Institute" means the State Justice Institute;

(2) "Board" means the Board of Directors of the Institute;

(3) "Director" means the Executive Director of the Institute;

(4) "Governor" means the Chief Executive Officer of a State;

(5) "recipient" means any grantee, contractor, or recipient of financial assistance under this Act;

(6) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States; and

(7) "Supreme Court" means the highest appellate court within a State unless, for the purposes of this Act,

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a constitutionally or legislatively established judicial council acts in place of that court.

ESTABLISHMENT OF INSTITUTE; DUTIES

SEC. 4. (a) There is established in the District of Columbia a private nonprofit corporation which shall be known as the State Justice Institute. The purpose of the Institute shall be to further the development and adoption of improved judicial administration in State courts in the United States. To the extent consistent with the provisions of this Act, the Institute shall exercise the powers conferred upon a nonprofit corporation by the District of Columbia Nonprofit Corporation Act (except for section 1005(a) of title 29 of the District of Columbia Code).

(b) The Institute shall—

(1) direct a national program of assistance designed to assure each person ready access to a fair and effective system of justice by providing funds to—

(A) State courts;

(B) national organizations which support and are supported by State courts; and

(C) any other nonprofit organization that will support and achieve the purposes of this Act;

(2) foster coordination and cooperation with the Federal judiciary in areas of mutual concern;

(3) make recommendations concerning the proper allocation of responsibility between the State and Federal court systems;

(4) promote recognition of the importance of the separation of powers doctrine to an independent judiciary; and

(5) encourage education for judges and support personnel of State court systems through national and State organizations, including universities.

(c) The Institute shall not duplicate functions adequately performed by existing nonproft organizations and shall promote, on the part of agencies of State judicial administration, responsibility for success and effectiveness of State court improvement programs supported by Federal funding.

(d) The Institute shall maintain its principal offices in the District of Columbia and shall maintain therein a designated agent to accept service of process for the Institute. Notice to or service upon the agent shall be deemed notice to or service upon the Institute.

(e) The Institute, and any program assisted by the Institute, shall be eligible to be treated as an organization described in section 170(c)(2)(B) of the Internal Revenue Code of 1954 and as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954 which is exempt from taxation under section 501(a) of such Code. If such treatments are conferred in accordance with the provi-

sions of such Code, the Institute, and programs assisted by the Institute, shall be subject to all provisions of such Code relevant to the conduct of organizations exempt from taxation.

(f) The Institute shall afford notice and reasonable opportunity for comment to interested parties prior to issuing rules, regulations, guidelines, and instructions under this Act, and it shall publish in the Federal Register, at least thirty days prior to their effective date, all rules, regulations, guidelines, and instructions.

BOARD OF DIRECTORS

SEC. 5. (a)(1) The Institute shall be supervised by a Board of Directors, consisting of eleven voting members to be appointed by the President, by and with the advice and consent of the Senate. The Board shall have both judicial and nonjudicial members, and shall, to the extent practicable, have a membership representing a variety of backgrounds and reflecting participation and interest in the administration of justice.

(2) The Board shall consist of—

(A) six judges, to be appointed in the manner provided in paragraph (3);

(B) one State court administrator, to be appointed in the manner provided in paragraph (3); and

(C) four public members, no more than two of whom shall be of the same political party, to be appointed in the manner provided in paragraph (4).

(3) The President shall appoint six judges and one State court administrator from a list of candidates submitted by the Conferences of Chief Justices. The Conference of Chief Justices shall submit a list of at least fourteen individuals, including judges and State court administrators, whom the conference considers best qualified to serve on the Board. Prior to consulting with or submitting a list to the President, the Conference of Chief Justices shall obtain and consider the recommendations of all interested organizations and individuals concerned with the administration of justice and the objectives of this Act.

(4) In addition to those members appointed under paragraph (3), the President shall appoint four members from the public sector to serve on the Board.

(5) The President shall appoint the members under this subsection within sixty days from the date of enactment of this Act.

(b)(1) Except as provided in paragraph (2), the term of each voting member of the Board shall be three years. Each member of the Board shall continue to serve until the successor to such member has been appointed and qualified.

(2) Five of the members first appointed by the President shall serve for a term of two years. Any member appointed to serve for an unexpired term arising by virtue of the death.

disability, retirement, or resignation of a member shall be appointed only for such unexpired term, but shall be eligible for reappointment.

(3) The term of initial members shall commence from the date of the first meeting of the Board, and the term of each member other than an initial member shall commence from the date of termination of the preceding term.

(c) No member shall be reappointed to more than two consecutive terms immediately following such member's initial term.

(d) Members of the Board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred in the performance of their official duties.

(e) The members of the Board shall not, by reason of such membership, be considered officers or employees of the United States.

(f) Each member of the Board shall be entitled to one vote. A simple majority of the membership shall constitute a quorum for the conduct of business. The Board shall act upon the concurrence of a simple majority of the membership present and voting.

(g) The Board shall select from among the voting members of the Board a chairman, the first of whom shall serve for a term of three years. Thereafter, the Board shall annually elect a chairman from among its voting members.

(h) A member of the Board may be removed by a vote of seven members for malfeasance in office, persistent neglect of, or inability to discharge duties, or for any offense involving moral turpitude, but for no other cause.

(i) Regular meetings of the Board shall be held quarterly. Special meetings shall be held from time to time upon the call of the chairman, acting at his own discretion or pursuant to the petition of any seven members.

(j) All meetings of the Board, any executive committee of the Board, and any council established in connection with this Act, shall be open and subject to the requirements and provisions of section 552b of title 5, United States Code, relating to open meetings.

(k) In its direction and supervision of the activities of the Institute, the Board shall—

(1) establish such policies and develop such programs for the Institute as will further achievement of its purpose and performance of its functions;

(2) establish policy and funding priorities and issue rules, regulations, guidelines, and instructions pursuant to such priorities;

(3) appoint and fix the duties of the Executive Director of the Institute, who shall serve at the pleasure of the Board and shall be a nonvoting ex officio member of the Board;

(4) present to other Government departments, agencies, and instrumentalities whose programs or activities

relate to the administration of justice in the State judiciaries of the United States, the recommendations of the Institute for the improvement of such programs or activities;

(5) consider and recommend to both public and private agencies aspects of the operation of the State courts of the United States considered worthy of special study; and

(6) award grants and enter into cooperative agreements or contracts pursuant to section 7(a).

OFFICERS AND EMPLOYEES

SEC. 6. (a)(1) The Director, subject to general policies established by the Board, shall supervise the activities of persons employed by the Institute and may appoint and remove such employees as he determines necessary to carry out the purposes of the Institute. The Director shall be responsible for the executive and administrative operations of the Institute, and shall perform such duties as are delegated to such Director by the Board and the Institute.

(2) No political test or political qualification shall be used in selecting, appointing, promoting, or taking any other personnel action with respect to any officer, agent, or employee of the Institute, or in selecting or monitoring any grantee, contractor, person, or entity receiving financial assistance under this Act.

(b) Officers and employees of the Institute shall be compensated at rates determined by the Board, but not in excess of the rate of level V of the Executive Schedule specified in section 5316 of title 5, United States Code.

(c)(1) Except as otherwise specifically provided in this Act, the Institute shall not be considered a department, agency, or instrumentality of the Federal Government.

(2) This Act does not limit the authority of the Office of Management and Budget to review and submit comments upon the Institute's annual budget request at the time it is transmitted to the Congress.

(d)(1) Except as provided in paragraph (2), officers and employees of the Institute shall not be considered officers or employees of the United States.

(2) Officers and employees of the Institute shall be considered officers and employees of the United States solely for the purposes of the following provisions of title 5, United States Code: Subchapter I of chapter 81 (relating to compensation for work injuries); chapter 83 (relating to civil service retirement); chapter 87 (relating to life insurance); and chapter 89 (relating to health insurance). The Institute shall make contributions under the provisions referred to in this subsection at the same rates applicable to agencies of the Federal Government.

(e) The Institute and its officers and employees shall be subject to the provisions of section 552 of title 5, United States Code, relating to freedom of information.

GRANTS AND CONTRACTS

SEC. 7. (a) The Institute is authorized to award grants and enter into cooperative agreements or contracts, in a manner consistent with subsection (b), in order to—

(1) conduct research, demonstrations, or special projects pertaining to the purposes described in this Act, and provide technical assistance and training in support of tests, demonstrations, and special projects;

(2) serve as a clearinghouse and information center, where not otherwise adequately provided, for the preparation, publication, and dissemination of information regarding State judicial systems;

(3) participate in joint projects with other agencies, including the Federal Judicial Center, with respect to the purposes of this Act;

(4) evaluate, when appropriate, the programs and projects carried out under this Act to determine their impact upon the quality of criminal, civil, and juvenile justice and the extent to which they have met or failed to meet the purposes and policies of this Act;

(5) encourage and assist in the furtherance of judicial education;

(6) encourage, assist, and serve in a consulting capacity to State and local justice system agencies in the development, maintenance, and coordination of criminal, civil, and juvenile justice programs and services; and

(7) be responsible for the certification of national programs that are intended to aid and improve State judicial systems.

(b) The Institute is empowered to award grants and enter into cooperative agreements or contracts as follows:

(1) The Institute shall give priority to grants, cooperative agreements, or contracts with—

(A) State and local courts and their agencies,

(B) national nonprofit organizations controlled by, operating in conjunction with, and serving the judicial branches of State governments; and

(C) national nonprofit organizations for the education and training of judges and support personnel of the judicial branch of State governments.

(2) The Institute may, if the objective can better be served thereby, award grants or enter into cooperative agreements or contracts with—

(A) other nonprofit organizations with expertise in judicial administration;

(B) institutions of higher education;

(C) individuals, partnerships, firms, or corporations; and

(D) private agencies with expertise in judicial administration.

(3) Upon application by an appropriate Federal, State or local agency or institution and if the arrangements to be made by such agency or institution will provide services which could not be provided adequately through nongovernmental arrangements, the Institute may award a grant or enter into a cooperative agreement or contract with a unit of Federal, State, or local government other than a court.

(4) Each application for funding by a State or local court shall be approved by the State's supreme court, or its designated agency or council, which shall receive, administer, and be accountable for all funds awarded by the Institute to such courts.

(c) Funds available pursuant to grants, cooperative agreements, or contracts awarded under this section may be used—

(1) to assist State and local court systems in establishing appropriate procedures for the selection and removal of judges and other court personnel and in determining appropriate levels of compensation;

(2) to support education and training programs for judges and other court personnel, for the performance of their general duties and for specialized functions, and to support national and regional conferences and seminars for the dissemination of information on new developments and innovative techniques;

(3) to conduct research on alternative means for using nonjudicial personnel in court decisionmaking activities, to implement demonstration programs to test innovative approaches, and to conduct evaluations of their effectiveness;

(4) to assist State and local courts in meeting requirements of Federal law applicable to recipients of Federal funds;

(5) to support studies of the appropriateness and efficacy of court organizations and financing structures in particular States, and to enable States to implement plans for improved court organization and finance;

(6) to support State court planning and budgeting staffs and too provide technical assistance in resource allocation and service forecasting techniques;

(7) to support studies of the adequacy of court management systems in State and local courts and to implement and evaluate innovative responses to problems of record management, data processing, court personnel management, reporting and transcription of court proceedings, and juror utilization and management;

(8) to collect and compile statistical data and other information on the work of the courts and on the work of other agencies which relate to and effect the work of courts;

(9) to conduct studies of the causes of trial and appellate court delay in resolving cases, and to establish and

evaluate experimental programs for reducing case processing time;

(10) to develop and test methods for measuring the performance of judges and courts and to conduct experiments in the use of such measures to improve their functioning;

(11) to support studies of court rules and procedures, discovery devices, and evidentiary standards, to identify problems with their operation, to devise alternative approaches to better reconcile the requirements of due process with the needs for swift and certain justice, and to test their utility;

(12) to support studies of the outcomes of cases in selected subject matter areas to identify instances in which the substance of justice meted out by the courts diverges from public expectations of fairness, consistency, or equity, to propose alternative approaches to the resolving of cases in problem areas, and to test and evaluate those alternatives;

(13) to support programs to increase court responsiveness to the needs of citizens through citizen education, improvement of court treatment of witnesses, victims, and jurors, and development of procedures for obtaining and using measures of public satisfaction with court processes to improve court performance;

(14) to test and evaluate experimental approaches to providing increased citizen access too justice, including processes which reduce the cost of litigating common grievances and alternative techniques and mechanisms for resolving disputes between citizens; and

(15) to carry out such other programs, consistent with the purposes of this Act, as may be deemed appropriate by the Institute.

(d) The Institute shall incorporate in any grant, cooperative agreement, or contract awarded under this section in which a state or local judicial system is the recipient, the requirement that the recipient provide a match, from private or public sources, equal to twenty-five percent of the total cost of such grant, cooperative agreement, or contract, except that such requirement may be waived in exceptionally rare circumstances upon the approval of the chief justice of the highest court of the state and a majority of the Board of Directors.

(e) The Institute shall monitor and evaluate, or provide for independent evaluations of, programs supported in whole or in part under this Act to insure that the provisions of this Act, the bylaws of the Institute, and the applicable rules, regulations, and guidelines promulgated pursuant to this Act, are carried out.

(f) The Institute shall provide for an independent study of the financial and technical assistance programs under this Act.

LIMITATIONS ON GRANTS AND CONTRACTS

SEC. 8. (a) With respect to grants or contracts made under this Act, the Institute shall—

(1) insure that no funds made available to recipients by the Institute shall be used at any time, directly or indirectly, to influence the issuance, amendment, or revocation of any Executive order or similar promulgation by any Federal, State, or local agency, or to undertake to influence the passage or defeat of any legislation by the Congress of the United States, or by any State or local legislative body, or any State proposal by initiative petition, unless a governmental agency, legislative body, a committee, or a member thereof—

(A) requests personnel of the recipients to testify, draft, or review measures or to make representations to such agency, body, committee, or member; or

(B) is considering a measure directly affecting the activities under this Act of the recipient or the Institute;

(2) insure all personnel engaged in grant or contract assistance activities supported in whole or part by the Institute refrain, while so engaged, from any partisan political activity; and

(3) insure that every grantee, contractor, person, or entity receiving financial assistance under this Act which files with the Institute a timely application for refunding is provided interim funding necessary to maintain its current level of activities until—

(A) the application for refunding has been approved and funds pursuant thereto received; or

(B) the application for refunding has been finally denied in accordance with section 8 of this Act.

(b) No funds made available by the Institute under this Act, either by grant or contract, may be used to support or conduct training programs for the purpose of advocating particular nonjudicial public policies or encouraging nonjudicial political activities.

(c) The authorization to enter into contracts or any other obligation under this Act shall be effective for fiscal year 1981 and any succeeding fiscal year only to the extent, and in such amounts, as are provided in advance in appropriation Acts.

(d) To insure that funds made available under this Act are used to supplement and improve the operation of State courts, rather than to support basic court services, funds shall not be used—

(1) to supplant State or local funds currently supporting a program or actiivty; or

(2) to construct court facilities or structures, except to remodel existing facilities to demonstate new architectural or technological techniques, or to provide temporary facilities for new personnel or for personnel involved in a demonstration or experimental program.

RESTRICTIONS ON ACTIVITIES OF THE INSTITUTE

SEC. 9. (a) The Institute shall not—

(1) participate in litigation unless the Institute or a recipient of the Institute is a party, and shall not participate on behalf of any client other than itself;

(2) interfere with the independent nature of any state judicial system nor allow sums to be used for the funding of regular judicial and administrative activities of any state judicial system other than pursuant to the terms of any grant, cooperative agreement, or contract with the Institute, consistent with the requirements of this Act; or

(3) undertake to influence the passage or defeat of any legislation by the Congress of the United States or by any State or local legislative body, except that personnel of the Institute may testify or make other appropriate communication—

(A) when formally requested to do so by a legislative body, committee, or a member thereof;

(B) in connection with legislation or appropriations directly affecting the activities of the Institute; or

(C) in connection with legislation or appropriations dealing with improvements in the State judiciary, consistent with the provisions of this Act.

(b) (1) The Institute shall have no power to issue any shares of stock, or to declare or pay any dividends.

(2) No part of the income or assets of the Institute shall inure to the benefit of any director, officer, or employee, except as reasonable compensation for services or reimbursement for expenses.

(3) Neither the Institute nor any recipient shall contribute or make available Institute funds or program personnel or equipment to any political party or association, or the campaign of any candidate for public or party office.

(4) The Institute shall not contribute or make available Institute funds or program personnel or equipment for use in advocating or opposing any ballot measure, initiative, or referendum, except those dealing with improvement of the State judiciary, consistent with the purposes of this Act.

(c) Officers and employees of the Institute or of recipients shall not at any time intentionally identify the Institute or the recipient with any partisan or nonpartisan political activity associated with a political party or association, or the campaign of any candidate for public or party office.

SPECIAL PROCEDURES

SEC. 10. The Institute shall prescribe procedures to insure that—

(1) financial assistance under this Act shall not be suspended unless the grantee, contractor, person, or entity receiving financial assistance under this Act has been given reasonable notice and opportunity to show cause why such actions should not be taken; and

(2) financial assistance under this Act shall not be terminated, an application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than thirty days, unless the grantee, contractor, person, or entity receiving financial assistance under this Act has been afforded reasonable notice and opportunity for a timely, full, and fair hearing, and, when requested, such hearing shall be conducted by an independent hearing examiner. Such hearing shall be held prior to any final decision by the Institute to terminate financial assistance or suspend or deny funding. Hearing examiners shall be appointed by the Institute in accordance with procedures established in regulations promulgated by the Institute.

PRESIDENTIAL COORDINATION

SEC. 11. The President may, to the extent not inconsistent with any other applicable law, direct that appropriate support functions of the Federal Government may be made available to the Institute in carrying out its functions under this Act.

RECORDS AND REPORTS

SEC. 12. (a) The Institute is authorized to require such reports as it deems necessary from any grantee, contractor, person, or entity receiving financial assistance under this Act regarding activities carried out pursuant to this Act.

(b) The Institute is authorized to prescribe the keeping of records with respect to funds provided by grant or contract and shall have access to such records at all reasonable times for the purpose of insuring compliance with the grant or contract or the terms and conditions upon which financial assistance was provided.

(c) Copies of all reports pertinent to the evaluation, inspection, or monitoring of any grantee, contractor, person, or entity receiving financial assistance under this Act shall be submitted on a timely basis to such grantee, contractor, or person or entity, and shall be maintained in the principal office of the Institute for a period of at least five years after such evaluation, inspection, or monitoring. Such reports shall be available for public inspection during regular business hours, and copies shall be furnished, upon request, to interested parties upon payment of such reasonable fees as the Institute may establish.

(d) Non-Federal funds received by the Institute, and funds received for projects funded in part by the Institute or by any recipient from a source other than the Institute, shall be accounted for and reported as receipts and disbursements separate and distinct from Federal funds.

AUDITS

SEC. 13. (a)(1) The accounts of the Institute shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants who are certified by a regulatory authority of the jurisdiction in which the audit is undertaken.

(2) The audits shall be conducted at the place or places where the accounts of the Institute are normally kept. All books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Institute and necessary to facilitate the audits shall be made available to the person or persons conducting the audits. The full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to any such person.

(3) The report of the annual audit shall be filed with the General Accounting Office and shall be available for public inspection during business hours at the principal office of the Institute.

(b)(1) In addition to the annual audit, the financial transactions of the Institute for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States.

(2) Any such audit shall be conducted at the place or places where accounts of the Institute are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Institute and necessary to facilitate the audit. The full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to such representatives. All such books, accounts, financial records, reports, files, and other papers or property of the Institute shall remain in the possession and custody of the Institute throughout the period beginning on the date such possession or custody commences and ending three years after such date, but the General Accounting Office may require the retention of such books, accounts, financial records, reports, files, and other papers or property for a longer period under section 117(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 67(b)).

(3) A report of such audit shall be made by the Comptroller General to the Congress and to the Attorney General, together with such recommendations with respect thereto as the Comptroller General deems advisable.

(c)(1) The Institute shall conduct, or require each grantee, contractor, person, or entity receiving financial assistance under this Act to provide for, an annual fiscal audit. The report

of each such audit shall be maintained for a period of at least five years at the principal office of the Institute.

(2) The Institute shall submit to the Comptroller General of the United States copies of such reports, and the Comptroller General may, in addition, inspect the books, accounts, financial records, files, and other papers or property belonging to or in use by such grantee, contractor, person, or entity, which relate to the disposition or use of funds received from the Institute. Such audit reports shall be available for public inspection during regular business hours, at the principal office of the Institute.

SEC. 14. There are authorized to be appropriated for fiscal year 1982 such sums as may be necessary to carry out the provisions of this Act.

III. HISTORY OF THE LEGISLATION

The concept of federal financial support for state court systems had its origin in the 1967 Report of the President's Commission on Law Enforcement and Administration of Justice.[5] That report, however, placed the primary emphasis for federal assistance to the states in the areas of law enforcement and corrections, thereby placing the administration of such a program within the United States Department of Justice. Congress carried forth the emphasis on law enforcement and correctional problems in the 1968 Omnibus Crime Control and Safe Streets Act,[6] which created the Law Enforcement Assistance Administration (LEAA). Since its inception through 1978, LEAA provided some $6.6 billion in assistance to the states.[7]

As Thomas J. Madden, General Counsel, Office of Justice Assistance, Research, and Statistics, United States Department of Justice, testified at hearings on S. 2387, there was a very low rate of participation by state courts during the early years of LEAA.[8] Mr. Madden gave three primary reasons as the basis for the lack of participation by state courts. First, early LEAA authorization legislation made few explicit references to courts, concentrating instead on the police and corrections aspect of the criminal justice system. Second, Congress gave little attention to the role of courts in the criminal justice system. Finally, the Separation of Powers doctrine limited active involvement by state courts in what was essentially a state executive branch planning program.[9]

Recently, the role of state courts has been recognized as an essential element in the administration of criminal justice, resulting in dramatic adjustments in the LEAA program which have allowed greater involvement by the judiciary. The Crime Control Act of 1976[10] contained several provisions designed to increase participation of the

[5] "The Challenge of Crime in a Free Society," report by the President's Commission on Law Enforcement and Administration of Justice, Washington, D.C. (1967).
[6] 42 U.S.C. 3701 (Pub. L. No. 90–351).
[7] "Task Force Report," p. 28.
[8] Statement of Thomas J. Madden, General Counsel, Office of Justice Assistance, Research and Statistics, United States Department of Justice, hearings before the Subcommittee on Jurisprudence and Governmental Relations, Senate Committee on the Judiciary, Mar. 19, 1980, p. 96.
[9] Ibid.
[10] 42 U.S.C. 3701, et seq. (Pub. L. 94–503).

judiciary in the LEAA program. Likewise, the Justice System Improvement Act of 1979,[11] building upon the strengths of the LEAA program, reauthorized and restructed the Justice Department's assistance program for state and local law enforcement and criminal justice improvement. LEAA has thus been the primary source of Federal funds going to state court systems, even though judicial programs have received only a small percentage of the LEAA funds that have been allocated.[12]

While LEAA has provided valuable assistance in many ways, state court systems have remained concerned about a federal judicial assistance program administered by executive agencies of federal and state governments.[13] As a result, in August, 1978, the Conference of Chief Justices of the United States adopted a resolution authorizing a task force to "recommend innovative changes in the relations between state courts and the federal government and find ways to improve the administration of justice in the several states without sacrifice of the independence of state judicial systems.[14] That task force, the Task Force on a State Court Improvement Act, was headed by the Honorable Robert F. Utter, Chief Justice of the State of Washington.[15] The report of the task force (hereinafter referred to as the Task Force Report) was submitted to the Conference of Chief Justices in August, 1979, and became the framework from which the State Justice Institute and S. 2387 evolved.

Senator Howell Heflin, as Chairman of the Subcommittee on Jurisprudence and Governmental Relations, held two days of hearings, which focused on the findings and report of the Task Force.[16] Specifically, the Subcommittee heard testimony as to the need for and feasibility of establishing a State Justice Institute. On March 5, 1980, Senator Heflin introduced S. 2387, The State Justice Institute Act of 1980. The bill was referred to the Committee on the Judiciary, which referred to it to the Subcommittee on Jurisprudence and Governmental Relations. The Subcommittee held an additional day of hearings on March 19, 1980.

A total of twelve witnesses testified on S. 2387, including representatives of state judiciaries, state court administrators, the Conference of Chief Justices, the Federal Judicial Center, the National Center for state courts, and the Department of Justice. On May 15, 1980, the Subcommittee agreed unanimously to report the bill to the full Committee

[11] 42 U.S.C. 3701, Note (Pub. L. 96–157).

[12] The "Task Force Report," at p. 29, indicates that about 5 percent of the LEAA funds have been used for the improvement of State courts systems. It should be noted that this figure is limited to court programs specifically, excluding programs designed for prosecutors, defenders, and general law reform.

Other sources of Federal funds going to State courts include: Traffic court grants from the National Highway Safety Administration, grants under the Department of Labor's CETA program, capital improvement grants under the Department of Commerce's Economic Development Administration, grants under the Department of HEW's National Institutes, personnel development grants under the Intergovernmental Personnel Act (U.S. Civil Service Commission), and research grants from the National Science Foundation. See "Alternative Sources for Financial and Technical Assistance for State Court Systems," National Center for State Courts (Northeastern Reg. Off. 1977).

[13] "Task Force Report," p. 2.

[14] Ibid., p. 1.

[15] Other members of the Task Force were: Chief Justice James Duke Cameron; Chief Justice William S. Richardson; Chief Judge Robert C. Murphy; Chief Justice Robert J. Sheran; Chief Justice Neville Patterson; Chief Justice John B. McManus, Jr.; Chief Justice Arno H. Danecke; Chief Justice Joe R. Greenhill; Chief Justice Albert W. Barney; Chief Justice Bruce F. Beilfuss; Mr. Walter J. Kane; Mr. Roy O. Gulley; Hon. Arthur J. Simpson, Jr.; Mr. William H. Adkins II; Mr. C. A. Carson III; Mr. John S. Clark.

[16] The hearings were held on Oct. 18, 1979, and Nov. 19, 1979.

for further action. On June 24, 1980, the Committee on the Judiciary met, considered S. 2387, and ordered it reported as amended.

IV. STATEMENT

A. The Federal interest

Any statement that addresses the issue of federal funding for state court systems must begin with a discussion of whether a substantial federal interest is involved. More specifically, such a discussion should center around whether the federal government has a direct interest in the quality of justice that is dispensed in state courts.

Under the Constitution of the United States, state courts share with federal courts the awesome responsibility of enforcing the Constitution and the laws made pursuant thereto. In this regard, it should be noted that the objective of applying the Fourteenth Amendment of the United States Constitution to the states has been, in the words of Mr. Justice Cardozo, to preserve those principles "of justice so rooted in the traditions and conscience of our people as to be ranked as fundamental." [17]

Under our federal system of government, the judiciary of this country is bifurcated into both state and federal systems. This does not mean, however, that the federal interest in maintaining the quality of justice delivered to the citizens of this country involves a form of justice dispensed by federal courts only. On the contrary, there are no federal courts required by the United States Constitution other than the Supreme Court, which reflects a fundamental belief held by the Farmers that state courts could adequately handle all cases brought to them, whether the issues were of primary concern to the states or to the federal government.[18]

Indeed today, as has been stated previously, state courts deal with approximately ninety-six percent of the litigated disputes in which the people of this country become involved, leaving little doubt that "the quality of justice in the nation is largely determined by the quality of justice in state courts," as the first of the findings of S. 2387 asserts.[19] From this evolves a clear and compelling federal interest in assuring that the public maintains a high level of confidence in the Judiciary. As Mr. Maurice Rosenberg testified:

> Overwhelmingly, the public impression of justice is molded by their [sic] contacts with state courts, whether as litigants, as jurors, as witnesses, or as spectators. Also overwhelmingly, the level at which state courts perform determines whether Americans in fact have access to justice through the courts. Unquestionably, the federal government has a deep concern

[17] *Palko* v. *Connecticut*, 320 U.S. 319, 58 S. Ct. 149 (1937). More recent decisions of the United States Supreme Court have held that the federal guarantee against being deprived of one's "liberty" without "due process of law" is, in many instances, dependent upon whether state law recognizes that its citizens have a liberty interest. Thus whether a citizen has a liberty interest in not being transferred from one correctional or mental health institution to another is dependent upon whether the state recognizes a right not to be transferred without reason. Task Force Report, p. 7, n. 5, see e.g., *Meachum* v. *Fano*, 427 U.S. 215 (1976); *Montagne* v. *Haymes*, 427 U.S. 236 (1976).

[18] "Task Force Report," p. 9, citing Redish and Muench, "Adjudication of Federal Causes of Action in State Court," 75 Mich. L. Rev. 311 n. 3 (1976): "(T)he Madisonian Compromise of Article III . . . permitted but did not require the congressional creation of lower Federal courts. In reaching this result, the Framers assumed that if Congress chose not to create lower Federal courts, the state courts could serve as trial forums in Federal cases."

[19] S. 2387, sec. 2(a)(1).

in these matters. If the citizens turn cynical about the prospects of obtaining justice from the courts, they will have little confidence in other institutions in the society.[20]

There is also a federal interest in insuring the quality of justice in state courts due to the fact that state courts sit in judgment of federal as well as state issues. The Supremacy Clause of the United States provides: "This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the Supreme Law of the Land; and the judges in every state shall be bound thereby; anything in the Constitution of Laws of any state to the contrary notwithstanding." [21] State judges are thus required to consider whether a state statute or regulation is in conflict with the United States Constitution or with a federal statute or regulation which preempts state law. Likewise, state courts are obligated to apply federal law in situations which do not involve state law at all. As the Supreme Court held in *Claflin* v. *Houseman*, 93 U.S. 130 (1876), state courts can hear and decide cases which are strictly federal if there is concurrent state and federal jurisdiction: "If exclusive jurisdiction be neither express nor implied, the state courts have concurrent jurisdiction whenever, by their own Constitution, they are competent to take it." [22]

Although there are some categories of federal legislation to which there is exclusive federal jurisdiction,[23] most Congressional enactments have concurrent state and federal jurisdictions. In this regard, two important things should be kept in mind. First, once the time limit for removal of a case brought in state court to the federal court has passed, the state court is free from supervision or interference by the federal courts. In such cases, the only review is by appeal or certiorari to the Supreme Court.[24] Second, the Supreme Court of the United States is incapable of reviewing the thousands of state court judgments in which federal questions are raised. Given that the processes of appeal and certiorari to the United States Supreme Court are the only meaningful methods of federal review of state court judgments, state courts are thus, as a practical matter, virtually tribunals of final resort. The implementation of fundamental federal policies is therefore largely dependent upon state judiciaries.

In recent years, the three branches of the federal government have contributed significantly to the federal interest involved in maintaining the quality of state courts in the delivery of justice to the American people. For instance, important Congressional policy objectives are often dependent upon the ability of state courts to aid in the implementation and enforcing of such legislation. As an inducement for states to pass legislation or adopt administrative rules which will further Congressional policy objectives, Congress frequently imposes conditions on federal spending. The fifty-five mile an hour speed

[20] Testimony of Maurice Rosenberg, Nov. 19, 1979, p. 52.
[21] United States Constitution, Article VI.
[22] 93 U.S. 130, 136 (1876).
[23] Categories in which there is exclusive Federal jurisdiction include inter alia, bankruptcy, patent and copyright cases, Federal criminal cases, Securities Exchange Act cases, Natural Gas Act cases, and antitrust cases.
[24] The exception is with habeas corpus cases, in which lower Federal courts may review the validity, under the Constitution and laws of the United States, of a State criminal conviction, but only if the person convicted is "in custody."

limit (induced by a condition on the spending of highway money), eligibility standards for aid to families with dependent children, nuclear power plant siting, and school lunch programs are all examples of federally induced state legislation. Other Congressional enactments, such as the Speedy Trial Act,[25] have resulted in increased efforts to divert cases to state courts. In this regard, it should be noted that federal jurisdiction in diversity cases, which is probably the most important type of concurrent jurisdiction, has come under increasing criticism and stands a chance of being abolished or limited in the near future, leaving such cases to be handled in state courts. Legislation to this effect passed the House of Representatives [26] in the ninety-fifth Congress, but failed in the Senate. Similar bills, however, are currently pending in the ninety-sixth Congress.[27]

The executive branch of government has likewise established certain policies and guidelines that have resulted in increased state court dockets. In particular, the Department of Justice has requested state authorities to assume additional responsibility for the prosecution of some criminal matters now handled in federal court, allowing federal prosecutors to concentrate on matters that more properly are of higher priority by the federal government, such as large scale white collar crime cases.[28] This policy is carried forth in legislation currently pending to consolidate federal criminal laws into a single title of the United States Code.[29]

Perhaps the most significant increase of the responsibilities of state courts has come from the judicial branch of the federal government through decisions of the Supreme Court of the United States. On the one hand, many decisions have diverted cases to state courts in an effort to relieve the congestion on federal court dockets, thus maintaining the high level of justice dispensed by federal courts.[30] On the other hand, decisions of the Supreme Court have also increased the procedural due process protections guaranteed to citizens in criminal,[31] civil,[32] juvenile,[33] and mental health [34] proceedings. The result of these

[25] 18 U.S.C. 3161, et seq.
[26] See H.R. 9622, 95th Cong., 2d sess. (passed the House of Representatives by a vote of 266 to 133, Feb. 28, 1978).
[27] H.R. 130, and H.R. 2202, is currently pending in the House Judiciary Committee. S. 679 is currently pending in the Senate Judiciary Committee.
[28] See the address of Attorney General Griffin Bell to the midwinter meeting of the conference of State Court Chief Justices. It should be pointed out that in this address the Attorney General also stated that he felt it appropriate for the Federal Government to share the increased financial burden that will be placed on the States as a result of this policy.
[29] S. 1722 and H.R. 6915.
[30] For example see, *inter alia*, the following: *Stone* v. *Powell*, 428 U.S. 465 (1976), in which the court held that Fourth Amendment issues cannot be raised by Federal habeaus Corpus if the individual involved has had a full and fair hearing in the State; *Younger* v. *Harris*, 401 U.S. 37 (1971), and *Huffman* v. *Pursul, Ltd.*, 420 U.S. 592 (1975), which limited the authority of Federal courts to intervene in criminal or civil cases pending in State courts; and *Meachum* v. *Fano*, 427 U.S. 215 (1976), and *Montagne* v. *Haymes*, 427 U.S. 236 (1976), which held that Federal due process protections are often available only if there is a liberty interest involved which has been created by State law.
[31] Federal due process requirements have had a very substantial impact on State criminal procedures. The best illustration of this impact stems from the increased requirements for taking a valid guilty plea. These requirements have not only increased the amount of court time needed to take a valid guilty plea, but have also made it important that State courts develop adequate guilty plea procedures and that State court judges be better informed as to the procedural requirements than was formerly necessary. See statement of Senator Howell Heflin and response of Professor Frank Remington, Professor of Law, University of Wisconsin School of Law, at hearing before the Subcommittee on Jurisprudence and Governmental Relations, Senate Judiciary Committee, Oct. 18, 1979, p. 8.
[32] See Inter alia, *Fuentes* v. *Florida*, 407 U.S. 67 (1972) where the court held that a citizen cannot be deprived of a property interest created by State law without notice, a hearing, and other procedural due process safeguards; and *Goldberg* v. *Kelly*, 397 U.S. 254 (1970), where the court held that State welfare benefits cannot be cancelled without a hearing and other due process protections.
[33] See inter alia, *In Re Gault*, 387 U.S. 1 (1967).
[34] See inter alia, *Wyatt* v. *Stickney*, 344 F. Supp. 373, 344 F. Supp. 387, 503 F. 2d 1305.

decisions has been an increase in the number of cases handled by state judiciaries as well as an increase in the procedural complexity of state court litigation requiring the development of new safeguards, more efficient procedures, and a much more intensive program of continuing education for members of the state judiciary.

The tremendous impact of Supreme Court decisions on state judiciaries was probably best described by Mr. Justice Brennan in the following statement:

> In recent years, however, another variety of federal law—that fundamental law protecting all of us from the use of governmental powers in ways inconsistent with American conceptions of human liberty—has dramatically altered the grist of the state courts. Over the past two decades, decisions of the Supreme Court of the United States have returned to the fundamental promises wrought by the blood of those who fought our War between the States, promises which were thereafter embodied in our fourteenth amendment—that the citizens of all our states are also and no less citizens of our United States, that this birthright guarantees our federal constitutional liberties against encroachment by governmental action at any level of our federal system, and that each of us is entitled to due process of law and the equal protection of the laws from our state governments no less than from our national one. Although courts do not today substitute their personal economic beliefs for the judgments of our democratically elected legislatures, Supreme Court decisions under the fourteenth amendment have significantly affected virtually every other area, civil and criminal, of state action. And while these decisions have been accompanied by the enforcement of federal rights by federal courts, they have significantly altered the work of state court judges as well. This is both necessary and desirable under our federal system—state courts no less than federal are and ought to be the guardians of our liberties . . .
>
> Every believer in our concept of federalism, and I am a devout believer, must salute this development in our state courts . . .
>
> . . . [T]he very premise of the cases that foreclose federal remedies constitutes a clear call to state courts to step into the breach. With the federal locus of our double protections weakened, our liberties cannot survive if the states betray the trust the Court has put in them. And if that trust is, for the Court, strong enough to override the risk that some states may not live up to it, how much more strongly should we trust state courts whose manifest purpose is to expand constitutional protections. With federal scrutiny diminished, state courts must respond by increasing their own.[35]

[35] Task Force Report, p. 26, citing Brennan, "State Constitutions and the Protections of Individual Rights," 90 Harv. L. Rev. 489, 490–91, 502–03 (1977).

The quality of justice guaranteed to all persons has indeed been a cornerstone of American society.[36] It is thus without question that the federal government has a substantial interest in maintaining the quality of justice at all levels of the judiciary. It therefore logically follows that there is also a substantial federal interest in maintaining the quality of state courts. Certainly the federal interest in the quality of state courts is at least as much as the federal interest in the quality of health care and the quality of the educational system, both of which has benefitted from substantial federal contributions.[37] While federal assistance to state courts should never replace the basic financial support given them by state legislatures, federal financial contributions administered in a manner that respects the independent nature of the judiciary can provide a "margin of excellence" that would significantly improve the quality of justice received by citizens affected by state courts.

B. The experience of State courts with Federal financial assistance

Federal funds have, in fact, been channelled to state courts over the last decade, primarily through the Law Enforcement Assistance Administration. LEAA was created by the Omnibus Crime Control and Safe Streets Act,[38] and has been administered by the Department of Justice. Since LEAA was created twelve years ago, approximately $256 million from LEAA discretionary funds and approximately $344 million from LEAA Formula Funds (formerly Block Grant Funds) have been allocated for state court improvements.[39]

State court systems have received substantial benefits from the use of LEAA funds. Many states have been able to implement important structural and organizional changes in their judiciaries. Likewise, numerous educational programs, including judicial colleges in several states, have been established. Reflecting on this record of accomplishment, the Task Force noted that "any review of the past ten years must conclude that LEAA has been the single most powerful impetus for improvement in state court sytems.[40] Echoing these sentiments, the Honorable Robert J. Sheran, Chief Justice of the State of Minnesota, and Chairman of the Conference of Chief Justice's Committee on Federal-State Relations, testified that "remarkable improvements were made possible" by LEAA grants, and that had it not been for these improvements "state court sytems would have foundered in the face of the massive increases in litigation in recent years." [41] Despite the achievements made possible by the use of LEAA funds, however, substantial conceptual and practical difficulties with this form of federal assistance have rendered the program less effective than it could and should be.

To begin with, there are inherent separation of powers problems in administering LEAA funds to state courts. These separation of powers problems evolved primarily for two reasons.

[36] It should be noted that the "establishment of Justice" was the second of six objectives listed by the Framers in the Preamble to the Constitution.

[37] For illustrations of the federal interest in the education, see inter alia, 20 U.S.C., secs. 351 and 1221e and 34 U.S.C., sec. 1501. For illustrations of the federal interest in the quality of health care, see generally title 42 of the United States Code.

[38] 42 U.S.C. 3701 (Pub. L. No. 90–351).

[39] Testimony of Thomas Madden, Mar. 19, 1980, p. 99.

[40] Task Force Report, p. 35.

[41] Testimony, Chief Justice Robert J. Sheran, at hearings held before the Subcommittee on Jurisprudence and Governmental Relations, Senate Judiciary Committee, Oct. 18, 1979, p. 21.

First, there are serious difficulties with an arrangement whereby a department of the federal executive branch, in this case the Department of Justice, is in a position to influence by its funding decisions the programs by or in behalf of state and local courts.[42] This is particularly noteworthy in light of the fact that, because of the delicate separation of powers problems, control of the efforts of all federal courts was removed from the Department of Justice and placed independently in the judicial branch of the federal government.[43] Certainly, the same threat to judicial independence exists in an arrangement, such as with LEAA, whereby an executive department determines both the type of programs to receive financial assistance and the specific courts or agencies to receive the funds.

Second, separation of powers problems arose within individual states because of the requirement that LEAA block grants to the states be administered by state planning agencies designated or established by the governors of each state. The degree of success of any state court programs was thus directly related to the degree of cooperation received from executive branch planning agencies. As the Task Force stated:

> Reports from those states having strong judicial representation on the state planning agencies reflect general satisfaction with the quality of the funding support accorded judicial projects. Other states experienced paper representation rather than having a real voice in the program, and still others had no voice at all. The availability of federal dollars for state court improvement often became more promise than reality and the price of competition, compromise and concensus has become too great for some. Indeed, even in those states where the judicial leadership has exercised its power effectively, there arose a growing concern about the propriety of an executive branch agency dictating the goals to be attained by a state's judicial agencies.[44]

It was not until the 1976 LEAA reauthorization that provisions were made for state judicial planning committees, thus giving clear Congressional recognition to the role of state court systems in the scheme of LEAA programs. Even then, however, there was both confusion and controversy surrounding the inclusion of prosecutors and defenders in the LEAA concept of state judicial planning committees, which was not resolved until the LEAA General Counsel issued an opinion that excluded prosecutorial and defense services, which were covered under other LEAA categories, from the definition of "court projects." [45]

[42] Testimony, Hon. Lawrence I'Anson, Chief Justice of the State of Virginia, at hearings held before the Subcommittee on Jurisprudence and Governmental Relations, Senate Judiciary Committee, Oct. 18, 1979, p. 4.
[43] Testimony of Justice Sheran, Mar. 19, 1980, p. 100.
[44] Task Force Report, p. 30.
[45] Opinion of LEAA General Counsel (July 24, 1978), cited in the Task Force Report, p. 33. n. 61.
It should also be noted that courts unable to receive local or State funds administered under LEAA's block grant funding system could by-pass State guidelines by obtaining direct funding from Washington through the LEAA discretionary grant program. There was, in fact, virtually no State judicial input in the use of discretionary funds, thus tending to undermine the effectiveness of a State's judicial planning process. Task Force Report, pp. 33 and 34.

The separation of powers problems and the threat to judicial independence are most evident when it is recognized that in all instances state courts must compete with executive agencies for any funds they are to receive. As the Task Force observed: "Whether viewed in terms of the block grant program administered through the states or the discretionary grant program run from Washington, the need for judicial competition with executive agencies in the LEAA programs has created practical and policy problems of immense proportions." [46]

State courts have had an additional problem in seeking LEAA funds because of the fact that the "Safe Streets Act" was designed as an effort to assist states in combating crime. With its emphasis on law enforcement and corrections, LEAA has recognized—first by administrative interpretation and later by Congressional enactment—a program of federal support to state courts only under the theory that state courts are a component of the criminal justice system.[47] This conceptual treatment of state courts has itself resulted in two problems.

First, current federal funding policy does not accord state judiciaries their proper place within our scheme of federalism. State courts are independent branches of states government charged with the responsibility of adjudicating various types of disputes between individuals and the state. Unfortunately, within the framework of LEAA-administered assistance, state courts have been seen as components of a criminal justice system conceived of primarily as an activity of the executive branch of government. But as Chief Justice I'Anson testified before this Subcommittee:

> Courts are not "components" of a criminal justice system but, in the criminal functions, stand as an independent third force between the police and the prosecutor on one side and the accused on the other. This is not to say that the judiciary cannot or should not cooperate with the executive branch in seeking improvements in criminal justice. Judges obviously do and should. But they should do so under conditions respecting the separation of powers.[48]

Second, funding courts only under the guise that they are components of the criminal justice system completely disregards the fact that in state judicial systems, the exercise of civil and criminal functions are inseparable. Any court improvements sought for the criminal functions of courts necessarily involve consideration of the civil functions as well. LEAA's focus on criminal justice has thus made it difficult for courts to undertake broadly based improvements which would best serve the total justice system, criminal as well as civil.[49] The problem was best stated by Chief Justice Sheran: "'Efforts to separate criminal and civil jurisprudence in state court systems to comply with LEAA directives emphasizing measures to control crime

[46] Task Force Report, p. 30. Testimony to this effect was also heard throughout the hearings on S. 2387. See specifically, the testimony of Chief Justice Sheran, Oct. 18, 1979, pp. 21, 22.
[47] It should be noted that despite the obvious fact that courts are an essential component of the criminal justice system, court programs were not specifically provided for in the original LEAA enactment.
[48] Testimony of Chief Justice I'Anson, Oct. 18, 1979, p. 5.
[49] Ibid.

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lead to strained and unnecessary improvisations which are not cost effective." [50]

Finally, is should be noted that, as with all federal assistance programs, the continued success of LEAA is not guaranteed. This is particularly true at the present time. Our country is arguably facing the severest economic crisis since the Depression, prompting Congress and the Administration to seek ways to decrease federal spending and balance the federal budget. If the Justice Department's budget is reduced as has been discussed, much of the reduction will likely come from the grant program of LEAA. As a result, given that courts receive only a small share of LEAA funds to start with, federal funding to state courts would, for all intents and purposes, be discontinued. In this regard, it is imperative that the Congress not let a lack of funds impair the ability of state courts to maintain and improve the quality of justice that they dispense.

C. S. 2387 and the State Justice Institute

S. 2387 recognizes the substantial federal interest in seeking to maintain the quality of justice in state courts. More importantly, however, the bill also recognizes the past difficulties that have arisen with federal assistance to state courts and attempts to correct them. The concept of a State Justice Institute builds on the successes of past efforts to assist state courts while attempting to avoid the difficulties that have plagued previous assistance.

This legislation creates a private non-profit corporation known as the State Justice Institute. The stated purpose of the Institute is "to further the development and adoption of improved judicial administration in state courts in the United States." [51] To accomplish this the Institute shall, among other things, direct a national program of assistance by providing funds to state courts, national organizations which support and are supported by state courts, and any other non-profit organization that will support and achieve the purposes of this legislation.

The Institute shall be supervised by a Board of Directors, consisting of eleven voting members. The Board of Directors is charged with the responsibility of establishing the policies and funding priorities of the Institute, issuing rules and regulations pursuant to such policies and priorities, awarding grants and entering into cooperative agreements to provide funds to state court systems, as well as other duties consistent with its supervisory function.

The Committee feels that a clear Congressional recognition of the separation of powers principle in the function of state governments and the Constitutional requirement of an independent judiciary is essential for any successful program of federal assistance. Therefore, S. 2387 provides that funding decisions for court improvements be made through the independent State Justice Institute by a Board of Directors that is composed primarily of representatives of state judiciaries. Six judges and one state court administrator will serve on the Board along with four members from the public. The President shall appoint the judges and court administrator from a list of

[50] Testimony of Chief Justice Sheran, Oct. 18, 1979, pp. 21, 22.
[51] S. 2387, sec. 4(c).

at least fourteen individuals submitted by the Conference of Chief Justices. Thus, any fear of executive branch control over the use of Federal funds does not exist under S. 2387.

A Board of Directors composed of representatives of state judiciaries also provides an important mechanism for prioritizing state court programs that are to receive federal funds. By being supervised by a Board of Directors possessing a first hand, working knowledge of state judiciaries, the State Justice Institute will be able to set priorities and policies for the distribution of federal funds to state court systems based upon established judicial priorities and needs rather than upon assumed needs as perceived by federal or state executive agencies. Decisions by the Board will thus be made after a realistic appraisal of the need and merit of services rendered.

The executive and administrative operations of the Institute shall be performed by an Executive Director. The Executive Director is to be appointed by the Board of Directors and shall serve at the pleasure of the Board. The Director shall also perform such duties as are delegated by the Board.

Discretionary federal funds that are available to achieve the kind of assistance to state courts that is contemplated by S. 2387 are presently administered by a variety of bureaus and subdivisions of the federal government. By giving the State Justice Institute the authority to award grants and enter into cooperative agreements or contracts to insure strong and effective state courts, S. 2387 reflects the Committee's desire to avoid duplicative and overlapping efforts by the various federal funding sources by providing a clear route of access for state court planners. The responsibility of the State Justice Institute to establish priorities in the use of federal funds will allow state court systems to receive federal assistance based on a coordinated high priority basis rather than a basis of priorities established separately by various federal agencies. Proven programs would thus be spread to more and more states and a more effective use of federal funds will result.

S. 2387 authorizes the State Justice Institute to award grants and enter into cooperative agreements or contracts in order to, among other things, conduct research and demonstrations, serve as a clearinghouse and information center, evaluate the impact of programs carried out under this Act, encourage and assist in the furtherance of judicial education, and to be responsible for the certification of national programs that are intended to aid and improve state judicial systems. The Act specifies a variety of programs that will be eligible for assistance from the Institute including those proposing alternatives to current methods of resolving disputes, court planning and budgeting, court management, the use of non-judicial personnel in court decisionmaking, procedures for the selection and removal of judges and other court personnel, education and training programs for judges and other court personnel; and studies of court rules and procedures. By authorizing the Institute to provide financial assistance to state courts "to assure each person ready access to a fair and effective system of justice," the Act reflects the Committee's intention of not making distinctions between the civil, criminal and juvenile functions of courts regarding the use of funds. Courts will thus be able to undertake the

kinds of programs that will have a beneficial impact on the judiciary as a whole, rather than couching them as primarily intended to improve only the criminal justice system.

Equally important, because of the federal recognition of the separate and independent nature of state judiciaries, S. 2387 removes the competition between state judiciaries and state executive agencies for federal assistance. By directing a national program of assistance specifically for the improvement of state courts, and by providing for judicial input into funding decisions, S. 2387 will create a much more favorably climate for the exercise of the judiciaries' proper role in planning and administering any expenditures in their respective state court systems.

It is important to recognize that, while state and local courts will be the principal recipients of assistance under this Act, S. 2387 also recognizes the contributions made by existing national organizations that serve state judicial systems, notably the general support activities of the National Center for State Courts, and the educational programs of the National Judicial College and the Institute for Court Management. These organizations have been extremely important in bringing national resources and perspectives to bear on matters of critical concern to all state court systems and their activities would receive continuing support from the SJI. The research activities of the Institute for Judicial Administration and the American Judicature Society also illustrate the kind of assistance needed by many states.

Two amendments proposed by Senator Thurmond were adopted during full Committee consideration of the bill. His first amendment added specific language to insure that the Institute does not in any way interfere with the independent nature of the state courts. The amendment also prohibits Institute money from being used for the funding of regular judicial and administrative activities other than pursuant to the terms of a grant, cooperative agreement, or contract with the Institute, consistent with the requirements of this Act. The purpose of this addition is to reflect the Committee's intent that the Institute is not to provide basic financial support for state courts. Funding for regular judicial and administrative activities may only be given in the context of a specific contract or agreement, the purpose of which is to improve a state or local judicial system. The Committee would also like to make it clear that the Institute and a state or local judicial entity may not enter into an agreement or contract simply to provide financial assistance rather than to fund a specific program, project, or study to improve that judicial entity.

The second Thurmond amendment added a requirement that the state or local judicial systems receiving funds administered by the Institute provide a matching amount equal to twenty-five percent of the total cost of the particular program or project. The amendment further provides that in exceptionally rare circumstances this requirement may be waived upon approval of the chief justice of the highest court of the state and a majority of the Board. This amendment reflects the Committee's belief that state and local systems be required to assume some responsibility for programs designed for their benefit. It is further contemplated that the waiver provision be utilized only in very rare circumstances.

In sum, the State Justice Institute would provide funds for research and development programs with national application which would be beyond the resources of any single judicial system. It would build on the LEAA experience, but would insure that any federal support is administered in the best and most efficient way possible to produce continued state court improvement. The State Justice Institute would furnish a sound basis of support for the national organizations that have been successful in providing support services, training, research and technical assistance for state court systems. By establishing a mechanism such as the State Justice Institute to provide financial assistance to the state courts, it is not the Committee's intent to suggest that primary responsibility for maintenance and improvement of state courts does not remain with the states themselves. The State Justice Institute would not fund or subsidize ongoing state court operations, but rather would spotlight problems and shortcomings of our state judiciaries, provide national resources to assist in correcting them, and make the appropriate state judicial officials responsible for their solution. Even though federal assistance to state courts would be modest compared to the basis financial support given them by state legislatures, federal financial contribution through the State Justice Institute can provide a "margin of excellence," and thus improve significantly the quality of justice received by citizens who are affected by state courts.

V. SECTION-BY-SECTION ANALYSIS

Section 1—Short Title

This Act may be cited as the "State Justice Institute Act of 1980."

Section 2—Findings and purpose

This section contains the findings and declarations of Congress regarding the federal interest in maintaining the quality of justice dispensed by state courts, the programs necessary for state courts to deliver a high quality of justice, and the need for federal assistance to state courts to aid in carrying out such programs.

Section 2 also states the purpose of S. 2387, which is "to assist the state courts and organizations which support them to obtain the requirements . . . for strong and effective courts through a funding mechanism, consistent with doctrines of separation of powers and federalism, and thereby to improve the quality of justice available to the American people."

Section 3—Definitions

Section 3 contains the definition of various terms used throughout the Act.

Section 4—Establishment of Institute; duties

This section establishes the State Justice Institute as a private nonprofit corporation in the District of Columbia to promote improvements in state court systems in a manner consistent with the doctrines of federalism and the separation-of-powers. The Institute is authorized to provide funds to state courts and national organizations working directly in conjunction with state courts to improve the administra-

tion of justice, as well as other non-profit organizations working in the field of judicial administration. The Institute also is assigned a liaison role with the federal judiciary, particularly as to jurisdictional issues, and is authorized to promote training and education programs for judges and court personnel. The Institute is specifically barred from duplicating functions adequately being performed by existing non-profit organizations such as the National Center for State Courts and the National Judicial College.

Section 5—Board of directors

This section provides for an eleven-member board of directors to direct and supervise all activities of the Institute. The board will establish policy and funding priorities, approve all project grants, and appoint and fix the duties of the executive director. The Board will make recommendations on matters in need of special study and coordinate activities of the Institute with those of other governmental agencies.

The board will consist of six judges and one state court administrator appointed by the President from a list of at least fourteen candidates submitted by the Conference of Chief Justices after consultation with organizations and individuals concerned with the administration of justice in the states. Four non-judicial public members will be appointed directly by the President. All members will be selected subject to the advice and consent of the Senate. They must represent a variety of backgrounds reflecting experience in the administration of justice. It is expected the judicial members will be representative of trial as well as appellate courts and rural and urban jurisdictions. The Board will select a chairman from its own voting membership and will serve without compensation.

Section 6—Officers and employees

This section authorizes the executive director to conduct the executive and administrative operations of the Institute under policy set by the Board. It provides that the Institute shall not be considered an instrumentality of the federal government but permits the Office of Management and Budget to review and comment on its annual budget request to Congress. It also provides that officers and employees of the Institute are not to be considered employees of the United States except for determination of fringe benefits provided for under Title 5, United States Code, and for freedom of information requirements under Section 552 of Title 5.

Section 7—Grants and contracts

This section establishes the Institute's funding authority and outlines the types of programs it can support. It provides that the Institute will, to the maximum extent possible, conduct its operations through the courts themselves or the national court-related organizations established to provide research, demonstration, technical assistance; education and training programs for them. Thus, it assures that the Institute will be a small developmental and coordinating agency rather than a large operating agency with its own in-house capabilities. The Institute is authorized to award grants and enter into cooperative agreements or contracts on a first priority with state and local courts

and their agencies, national non-profit organizations controlled by and operating in conjunction with state court systems, and national non-profit organizations for the education and training of judges and court personnel.

Funds also can be provided for projects conducted by institutions of higher education, individuals, private businesses and other public or private organizations if they would better serve the objectives of the act. In keeping with the doctrine of separation of powers and the need for judicial accountability, each state's supreme court, or its designated agency or council, must approve all applications for funding by individual courts of the state and must receive, administer and be accountable for project funds awarded to courts or their agencies by the Institute.

The Institute is authorized to provide funds for joint projects with the Federal Judicial Center and other agencies as well as for research, demonstration, education, training, technical assistance, clearinghouse, and evaluation programs. Such funds may be used for fourteen specific types of programs including those which would propose alternatives to current methods for resolving disputes; measure public satisfaction with court processes in order to improve court performance; and test and evaluate new procedures to reduce the cost of litigation. Other eligible programs would include those involving the use of non-judicial personnel in court decisionmaking; procedures for the selection and removal of judges and other court personnel; court organization and financing; court planning and budgeting; court management; the uses of new technology in record keeping, data processing, and reporting and transcribing court proceedings; juror utilization and management; collection and analysis of statistical data and other information on the work of the courts; causes of trial and appellate court delay; methods for measuring the performance of judges and courts; and studies of court rules and procedures, discovery devices and evidentiary standards. The section also requires the Institute to provide for monitoring and evaluation of its operations and of programs funded by it.

Finally, through an amendment offered by Senator Thurmond this section requires that any state or local judicial system receiving funds administered through the Institute provide a matching amount equal to twenty-five percent of the total cost of the particular program or project. This requirement may be waived, however, in exceptionally rare circumstances upon the approval of the chief justice of the highest court of the state and a majority of the Board.

Section 8—Limitations on grants and contracts

This section requires the Institute to insure that its fund are not used to support partisan political activity or to influence executive or legislative policy making at any level of government unless the Institute or fund recipient is responding to a specific request or the measure under consideration would directly affect activities under the act of the recipient or the Institute.

Section 9—Restrictions on activities of the Institute

This section bars the Institute itself from participation in any litigation unless the Institute or a grant recipient is a party and bars

any lobbying activity unless the Institute is formally requested to present its views by the legislature involved, the Institute is directly affected by the legislation, or the legislation deals with improvements in the state judiciary in a manner consistent with the act.

Further, through an amendment offered by Senator Thurmond, this section specifically prohibits the Institute from interferring with the independent nature of state judicial systems and from allowing sums to be used for the funding of regular judicial and administrative activities of any state judicial system other than pursuant to the terms of any grant, cooperative agreement, or contract with the Institute, consistent with the requirements of the Act.

Section 10—Special procedures

This section requires the Institute to establish procedures for notice and review of any decision to suspend or terminate funding of a project under the Act.

Section 11—Presidential coordination

This section authorizes the President to direct that appropriate support functions of the federal government be available to the Institute.

Section 12—Records and reports

This section authorizes the Institute to prescribe and require of funding recipients such records as are necessary to insure compliance with the terms of the award and the Act. It requires that any non-federal funds received by the Institute or a recipient be accounted for separately from federal funds.

Section 13—Audit

This section requires an annual audit of Institute accounts which shall be filed with the General Accounting Office and be available for public inspection. It also provides that the Institute's financial transactions may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States. The Comptroller General will make a report on the audit, together with any recommendations deemed advisable, to the Congress and to the Attorney General. Similar auditing requirements are prescribed for recipients of funds from the Institute.

Section 14—Authorization

This section provides that there are authorized to be appropriated for fiscal year 1982 such sums as may be necessary to carry out the provisions of this Act.

VI. REGULATORY IMPACT STATEMENT

In compliance with Paragraph 5, Rule XXIX, of the Standing Rules of the Senate, it is hereby stated that the Committee has concluded that the bill will have no direct regulatory impact. The State Justice Institute is merely a funding agency and has been specifically designed to prevent any regulation of the beneficiaries of funds administered through it.

VII. CONGRESSIONAL BUDGET OFFICE ESTIMATE

U.S. Congress,
Congressional Budget Office,
Washington, D.C., July 1, 1980.

Hon. Edward M. Kennedy,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed S. 2387, the State Justice Institute Act of 1980, as ordered reported by the Senate Committee on the Judiciary, June 24, 1980.

The bill establishes a nonprofit corporation, the State Justice Institute, to administer a system of grants and contracts to aid State and local governments in strengthening and improving their judicial systems. The Institute is headed by an 11-member Board of Directors, appointed by the President, and an Executive Director. It is estimated that the basic cost of establishing the Institute, the Board of Directors and the Office of the Executive Director will be about $200,000 per year, including personnel, travel and overhead costs. Any further administrative costs and the costs of contract and grant awards are impossible to determine until the scope of the program is more specifically defined.

Sincerely,

Alice M. Rivlin, *Director.*

ADDITIONAL VIEWS OF SENATOR THURMOND

The state courts in this nation are, without doubt, the cornerstone on which our system of justice is based. As the Committee Report explains, the state courts handle over ninety-six percent of all cases tried in the United States. In light of the obvious importance of the state judicial systems, no one could argue against efforts to correct serious problems in those systems and to make needed improvements. The key issue, and the source of my concerns regarding the State Justice Institute Act, is who should be primarily responsible for identifying and resolving these problems—particularly who should be financially responsible. The states have, in my opinion, the *primary* responsibility to adequately maintain and to improve their own judicial systems. I would prefer therefore that the states bear all of the financial burden involved, not only because I believe that it is their basic responsibility, but also because the independence of the state judiciaries is more adequately protected.

I would have to concede, however, that there is *some* Federal interest involved in maintaining and improving the quality of justice in the state courts. State courts are, after all, charged with the responsibility of interpreting and enforcing not only their own state laws, but also the Constitution and laws of the United States. As the Committee Report points out, there are thousands of state court cases in which Federal issues are raised which will never by reviewed by the United States Supreme Court. Lack of direct review of these cases makes it imperative to maintain a very high quality of performance in the state courts. Aside from the fact that state court judges routinely rule on Federal issues, the Federal government also has some obligation to assist the state judiciaries because actions by the former have added significantly to the workload of the latter. Decisions by the United States Supreme Court, as well as the passage of numerous pieces of legislation by Congress, have added to the burdens and responsibilities placed on the state courts.

In addition to recognizing that there is some Federal interest in and obligation to improving state judicial systems, I would also have to acknowledge that there has already been extensive Federal involvement in this area. Over the last decade, a significant amount of Federal money has been funneled into state courts, primarily through the Law Enforcement Assistance Administration. In light of the fact that the Federal government has been giving and probably will continue to give financial assistance to the state judiciaries, I believe it would be preferable to utilize a mechanism such as the State Justice Institute to dispense such funds. The Institute represents a significant improvement over LEAA from a separation of powers standpoint. Also, the structure of the Institute—specifically having a Board of Directors composed of state court judges, administrators, and interested mem-

bers of the public—will probably provide more protection to the independence of the state court systems.

Because of the considerations set forth above and with the acceptance of two Thurmond Amendments during Full Committee consideration, I decided not to oppose this legislation. The primary change which I made in S. 2387 was the addition of a requirement that the state or local judicial systems receiving funds provide a matching amount equal to twenty-five percent of the total cost of a particular program or project. I think it is only fair that state and local systems be required to assume some financial responsibility for programs designed for their benefit. It is imperative, in my opinion to make it clear to *all* state and local governmental entities, as well as those within the judicial branch, that the Federal government cannot and should not foot the *entire* bill for whatever improvement programs or projects state and local governments wish to engage in, no matter how helpful or necessary those programs may be. I am sure that I need not remind my colleagues that we should all be analyzing these assistance programs from a fiscal point of view, keeping in mind that for the first time in a number of years we are attempting to balance the Federal budget. Aside from the need to reduce Federal spending, I believe that state and local financial participation would help to preserve the independence of those judicial entities receiving Institute funds. Having to provide a portion of the funding may also increase interest in the project or program and may stimulate efforts to spend the money wisely and efficiently.

In our discussions concerning the addition of a matching fund requirement to this bill, Senator Heflin expressed the concern that there may be certain very unusual circumstances under which the state or local judicial entity involved may be unable to provide twenty-five percent of the total cost of a needed project or program. Consequently, language was added allowing a waiver of the matching requirement in exceptionally rare circumstances, upon the approval of the chief justice of the highest court of the state and a majority of the Board of Directors. I would like to emphasize that it is both Senator Heflin's and my intent that this waiver provision be utilized only in *very rare* circumstances.

My second amendment accepted during Full Committee of S. 2387 added language to the section of the bill entitled "Restrictions on Activities of the Institute." This language was aimed at protecting the independence of the state judiciaries by straight-forwardly providing that the Institute shall not "interfere with the independent nature of any state judicial system." In addition to this blanket prohibition, this amendment prohibited any sums being used for funding of regular judicial and administrative activities of any judicial system unless such funding were provided pursuant to a contract or agreement, consistent with the requirements of the Act. My purpose in adding this language is to assure that Federal money from the Institute is not used to provide *basic* financial support to the state courts. Whenever Federal money is used to fund regular judicial and administrative activities, such financial assistance should only be given in the context of a specific research program or demonstration project designed to improve state court systems. It should

be absolutely clear that no grant or contract entered into by the Institute and a state or local entity could provide merely for financial assistance to a state court system without such assistance being tied to a specific program or project to improve that system.

As I explained earlier, the inclusion of these changes, particularly the addition of a state and local matching fund requirement, plus the recognition of some legitimate Federal interest in improving state court systems led me to conclude that I could support the State Institute Act of 1980. I would like to thank the distinguished Senator from Alabama for his responsiveness to my concerns regarding this legislation and for his acceptance of my amendments to alleviate these concerns.

STROM THURMOND.

Senator HEFLIN. Judge Cooke, would you like to start?

STATEMENT OF HON. LAWRENCE H. COOKE, CHIEF JUDGE, STATE OF NEW YORK, CHAIRMAN, COMMITTEE ON FEDERAL-STATE RELATIONS OF THE CONFERENCE OF CHIEF JUSTICES

Judge COOKE. The lead position is taken by Judge Utter, but I will be glad to begin if you like.

I have submitted a brief written statement which is in the form of a syllogism in support of the approval of the State Justice Institute. I might say, Mr. Senator, as chairman of the Federal-State Committee of the National Conference and chief judge of the State of New York, I ask for the approval of the legislation which would create a National Justice Institute.

I am sure you are familiar with the fact that our State, New York, has one of the largest judicial systems in the Western Hemisphere. We have 3,500 judges and have had 9,500 nonjudicial personnel in the last 2 years in the major courts of record of our State. That would include about 1,000 of the 3,500 judges. We had 2 million indictments, actions, and proceedings filed. Our judicial operating budget in New York is now about $0.5 billion.

In recent years we feel we have accomplished a great deal in the line of court reform, particularly in reducing delay.

Last year, as the result of a plan we instituted, the delay of civil cases in our State was reduced about 22 percent.

The number of cases in New York City, the backlog, was reduced almost 36 percent. However, there is much to be done in our State and there is much to be done in the other States throughout the length and breadth of our land, not only in the larger States, populous States, but in smaller States, not only in urban areas but rural areas.

For ourselves, and I am sure I speak for other States as well, much must be done in the area of uniform rules of practice. We have a particular problem with a need for alternative means of dispute resolution, particularly in the area of tax certioraris where in some areas of our State there is a backlog as much as 5 years.

We are having problems with judicial impact statements which the legislature wants in huge numbers, and we are trying to supply as best we can. We want to institute a judicial academy such as I believe exists in your own State of Alabama.

We are asking for a review of lawyer discipline throughout our State, New York being one of the two or three States in the Union which does not have a unified or statewide system.

We are now having a great rush of indictments in our State, and for the first 16 weeks of 1981 the indictments increased throughout the State over 25 percent over what they were in the corresponding period only last year.

This deluge of indictments throughout the State must be addressed by limited resources in manpower and money.

We feel that we in New York, and the other judicial systems throughout the length and breadth of the United States, need a central bank of expertise to supply assistance in every aspect of court operation.

We feel that a State Justice Institute would act as the umbrella or the hub around which the other judicial systems and the other judicial systems courts would act and this hub, or central operating agency, would parcel out the information and expertise to the systems as they are needed.

Just as delay of justice is a denial of justice, we feel a denial of the establishment of the State Justice Institute would be, in effect, a denial of justice in substantial areas of our country.

We feel Congress should fulfill and the whole country should fulfill its responsibility of establishing justice, which after the formation of the Union is the primary objective of our Government. We feel it is a moral and legal duty, and this can be accomplished in large measure by supporting the State Justice Institute.

Thank you.

[The prepared statement of Judge Cooke follows:]

PREPARED STATEMENT OF CHIEF JUDGE LAWRENCE H. COOKE

A syllogism for creation of the State Justice Institute

given before the Senate Judiciary Subcommittee, May 18, 1981

The syllogism is simple and convincing.

I. THE ESTABLISHMENT OF JUSTICE, THE PRIMARY OBJECTIVE OF THE UNION AND INDEED OF CIVIL SOCIETY ITSELF, IS DEPENDENT UPON THE QUALITY OF JUSTICE DELIVERED BY THE COURTS OF THE STATES.

The preamble of the Constitution lists the establishment of justice as the first stated purpose after the formation of the Union itself. Madison wrote in The Federalist No. 51: "Justice is the end of government. It is the end of civil society." As far as the individual is concerned, Woodrow Wilson saw "a constitutional government [as being] as good as its courts; no better, no worse."

State courts handle over 96 percent of the nation's cases and therefore predominate with direct influence over the quality of judicial dispositions in the United States (see memorandum of Nora Blair of the National Center for State Courts to Francis J. Taillefer, Project Director, and National Courts Statistics Project, dated April 16, 1979 and on file at National Center for State Courts, indicating that 98.8 percent of the then current cases were handled in state courts).

II. THE CREATION OF THE STATE JUSTICE INSTITUTE WOULD ASSIST STATE COURTS IN FULFILLING THEIR RESPONSIBILITIES AND OVERCOMING THEIR HEAVY BURDENS.

Congress has relied with increasing frequency on the state judiciaries to implement its policies and enactments in areas such as civil rights, clean air standards, welfare and unemployment insurances eligibilities, school lunch programs and even speed limits. There is a narrowing of federal court jurisdiction which diverts increasing numbers of cases to state courts. Numerous United States Supreme Court decisions have extended procedural due process protections in criminal, civil, juvenile and mental health proceedings.

These shifts, together with the normal increase in litigation, call for careful development of new safeguards, more efficient procedures, and more up-to-date programs of continuing education for state judiciaries. With the demise of the Law Enforcement Assistance Administration, there will be no national agency providing financial support, impetus and guidance for the strengthening of state judicial systems.

III. THEREFORE, THE CONGRESS SHOULD ENACT LEGISLATION CREATING THE STATE JUSTICE INSTITUTE WITHOUT DELAY - LEGISLATION UNANIMOUSLY SUPPORTED BY THE CONFERENCE OF CHIEF JUSTICES AND THE CONFERENCE OF STATE COURT ADMINISTRATORS.

There is a crying need for efficiency, for modernization and court reform - in large and small states, in urban and rural regions. Limited available court resources must yield their full potential.

A State Justice Institute would furnish advanced study and planning. It would assist in securing a fairer and less duplicative allocation of jurisdiction in the federal-state relationship. It would result in greater harmony between federal and state court systems. It would afford an opportunity for cross-pollination of judicial thinking and an appraisal of innovations. It would systematize judicial research, demonstration, education, training and national clearing-house programs. Just as justice delayed is an injustice, denial of a State Justice Institute effects a denial of justice in substantial judicial areas of the nation.

Senator HEFLIN. Justice Utter?

STATEMENT OF HON. ROBERT F. UTTER, FORMER CHIEF JUSTICE, SUPREME COURT OF STATE OF WASHINGTON; CHAIRMAN, TASK FORCE ON THE STATE JUSTICE INSTITUTE ACT OF THE CONFERENCE OF CHIEF JUSTICES

Justice UTTER. Senator, members of the subcommittee, the Conference of Chief Justices, and the Conference of State Court Administrators once again express our delight and pleasure at the privilege of appearing before this subcommittee. Each of us has had the pleasure of testifying before on the merits of the State Justice Institute Act—Mr. Adkins and I, along with others, in the Senate, and Chief Judge Cooke and I, among others, in the House. We will not, therefore, attempt to make a detailed statement at this time. The reports of the proceedings last year, as you have noted, are part of this record, and I have additionally filed my formal remarks with this committee.

With few exceptions, the existing record that is before this committee today provides a full accounting of the developments which bring us before you. First, we want to express our thanks to the Senate, to the members of this subcommittee in particular, for the respectful consideration given us last year and your encouragement in particular, Senator, both as the chief justice and now as a member of this honorable Senate. Your understanding of the particular problems of State courts is important.

I think more to the point is the understanding of the delicate and difficult interrelationship between the Federal system and the State system, difficulties understood by few but difficulties which are many and complex. It is as to those we wish to address our comments today.

HISTORY OF STATE-FEDERAL COURT EFFORTS

We feel, as obscure sometimes as these are, that there has been a shift of opinion in recognizing that State courts and Federal courts must work more closely together. That State courts, in effect, are an arm of congressional policy and if they do not operate effectively and fairly, we defeat the legitimate aims of this Senate and of the House.

There are many reasons for shift in opinion that a Federal agency may in fact have something it can offer to State courts. Most influential was our experience with the old Law Enforcement Assistance Administration, the first and only Federal agency to provide substantial funds for the improvement of State court systems. This experience coincided with a number of developments which increasingly directed the attention of State judges in the direction of Washington to the activities of Congress and the executive agencies as well as the decisions of Federal courts.

We are all aware of the concerns expressed about the growing overlap in jurisdiction between the State and Federal systems and the very legitimate fear of some that Federal judicial power may be expanding in a manner inconsistent with our traditional system of federalism.

The State Justice Institute legislation is premised on the belief that improvement in the quality of justice administered by the

States is not only a goal of fundamental importance in itself but is essential to attainment of important national objectives, including a reduced rate of growth in the caseload of the Federal courts and preservation of the historic role of State judiciaries in our Federal system.

We believe the legislation, by providing a basis for dealing with these complex issues, is a landmark of major significance in the history of our justice system. It would create a unique national resource to meet a unique national need.

As you know—and Chief Justice Cooke alongside me is a prime example of this—State courts not only process the overwhelming majority of the cases in our State-Federal judicial system but also under the supremacy clause share with the Federal courts responsibility for protecting the rights of all citizens under the Constitution and laws of the United States.

State courts existed before the Federal courts, and the Federal Constitution, in explicitly providing for only the U.S. Supreme Court, anticipated at the time this Nation was founded that State courts would be the courts of original jurisdiction for Federal as well as State law questions. That existed in practice until shortly after the Civil War.

State courts, in fact, did hear Federal question cases for the first 100 years of our national life. It was not until the Federal Judiciary Act of 1875 that these cases were moved to the Federal courts.

However, despite the growth of the Federal system, State courts remain the courts that touch our citizens most intimately and most frequently and it is from that experience in State courts as litigants, jurors, witnesses, or spectators that the vast majority of our citizens make their judgments as to the strengths, weaknesses, and fairness of our judicial system.

To the average citizen it does not matter whether the court is State or Federal as long as it resolves their problem. Their concern is with the fairness and effectiveness of the judicial process.

It has been our very deep concern as State chief justices that we improve this system, and this has led to the formation of the State Justice Institute, with your encouragement as well as that of other Members of this honorable Senate.

I should note, first of all, that the act was framed and submitted to the Senate at a time when LEAA was still in existence. Thus, the bill was drafted to accommodate the Institute to the existing LEAA structure. It can stand alone at this time, but it also could be modified to complement any new program that might be devised to replace LEAA's block-grant program.

My formal comments describe in some detail what the act will not do. I will not repeat any of that. I should only point out amendments offered by Senator Thurmond and accepted by the Conference of Chief Justices strengthened the act and met concerns the act dealt with in some areas.

This is not a State court assistance bill in the sense that it will do things for State courts that they should do for themselves. That was the point of Senator Thurmond's amendments, and those were accepted with alacrity by us.

AREAS OF IMPROVEMENT TO BE ADDRESSED

I think I would like to skip in my formal remarks to indicate the nature of the areas we hope to address with this bill.

It is clear the initial effort under a State Justice Institute Act would be directed primarily at national programs with broad application to all or numerous States. These include national clearinghouse, technical assistance, research and training programs which provide the most cost-effective basis for developing and sharing expertise and experience on a broad range of efforts essential to modernization of State court systems.

This is needed because courts, particularly in States with unified systems—and again New York State is a prime example of this—are becoming big business. They include adoption and maintenance of sound management systems with efficient mechanisms for planning, budgeting, and accounting, the use of modern technology for the managing and monitoring of caseloads, and the development of reliable statistical data.

Assistance also would be provided to State systems seeking means to improve methods for selection and retention of qualified judges to conduct educational and training programs for judicial personnel, much as Chief Justice Cooke has indicated they would hope they could do now in New York, to increase citizen involvement in dispute resolution, to guarantee greater judicial accountability, and to structurally reorganize judicial systems.

While reliable data on the caseloads of State court systems has not been available historically, it is clear these systems have been subjected to the same complex of forces that has led to burgeoning caseloads in the Federal courts. States caseloads have become so burdensome, in fact, as to threaten a breakdown of judicial systems in major metropolitan areas.

The problems facing State systems are varied and long standing. They involve structural and managerial shortcomings as well as qualitative factors in the performance of the basic judicial functions. But as various as the problems may be, they tend to be shared by State courts throughout the Nation and are amenable to solution through shared national resources if made available on a continuing basis. An important start at providing continuing services has been made by the National Center for State Courts in Williamsburg, Va., and the National Judicial College in Nevada.

It is the need we see for an independent agency that underlies our entire approach, and it is because we see the need as national that we turn to the National Government for our support in these areas.

CURRENT STATE-FEDERAL COURT INTERRELATIONSHIP

While the administration of justice is the most fundamental of State responsibilities, the functioning of State courts is, under the supremacy clause, inextricably intertwined with that of the Federal courts and is increasingly being affected by congressional enactments. This point has been made by a number of observers, including Professor Meador who has stated what we all understand and recognize, and that is that the administration of justice "is increasingly becoming an undivided whole, a seamless web," because of

"the increasing overlapping of jurisdictions between courts of the States and courts of the Union."

In both civil and criminal matters, he said, "State courts today are, to an unprecedented degree, engaged in deciding Federal law issues." In view of this fact, he added, the Federal Government can hardly be indifferent to the quality of justice in the States.

This point was also stressed by the task force report filed by the Conference of Chief Justices which found in virtually all State civil cases the Federal Government is completely dependent upon State courts to implement fundamental Federal policies.

I know I have seen this as a State court judge serving at all levels. I know Chief Justice Cooke has seen the same thing as well in his service in New York.

This is not intended to argue that the Federal Government could or should reimburse States as quid pro quo. It is only to state the obvious, that what the Congress and Federal courts do heavily impacts State courts, and what would State courts do or sometimes tragically cannot do does affect the entire Federal system.

The fact of the seamless web points to a Federal interest in the quality of justice in the States, and this Federal interest, we believe, combined with the many benefits that a State Justice Institute could offer to the Federal Government as well as the State courts collectively, makes it a legitimate national function and responsibility.

There is now no organization or procedure through which the 55 separate State and territorial legislatures can act in concert on a program such as we propose, and it is for this reason that national, not just State, legislation is needed to upgrade the quality of justice serving both State and Federal governments. Nor is there a precedent, to my knowledge, for the program we propose. However, there is an abundant—many would say too abundant—precedent for Federal involvement in such a national program. We believe this precedent would serve the national interest well.

Among other things, the work of the State Justice Institute would implement and enhance the work of the Federal Judicial Center, the National Institute of Justice, and the Bureau of Justice Statistics.

We feel it will provide a vehicle by which the Department of Justice and Judiciary Committees of the Congress can factor the role of State courts into their thinking as they consider legislation impacting on the total judicial system, State as well as Federal.

In summary, the State Justice Institute has been proposed by State justice leaders as a mechanism for which they can focus attention on common issues facing them which deal with these issues in the most appropriate and efficient manner.

Our experience with LEAA funding, however brief, taught us that we could accomplish much even with limited amounts of discretionary money. This is money we have not been able to obtain from State legislatures because, as I have indicated, they focus on only State issues, while the role of the State courts serves Federal purposes in addition to its State role.

Professor Rosenberg has commented on what he called the erratic thriftiness of the State legislatures, and those Members of Con-

gress who have dealt with them I know understand the point of that comment.

Programs for judicial improvement or reform, as those of us here know to our regret, have rarely, if ever, attracted significant grassroots support. It is the failures of the State justice system, not its struggles to succeed, that attract national and local media attention.

The work of this committee, the work of Chief Justice Cooke, the work of the National Conference of Chief Justices and State Court Administrators has been without fanfare but with consistency, with support from you, Senator, and other Members of the Senate. It is this support we deeply appreciate and we hope have now brought again to your attention.

We appreciate your interest and that of the members of this committee.

My colleagues are prepared to expand on their introductory remarks. We will be pleased to respond to any questions you might have.

[The prepared statement of former Chief Justice Utter follows:]

Prepared Statement of Former Chief Justice Robert F. Utter

Mr. Chairman and Members of the Subcommittee:

The Conference of Chief Justices and the Conference of State Court Administrators are again pleased to present their views on the State Justice Institute Act, a measure which we believe is essential to an appropriate relationship between the judicial branches of the 55 state and territorial governments and the national government here in Washington.

I am Robert F. Utter, justice of the Supreme Court of the State of Washington and chairman of the Conference of Chief Justices' Committee to Establish a State Judicial Institute. My colleagues are Chief Judge Lawrence H. Cooke of the Court of Appeals of New York, chairman of the Committee on Federal-State Relations of the Conference of Chief Justices, and William H. Adkins II, state court administrator of Maryland and chairman of the Conference of State Court Administrators.

Each of us had the pleasure of testifying in support of the State Justice Institute Act in the last Congress, Mr. Adkins and I along with others in the Senate, and Chief Judge Cooke and I among others in the House. We will not, therefore, make a detailed statement at this time but ask that the Senate hearing record from the 96th Congress (Serial No. 96-49) be made a part of this proceeding.

With a few exceptions the existing record provides a full accounting of the developments that bring us here today and we will only attempt a brief review of them.

But first we want to express our thanks to the Senate, and especially to members of the Judiciary Committee, for the respectful consideration given this legislation last year and for the overwhelming support it received on passage. We think this support particularly impressive because we know, as proponents of a new federal program, that we are bucking a

rather formidable historical-political trend. We have found the courage to proceed, however, in the belief that we have an idea whose time has, however paradoxically, finally arrived. It is inconceivable that even 10 years ago the Conference would have been interested in working with the federal government on any program involving state courts. But the State Justice Institute Act was approved by the full conference in August of 1979 without a dissenting vote.

There are many reasons for this rapid shift in opinion. Most influential, perhaps, was our experience with the programs of the Law Enforcement Assistance Administration, the first and only federal agency to provide significant funding for the improvement of state court systems. But this experience coincided with a number of other developments that have increasingly directed the attention of state judges in the direction of Washington -- to activities of the Congress and the executive agencies, as well as to the decisions of the federal courts.

We are all aware of concerns that have been expressed about the growing overlap in jurisdiction between the state and federal systems and the very legitimate fear of some that federal judicial power may be expanding in a manner inconsistent with our traditional system of federalism.

The State Justice Institute legislation is premised on the belief that improvement in the quality of justice administered by the states is not only a goal of fundamental importance in itself but is essential to attainment of important national objectives including a reduced rate of growth in the caseload of the federal courts and preservation of the historic role of state judiciaries in our federal system.

We believe the legislation, by providing a basis for dealing with these complex issues, is a landmark of major significance in the history of our justice system. It would create a unique national resource to meet a unique national need.

As you know, State courts not only process the overwhelming majority of the cases in our state-federal judicial system but under the supremacy clause share with the federal courts responsibility for protecting the rights of all citizens under the Constitution and laws of the United States.

State courts, of course, existed before the federal courts and the federal constitution, in explicitly providing for only the United States Supreme Court, anticipated that state courts would be the courts of original jurisdiction for federal as well as state law questions. State courts, in fact, did hear federal question cases for the first 100 years of our national life. It was not until the Judiciary Act of 1875 that these cases were moved to the federal courts.

But despite the growth of the federal system state courts remain the courts that touch our citizens most intimately and most frequently and it is from their experiences in state courts as litigants, jurors, witnesses or spectators that the vast majority of our citizens make their judgments as to the strengths, weaknesses and fairness of our judicial system. To the average citizen it matters not whether the court is state or federal. His concern is with the fairness and effectiveness of the judicial process.

It has been the very deep concern of state chief justices for the improvement of their own systems that has led us to propose creation of a State Justice Institute.

I should note that the studies which led to this proposal were conducted by a Task Force of the Conference of Chief Justices in 1978 and '79 and that the legislation was drafted before the Carter administration made its decision not to fund LEAA in fiscal 1981 and to phase the agency out of existence. Thus, the bill was drafted to accommodate the Institute to the existing LEAA structure. It can stand alone at this time but it also could be modified to complement any new program that might be devised to replace LEAA's block grant program.

In attempting to summarize this legislation it is important to stress what it would not do.

First, and most importantly, the Institute would not be a federally conceived and directed program imposed in any manner on the state courts. That is what we had under LEAA and that is what the State Justice Institute has been designed to correct. This is a proposal of state judicial leaders themselves and has been endorsed by a wide range of judicial interests. It was designed to deal with violations of the separations of powers doctrine inherent in the LEAA program which was controlled at both the state and federal levels by officials of the executive branch; to permit the improvement of courts on a system-wide basis, i.e., in a manner consistent with their interrelated civil and criminal functions; and to protect the independence of state courts to the fullest extent possible.

Second, the legislation does not propose a financial assistance program, i.e., it would not provide funds for salaries or routine operation of the courts. This has never been the intention of the legislation and a prohibition on such funding is spelled out explicitly in an amendment by Sen. Thurmond which we fully support. We want state courts to remain state courts in every sense and we therefore want the states to retain the basic funding responsibility.

Third, the Institute would not be a major burden on the federal taxpayer. Rather, it would be a modestly funded national discretionary program without entitlement or formula funds and subject to Congressional oversight and annual budget review.

Fourth, the Institute would not create a large new federal bureaucracy. It would function with a small staff in conjunction with existing judicial agencies of the states and the state courts themselves. It could support but not duplicate services of existing agencies such as the National Center for State Courts and the National Judicial College.

In brief outline, the State Justice Institute would be a federally chartered non-profit corporation whose policy would be set by a board of directors appointed by the President. Under the bill as it passed the Senate last year, the board would be composed of six active state judges representing trial as well as appellate courts, one court administrator, and four public members knowledgeable in matters of judicial interest and concern. The board also would appoint the executive director, set funding priorities, and approve all project grants. Grants would be made on a project basis only with priority going to the courts themselves and to existing national organizations that work in conjunction with them for improvement of the judicial system. The emphasis would be on research, education, demonstration, clearinghouse, and technical assistance programs that are national in scope and would serve the needs of the courts throughout the nation.

As this outline indicates, the Institute would have these principal features:

-- It would be under control of state judicial officials with first-hand knowledge of the problems facing their courts.

-- It would be responsive directly to the judiciary committees of the Congress and not to unknown middle level officials at the agency or department level for its general program authority, its effectiveness, and its funding requirements.

-- It would permit for the first time long-range planning and program development for a total state court system.

-- It would place the responsibility for improvement of state court systems on the judicial officials charged with this responsibility under their own state constitutions and laws.

-- It would speed the process of court improvement and permit large economies of scale by concentrating on programs of national scope that would serve the needs of all 50 states.

And finally, it would put in place an agency capable of speaking and acting on behalf of state court systems as we seek solutions to the complex federal-state jurisdictional issues that are so critical to the future of both federal and state judicial systems.

I will only note for now that it is the perceived inadequacies of state judicial systems, whether real or not, that has provided the principal basis for the successful opposition that has been mounted thus far to proposals for abolition of federal diversity of citizenship jurisdiction, and which stand in the way of other possible jurisdictional changes including those that might reduce burdens on the federal courts resulting from habeas petitions by state prisoners and many Section 1983 actions.

While LEAA has provided substantial funding for state court projects and is rightly credited with making possible a significant court improvement effort, the relationship between LEAA and state court systems was never a smooth nor well-conceived one. Although state courts were directly affected they were not mentioned in the original Safe Streets legislation in 1968 and became involved in the LEAA program only incrementally and by administrative decision.

Congress did not direct its attention to the problems courts were having with LEAA until it amended the act in 1976 to provide a statutory base for judicial participation in the block grant program. The judiciary's complaints were stated in a series of resolutions adopted by the Conference of Chief Justices beginning in 1974.

In general, these resolutions made the point that federal funding for state court programs presented a special set of issues that should be dealt with outside the framework of support for the executive branch components of the criminal justice system. In particular, they protested control by

executive branch agencies at both the state and federal levels of funds allocated to judicial projects; the difficulty in obtaining funds for projects that involved the civil as well as criminal functions of the courts; and the small percentage of LEAA's block grant funds allocated to judicial programs. The civil-criminal issue was as vexing as the separation-of-powers problem. Most courts, of course, perform their civil and criminal functions so as to make separation impossible. Can you imagine, for instance, the Federal Judicial Center conducting a project to improve the processing of criminal cases in the federal district courts without considering its impact on the civil dockets of those courts. It simply could not be done, as programs to implement the Speedy Trial Act have shown. Yet that was expected of courts in many states under the LEAA block grant program.

These problems and related issues of concern to state judiciaries have been under discussion for the past five years before subcommittees of the House and Senate Judiciary Committees. Spokesmen for the Conference of Chief Justices testified on the issues in 1976 and 1979 at hearings on reauthorization bills for LEAA, and in the 1977 hearings on diversity jurisdiction and Access to Justice. The Conference also expressed its views in statements to the President's Reorganization Project for Justice System Improvement in 1977 and 1978.

When efforts to obtain appropriate amendments to the LEAA act failed, the Conference, in 1978, appointed its Task Force on a State Court Improvement Act to:

> "recommend innovate changes in the relations between state courts and the federal government and find ways to improve the administration of justice in the several states without a sacrifice of the independence of state judicial systems."

Thus, the legislation was developed by state judicial officials themselves to deal with the problems they perceived in their existing relationship with the federal government. In this sense, as Prof. Daniel J. Meador stated in House testimony last year, the State Justice Institute "does not represent any new or radical departure from already established federal-state relationships." From a historical perspective he added, "the creation of such an entity would be a natural next step in the evolution of the state courts' relationship to the federal government."

We did not set out, then, to replace LEAA, but to fashion a more effective and constitutionally correct mechanism for bringing national resources and perspectives to bear on the problems of state judiciaries. It was intended, of course, that state courts continue to participate in LEAA's block grant program at the state level. But our solution does call for an entirely new approach to a national program involving the courts: a federal agency responsive to the needs of 50 independent state court systems that does not trangress the doctrine of separate powers or violate the principles of federalism. We do not profess to have arrived at a perfect solution but we do feel we have structured an agency by which to begin what would be the first program for state courts in which the Congress looked directly at, and attempted to resolve the complex issues involved.

I will not attempt to detail at this time the kinds of services the Institute would provide or the kinds of programs we would expect to see funded. But it is clear that the initial effort should be directed primarily at national programs with broad application to all, or numerous states. These include national clearinghouse, technical assistance, research and training programs that provide the most cost-effective basis for developing and sharing expertise and experience on a broad

range of efforts essential to the modernization of state court systems. Because courts, particularly in states with unified systems, are becoming big business, these include adoption and maintenance of sound management systems with efficient mechanisms for planning, budgeting and accounting, the use of modern technology for the managing and monitoring of caseloads, and the development of reliable statistical data.

Assistance also would be provided to state systems seeking means to improve methods for the selection and retention of qualified judges, to conduct educational and training programs for judicial personnel, to reduce legal costs while improving citizen access to the judicial process, to increase citizen involvement in dispute resolution; to guarantee greater judicial accountability, and to structurally reorganize outdated judicial systems.

While reliable data on the caseloads of state court systems has not been available historically it is clear these systems have been subjected to the same complex of forces that have led to burgeoning caseloads in the federal courts. State caseloads have become so burdensome, in fact, as to threaten a breakdown of the judicial systems in major metropolitan areas.

The problems facing state systems are varied and long-standing. They involve structural and managerial shortcomings as well as qualitative factors in the performance of the basic judicial functions. But as various as the problems may be, they tend to be shared by state courts throughout the nation and are amenable to solution through shared national resources if made available on a continuing basis. An important start at providing continuing services has been made by the National Center for State Courts in Williamsburg, VA, and the National Judicial College in Nevada.

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It is the need we see for an independent agency that underlies, of course, our entire approach. And it is because we see the need as national that we turn to the national government, and not the states, for our support. While the administration of justice is the most fundamental of state responsibilities, the functioning of states courts is, under the supremacy clause, inextricably intertwined with that of the federal courts and is increasingly being affected by Congressional enactments. This point has been made by a number of observers including Prof. Meador who has stated that the administration of justice "is increasingly becoming an undivided whole, a seamless web," because of "the increasing overlapping of jurisdictions between courts of the states and courts of the Union." In both civil and criminal matters, he said, "state courts today are, to an unprecedented degree, engaged in deciding federal law issues." In view of this fact, he added, the federal government can hardly be indifferent to the quality of justice in the states.

This point also was stressed in the report of the Conference of Chief Justices' Task Force which found that in virtually all state civil cases the federal government is "completely dependent upon state judges to implement fundamental federal policies." This is true, the Task Force adds, whether federal issues before a state judge arise under the supremacy clause or under concurrent jurisdiction resulting from Congressional enactments. State courts also must process cases arising under the many state laws enacted to implement programs authorized under federal law.

This is not intended to argue that the federal government could or should reimburse the states as a quid pro quo. It is only to state the obvious: what the Congress and Federal courts do can impact heavily on state courts and what state courts do, or do not do, can affect the federal system. However, the fact

of the "seamless web" does point to a federal interest in the quality of justice in the states. And this Federal interest, we believe, combined with the many benefits that a State Justice Institute could offer to the federal government as well as the state courts collectively, makes it a legitimate national function and responsibility. More directly to the point, there is no organization or procedure through which 55 separate state and territorial legislatures can act in concert on a program such as we propose. Nor is there a precedent, to my knowledge, for it. But there is abundant, many would say much too abundant, precedent for federal involvement in such a national program and we believe it will serve the national interest well.

Among other things, the work of the SJI would implement and enhance the work of the Federal Judicial Center, the National Institute of Justice and the Bureau of Justice Statistics. We think it will provide a vehicle by which the Department of Justice and the judiciary committees of the Congress can factor the role of state courts into their thinking as they consider legislation impacting on the total justice system; state as well as federal.

We think the SJI will promote a healthy competition for excellence between our various state systems, as well as with the federal courts, and use to the fullest the marvelous laboratory for experimentation in new approaches provided by the 50 independent state courts under our federal system.

Finally, we think the SJI respects the separation of powers and makes federal what is best done at the national level while leaving the basic responsibility for the administration of justice to the states where it belongs. This is our understanding, at least, of what the federal system is all about.

In summary the State Justice Institute has been proposed by state judicial leaders as a mechanism by which they can

focus attention on the many common issues facing them and deal with these issues in the most appropriate and efficient manner. Our experience with LEAA funding, however brief, taught us how much we could accomplish with even very limited amounts of discretionary money, the kind of money that we simply have not been able to obtain for many reasons, from state legislatures, who tend to be afflicted with what Prof. Maurice Rosenberg has termed the disease of "erratic thriftiness" but whose attention is understandably directed to state level and not national level concerns.

Programs for judicial improvement or reform, as those of us here know to our regret, have rarely if ever attracted significant grass roots support. It is the failures of our justice system, not its struggles to succeed, that attract the attention of the media and the public-at-large. More than with most government functions, it seems, that tends to leave the full burden of change on the few of us charged with the operation and oversight of the system.

State judicial leaders, as evidenced by the work of the Conference of Chief Justices and other organizations of the judiciary, want to and are the ones who can best improve their systems. But we face an extraordinarily complex set of problems within a vast judicial system that includes the courts of the District of Columbia and the territories, and stretches from Puerto Rico in the South Atlantic across the continent to Alaska and Hawaii and on to the island of the far western Pacific. We need a resource that will help us keep abreast of the many changes impacting on the courts which now take place with such extraordinary rapidity in an ever more bewildering, and for the judiciary as well as others, more frustrating world.

State courts, which include, of course, the local courts of our state systems, involve many thousands of personnel and budgets ranging into the hundreds of millions. They deal with

human conflict and we will not soon run out of work, or devise perfect solutions. But we will continue to try and with your help, and the State Justice Institute, we are confident we can achieve significant and continuing progress.

My colleagues are prepared to expand on these introductory remarks and we will be pleased to respond to any questions you might have.

Senator HEFLIN. Thank you.

Mr. Adkins, we are delighted to have you as the chairman of the National Conference of State Court Administrators.

STATEMENT OF WILLIAM H. ADKINS II, STATE ADMINISTRATOR FOR THE COURTS OF MARYLAND; CHAIRMAN, NATIONAL CONFERENCE OF STATE COURT ADMINISTRATORS

Mr. ADKINS. It is a pleasure for me to be here before the subcommittee and to state the continued support of the Conference of State Court Administrators for the concept of the State Justice Institute Act as set forth in S. 537.

I am tempted to say that little has happened since our prior hearings here in 1979, in the fall of 1979, in support of the then version of this legislation except for the demise of LEAA.

Before this act LEAA was a sick patient. The prognosis was death and that prognosis is true.

A great deal of other things have happened which stress the need for the State Justice Institute. They have all been touched upon by Chief Judge Cooke and by Justice Utter, the continuing growth in State court caseloads, the trend which I think is also growing for the handling of what once were thought of as primarily Federal cases in the State courts, and of course the continuing decision by State courts of Federal constitutional questions as well.

The changed attitude in State legislatures which, as you well know, sir, never were all that friendly toward the State courts in the first place, but which are now falling under the influence of further fiscal conservancy and making it difficult for State courts to obtain minimum funding needed to run their operations, let alone funding to do some of the things that the State Justice Institute would do which simply cannot be done on a State court level.

Therefore, it seems to me that things have happened since our hearings in 1979, and all of them demonstrate very forcefully the need for the State Justice Institute Act.

Even if LEAA were still with us, it would seem to me that this legislation would be required, because, as pointed out at the former hearings, and as pointed out this morning, the State courts need the kind of support in a broad spectrum way across the law, not

just focused on criminal law, that this act will give but which LEAA legislation did not and was not designed to do.

For me to say more would be redundant in view of the comprehensive and eloquent remarks of Chief Judge Cooke and Justice Utter. Let me close simply by saying again that the Conference of State Court Administrators continues in its enthusiastic support for the State Justice Institute concept.

Senator HEFLIN. Thank you. I think we had very full hearings before, and they will be made part of the record here. I have a copy of them here, which seems quite voluminous.

I do not believe I have any questions I want to discuss at this point inasmuch as they have been fully covered in the previous record as well as our being brought up to date by your very succinct and erudite statements.

We have the chief counsel of the House Subcommittee on Courts, Civil Liberties, and Administration of Justice here.

Mike, have you any questions you would like to ask a member of the panel or the panel as a whole?

Mr. REMINGTON. No. I hold the gentlemen at the witness table in great esteem. I hope they will put themselves at the disposition of the House subcommittee as it looks forward on our counterpart bill H.R. 2407.

Senator HEFLIN. Anything further? [No response.]

If not, we will conclude the hearing. We appreciate your being here. Hopefully we can move forward.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

APPENDIX

ADDITIONAL SUBMISSIONS

THE ASSOCIATION OF THE BAR
OF THE CITY OF NEW YORK
42 WEST 44TH STREET
NEW YORK 10036

COMMITTEE ON PATENTS

THOMAS I. O'BRIEN
CHAIRMAN
270 PARK AVENUE
NEW YORK 10017
212 551-6095

May 13, 1981

Honorable Robert J. Dole, Chairman
Subcommittee on Courts
2213 Dirksen Senate Office Building
Washington, DC 20510

Re: S.21

Dear Senator Dole:

The Committee on Patents of The Association of the Bar of the City of New York is disappointed to hear of the limited hearings on S.21. It considers this bill to be controversial, and it wanted very much to testify against this bill.

For the record, I am stating below the Committee's positions on this bill, and I enclose six copies of this letter for distribution to each of your subcommittee members.

The Committee on Patents of The Association of the Bar of the City of New York is opposed to S.21, insofar as it relates to a single Court of Appeals for patent cases. A substantial majority of the Committee believes that:

(1) The proposed single Federal Appellate Court with exclusive patent jurisdiction will result in undue concentration of power over the entire patent system in the hands of a few specialist judges in Washington, DC.

(2) The geographical checks and balances that for two hundred years have been contributed to our patent system by appellate courts spread across the United States and staffed by generalist judges reflecting the wisdom of their regions will be lost.

(3) A key strength of the present appellate structure that most of us who are trial attorneys see and are convinced will be lost is the keen and objective ability of the present non-technically trained federal appellate judges to resolve complex issues regardless of subject matter.

(4) A single specialized patent appellate court is a step that will ultimately take the patent system out of the mainstream of jurisprudence.

(5) Inadequate consideration has been given to the inter-relationship between appeals from the Patent and Trademark Office to the proposed Court of Appeals for patent cases and appeals from the District Courts to the same Court of Appeals. Under the new Reexamination procedure (P.L. 96-517), either party to a pending litigation before a District Court could promote a Reexamination proceeding in the Patent and Trademark Office that could then go to appeal on a restricted record to the Court of Appeals for patent cases. A decision by that court is likely to be accorded considerably undue weight by the District Court because the latter's decision will eventually return on appeal to the same Court of Appeals. Unwittingly, an unsuccessful party in an essentially ex parte Reexamination proceeding is being short-changed on having a full day in court in an inter-partes contest.

A minority of the Committee continues to favor the bill, insofar as it affects patents, because they feel that a specialized appellate court will provide greater predictability in the assessment of the validity of patents and will not harm the system since patents will remain in the mainstream of jurisprudence at two of the three federal court levels, i.e. District and Supreme.

Thank you for your consideration.

Sincerely yours,

Thomas I. O'Brien

TIO:fv

cc: Members of the Committee on Patents of the Association of the Bar of the City of New York
Janet E. Berry, Esq.
Steven J. Bosses, Esq.
Kenneth A. Genoni, Esq.
Jules E. Goldberg, Esq.
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STATEMENT OF

NATIONAL SMALL BUSINESS ASSOCIATION

SUBMITTED TO

COURTS SUBCOMMITTEE

SENATE COMMITTEE ON THE JUDICIARY

IN SUPPORT OF A

SINGLE FEDERAL COURT OF APPEALS

MAY 18, 1981

"It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise..."

(P.L. 85-536, as amended, Section 2(a), Small Business Act.)

The National Small Business Association (NSBA) appreciates this opportunity to express its support for the efforts of Senators Dole and DeConcini to create a new Court of Appeals for the Federal Circuit.

The NSBA represents 50,000 small businesses, many of whom are the small, high technology companies that have made such mighty contributions to America's economic growth since World War II. It has been well established in study after study that small businesses created most of the new jobs for our workers; produced most of the important new inventions that substantially raised our standard of living, and which continue to conduct aggressive research and development that is so important to our continued well-being. Despite this distinguished record of past achievement, today many of our members feel like "shackled giants of innovation" in the words of Eric Schellin, the Chairman of the Board of Directors of NSBA. There are many reasons for this feeling, but one very important factor is the present weakness of the U. S. patent system. Thomas Jefferson designed our patent system to stimulate innovation by protecting the rights of inventors. Unfortunately, the present system is frequently used to plunder those least able to protect themselves!

This Committee has acknowledged the problem and led the fight to correct it. Last year The National Small Business Association enthusiastically supported the efforts of Senators Bayh and Dole that revised Government patent policies and created patent re-examination. The Senate Judiciary Committee accurately summed up the feelings of many of our members with the patent system in its report which stated, "A related problem is that the legal costs of court proceedings (estimated to easily reach $250,000 to each party) often prevents independent inventors and

small businesses, from adequately defending their patents against large competitors. This situation has a very chilling effect on those, small businesses and independent inventors, who have repeatedly demonstrated their ability to successfully innovate and develop important new products. Patent re-examination will greatly reduce, if not end, the threat of legal costs being used to "blackmail" such patent holders into allowing patent infringements or being forced to license their patents for nominal fees.

Unfortunately re-examination alone will not end the abuses of the system that are so detrimental to our economy, because the district courts are not using the same standards of patentability. Patent re-examination cannot correct this deficiency. As the Committee has heard many courts are known as "pro-patent" or "anti-patent" courts. Many of our members who spend millions of dollars and years of efforts developing new products find themselves being dragged into "anti-patent" courts where their patents are challenged and found invalid. Often the mere threat of spending $250,000 in legal expenses is used to intimidate the small business into permitting infringements or into agreeing to bargain basement licenses. In order for the Committee's goals to be met, re-examination must be coupled with the new court enforcing a single standard of patentability to discourage predatory practices. We, therefore, support the Court of Appeals for the Federal circuit and urge its adoption.

It should be clear that we are not asking for the creation of a "pro-patent" super court. What businesses need in order to make their day to day judgements is reliability. When patents are routinely found not worth the paper they are printed on everyone ultimately suffers because innovation is discouraged. Innovative companies now find that a patent's

worth varies according to where the trial is being held. This practice hurts all businesses, but is especially burdensome on small companies who cannot afford large legal staffs frequently found in big corporations.

Our members have demonstrated their ability to explore new technologies that larger corporations will not pursue. The reason is risk. Innovation is expensive and risky, frequently leading to blind alleys. In order to compete against larger competitors, small businesses must accept this greater risk. The incentive is producing a better product that can carve out a place in the market. The patent system was initially designed to encourage risk-taking by offering a period of exclusivity to the inventor in exchange for public disclosure of the invention. Small companies especially need this protection to recoup their investment and advertise their product which is often entirely new to the public. When small companies relying on patent protection are commonly viewed as innocents waiting to be fleeced by larger predators, everyone suffers because the source of successful innovation is blocked and discouraged. The creation of the new Court of Appeals for the Federal Circuit will encourage our membership because it introduces more certainty into the system. It's creation is also a signal to innovative companies - large and small - that this Committee and this Congress is offering more than rhetoric when it speaks about revitalizing American industry.

In closing we would like to comment on a charge being made by some litigating attorneys who stand to lose a lucrative practice through the creation of the new court. They are now saying that this court would be controlled by big business and that we should oppose its creation. The National Small Business Association rejects this charge. The creation of the new court would couple with patent re-examination to reduce predatory

patent litigation by imposing greater certainty on the whole system. It will help to end litigation being used to intimidate small businesses. The court would also remove the threat of suits being filed in districts which have historically been "anti-patent" because the standards used in the Court of Appeals would soon find their way to all the district courts.

The National Small Business Association believes in a strong, dependable patent system because it benefits everyone by stimulating the economy. This is not a goal that can be attained overnight or through the passage of one bill, but the passage of this legislation is a significant step in the right direction. We look forward to working with you to assure its passage.

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