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ADDENDUM TO HEARINGS

BEFORE THE

SUBCOMMITTEE ON

IMPROVEMENTS IN JUDICIAL MACHINERY

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

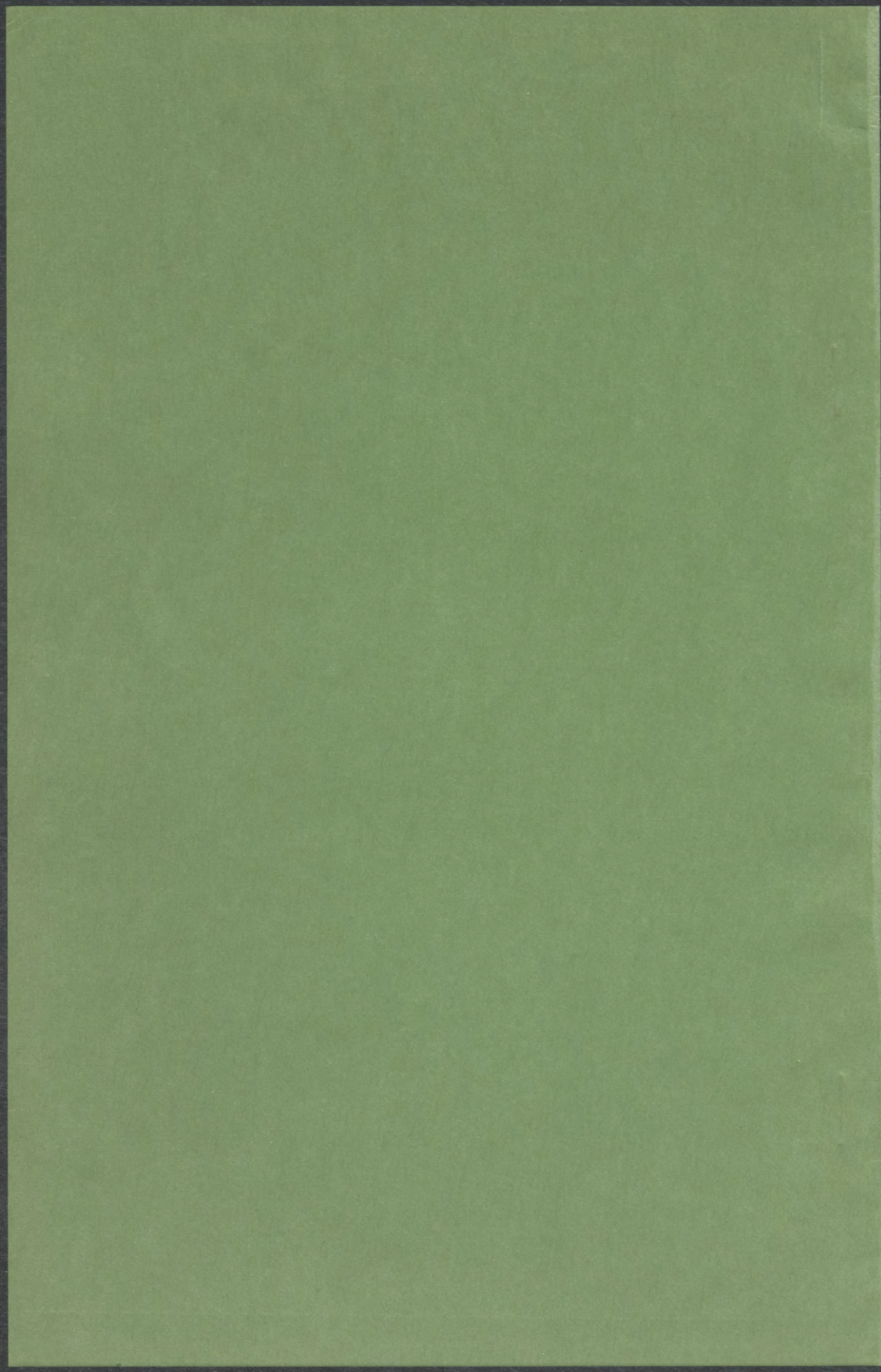
S. 677 and S. 678

MARCH 20, MAY 7, 9, 10, AND JUNE 18, 1979

Serial No. 96-24

Printed for the use of the Committee on the Judiciary





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WASHINGTON : 1980

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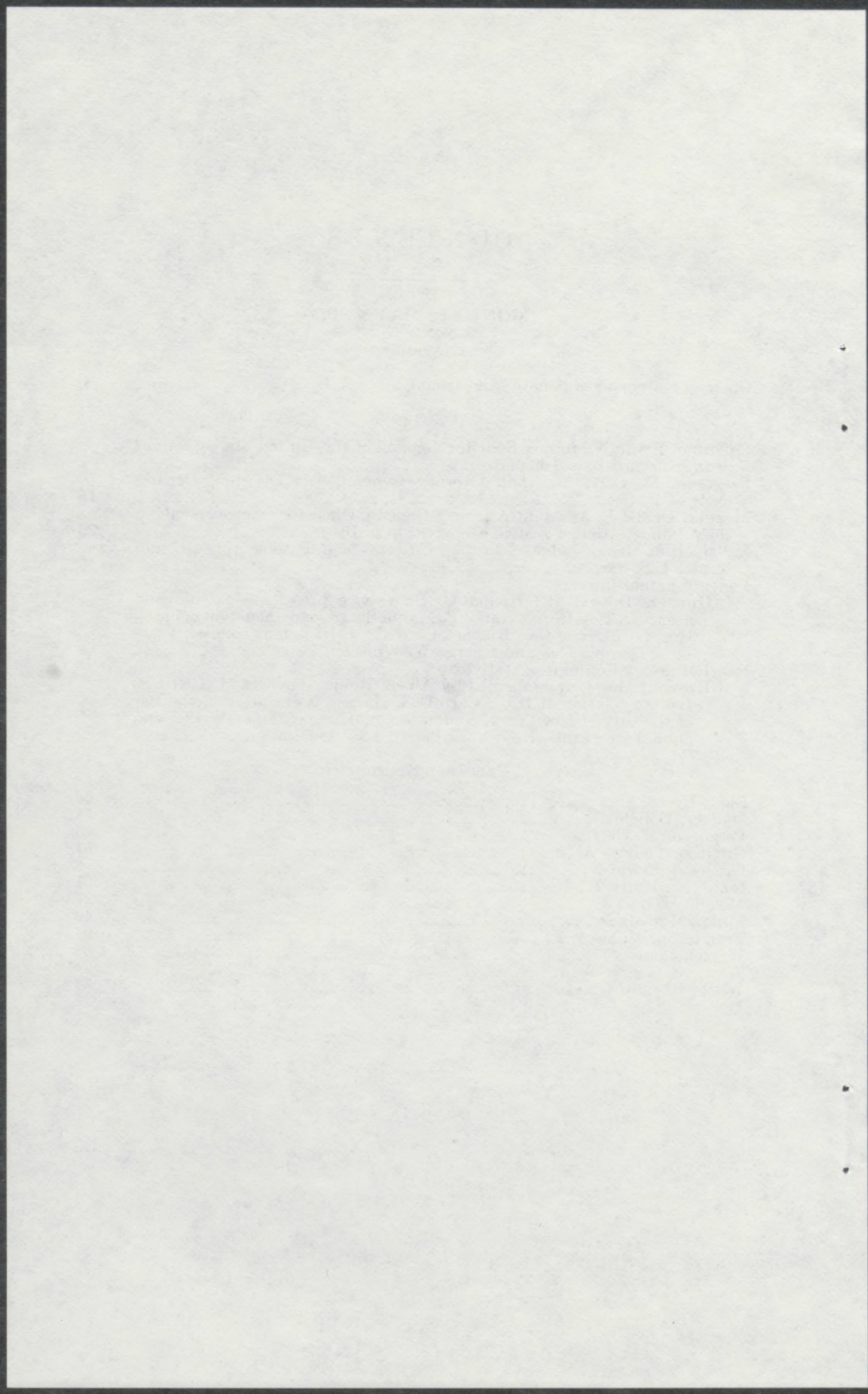
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**FEDERAL COURTS IMPROVEMENT ACT OF 1979,
S. 677 and S. 678**

MONDAY, MAY 7, 1979

**U.S. SENATE,
SUBCOMMITTEE ON IMPROVEMENTS IN
JUDICIAL MACHINERY,
COMMITTEE ON THE JUDICIARY,
*Washington, D.C.***

The subcommittee convened at 9:30 a.m. in room 2228, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman of the subcommittee) presiding.

Present: Senators DeConcini and Simpson.

Also present: David Boies, chief counsel and staff director, Judiciary Committee, Romano Romani, subcommittee staff director; Robert Feidler, counsel; Pamela Q. Phillips, chief clerk; Sandra Walsh, secretary, and Michael Wohfeiler, staff assistant.

Senator DeCONCINI. The Subcommittee on Improvements in Judicial Machinery will come to order.

OPENING STATEMENT OF SENATOR DeCONCINI

Today the subcommittee commences hearings on S. 677 and S. 678, bills to improve the judicial machinery. The basic ideas contained in these bills have been the object of study and comment within the Department of Justice and the legal community for several years, and we welcome the assistance and creativity of those whose efforts have succeeded in placing these bills before the Congress.

Senate bill 677 is the administration proposal introduced by Chairman Kennedy and is similar to S. 678, introduced by Chairman Kennedy and myself.

However, S. 678 is slightly broader in its scope in that it also creates a new U.S. Court of Tax Appeals made up of sitting U.S. courts of appeal judges who are temporarily assigned for periods of 3 years to the special tax appeals court.

The bills address many issues of concern to the judicial branch, including a new proposal for the discipline of Federal judges who violate the good behavior standard of the Constitution; a new retirement proposal; proposals for revision of certain courts of appeal procedures, including panel makeup and the membership on judicial councils; and numerous other sections addressing transfer of cases, interlocutory appeals, and interest on judgments.

These are comprehensive bills which, if enacted, will be a major step in court reform. Chairman Kennedy is keenly aware of the problems facing our courts and should be complimented for his efforts in developing S. 678 and for his continuing support of the Nation's courts and judicial improvements legislation.

Our first witness today is Erwin N. Griswold, former Solicitor General of the United States, former dean of the Harvard Law School, and presently a practicing attorney.

Dean Griswold, please come forward.

We will print in the record a copy of the two bills.

[The bills referred to above will be found in the appendix.]

STATEMENT OF ERWIN N. GRISWOLD, FORMER SOLICITOR GENERAL OF THE UNITED STATES; FORMER DEAN, HARVARD LAW SCHOOL

Mr. GRISWOLD. Thank you, Senator.

I have made a prepared statement and I will simply try to summarize it, and then I will be available for any questions that there may be.

PREPARED STATEMENT OF ERWIN N. GRISWOLD

The Constitution provides—in article III, section 1—that we shall have “one supreme court”—and we have it. It is a remarkable tribunal, for which I have the greatest respect. It serves this Nation well, to the extent of its human and physical capacity. It must retain the final voice in the exercise of the judicial power of the United States. It is the only court in this country which speaks with a national voice, whose decisions are bonding throughout the land.

Yet, the Supreme Court cannot decide all of the cases which merit a decision on a national basis. Congress has long recognized this fact, and the Court would have been overwhelmed without such aid from Congress. Nearly 90 years ago, Congress established the U.S. courts of appeals. More than 50 years ago, in 1925, Congress narrowed the obligatory jurisdiction of the Supreme Court, and provided that a considerable proportion of decisions in the courts of appeals and in State supreme courts should be reviewable only at the discretion of the Supreme Court, through what we call the certiorari jurisdiction. In recent years, Congress has carried this process close to a conclusion, by eliminating most of what remained of the Supreme's Court's obligatory jurisdiction on appeal.

The result has been to provide well warranted protection for the Supreme Court. It is no longer overwhelmed, nor is it in danger of being overwhelmed, for it holds itself the key to its front door. With very few exceptions, the jurisdiction of the Supreme Court is now wholly discretionary. The Court can take as many cases as it feels it has the time and resources to decide. It need not take any more. This was largely inevitable. It is good for the purpose of preserving and protecting the Supreme Court in order that it may soundly perform its basic function. No one wants the Supreme Court to decide any more cases than it does now, even though the number of cases seeking review in the Supreme Court had quadrupled over the past 30 or 40 years.

But this protection of the Supreme Court, necessary and vital as it is, has been obtained at a great price. The time has come when we should give careful attention to the situation which has resulted from the inevitable restrictions on the jurisdiction of the Supreme Court. This is why I welcome the consideration which is being given by this subcommittee to S. 677 and S. 678, and related bills.

For the present jurisdictional arrangement, with one undoubted Supreme Court, acting on a discretionary basis, leads to a curious paradox. It is true that we have “one supreme Court” constitutionally and legally established. But, for practical purposes, we have 65 or more supreme courts in this country in addition to the Supreme Court of the United States. These consist of the supreme courts of the States, the Supreme Court of Puerto Rico, the District of Columbia Court of Appeals, the 11 U.S. courts of appeals, the Court of Claims, and the U.S. Court of Custom and Patent Appeals. All of these courts can make final decisions in cases before them, reviewed by the Supreme Court only through its discretionary certiorari, which, out of necessity, can be exercised only rarely.

There are two important consequences of this:

1. The first is that though we have one Supreme Court, the fact is that we have a system which provides, ultimately, only discretionary justice. And, discretionary justice is by no means compatible with “Equal Justice Under Law.” It has quite a bit in it which is reminiscent of Harum al Rashid sitting under a

tree. No reasons are given for the denial of certiorari. It is impossible to state with precision the grounds on which certiorari is granted or withheld. Despite misapprehensions which are sometimes held, the denial of certiorari is not a decision of the legal questions involved in the case. Anyone who examines a number of the cases which come before the Supreme Court on petitions for certiorari will find that the Court frequently denies its discretionary review in cases which it would reverse if it had the time to hear them on the merits.

This system, though inevitable, and though it provides well warranted protection for the Supreme Court, is not wholly sound. It has in it a considerable element of what Dean Pound called "justice without law." This is troubling. It probably cannot be eliminated in a country as large and litigious as ours. But it can be reduced through developments such as those provided in the bills now before the subcommittee.

2. The second defect of the present system is that we have inadequate appellate capacity on a national basis. No decision of any State supreme court, or of any Federal court of appeals is binding throughout the land. Though the number of questions which has been decided is large, the only decision which establish the law of the land are those of the Supreme Court of the United States, and they are very few.

The result is a kind of chaos, so great that we would be startled by it, I am sure, if we had not grown up with it, and become accustomed to it. Though a question of Federal statutory or constitutional law may have been decided in half a dozen State supreme courts, it is still quite open in all the other State supreme courts. Indeed, no one can really rely on the decisions of the courts where the question has been decided, since, sometime in the future, the Supreme Court of the United States may review a case from that State, or from another State, and decide it the other way.

The situation is even worse with respect to the U.S. courts of appeals, where questions often remain unsettled for many years, until, somehow or other, the issue is able to crack the Supreme Court's certiorari barrier which, ordinarily, is hard to do.

In our well-warranted concern for the courts, we tend to forget that most of the law in this country is administered in law offices, private and governmental. The judicial system would surely collapse if this were not so. Under our present system, though, the process of administration is made extremely difficult. A careful lawyer cannot advise his client that the law is one way or another. About the most he can say is that there are three decisions in the courts of appeals which go this way, and two that go that way. In addition, there are decisions in two other circuits which are not wholly clear. It is true that one of the cases against us is in this circuit. However, I cannot advise you to proceed according to that decision, because this is an area where the Supreme Court may grant certiorari, perhaps years hence, and there is no way to predict what way the Supreme Court would decide the case.

The question is equally difficult for Government lawyers. They cannot rely on the decisions of the several courts of appeals any more than the private lawyers can. The result is continuing uncertainty, encouragement to litigation, and a premium on continued litigation. I am sure that the burden on the courts in this country would be considerably reduced if we only had a system which would enable lawyers, both private and public, and judges of the lower courts, to know somewhat more definitely than is now the case what the law is.

This is especially true in areas where there are a large number of recurring questions, no one of which is of great importance by itself, and most of which are not worthy of review by the Supreme Court of the United States.

There are a number of fields in which such questions are concentrated. One of these is the Federal tax field. Another is that of patents and trademarks. It seems likely that the same thing is developing in the area of environmental law, and of energy. The same may be true of antitrust.

I can illustrate the problem, by referring to a case which I argued in the Supreme Court when I was a Government officer. This is *Cartwright v. United States*, 411 U.S. 546, decided in 1973. The question involved there was the value to be put upon shares in mutual funds for the purpose of determining the Federal estate tax. Should they be valued at the high, or retail price, including loading, at which they can be bought; or, should they be valued at the lower price, without loading, for which they can be redeemed? This is a question which must have arisen tens of

thousands of times, and it must have been involved in many thousands of conferences between executors and revenue agents. Yet it took more than 10 years to get this issue decided. The Treasury issued a regulation fixing the high value. And this was approved by several of the lower courts. Yet, of eventually a conflict of decisions developed, and the Supreme Court finally decided that the lower value was the correct one. We should not have had to wait more than 10 years for a decision from the Supreme Court to establish a rule on this matter which was binding on a nationwide basis. Indeed, it is hard to feel satisfied that the question was one which the Supreme Court should ever have had to concern itself with at all. The problem arises because our system provides no nationwide answer for any question until the Supreme Court has decided it—and the Supreme Court can, in the nature of things, decide very few cases.

The fact is that we badly need more appellate capacity. The dockets of the U.S. courts of appeals are nearly overwhelmed. The time has come, I feel sure, when we must provide more appellate capacity. We can make the most progress, I think if we establish some new courts of appeals on a topical basis, rather than on a geographical basis. This will provide courts, below the Supreme Court, which can make decisions which are nationally binding in their designated areas. The decisions of these courts would be subject to review by the Supreme Court, but it seems clear in advance that the Supreme Court would rarely exercise its discretion to review these decisions, since there would be no conflicts, and most of the questions decided—like the question involved in the *Cartwright* case—would not be worthy of Supreme Court review.

This is what S. 677 and S. 678 attempt to do. I favor the proposal in either bill, because I think it is important to get this process started. There is no doubt that it will have to be developed and improved, but this can be done without too much difficulty once we have accepted the proposition that there should be one or more courts of appeals which should be established to provide review on a national basis in certain areas where such review is especially useful in the administration of the law.

Indeed, we have such a court already, in the Temporary Emergency Court of Appeals. A court with that name was established during World War II for the purpose of reviewing decisions in the area of price control. The name was used again in establishing the present court which reviews decisions in the field of energy. Those courts have worked very well. What we need is more of them.

There is another area in which there might be a Federal court of appeals with jurisdiction on a national basis. Such a court would be available to review Federal statutory and constitutional questions which arise in the decisions of State courts, particularly in the criminal field. Such a court would make it possible to provide a measure of finality for State decisions in criminal cases, and it would eliminate the present system where, following a State court decision, there is a petition for certiorari to the U.S. Supreme Court. When this is denied, there is a petition for a writ of habeas corpus in the Federal district court—and sometimes two or more such petitions—and this is followed by a decision from the U.S. court of appeals, with a further opportunity for seeking certiorari from the Supreme Court.

Chief Justice Cameron of the Supreme Court of Arizona has suggested that there should be such a Federal court of appeals to review Federal questions in State criminal cases, and I understand that this is to be considered at the forthcoming conference of the chief justices of the States. I mention it now because it is a matter which might well be given consideration by this subcommittee in connection with the pending bills.

There are problems in my mind with respect to both of these bills, but they do not seem to me to be insurmountable. Both provide for combining the U.S. Court of Claims and the U.S. Court of Custom and Patent Appeals into a U.S. Court of Appeals for the Federal Circuit. These two courts are now located almost adjacent to each other, and there would seem to be much sense in combining them and their jurisdictions. It would be important to maintain the high caliber of the judges of such a court, and this would probably be helped by the new title which would make it even more clear than it is now that the new court ranks on a basis of full equality with the U.S. Courts of appeals.

S. 678 provides for the same combination, but would also establish a new U.S. Court of Tax Appeals. I must say that that finds a certain resonance in my ears, because I wrote an article with that title 35 years ago. It is high time, I think, that something should be done about it!

There are some aspects of the Court of Tax Appeals provided by S. 678 which give me concern. Under S. 678, this court would not have the stability and continuity which I feel to be desirable. It would consist of 12 present circuit judges

who would be designated by the Chief Justice for a relatively short term, and they would be succeeded by other circuit judges who would serve on the court for a period of 3 years. Normally, the U.S. Court of Tax Appeals would sit in panels of three judges. It is obvious, therefore, that there would be considerable diversity in the court, and little continuity. This, in my view, is undesirable if the Court of Tax Appeals is to be effective in providing decisions which would be binding on a national basis, and which would proceed with a consistency of doctrine which would enable the lower courts to decide cases in away which would provide sound and efficient tax administration. I would rather have a court of say seven judges, permanently assigned, or appointed to the court, sitting perhaps in a panel of five. With such a court, I think we would have much more consistency and stability in the tax field, and that we would soon have a tax system which is better administered, and involves less litigation, than is the case with our present system of divided review and long-delayed finality.

Let me close by saying that I am very much pleased that this subcommittee is considering these bills. I think that enactment of legislation along the lines proposed in these bills would be a great improvement, and that such legislation is long overdue. There are many questions of details to be resolved, but I have no doubt that these can be worked out once the decision is made to go ahead with the establishment of one or more courts of appeals with the responsibility for deciding all appeals in certain designated areas, such as claims, patents, and taxes, and review of Federal questions involved in State court criminal decisions. In the Federal court field, such courts will not add a new layer of appellate review. There will continue to be just one court between the trial court and the Supreme Court, and if such a court were established for State court review of Federal questions, it would in fact reduce the layers of appellate review. We will continue to have just "one supreme Court," as the Constitution provides. But we will have provided tribunals which can announce decisions which are controlling on a nationwide basis in areas where such decisions will contribute substantially to the prompt and more efficient administration of the law.

NATIONAL COURT OF STATE APPEALS: A NEW COURT WOULD END THE DELAY AND CONFUSION THAT NOW MARK FEDERAL COURTS' REVIEW OF STATE COURT CONSTITUTIONAL DECISIONS

A VIEW FROM THE STATES

(By James Duke Cameron)

Because of the Federal supremacy clause in the U.S. Constitution, State courts must not only apply Federal law when appropriate, but are subject to review by the Federal courts when Federal law is applied improperly. Although State judges may disagree with particular decisions of the Federal courts, State judges should have no quarrel with Federal review of State court decisions involving Federal questions. If there is to be any semblance of uniformity in the application of Federal constitutional provisions by the State courts, it is inevitable, if not desirable, that the Federal courts, and particularly the U.S. Supreme Court, have the last word.

When we became a nation, this review by the Federal courts was only an occasional problem. The population was stationary and small. The right to travel was an unknown benefit of the Federal Constitution. If the law in one State was different from that of a sister State, it was of little concern except to a few people engaged in commerce. In fact, only occasionally did the U.S. Supreme Court review and reverse a State supreme court decision.

Today this has changed. Not only is there greater pressure for uniformity in the application of Federal law by the State courts, but it is a rare case in the State court that does not have some Federal question involved, even if not expressly stated. Even those subjects in which exclusive Federal jurisdiction is proclaimed—bankruptcy, copyright, patent, securities, and antitrust—can be a part of a State case in contract, probate, or tort. The expanded use of Federal habeas corpus by State prisoners has been the most spectacular.

In discussing the impact on the State courts of decisions of the U.S. Supreme Court, Justice Brennan wrote in 90 *Harvard Law Review* 489 (1977):

"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 his 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 ones. . . . [S]tate courts no less than federal are and ought to be the guardians of our liberties.”

Accepting the fact that Federal review of State court decisions is not only logical but desirable and that it is the constitutional duty of the Federal courts to review State court decisions, it is submitted that the Federal courts are doing a dismal job of discharging this obligation, The Federal courts are guilty of delay and inconsistency in applying Federal law to the States to the detriment of the State judicial systems.

A look at the delay by Federal courts in the review of State criminal matters is most instructive. The typical criminal defendant usually goes through three stages in the state court: (1) Trial by the State trial court; (2) review by the state's appellate court (if there is an intermediate appellate court, there may be a two-stage appellate process); and (3) postconviction procedures that have been all but mandated by the Federal courts and that provide a method of entry into the Federal courts. It should be noted that the postconviction procedure may also have two steps—hearing in the State trial court and review by the State's appellate system.

This procedure from arrest to trial to review by the State's highest court and exhaustion of postconviction remedies can be tedious and time consuming. But at this point the State prisoner is not even halfway through. He can and frequently does take four more steps in the Federal courts: (1) He can petition for a writ of certiorari or a direct appeal to the U.S. Supreme Court. If access to the U.S. Supreme Court is denied, as it most often is, the defendant then (2) can go to the Federal district court. If denied relief there, he (3) can appeal to the circuit court of appeals. If he loses there, he (4) can go back again to the U.S. Supreme Court.

This can delay the execution of the sentence, and any attempt at rehabilitation of the defendant is worthless while he waits and dreams that somewhere, somehow, someday a Federal judge will reverse his conviction and set him free. That this happens only in a few cases does not dim the hope that forever burns in the heart of the State prisoner as he exhausts his many remedies in the Federal courts. John P. Frank of Phoenix testified before the Commission on Revision of the Federal Court Appellate System that “the system feeds crime, making rehabilitation of those who are in prison difficult because they never accommodate to the situation until the Federal will-o'-the-wisp finally disappears.”

A casual review of any recent United States Reports will reveal instances of this. For example, *Greene v. Massey*, 437 U.S. 19 (1978), is instructive. In 1965 Greene and a codefendant, Sosa, were indicted for murder and convicted. The conviction was set aside by the Florida Supreme Court (215 So. 2d 736), and a new trial ordered. The new trial was held, and the defendant Greene was convicted again. This conviction was upheld by the Florida Court of Appeals against the defendant's double jeopardy claim (302 So. 2d 202).

Having exhausted his State remedies, Greene then sought relief in the U.S. Supreme Court, which denied his petition for a writ of certiorari (421 U.S. 932). Greene next petitioned for a writ of habeas corpus in the Federal district court, which was denied. From the Federal district court, Greene went to the U.S. Court of Appeals for the Fifth Circuit, which affirmed the Federal district court (546 F. 2d 51). Again Greene petitioned to the Supreme Court, but this time certiorari was granted, and on June 14, 1978, the Court reversed the decision of the Fifth Circuit.

But even this did not conclude the matter. The Supreme Court did not finally dispose of the case but instead remanded it to the Fifth Circuit for a reinterpretation of the Florida Supreme Court decision of 1968 (some 10 years before) in light of later opinions of the U.S. Supreme Court, stating: “The court of appeals will be free to direct further proceedings in the district court or to certify unresolved questions of state law to the Florida Supreme Court.”

An outsider with no knowledge of judicial history might well ask why the U.S. Supreme Court could not have granted certiorari the first time, and he would

be hard put to find an answer. Even if he got over this hurdle, the next question any administrator worth his salt might ask is why the denial of the first petition for certiorari was not final. We have grown callous to this delay, but I would suggest that it cannot be justified when viewed in the light of any reasonable concept of efficient administration.

If delay is intolerable, so is the inconsistent application of Federal law to the States by the Federal courts. There is usually a consistency of application of State and Federal law within a State judicial system. This is so because the State's highest court is the last word on what the law is for that State. Since most State supreme courts are concerned with administrative supervision of the entire State court system, they also tend to be more alert to the necessity for a unified and consistent body of State law as well as a unified and consistent administrative system. The result is a predictable and final system for review within the State.

In the Federal system there is no finality. Professors Carrington, Meador, and Rosenberg have stated in their book, "Justice on Appeal:" "The problem of national uniformity derives from a weakness in the federal appellate hierarchy. The weakness is the result of overgrowth: the hegemony of the Supreme Court of United States is too attenuated to be effective as the unifying arch of the structure. By combined force of numbers of cases and complexity, the national law has outgrown the Court's supervisory capacities. The Court is forced to scant many of the matters for which it bears the ultimate responsibility."

The law from circuit to circuit can be different, and basic constitutional questions can depend on the circuit in which the State happens to be located. The law within the circuit can depend on which panel of the circuit hears the case and which visiting judge is invited to sit with the panel. In the U.S. Court of Appeals for the Ninth Circuit there were 64 visiting judges in the statistical year ending June 30, 1978. James R. Browning, chief judge of the Ninth Circuit, has informed me that when the expansion of the circuit to 23 judges is completed, there will be one visiting judge called to sit with each three-judge panel. That they do as well as they do is a tribute to the quality and dedication of our Federal appeals judges, but the Federal circuits, sitting in panels of three, are not likely to produce a great body of consistent and harmonious law.

The confusion is even worse on the Federal district level. In each State there may be just as many interpretations as there are Federal district judges. This is not a criticism of the Federal trial judiciary. It is, however, inevitable that there will be different applications of the facts in each case, particularly when the petitions to the Federal courts contain varying recitations of the facts and the law. Now, to make matters worse, Federal magistrates are being involved in the review of State court decisions.

The delay and confusion caused by the method of Federal review of State court decisions are evidence of the most costly and inefficient system ever devised by man to review the decisions of each other. Some reform is necessary if the State courts, which decide more than 90 percent of the cases, are to be able to apply the Federal law evenly and fairly to State decisions, as the U.S. Constitution requires.

In looking for methods that offer to the State courts relief from the delay and inconsistency in the review of their cases by the Federal judiciary, the recent suggestions for a National Court of Appeals are helpful.

The Study Group on the Caseload of the Supreme Court (the Freund commission) was the first to propose a National Court of Appeals limited to criminal cases as a screening court for the U.S. Supreme Court. Clement F. Haynsworth, Jr., chief judge of the Fourth Circuit, later proposed a court that would have "jurisdiction to review on writs of certiorari federal questions issues in convictions in the state and federal systems in which a conviction or sentence is called into question" (59 A.B.A.J. 841). Although Judge Haynsworth was concerned with relieving the workload of the U. S. Supreme Court and improving the efficiency of the Federal judicial system, I believe that his recommendations are extremely helpful in considering what can be done on the Federal level to assist the State courts.

LET'S HAVE A NATIONAL COURT OF STATE APPEALS

I propose that there be created a National Court of State Appeals consisting of nine judges appointed by the President pursuant to Article III of the U.S. Constitution with exclusive original appellate jurisdiction to review all State court decisions, both civil and criminal, in which Federal questions are raised. It would consider not only direct appeals from the State's highest court, but it also would

have exclusive original jurisdiction over all collateral attacks on State court decisions. It would be a discretionary court. It would also be a court of entry to the U.S. Supreme Court in that certiorari could be taken to the Supreme Court from its decisions in those instances indicated below.

For this court to be acceptable, the following conditions must be met:

1. The docket of the court should be manageable.
2. The U.S. Supreme Court must remain supreme.
3. The Federal judiciary should not be unduly expanded.
4. The new court must be able to attract competent and able judges.

As can readily be seen, this will be a high-volume court. For the statistical year ending July 30, 1978, Federal district courts handled 7,033 petitions for writs of habeas corpus from State prisoners. In 1977 the figure was 6,866, and in 1976 it was 7,833. In the circuit courts of appeals for the statistical year ending June 30, 1978, there were 676 cases arising from appeals from the denial of petitions for writs of habeas corpus by State prisoners.

We are concerned only with the district court statistics, as the State prisoner cases in the courts of appeals came originally from the Federal district courts. State prisoner petitions to the U.S. Supreme Court through the Federal system are relatively small in number. These numbers are also deceptive, in that 80 to 90 percent will be frivolous or no-merit cases that can be disposed of quickly with screening by central staff and with judge review. It must be remembered that these cases will have passed through a State process and that the issues will have become distilled to the point that review should be easier.

At the time of appeal to the National Court of State Appeals, the criminal defendant should have been given all of the State and Federal due process that the State courts can give. He will have been found guilty by a jury or have pleaded guilty, often as a result of a plea agreement approved by the court. His case will have been reviewed by the State's appellate court, and his conviction will have been affirmed. If the chance that he will have a valid claim of reversible error is extremely small, the chance that he will have been convicted of a crime that he did not commit will be even smaller.

It can also be anticipated that once the Federal district courts are no longer available for collateral attack, there will be less recourse to the Federal courts and that the number of petitions to the new National Court of State Appeals will be substantially less than those now going to the Federal district courts.

Even so, to be effective, the National Court of State Appeals must be provided with an adequate central staff of seasoned attorneys to aid and assist it in deciding cases to be heard and cases to be dismissed. The staff must be adequately paid and large enough to review each matter that comes before the court carefully and effectively so that no valid claim will be overlooked.

With proper use of central staff, all cases will get close attention by the staff, and they can effectively sift out those that are frivolous or meritless and do not need closer attention by a judge. Properly staffed, the National Court of State Appeals should be able to handle its caseload.

The method of review by the U.S. Supreme Court of decisions and opinions of the National Court of State Appeals is a most important consideration if the Supreme Court is to remain the final authority regarding Federal questions. For the Supreme Court to remain supreme does not mean that it must remain open for every matter that is thrust upon it.

This is the very reason that the Supreme Court is overloaded now. This overloading increases the danger that a worthy litigant will be overlooked in the crush of frivolous and meritless petitions. Judge Carl McGowan of the District of Columbia Circuit, in discussing the increasing caseload of the Federal judiciary, stated: "It is not the concern of lawyers alone that [the judiciary's] flame be not dimmed by either . . . neglect or a too expansive concept . . . of how far its light can reach" (62 A.B.A.J. 1588 (1976)). A balance that will allow the National Court of State Appeals to dispose finally of the vast majority of cases presented to it, while providing an avenue for review by the U.S. Supreme Court of those cases that need the Court's attention, is, I believe, attainable by two procedures.

First, as suggested in the article by Judge Haynsworth and as followed in some States where there are intermediate courts of appeals, certiorari or appeal from the National Court of State Appeals to the U.S. Supreme Court should be allowed only when one or more of the judges of the National Court of State Appeals dissents. Since the court will have nine judges of varying shades of philosophy and background, it is unlikely that a worthy case will be foreclosed by a unanimous opinion of the National Court of State Appeals.

Second, a procedure can be provided that would allow the parties or the chief justice of the National Court of State Appeals, after the briefs have been filed and the matter is ready for submission, to petition the U.S. Supreme Court for transfer to that court. The parties would have to show extraordinary reasons for the transfer. For example, a case such as *Bakke*, in which it is apparent to all that it should be decided by the U.S. Supreme Court, could bypass the National Court of State Appeals and go directly to the U.S. Supreme Court. This method has been used in Arizona to bypass the intermediate appellate court and in the Federal system to bypass the Federal circuits.

These two procedures will allow opportunity for review of the decisions of the National Court of State Appeals by the U.S. Supreme Court without placing too great a burden on the Supreme Court to hear petitions for review of all cases decided by the National Court of State Appeals, which would not be independent of the Supreme Court but subservient to it and always subject to review by it. The Supreme Court would remain supreme.

This proposal would increase the Federal judiciary by only nine judges, a de minimis increase for the results that can be obtained.

NEW COURT SHOULD BE ABLE TO ATTRACT COMPETENT JUDGES

Since the new court would have jurisdiction over both civil and criminal cases, it should be more desirable from the standpoint of attracting competent judges than a court limited to criminal jurisdiction, whether Federal, as in the Freund commission's recommendations, or both State and Federal, as suggested by Judge Haynsworth. The judges will be article III judges appointed by the President. The court should not be circuit level but it should stand apart in pay and designation. Its members should be called justices to distinguish them from circuit court judges.

The method of selection of the judges has troubled previous supporters of a National Court of Appeals and has had a chilling effect on past proposals for a national court. Erwin N. Griswold has indicated, along with Judge Hufstедler, that the method of selecting the judges should "not be subject to dominance by any administration or political party" (60 Cornell Law Review 335 (1975)). This objection could be overcome by providing initially for a form of merit selection as recommended by the American Judicature Society, used in many States, and followed in the selection of Federal circuit court judges. There also could be an agreement that there will be a balanced selection by the President between the political parties when the court is first appointed.

This proposal would not interfere with other proposals of improved Federal appellate procedures for the relief of the U.S. Supreme Court. For example, the proposal of Assistant Attorney General Daniel J. Meador to combine the Court of Customs and Patent Appeals with the Court of Claims into one circuit-level court could be implemented without interfering with the creation of the National Court of State Appeals.

The question that must be answered in the affirmative is: Would the National Court of State Appeals provide justice to litigants? I believe it would.

In addition to providing swift and consistent review of State court decisions, it would provide a clearly delineated avenue by which a State litigant could receive a final determination of a Federal question. As Dean Griswold pointed out, our present system severely rations justice and will continue to do so as Federal courts become more bogged down in their own work and the State courts expand.

Judge Haynsworth in his proposal stated: "Relief to the Supreme Court is only one of the collateral consequences that would flow from the adoption of this proposal. My primary purpose is to improve the quality of justice to persons charged with crime through the creation of a new court that can decide federal claims more expeditiously and uniformly than we can now and with much less cost in time and money to litigants and the judicial system."

Relief for the States is not the only reason for a National Court of State Appeals. It would also provide swifter and more consistent justice for the people the Federal and State courts must serve.

In the past the State courts did not always pay strict attention to the Federal Constitution. As a result, the Supreme Court entered the arena and because it could not handle all the cases, it in effect delegated much of the work to the lower Federal courts. The result has been excessive delay and inconsistency in the application of Federal law to State court decisions.

Federal review always will be present to consider the application of Federal law by State courts. This review should be even in application, reasonably quick and, most important, final. A National Court of State Appeals could do this and at the same time provide some badly needed relief to the Supreme Court.

Mr. GRISWOLD. I think that the one thing in this area that everyone is agreed on is that the Constitution provides there should be one Supreme Court in this country.

Accepting that, however, we run into an immediate problem which is the Supreme Court cannot possibly hear all of the cases which warrant appellate review on a nationwide basis, that is with a decision which is binding on all the lower courts, subject only to review by the Supreme Court, which inevitably will be rarely given.

The consideration of this problem started out primarily on the basis of concern for the overburden on the Supreme Court. But we have come to see that that isn't really the problem. Thanks to the actions which Congress has taken, some in recent years, pursuant to its constitutional power to regulate the appellate jurisdiction of the Federal courts, the jurisdiction of the Supreme Court is now almost exclusively discretionary.

The Supreme Court holds the key to its own courthouse door. It does not need to hear any more cases than it can effectively handle, and it has actually proceeded on that basis for the past many years.

The consequence, though, is that a very much smaller proportion of cases decided in the lower courts is now reviewed by the Supreme Court, and the striking figure in this area and one that I find not only striking but sometimes a little shocking is that less than 1 percent of the decisions of the U.S. courts of appeals are in fact reviewed by the Supreme Court on the merits.

That means that we have a tribunal up here [indicating] and then we have about 12 down here, which decides most of the cases.

And I think it can fairly be said that we have something like 65 supreme courts in this country. We have 52 supreme courts of the States, plus the District of Columbia and Puerto Rico. And I can increase that by adding a few other areas. We have the 11 courts of appeals. We have the Court of Claims, the Court of Customs and Patent Appeals, and some other courts, and their decisions are for all practical purposes on most of the issues which are not of great or overwhelming public concern, those decisions are final and are not in fact reviewed by the Supreme Court.

This leads to a good deal of chaos, which anyone who tries to work in the field can readily see. If our system is to work, most of the law must be administered in the law offices, not only the private offices but also the public law offices and, indeed, in the administrative agencies.

Most of the tax laws must be administered by the employees of the Internal Revenue Service, many of whom are not lawyers, in the conferences which are carried on with taxpayers which ought to resolve 99 percent of the controversies.

But the Government lawyers and the private lawyers have the greatest difficulty in finding out what the law is. There may be a decision of a court of appeals out West, there may be another decision

of the Court of Claims, and neither one can be regarded as binding in any particular tax controversy.

There may be three decisions going one way, and two going the other way, and there may be a decision in the circuit in which the taxpayer lives, but that is not binding because somewhere along the way some case may come up in conflict and then after perhaps two or three conflicts develop—because the Supreme Court lately has been denying certiorari in conflict cases—after a number of conflicts develop the Court may grant certiorari and decide the question one way or the other.

I use as the chief example of this a case which I argued when I was representing the Government, the *Cartwright* case, involving the question of the valuation to be put on mutual fund shares when a person died owning them in his estate.

The question is whether they should be valued at the retail price, a higher price, including loading, or at the wholesale price, a lower price, for which they can be turned in.

It took 12 years after the relevant regulations were issued in that case. The regulations called for the higher value, but the Supreme Court in the *Cartwright* case in 1973 decided in favor of the lower value.

Of course, no one can make a count, but I have no doubt that that issue was involved in tens of thousands of conferences in revenue agents' offices, and must have come up in hundreds of thousands of occasions in lawyers' offices, advising executors as to how to value it, in conferences with revenue agents.

But our present system made it take 12 years before we could get a nationally binding decision on that question. And it never was a question which was worthy of the time and attention of the Supreme Court.

We ought to have ways to provide greater appellate capacity on a national basis, and that is why I favor the action of the subcommittee in considering these two bills, why I am grateful to Dan Meador of the Department of Justice for coming up with one of them, and why I am also very much interested in S. 678, which expands the Meador draft by adding a separate court of appeals for tax cases.

In my statement I have suggested still another area which has been proposed, which has to do with the review of decisions of State supreme courts with respect to the Federal questions which may be developed in those decisions.

These are primarily in criminal cases. They relate to such matters as search and seizure, adequate representation by counsel, other matters which as we now operate require not only a decision of the State supreme court, followed often by a petition for certiorari to the U.S. Supreme Court and then followed by a petition for habeas corpus in the district court and appeal to the court of appeals, and then eventually another petition for certiorari in the U.S. Supreme Court.

The consequence of this is that such decisions are sometimes upset by the U.S. Supreme Court 6, 7, or 8 years after they have been rendered and the underlying consequence of which is that it is virtually impossible to obtain any measure of finality in State criminal decisions.

The proposal has been made that there should be a U.S. court for review of Federal questions in State cases; State cases could be taken immediately to that court, and when it had reviewed them and concluded that there was no Federal error, that would be the final decision.

If they found Federal error it would, of course, be remanded to the State court.

These decisions would be subject to review by the U.S. Supreme Court, but my expectation would be that that would rarely occur, and when it did occur, it would be with respect to questions of great moment.

Of the two bills, 677 and 678, I think I rather prefer 678, because it does have provision for a separate Court of Tax Appeals, which is a matter in which I have long been interested.

However, there is one aspect of S. 678 that I do not like very much, which is the indefinite changing nature of the bench for which it provides. It seems to me that one of the things which we should accomplish by a change along these lines is a greater measure of stability, of certainty, and of uniformity, and I think it would be important to make provision for a bench—I would hope a permanent bench of that court—without shifting judges in for short periods, particularly as the bill provides for 12 judges sitting in panels of 3.

It seems to me extraordinarily unlikely that we would achieve the stability and certainty of decision, which is really wanted here.

I think that analytically, the provision of these bills can be thought of in a way which seems to me to be helpful. Up until now we have provided our Federal court review on a geographical basis.

There are two exceptions, two primary exceptions, the Court of Claims and the Court of Customs and Patent Appeals. There is another exception that is rarely referred to, but which in many ways seems to me to be the prototype of what we ought to be doing. And that is the temporary emergency court of appeals. A court by that name existed during World War II to deal with price matters and worked very effectively in providing decisions on a national basis, and the name was revived some 5 years ago in dealing with price and now extended to energy matters.

But apart from those few exceptions, our appellate facilities are arranged on a geographical basis, and that inevitably leads to the divergence, uncertainty, what I call more chaos than we realize.

We have grown up with it, and grown accustomed to it, so we accept it, but if we look at it from the outside, I do not think that we would like it. I think the time has now come to arrange for at least some of our appellate jurisdiction on a topical basis by subject matter.

Claims against the Government and patents and copyrights are topics which could be readily brought together in courts dealing with those particular topics.

The suggestion that the Court of Claims and the Court of Customs and Patent Appeals be amalgamated for that purpose seems to me to be a very interesting one, because both of those courts are somewhat unusual in their structure.

I feel that the tax area is one in which we might have a topical system of review and the other suggestion that I mentioned about review of Federal questions in State court decisions in criminal cases would be another area. I would not abolish the geographically oriented

U.S. courts of appeals, although I think if we set up this new system, we might be able to make some useful changes there.

We now have U.S. courts of appeals with, I think, 26 judges in one circuit and close to that in another sitting in panels of three.

They provide very little certainty, stability, continuity. I would strongly favor the continuation of the geographical courts of appeals with respect to criminal cases, with respect to most tort cases; in both of those fields the local background and point of view are relevant. But with respect to Federal problems I doubt very much if there is any different point of view which is valid and useful between California and New Jersey.

And we might better have those decisions handled by a court which was dealing with that type of matter.

Some persons are concerned that we ought to have generalist judges in our courts of appeals.

I understand that concern. I do not think it is a very serious matter, particularly in the tax field, because I know of no field which is more general in its nature. You cannot handle tax cases without dealing with property and trusts and accounting and statutory construction and constitutional law and a great many other areas which come up in general work.

You also need a fairly detailed knowledge of the extremely complicated structure of the tax laws, and that I think will be very useful in a Court of Tax Appeals, just as it now is in the U.S. Tax Court, which is one of our best tribunals in my opinion and experience, and I think we would find a broad outlook and a broad point of view in judges of a U.S. Court of Tax Appeals.

I think that completes my statement, Senator.

Senator DECONCINI. Thank you, Dean, very much for your testimony and your statement.

The two bills pending before us are moderate efforts to achieve topical courts with jurisdiction to review on a national basis.

Do you think the bills are setting our sights too low? Would you favor a broader national court of appeals than what is in the bill?

Mr. GRISWOLD. Senator, my thought about that has been that I would like to get the camel's nose in the tent.

I would like to provide an entering wedge. I think if we try to make it too broad now, we will concentrate the opposition, and I don't think that is desirable. I would welcome the establishment of any sort of a topical court of appeals because I believe that in the course of time it would show its effectiveness and that there would be occasions when it would be possible to extend it.

At the risk of wanting to do too much at once, I rather favor S. 678 because it does both the Court of Claims, Court of Customs and Patent Appeals combination, and it also provides for a Court of Tax Appeals.

I think it is quite clear to me that if the present system for the judicial makeup of the Court of Tax Appeals provided in S. 678 were to continue in the bill, that I would rather have S. 677. I think it is very important if we make this move that we understand that stability and certainty and predictability are a very important part of the problem. People say they are all going to be subject to review by the Supreme Court of the United States, and, therefore, there won't be any certainty, and I think of the situation in England—a smaller

country but still a large and complex one—where there are the trial courts, there is the Court of Appeal, and there is the House of Lords. The Court of Appeal has a nationwide jurisdiction. Its decisions are binding on all the lower courts. Less than 1 in 20 of the decisions of the Court of Appeal are reviewed by the House of Lords.

The House of Lords can review those decisions, but the fact that there is an eventual appeal to the very highest court, which is useful in rare cases of great public importance, does not in any way restrict the finality and effectiveness for administration of the decisions of the Court of Appeal.

I think we would find much the same situation here. I don't think the Supreme Court of the United States ought to be reviewing very many Federal tax cases. They just aren't the kinds of cases that affect the fabric of our society. They are very important to practitioners and to taxpayers and they ought to be resolved on a national basis in a way which is consistent for all taxpayers, which is not the situation now.

Senator DECONCINI. Thank you, Dean.

Let me take a moment to introduce the other gentleman here on my left, Romano Romani, staff director of the subcommittee, and on my right is Bob Feidler, counsel handling these bills, and on my left is Ken Feinberg of Senator Kennedy's staff.

I will defer to Mr. Romani. Do you have any questions?

Mr. ROMANI. No.

Mr. FEIDLER. No.

Mr. FEINBERG. I just have one question, Dean Griswold.

You raised certain concerns with the makeup of the Tax Court in S. 678, but I would ask you for a moment to concentrate on what appears to be a much larger hurdle to overcome, and that is the claim raised by many, including some of our subsequent witnesses today, that the problems you talk about in the tax field are not necessarily a bad thing, that the idea of reconsideration of tax issues by various courts of appeals is a healthy effort to develop a flexible tax law over a period of time. How do you respond to this criticism, which I perceive to be the real obstacle to consideration of S. 678?

Mr. GRISWOLD. Well, as has been said in various ways, many times there are no blacks and whites, there are only very difficult choices. I recognize that there is something to that. However, I think the greatest virtue of the uncertainty referred to is to the tax lawyers. It enables them to keep more cases going for a longer time, not improperly. Under the system they have to keep pressing them; even if there is a decision in this circuit against you, you have to keep going because a conflict might develop and the issue might get decided the other way.

I think in the area of tax construction which we are primarily concerned with—there are virtually no tax decisions which involve constitutional questions anymore—I am talking about Federal tax decisions. I am not talking about State jurisdiction to tax, and things of that sort. But tax decisions today almost always involve questions of statutory construction; that is an area where Congress can correct an error if it is made.

I know it isn't too easy to get even a technical corrections bill through Congress, but they are passed after careful and thorough consideration. I think that the tax system for tax purposes would be

greatly improved if we had a way of providing earlier, definite, final decisions as to the construction of tax statutes.

I don't think that the eventual gain in more mature consideration of questions of statutory construction is worth the price that we now pay through the long delay in knowing what in the world the tax law is with respect to a great many detailed technical questions.

Mr. FEINBERG. Are you still satisfied that the tax law does continue to have these inconsistencies and varying interpretations in various circuits?

Mr. GRISWOLD. Of course I am. It isn't just a matter of technical conflict of decision, although there is a good deal of that and so on.

The atmosphere is seriously affected by the fact that when you read a decision of the Third Circuit Court of Appeals you find it interesting, but you know it doesn't really establish anything as far as your law is concerned.

Our system has become more like the civil law system derived from the Roman law, which is followed in France and Germany and Italy and many other countries where there is no precedent but the judges consider in each case what is the better law. And that is pretty much what we do when we argue a tax case in the 6th circuit or 10th circuit.

We review all the decisions from the places and we quote Judge Fairchild or Judge Friendly and show how cogent that reasoning is, but in terms of precedent or in terms of establishing the law, we don't have much of a system now, and I think we should have more of a system.

Mr. FEINBERG. Thank you.

Senator DECONCINI. Dean Griswold, thank you very much for your testimony.

Mr. GRISWOLD. Thank you.

Senator DECONCINI. The next witness is Carr Ferguson, assistant attorney general, tax division of the Department of Justice.

We welcome you, Mr. Ferguson. Your statement will be printed in full, if you would like to highlight it for us, please.

STATEMENT OF M. CARR FERGUSON, ASSISTANT ATTORNEY GENERAL, TAX DIVISION, DEPARTMENT OF JUSTICE

Mr. FERGUSON. The administration welcomes these hearings and would like to congratulate the chair, Senator Kennedy, and the subcommittee and staff, for holding hearings on these very interesting and important topics. S. 677 has the support of the administration.

S. 678, however, presents issues which are so closely balanced that the administration felt that, rather than taking one position, it might be more helpful to a full development of these issues to permit representatives of the administration to contribute their individual views.

[The prepared statement of Mr. Ferguson follows:]

PREPARED STATEMENT OF M. CARR FERGUSON

Mr. Chairman and members of the subcommittee: Thank you for inviting me to share with you the views of the Tax Division of the Department of Justice on S. 678, a bill which would make adjustments in the structure and administration of the Federal appellate courts. My remarks will be limited to those portions of the bill dealing with the proposed establishment of a Court of Tax Appeals and the proposed elimination of the tax refund jurisdiction of the Court of Claims. I welcome these proposals and the current hearings to discuss them.

Before addressing S. 678, I would like to say a few words about the testimony of the administration on this issue. In light of the complex nature of the issues associated with the idea of a centralized Court of Tax Appeals and, if one is to be created, how it should be structured, the administration has decided to let representatives of each of its three major offices directly concerned with this issue offer individual testimony in the context of a full discussion and explanation of a difficult subject. Each will give his good-faith views on the best course of action from his office's perspective. We hope that this procedure will lead to a thorough and most useful airing of views on the important questions involved. In this spirit, I am testifying as the representative of the Tax Division of the Department of Justice. I respect and welcome the views of my colleagues, Prof. Daniel Meador, from the Justice Department Office for Improvements in the Administration of Justice, and Stuart Seigel, Chief Counsel for the Internal Revenue Service, both of whom can draw upon their own experiences.

Proposals for a Court of Tax Appeals have been the subject of discussion for over 40 years and last attracted the attention of this committee in the late 1960's. As might be suspected of any subject so long and persistently debated, there is much to be said on both sides of the question. This committee, especially Senators Kennedy and DeConcini and their staffs, is to be congratulated on taking up the matter and for the imaginative concepts embodied in the current proposal taking account of many of the arguments which have been advanced both for and against such a specialized court.

To place my comments in perspective, I would like to sketch the present tax jurisdiction in the trial courts. Federal tax cases are tried in the district courts, the Court of Claims and the Tax Court of the United States. The Tax Court was created in 1924 as the Board of Tax Appeals and since 1926, its decisions have been appealable to the courts of appeals. In 1969, its status was changed from that of an independent agency in the executive branch to that of an article I legislative court. The Tax Court has jurisdiction over disputes concerning asserted deficiencies in income, estate, and gift taxes and over certain excise tax disputes. In recent years the Congress has given limited declaratory judgment jurisdiction to the Tax Court in tax controversies involving pension plans, certain transfers of property from the United States, the tax-exempt status of certain bond offerings and tax-exempt organizations. The Court of Claims and the District Court for the District of Columbia have concurrent declaratory judgment jurisdiction with the Tax Court concerning the last of these disputes.

District courts have jurisdiction over suits for the refund of taxes (an outgrowth of the common-law suits against the collector), and a wide array of collection litigation, including suits to reduce an assessment to judgment, to foreclose tax liens and to enforce levies. They also have jurisdiction over summons enforcement cases, suits to quiet title under 28 U.S.C. 2410 where tax liens are asserted and interpleaders in which the priority of tax liens on a fund are at issue. Finally, they are the exclusive trial forum for criminal tax prosecutions.

Court of Claims jurisdiction is based upon the Tucker Act and is generally limited to suits for refund. While an appeal from the Tax Court or from the district courts lies to the court of appeals for the circuit in which the taxpayer resides (or in the case of a corporation has its principal place of business or principal office), a decision of the Court of Claims can be reviewed only by the Supreme Court.¹

As a result of the present jurisdictional provisions concerning tax litigation, taxpayers generally have a choice of three forums in which to litigate most tax controversies. Taxpayers are free to select the forum which they believe would be most advantageous to them. A degree of uniformity between decisions of the Tax Court and of the district courts is obtained, however, because an appeal from a Tax Court decision will generally lie to the same circuit court of appeals which would hear an appeal from a district court case instituted by that taxpayer.

The lack of a similar appellate review of Court of Claims decisions seems to me the principal flaw in the current scheme of Federal tax jurisdiction. The multiplicity of trial courts is not objectionable per se. On the contrary, there are sound reasons why it may be beneficial to permit litigation to flow to that forum is best equipped in the taxpayer's view to resolve the particular question presented. The practical unreviewability of decisions of one of these courts,

¹ Tax issues also arise quite frequently in the bankruptcy courts, both as to substantive tax issues and issues that revolve primarily around an interpretation of the bankruptcy laws. Compare, *Slodov v. United States*, 436 U.S. 238 (1978), with *United States v. Sotelo*, 436 U.S. 268 (1978). Tax issues are also litigated in the collection context in the State courts, primarily with respect to the priority of tax claims.

however, provides an opportunity for taxpayers to avoid the law of their particular circuit and to choose their forum not for its efficacy in finding facts but for the rule of law which may prevail at the appellate level. It is true, of course, that, subject to ultimate resolution by the Supreme Court, conflicts exist between the rules of the various circuits. This has long been recognized and tolerated in our judicial system because of the offsetting benefits which the system of appellate circuits affords: familiarity of the appellate courts with local laws and practices; efficient management of district courts within the circuit; and the development of a cohesive body of appellate decisions applicable within the circuit. The national jurisdiction of the Court of Claims cuts across the circuit system and provides a disconcerting alternative body of precedents. Experience suggests that the tax decisions of the Court of Claims are rarely reviewed by the Supreme Court and, hence, constitute a largely separate body of law.² Adoption of either of the tax provisions in S. 678 would end this problem. Establishment of a Court of Tax Appeals would centralize all appeals presumably including appeals from the Court of Claims. Elimination of the Court of Claims' tax jurisdiction also would end the opportunity that court now affords for appellate forum shopping.

There may be, however, a more discrete cure for the problem. A more direct solution would be to make Court of Claims tax decisions reviewable by the same circuit court of appeals to which an appeal would lie from the Tax Court, or the district court. This could be accomplished rather simply by adding a provision to the Judicial Code similar to section 7482 of the Internal Revenue Code which fixes appellate venue from Tax Court decisions for the circuit in which is located the legal residence or principal place of business of the taxpayer. Such an amendment might be particularly timely if the bifurcation of the Court of Claims into the United States Claims Court and the United States Court of Appeals for the Federal Circuit proposed in S. 677 were to become law. It would leave the tax jurisdiction of the Court of Claims trial judges unaffected. It would be consistent with the spirit of the administration's proposal for the new Federal circuit court of appeals, because it would unify in the taxpayers' home circuit all appeals in tax cases, regardless of the trial forum. If such a provision were legislated, some of the impetus for the establishment of a Court of Tax Appeals would disappear. Indeed, my own feeling is that such a provision knitting together appellate venue from all trial courts would be the only change needed in current tax jurisdiction.

Concededly, this suggestion is unresponsive to most of the arguments in favor of a Court of Tax Appeals. Removal of substantive tax litigation from the courts of appeals of the several circuits to a single court obviously would promote certainly and speedier resolution of tax issues. Uniform treatment of all taxpayers wherever situated in the country and prevention of relitigation of issues, by the Government and taxpayers alike, once a matter has been settled on appeal, are both significant considerations for centralizing tax appeals. I respect the cogency of both points, although I suspect advocates of centralizing tax appeals sometimes exaggerate the extent to which circuit conflicts add to the difficulty of tax practice. In any event, these arguments for a single Court of Tax Appeals are balanced by values inherent in the present system which would have to be sacrificed if such a court were established.

Part of the genius of our system of circuit appellate courts is the opportunity for reconsideration of an issue already decided by one circuit by another appellate court free of the constraints of the doctrine of *stare decisis*. This opportunity for an issue to be ventilated in more than one circuit seems to me especially important in tax cases. The first appellate review of a tax issue may be shortsighted, distorted by the particular record or omission of an argument, or simply mistaken. Frequently, when an issue first is heard at the appellate level, it is one of several issues present in a case. This circumstance may prevent full appreciation of the prospective impact of the decision. Thus, the issue may receive insufficient attention both by the parties and the court. Only after the initial decision may the importance of the matter become apparent—along with the feeling that the decision did not take into account all relevant considerations. Recourse to Congress to correct such decisions would put an undesirable burden on the legislative process which later decisions often prove unnecessary. The case law of income taxation has grown sturdily because first appellate impressions have been subject to reanalysis by other circuits.³ No matter how carefully the judges of a single Court of Tax Appeals

² Attached as appendix A to my statement are tables of the appeals taken from decisions of the three trial forums available in tax disputes. The comparative rarity of appeals from the court of claims is beyond dispute.

³ Appendix B to my statement describes three examples of issues illustrating this capacity of the circuits to improve or correct a first impression through reanalysis and consensus.

were chosen or prepared, no likely gain in judicial expertise is likely to offset the loss of the opportunity for such precedent-free reconsideration.

A related concern also prompts skepticism of the case for a Court of Tax Appeals. Tax issues do not germinate in a vacuum. They come to the appellate courts in diverse contexts. Important tax issues have arisen in bankruptcy cases, criminal prosecutions, lien foreclosures and even petitions addressed to the courts' equitable powers. Even if jurisdiction of the Court of Tax Appeals were restricted to refund and deficiency proceedings, many appeals would come freighted with questions of procedure and non-tax questions of Federal or local law. I do not make this point to suggest a Court of Tax Appeals could not resolve collateral non-tax issues. The U.S. Tax Court has been doing this since 1924. My point is simply that it is probably impossible to describe the appellate jurisdiction of the new court in a way which would remove either all tax questions or only tax questions from the circuits. If the concentration of tax issues in the new court is less than total, some may question whether the quality of tax decisional law would be improved by isolating most cases involving tax issues from the mainstream of Federal cases.

Tax lawyers sometimes imply a similar point of view when they observe that some of our most important tax decisions were the product not of tax specialists but of the generalists sitting on the benches of our circuit courts of appeals and the Supreme Court. A case often cited in support of this assertion is *Gregory v. Helvering*,⁴ a landmark decision standing for the proposition that the business purpose or economic reality of a transaction must dictate its tax consequences rather than its form. In doing so, the Court reversed the Board of Tax Appeals, which had respected the form of an otherwise meaningless transaction carefully tracking the language of a statutory tax provision.⁵ Of course, other examples could be cited of generalists taking a broader view of the tax law than specialists, and, with all respect for the value of tax sophistication, opinions by generalist judges unquestionably have strengthened and improved the tax law. The issue of whether generalist or specialist judges should decide tax cases, however, somewhat misses the point. The real question here is whether in deciding tax cases, the tax law is better developed by courts of general jurisdiction or by a specialized court. I believe the burden should be on those who urge the latter view. I do not believe it has been carried.

S. 678 responds to one of the concerns I have mentioned by filling the bench of the Court of Tax Appeals with generalist judges temporarily assigned from their own circuits. From the large number of judges to be appointed, I assume the plan would be to dedicate only a portion of each judge's time to the work of the new court, thus assuring that the judges would accept non-tax assignments in their own circuits. In this response, however, another concern emerges. How will the Chief Justice choose the appointees? Will they tend to be the judges most easily spared from their own circuits? If so, the heavy responsibility of unifying the tax law may not fall on the shoulders best able to undertake the task. Obviously, great care would have to be exercised in selecting the judges and sufficient time given them to assure the development of strong precedent.

Despite having spent most of my time noting reservations about the desirability of a Court of Tax Appeals, I earlier observed that there is much to be said on both sides of this question. Because of the countervailing considerations of uniformity and speedier resolution of issues, if the problem of Court of Claims appeals cannot be solved more straightforwardly, I would support in principle the creation of a Court of Tax Appeals to unify the law applicable in the Court of Claims with that in other available forms. This method of resolving the Court of Claims problem seems preferable to simply abolishing its tax jurisdiction. The Court of Claims has performed a valuable service at the trial level in the scheme of tax litigation. Its procedures are well suited to the trial of large and complex tax issues. Its ability to hold the record open for serial hearings at different locations sometimes spaced months apart is an efficient and useful method of developing a large trial record. The court is also an important alternative where the local district court is not a hospitable forum, either because of the backlog of civil cases or for other reasons. Thus, rather than deny taxpayers access to the Court of Claims, the preferable course would seem to assure uniformity in resolution of tax issues by providing an appellate jurisdiction common to all available trial courts—if not by permitting appeals from the Court of Claims to the circuits, then by appealing all tax cases to a new Court of Tax Appeals.

⁴ 293 U.S. 465 (1935).

⁵ *Evelyn Gregory*, 27 B.T.A. 223 (1932).

Only if unification of appellate jurisdiction proves impossible should Congress abolish Court of Claims tax jurisdiction altogether. Despite the valuable role served by the court at the trial level, it should be removed from its place in tax litigation if the law applicable to its decisions cannot be unified with principles established on appeal from Tax Court or district court decisions in any other way.

In summary, I believe that the arguments for and against centralization of tax appeals are rather closely balanced. If the Court of Claims problem can be resolved by more specific and limited legislation aimed at redirecting appeals back to the circuits, I would suggest the more drastic legislative surgery of S. 678 not be undertaken. If this cannot be done, however, the opportunity to resolve the Court of Claims problem in addition to the other arguments in favor of a Court of Tax Appeals would tip the scales in my view in favor of establishing such a court although if this is done, more thought may need to be given to the manner in which the court is constituted.

APPENDIX A

Tax cases filed and opinions issued 1975 to present—Court of Claims

I. New tax cases filed:

July 1, 1974 to June 30, 1975	140
July 1, 1975 to June 30, 1976	157
July 1, 1976 to September 30, 1976	39
October 1, 1976 to September 30, 1977	320
October 1, 1977 to September 30, 1978	205
October 1, 1978 to April 1, 1979	62

II. Opinions in tax cases (does not include dispositive orders):

1975	19
1976	35
1977	33
1978	33
January 1 to April 18, 1979	11

PETITIONS FOR A WRIT OF CERTIORARI TO THE COURT OF CLAIMS

	Government		Taxpayer	
	Petitions	Granted	Petitions	Granted
Supreme Court, October term 1974	0	0	1	0
October term, 1975	0	0	4	0
October term, 1976	2	2	7	0
October term, 1977	0	0	4	0
October term, 1978	0	0	5	0

¹ Consolidated.

Fiscal year ¹	Government appeals	Taxpayer appeals	Total	Adjusted total ²
Appeals from a judgment of a district court:				
1975	117	227	344	299
1976	106	220	326	283
Transitional quarter	0	5	5	4
1977	111	242	353	307
1978	205	392	597	519
1979 (6 mo)	111	134	245	213
Appeals from a decision of the Tax Court:				
1975	25	262	287	250
1976	33	276	309	269
Transitional quarter	0	9	9	8
1977	44	300	344	299
1978	23	227	250	217
1979 (6 mo)	19	137	156	136

¹ July 1 to June 30 for 1975-76; Oct. 1 to Sept. 30 for 1977 and thereafter.

² The statistical source for the figures in this report reflects taxpayer-litigants rather than an actual caseload. Since a court case may involve several such taxpayer-litigants, we have provided this adjusted total which converts taxpayers to cases, based on a conversion factor of 87 percent arrived at by a small sampling on an actual count. It is at best a rough adjustment and may well be wide of the mark but the result is probably a more accurate picture of actual caseload than the raw statistical figures.

APPENDIX B

THREE EXAMPLES OF APPELLATE COURTS' REVISION OF INITIAL APPELLATE DECISION

First Issue: Whether incidental expenses (brokers' commissions, attorneys' and accountants' fees, etc.) incurred in the sale of property pursuant to a section 337 liquidation are capital expenses to be deducted from the selling price of the property or are separately deductible as ordinary and necessary business expenses.

The first two appellate courts to consider the question (*Pridemark, Inc. v. Commissioner*, 345 F. 2d 35 (C.A. 4, 1965), and *United States v. Mountain States Mixed Feed Co.*, 365 F. 2d 244 (C.A. 10, 1966)) held that taxpayers were entitled to ordinary deductions. Thereafter, the seventh circuit in *Alphaco, Inc. v. Nelson*, 385 F. 2d 244 (1967), disagreed and held with the Government that such expenses could only be used as an offset against the sales proceeds. All appellate courts subsequently adopted the seventh circuit's position (see *Lanrao, Inc. v. United States*, 422 F. 2d 481 (C.A. 6, 1970); *United States v. Morton*, 387 F. 2d 441 (C.A. 8, 1968; *Connery v. United States*, 460 F. 2d 1130 (C.A. 3, 1972)) including the 4th and 10th circuits which recanted, respectively, in *Of Course, Inc. v. Commissioner*, 499 F. 2d 754 (C.A. 4, 1974), and in *Benedict Oil Co. v. United States*, 582 F. 2d 544 (C.A. 10, 1978).

Second Issue: Whether the proceeds of a distribution in liquidation of a corporation are excludible from the income of the owner of corporate shares who had made a charitable gift thereof after the time the corporation had passed a resolution of liquidation pursuant to section 337 of the 1954 code, but prior to the distribution.

In *Jacobs v. United States*, 390 F. 2d 877 (C.A. 6, 1968), the sixth circuit ruled that the gift had been of the corporate stock, and was not a mere anticipatory gift of the liquidation proceeds, on the ground that, at the time of the gift, a technical possibility existed that the resolution of liquidation could have been rescinded. Hence, the proceeds were not includible in the income of the donor.

In *Hudspeth v. United States*, 471 F. 2d 275 (C.A. 8, 1972), and in *Kinsey v. Commissioner*, 477 F. 2d 1058 (C.A. 2, 1973), the courts held that such mere technical possibility of rescission did not control and that the issue must turn on the real probabilities of the situation. In each case, it was held that the liquidation had proceeded to such a stage that rescission was very unlikely and that the gift was thus an anticipatory assignment of income which was taxable to the donor.

Subsequently, in *Virginia Kelsey Jones v. United States*, 531 F. 2d 1343 (C. A. 6, 1976), the sixth circuit, on the strength of the reasoning in *Hudspeth* and *Kinsey*, reconsidered its position and overruled its holding in *Jacobs*. The law on the issue is thus now in substantial uniformity in the country.

Third issue: Whether cash allowances paid in lieu of furnishing of meals in kind were excludible from gross income under section 119 of the 1954 code.

The first three appellate courts which considered the question held in favor of taxpayers that the cash was excludible from income.

United States v. Barrett, 321 F. 2d 911 (C. A. 5, 1963).

United States v. Morelan, 356 F. 2d 199 (C. A. 8, 1966).

Keelon v. United States, 383 F. 2d 429 (C. A. 10, 1967).

Thereafter, the first circuit (*Wilson v. United States*, 412 F. 2d 694 (1969)), and the fourth circuit (*Koerner v. United States*, 550 F. 2d 1362 (1977)), took the opposite view, which was ultimately sustained by the Supreme Court in *Commissioner v. Kowalski*, 434 U.S. 77 (1977).

Mr. FERGUSON [continuing]. Thus, I am here this morning purely in a personal capacity. Dan Meador, my esteemed colleague in charge of the office for Improvement of the Administration of Justice, will also appear, and will present somewhat different views from his vantage point. The Tax Division is charged with representing the United States in civil and criminal tax matters in all courts other than in the Tax Court of the United States where the cases are handled by the Chief Counsel of the Internal Revenue Service, and other than in the Supreme Court where most matters are argued and presented by the

Solicitor General. Therefore, the subject of S. 678 is of particular importance to the Division, because it affects a significant amount of the litigation we conduct. Personally, I have served a prior tour as a trial attorney in the Tax Division from 1955 to 1960, have taught and practiced tax law, and have written upon the subject of jurisdiction in Federal tax controversies.

Dean Griswold has stated the case for topical jurisdiction, that is, for a national jurisdiction over the subject matter of tax disputes. I would like to suggest a few countervailing considerations, because I believe that the issue is a very close one. There are many good arguments, leading to quite different conclusions. Dean Griswold's very persuasive article on the subject of a Court of Tax Appeals was written 40 years ago. The fact that such a court has not been established over these many years in itself shows the strength of the arguments to be considered on both sides. I would like to describe some of the concerns which a practicing tax lawyer brings to the issue of a centralized court, which in my opinion counterbalance the arguments Dean Griswold has presented.

First of all, the degree of uncertainty which any tax lawyer finds in his specialty is only partially attributable to conflicts among the circuits. I submit this uncertainty is due much more to the natural quality and complexity of the tax law, which changes significantly with each Congress, with each new revenue bill. The number of statutory issues with which a tax lawyer must deal in a day's work are well beyond those which could be resolved by any court. Many of the practical questions are not questions for which a tax lawyer expects a judicial answer in time for him to advise his client. The absence of a court of appeals decision is much more the rule than is the presence of one.

Where a court of appeals decision has been articulated, it is true, as Dean Griswold says, that it lacks the nationally binding effect, both on the commissioner and the taxpayer, which one finds, for example, in the analogous situation in which a question of State law is resolved by the highest court of the State. Yet, I suggest that the lack of that finality is only a small part of the total problem in analyzing the tax issue and advising a client. Whether the present system continues or Congress develops a single Court of Tax Appeals, tax lawyers will still live very largely in uncertainty. And so will their clients.

A court of appeals for tax cases will not bring certainty into the tax law. While the time required to reach a final judicial decision on those questions which do go to the court of appeals. May be reduced when compared with current statistics, a more important consideration, in my judgment, is the quality and soundness of the decision.

Many times when a tax issue is first presented to a court of appeals, it may be only one of several issues briefed in a case, and its significance may not be fully appreciated, not only by Government counsel but by taxpayers' counsel and, indeed, the court itself. Therefore, the analysis given to the issue may not be as great as it should be. Human fallibility in presenting novel issues on appeal ought to be given, as it is now, a chance to be rectified in subsequent appeals. I am not an advocate of rigid regionalism, and I do not believe that there is anything fixed and immutable either in the number or jurisdiction of our regional circuit courts of appeal. However, I feel that the present

system has advantages. One of these advantages is the flexibility of reconsidering and correcting an earlier decision, if it proves unworkable in new contexts.

If a specialized Court of Tax Appeals is established, the opportunity for reconsideration will be reduced, and the need to resort to Congress multiplied—not only by decisions which are unfavorable to the Government, but also by those which erroneously favor the United States. In the present system, where review of initial appellate decisions is possible in other circuits upon application either by the taxpayer or another person or the United States, the need to resort to legislation to rectify decisions is substantially reduced.

Of course, the price for this benefit is, as Dean Griswold has said, delay and uncertainty. However, I would suggest that the delay and uncertainty of which he speaks is only incremental, when measured against the time it takes to resolve tax issues in any event, and that this incremental time represents an appropriate offset.

Finding the issues this closely poised, I look for resolution of a circumstance which may not seem on first analysis to carry the importance which I have attached to it in my prepared statement. That circumstance is the role of the U.S. Court of Claims in tax litigation.

As you know, there are three courts of primary jurisdiction in Federal tax questions. All three of those courts are open to taxpayers who are able to pay the disputed liability and sue for a refund. They can choose to follow that course in either the U.S. district court for the district of their principal place of business or their residence, in the case of an individual, or the U.S. Court of Claims, which has national jurisdiction. Alternatively, they can refrain from paying the tax and file a timely petition for a redetermination of any asserted deficiency in the U.S. Tax Court. The procedures of these three courts are adapted to the particular roles. Not simply their procedures, but the forum itself varies significantly from one court to the other. I think this is healthy. I do not think that there is anything disconcerting or inappropriate in permitting taxpayers to choose the trial forum best fitted to resolution of their case. There are times when as a private practitioner I have chosen to file a petition in the U.S. Tax Court. There are other times when as a practitioner I have counseled taxpayers to sue for refund in district court and also, indeed, in the Court of Claims.

Sometimes the advice may involve a question of precedent in those various courts, more often the considerations involve availability of certain kinds of discovery which may be needed in the course of trial, the nature of the issue which is to be presented, and whether or not a jury, which is available in the district court, would be a satisfactory way of disposing of the issue.

Unfortunately, there is one other consideration which I think is not appropriate, which must also be taken into account: That an appeal from either the Tax Court or the district court will lie to the court of appeals of the circuit in which the taxpayer resides, or if it is a corporation, where its principal place of business is located, but in a matter brought in the Court of Claims there is effectively no appeal. While a petition for certiorari will occasionally lie, I have shown in the first appendix to my statement that in the last 5 years, a period in which 131 opinions of the Court of Claims were handed down, only 1 petition

for certiorari was granted—technically, 2 petitions which were consolidated into a single case for hearing at the Supreme Court. With its national jurisdiction, in the absence of any appeal to the circuit, the U.S. Court of Claims provides an alternative to the home circuit of the taxpayer. This is inappropriate. While forum shopping may be not only tolerated but considered to have certain advantages at the trial level, forum shopping at the appellate level can only be subject to criticism.

S. 678 would resolve this problem in two ways. In one respect, the bill would centralize all tax appeals. Second, S. 678 would abolish tax jurisdiction in the Court of Claims. I would like to suggest that if this problem of the Court of Claims' role in tax jurisdiction is perceived as I see it, there are more modest, less drastic ways of resolving it. It would be more appropriate to consider simply having appeals from the Court of Claims in tax matters lie to the home circuit, trying together all appellate venue from all three trial courts in a single circuit court of appeals.

Obviously, this does not address the broader question of centralism versus regionalism in deciding tax cases. It would, however, in my view, remove the most disconcerting problem with the existing pattern of tax jurisdiction so that the scales of the arguments on the major issues would tip in favor of retaining the current system of regionalism. There are other arguments which persuade me that the circuits should continue to play their current role in tax matters, if they can truly knit together appeals from all trial jurisdictions. First of all are some of the points which Dean Griswold himself has made: the fact that the tax law is pervasive, that it involves areas of trust, estate law, property law, bankruptcy law, procedure. It is indeed an appropriate field not only for specialists but for generalists, and I agree with him that the issue of specialists versus generalists is a somewhat secondary consideration here. If that is so, it seems to me the issue of tax law will continue to develop sturdily as only part of our general set of legal principles. To remove or to attempt to isolate it in a topical forum troubles me, because I am concerned that no matter how carefully the bill describes or delineates the jurisdiction of this new court, it will not be possible to remove from the general flow of cases through the Federal courts either all cases, all tax cases, or to remove solely tax issues. Tax issues do not develop in a vacuum, isolated from the general stream of legal principles. The committee and indeed the courts in the future will have to resolve difficult questions of whether a case should go to the Court of Tax Appeals or to the regular circuit court, whether a rule of evidence or of procedure or of property law imbedded in a tax case should be resolved under some new kind of Erie Railroad principle by a Court of Tax Appeals looking to the law of the home circuit, and so forth. I think the creation of a topical court of this sort will tend to create new issues as rapidly as it will resolve conflicts among existing circuits.

I am also concerned by the danger of so centralizing the tax law in Washington, D.C., that the present sensitivities of the circuits to regional differences in law, procedures, and customs, may well disappear. I think the Tax Court, although Washington based and regarded as a court of specialist judges, has functioned satisfactorily in resolving questions of regional law. Yet one of the benefits of the Tax

Court has been the fact that appeals from its decisions fan out to the various circuit courts of appeals. Of course, it has been pointed out that those circuits may disagree. This caused the Tax Court, after many years, to develop its "Golson rule," under which it will be bound by the law of the circuit which has articulated a position on the issue before it, but otherwise will feel free to adopt whatever it finds to be the best position. This rule has led to some anomalies in the past, to which we have become accustomed. However, by and large, they are not a very large price to pay for the satisfaction which a taxpayer located in the West, for example, derives from knowing that his case ultimately will be resolved by a regional court of appeals.

One of the functions of a judicial system is to inspire public confidence that an adjudication will be reached impartially by a sensitive judiciary. The regional system of courts of appeals has tended to do that. I think it has been particularly important where a case has been appealed from a Washington-based court of national jurisdiction. If we were to take appeals from the Tax Court to a Washington-based court of appeals, I think there might be a feeling on some parts of this country that we had overly centralized the judicial process and done so in a field which touches the lives of most Americans. This is not a field, as I think is true of patents and customs, where relatively few Americans are involved. The tax system obviously touches many of us. As an advocate who has represented the United States in the district courts in all parts of our country, I have the strong impression that there are differing perspectives which are still prized in this country, and that the opportunity for taxpayers to litigate in a local forum before a judge or jury native to that area of the country is an important perceived value. And the perception of justice is an important part of the doing of justice.

While hard to quantify or to analyze, the satisfaction of our citizens in a regional system of Federal courts is a very valuable and important matter on the table before this committee.

Having set forth these views, let me say that if the question of the Court of Claims cannot be otherwise resolved, I would support the establishment of a Court of Tax Appeals, because the opportunity to bring the Court of Claims into the same appellate structure is sufficiently important in my opinion to outbalance the advantages I perceive in our regional system. If this is done, I would concur with the observations which Dean Griswold made about the bill.

In particular, I would be concerned that if the entire bench of this new court were comprised of part-time, temporary judges assigned from the other circuits, the burden of achieving those very values which inspired the establishment of the court might fall on the wrong shoulders. Despite the success of the Emergency Court of Appeals, I am concerned that the judges assigned on this kind of temporary basis might be those judges most easily spared by the other circuits, judges who are in senior status, or who perhaps are not making the most important contributions to their home circuits. If this were to happen, I think that the rationale for establishing the Court of Tax Appeals would be seriously undermined. Accordingly, if S. 678 is passed by the Congress, I hope that it will contain provisions for a permanent judiciary, or at least a permanent chief judge, to assure that there is some disciplined and coordinated effort to establish uniform positions and a system of judicial precedent.

Senator DeCONCINI. Thank you. Let me pose one question to you.

The problem of different decisions in different circuits has always troubled me. It is not in the bills before us today, but it has been suggested that perhaps there ought to be a procedure where within several months after conflicting decisions occur, that the chief judges of the different circuits meet as a court and resolve the conflict.

What is your reaction to that?

Mr. FERGUSON. I find some merit in that proposal which has been discussed in the past. I don't mean by the burden of my testimony this morning to be urging a continuation of conflicts. I find conflicts disconcerting and uncomfortable. Once two circuits have heard an issue, and have reasoned to different conclusions, it seems to me that the issue will have been sufficiently ventilated to assure that the third court will have carefully considered what there is to be said on both sides. Thus, I believe that the mechanism of having the chief judges or representatives of the circuits meet to resolve conflicting issues is an idea very worthy of careful exploration.

Senator DECONCINI. Thank you.

Any questions?

Mr. FEIDLER. No, Mr. Chairman.

Mr. FEINBERG. Mr. Ferguson, you mentioned some points which at first blush, at least, seem to be more directed at Dean Griswold's pure position for a Court of Tax Appeals than what we have laid out in S. 678.

Let me ask a few questions, and maybe you can comment. First, you say that it is very difficult to define topically the jurisdiction of this new Court of Tax Appeals because of the broad nature of the tax laws. To what extent is that handled in S. 678 by the fact that the court makeup is composed of generalist Federal judges, well versed not only in tax law but in other areas as well?

Mr. FERGUSON. That proposal responds only to part of my concern about divorcing tax law from the mainstream of the business of the Federal circuits. I am less concerned about the preparation and experience of the individual judges on the court than about the development of a separate body of precedent, because it strikes me that there will, first of all, be questions of whether the tax issues in a case compel appeal to the new specialized court or to the circuit court because of the nontax issues present in the case. Second, once that jurisdictional ambiguity is resolved, I think the judges themselves will have the difficulty of establishing a national attitude toward the regional questions.

It is true in the present circuits that it is possible, for example, to argue a case before the Court of Appeals in the ninth circuit and not have a single judge on your particular panel who is conversant with community property law, even though the appeal comes from a community property State, such as Arizona, California, or Washington. But it is very unlikely. I think the danger of losing some of this familiarity with local law increases even though you are drawing representatives from various circuits to a national court. But, again, to the extent that the judges are dedicated to establishing a uniform and national body of tax law, the generalist versus specialist debate becomes less important.

Thus, I would urge that, if the committee decides to report out S. 678, it consider establishing within the bench at least a core of permanently assigned judges, whether assigned from the present circuits or newly appointed judges. I realize that the Judiciary Com-

mittee and the Congress made every effort in the omnibus Judgeship Act of the last Congress to respond to the overload of work in the circuits. Nevertheless, it seems appropriate to suggest that at least the chief judge and perhaps two side judges of a new Court of Tax Appeals be permanent new positions.

Mr. FEINBERG. To what extent does that cut against your argument about rigidity? In your testimony you mentioned that one of your concerns is the lack of various circuit consideration to flush out tax laws over a period of time.

Does not S. 678 take that into account by having this rotating body? Logistically it may provide some problems, I grant you, as both you and Dean Griswold have pointed out, but in terms of your major concern about rigidity or failure to reconsider tax issues, does not S. 678 deal with that problem by providing this 3-year rotation system and new representation on the court?

Mr. FERGUSON. The question of rigidity versus the availability of reconsideration is simply a hard choice which has to be made. If it is worth having a Court of Tax Appeals, it is worth having it because we have opted for a new emphasis on stare decisis in the field of tax law. If we are to have this new court, whether the judges come on a rotating basis from other circuits or not, their mission on the court should be to establish a system of national precedent, which will be respected by the court in future cases.

In my opinion, rotation does not respond to the question of rigidity versus flexibility. Indeed, I would hope that if the value of reconsideration, which I urge is one of the reasons for keeping the present appellate system, is outweighed by the reasons for establishing the new court, that it will be clear that one of the roles of the new court will be to avoid excessive reconsideration, and that it must establish a uniform set of principles which will bring the degree of certainty which Dean Griswold has argued it should.

I might add that even where stare decisis is fully respected, will occasionally distinguish away an earlier precedent to the point it has so little significance that it can be overruled. That is a process which the Supreme Court has followed several times, and I would expect that would be available to the Court of Tax Appeals.

Mr. FEINBERG. Thank you.

Senator DECONCINI. Thank you very much, Mr. Ferguson. We are appreciative of your testimony and thoughtfulness and your preparation.

Senator DECONCINI. Our next witness is Dan Meador, Assistant Attorney General, Office for Improvements of the Administration of Justice of the Department of Justice.

Dan, welcome once again. I know you have testified before on these bills earlier this year and we are very pleased to have you before us again. Please proceed.

STATEMENT OF DANIEL J. MEADOR, ASSISTANT ATTORNEY GENERAL, OFFICE FOR IMPROVEMENTS IN THE ADMINISTRATION OF JUSTICE, DEPARTMENT OF JUSTICE

Mr. MEADOR. Thank you, Mr. Chairman. I have filed a written statement which I assume will be inserted in the record at this point. It goes into the backgrounds of these bills at greater length than usual,

because we think it important for the committee to understand the course of development of these proposals.

I am here on behalf of the Department to testify in support of S. 677. There are many proposals in S. 677; indeed, all of them are duplicated in substance in S. 678, and to that extent I speak also in support of those provisions of S. 678.

[The prepared statement of Mr. Meador follows:]

PREPARED STATEMENT OF DANIEL J. MEADOR, ASSISTANT ATTORNEY GENERAL,
OFFICE FOR IMPROVEMENTS IN THE ADMINISTRATION OF JUSTICE

Mr. Chairman and members of the subcommittee: On March 20, 1979, I testified before the Committee on the Judiciary to state the views of the Department of Justice and the administration in support of S. 677, the Judicial Improvement Act of 1979. I am honored to appear before this subcommittee to present again the views of the Department and the administration in support of this bill. In addition, I will present views on some portions of S. 678, the Federal Courts Improvement Act of 1979.

On February 27, 1979, the President sent a message to Congress expressly endorsing all of the proposals contained in S. 677. At the outset, I wish to stress that the President and the Attorney General believe that the enactment of this bill, as well as the other measures endorsed in the President's message, is important to place the Federal judiciary in position to deal effectively with its business and to provide fair and adequate access to justice for the people of this country.

S. 677—THE JUDICIAL IMPROVEMENTS ACT OF 1979

The following is a summary of the first six titles of S. 677, presented for the convenience of the subcommittee, but without repeating the supporting reasons set forth in my written statement submitted at the March 20 hearing.

Title I—Terms of chief judges.—This would change existing law, which has no minimum or maximum term of service for a chief judge of a district or circuit court, to place a limit of 5 years on the term of a chief judge and to provide that one cannot initially take office as a chief judge after the age of 65. A chief judge could continue to serve in that office until the age of 70, or until the expiration of 5 years. This would assure a minimum term as well as a maximum term. An essentially similar provision appears in part A of title I of S. 678.

Title II—Appellate panels.—This would require that at least three judges decide every appeal and that at least two of the three be active judges of the circuit where the appeal is pending. This provision also appears in part B of title I of S. 678.

Title III—Judicial Councils.—This would restructure the judicial councils of the circuits so that no council would be larger than 11 judges, consisting of not more than 7 circuit judges and 4 district judges. A council would contain at least two district judges. Under existing law, there is no limit to the size of the councils, and they contain no district judges. Part C of title I of S. 678, with some variations, also puts limits on the size of the circuit councils and provides for membership of district judges.

Title IV—Pensions.—This provides that when a Federal judge resigns from the bench to accept an appointment in the executive branch, he can be given full annuity credit toward his executive retirement for the years of service on the Federal court. The substance of this provision is contained in section 132 of title I of S. 678, except that S. 677 would properly have the judicial branch contribute to the executive branch retirement system.

Title V—Transfer of cases.—Under existing law, a court without jurisdiction has no option except to dismiss the case, even though there is another Federal court which does have jurisdiction. This provision authorizes any Federal court which lacks subject matter jurisdiction over a case to transfer that case to another Federal court which does have jurisdiction. It is also contained in part B of title II of S. 678.

Title VI—Interest.—This provision authorizes the district courts, in their discretion, to require a defendant, against whom a money judgment has been entered, to pay interest on the amount of the judgment from the date the claim arose or from the date at which the defendant was informed of the facts giving rise to liability, whichever is later. The interest rate on judgments, after their entry, would be altered to reflect the contemporary prime rate as determined by the

Internal Revenue Service in connection with interest on taxes. An essentially similar provision is contained in part C of title II of S. 678.

Title VII—U.S. Court of Appeals for the Federal Circuit and U.S. Claims Court.—Perhaps the major feature of S. 677 is title VII, which would create a new intermediate appellate court to be known as the U.S. Court of Appeals for the Federal Circuit. This proposal also appears, with some variations, as title III of S. 678. Because of the importance of such restructuring on the Federal judiciary, the background and justification for this proposal will be set out at length below.

A NEW INTERMEDIATE APPELLATE COURT

This committee is well acquainted with the statistics that illustrate the problems of judicial administration at the Federal appellate level. In the 15 years from 1962 to 1977, appellate court filings increased from 4,823 cases to 19,188, while the number of Federal circuit judges increased from 78 to 97. The increase in filings exceeded the increase in judgeships by a 12-to-1 ratio, and the number of filings for each judgeship more than tripled. Docket pressures on the Supreme Court increased concomitantly.

Congress recognized the critical nature of the caseload explosion when it enacted the Omnibus Judgeship Act (Public Law 95-486) last year, which authorized 117 new district court judgeships and 35 new appellate judgeships. That much-needed measure will meet some compelling problems of the judicial system, but it fails to cure a basic weakness that has arisen in the Federal judicial structure. Contemporary observers recognize that there are certain areas of Federal law in which the appellate system is malfunctioning. The basic problem is the inability of the present Federal appellate system to render within a reasonable time decisions that have precedential value nationwide. A decision of any one of the 11 regional circuits is not binding on any of the others. Only decisions of the Supreme Court have that effect; yet the Supreme Court currently is reviewing less than 1 percent of the decisions of the courts of appeals.

This is an inadequate degree of review to assure supervision of the system. As a result, there are areas of the law in which the appellate courts reach inconsistent decisions on the same issue, or in which—although the rule of law may be fairly clear—courts apply the law unevenly when faced with the facts of individual cases. The difficulty here is structural. Since the Supreme Court's capacity to review cases cannot be enlarged significantly, the remedy lies in some reorganization at the intermediate appellate level.

The essence of the proposal to solve these systemic problems is the creation of a new intermediate appellate court. This would be accomplished through a merger of the Court of Claims and the Court of Customs and Patent Appeals into a single appellate court with expanded jurisdiction. The new court, to be called the United States Court of Appeals for the Federal Circuit, would be an article III court on line with the existing U.S. courts of appeals. It would inherit, in appellate form, all of the jurisdiction of the two existing courts. This includes appeals in suits against the government for damages, appeals from the Customs Court, appeals from the Patent and Trademark Office, and a few other agency review cases. In addition, the court would have jurisdiction over all Federal contract appeals in which the United States is a defendant, over patent and trademark appeals from all Federal district courts, and over some appeals from the Merit Systems Protection Board. The new court would consist of the 12 judgeships of the two existing courts; those courts themselves would be abolished. Further review would be in the Supreme Court by certiorari.

Before proceeding to explain this proposal and its justification in detail, it is useful to note developments over a period of years which led to this legislation.

A. Recent Federal Appellate Court Reform Efforts

To increase the capacity of the Federal judicial system for definitive adjudication of issues of national law, various proposals for restructuring the Federal appellate courts have been considered in recent years by lawyers, jurists, and academicians. Detailed recommendations have been developed by the Study Group on the Caseload of the Supreme Court (the Freund committee), the Commission on Revision of the Federal Court Appellate System (the Hruska Commission), and the Advisory Council for Appellate Justice chaired by Prof. Maurice

Rosenberg. See Federal Judicial Center, Report of the Study Group on the Caseload of the Supreme Court (1972); Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change, reprinted in 67 F.R.D. 195 (1975); Advisory Council for Appellate Justice, Recommendation for Improving the Federal Intermediate Appellate System (1975).

Thus, when we began efforts in the Department of Justice to draft legislation to resolve continuing problems of the Federal appellate courts, we did not write on a clean slate. We have tried to draw on the experiences of those groups and to present a program that would alleviate some of the most compelling problems of the appellate system and would also be politically feasible.

1. *The Study Group on the Caseload of the Supreme Court*

The earliest court reform efforts of this decade focused on the Supreme Court. Filings in the Supreme Court increased from 1,234 cases in the 1951 term to 3,643 cases in the 1971 term. Of the 3,643 cases filed during the 1971 term, however, only 143 cases were disposed of by full opinion.

In 1971, Chief Justice Burger expressed concern about docket congestion in the Supreme Court when he appointed the Study Group on the Caseload of the Supreme Court, under the auspices of the Federal Judicial Center. Chaired by Prof. Paul Freund, the study group reported in December 1972 that the Court was overburdened principally because of the need to screen a greatly increased volume of petitions for certiorari to determine which cases were worthy of consideration. This burden, the study group concluded, had led to failure to review issues that the Supreme Court would have decided in previous years, thereby preventing the Court from discharging its historic function of resolving conflicting decisions among the circuits and otherwise authoritatively settling important questions of Federal law.

To alleviate the problem, the study group recommended the creation of a National Court of Appeals. See Federal Judicial Center, Report of the Study Group on the Caseload of the Supreme Court (1972). This court would have been composed of seven judges of the existing courts of appeals, who would have been designated to sit on a rotating basis. The court would have had the power to decide some cases on their merits, but its major responsibility would have been to screen certiorari petitions that previously would have been filed in the Supreme Court. From the National Court of Appeals, about 400 cases a year would have been passed to the Supreme Court for further screening and possible review.

Although the proposal of the study group was the product of a distinguished group of lawyers and academicians, it provoked substantial controversy and gained little acceptance. The report did, however, serve to focus attention on weaknesses in the Federal appellate system and led to further serious efforts to deal with those problems. Indeed, the latest effort to put the Supreme Court in a better position to manage its business is the bill to place the Court's jurisdiction largely on a discretionary basis (S. 450), which passed the Senate in April. This bill would alleviate some of the Supreme Court's problems by enabling it to manage its docket more easily.

2. *The Commission on Revision of the Federal Court Appellate System*

Limitations on the capacity of the Supreme Court and its possible overload are not the only difficulties that beset the Federal appellate system. The ballooning caseloads of the 11 geographically organized courts of appeals, combined with the fact that only one reviewing court—the Supreme Court—can render decisions that are binding nationwide, have caused serious problems of unevenness and uncertainty in Federal law.

The present framework of the courts of appeals was created by the Evarts Act in 1891. See Circuit Courts of Appeals Act of 1891, ch. 517, 26 Stat. 826. In that act, Congress established a structure that served well until recently. The jurisdiction of the appellate courts is almost entirely mandatory, and there is little room for the courts' discretionary control of their dockets. In theory, a court of appeals must decide each case on its merits, even though this is often done summarily; unlike the Supreme Court, the appellate court cannot base its disposition of a case on a discretionary refusal to review. It is this intermediate tier of appellate courts that has carried the brunt of the legal explosion.

This exponential docket growth has increased opportunities for the development of disparate legal doctrines among the circuits. The likelihood that any decision by an appellate court will be reviewed by the Supreme Court is increasingly slight; moreover, on many issues, there is no definitive legal ruling that must be followed. As a result, it is not unusual for the appellate courts to reach different decisions on the same issue. In addition, the likelihood of inconsistent adjudication within each circuit has grown as the number of judges has increased; in the larger circuits, the en banc procedure has decreased in effectiveness as a means of definitively establishing the law of the circuit. See P. Carrington, D. Meador, and M. Rosenberg, Justice on Appeal 161-63 (1976).

Congress responded to this problem in October 1972 by creating the Commission on Revision of the Federal Court Appellate System chaired by then-Senator Roman Hruska. The commission was directed to study inadequacies in the entire Federal appellate court system and to suggest changes in boundaries for the judicial circuits and in the structure and internal procedure of the courts of appeals. See Act of October 13, 1972, Public Law 92-489, 86 Stat. 807, as amended, 28 U.S.C. § 41 (1976).

The Commission's first report recommended splitting the fifth and ninth circuits, thereby creating two new regional courts of appeals. See Commission on Revision of the Federal Court Appellate System, *The Geographical Boundaries of the Several Judicial Circuits: Recommendations for Change*, reprinted in 62 F.R.D. 223 (1973). This proposal has yet to be enacted and does not appear to be presently under active consideration by the Congress.

The second report of the Hruska commission dealt with court structure. See Commission on Revision of the Federal Court Appellate System, *Structure and Internal Procedures: Recommendations for Change*, reprinted in 67 F.R.D. 195 (1975) (hereinafter cited as the Hruska Commission report). As with the study group, the recommendation was for a new court, to be denominated a National Court of Appeals. But little about the Hruska Commission's national court resembled the study group's court, other than the name and the fact that each would have been a new tribunal inserted between the courts of appeals and the Supreme Court. The Hruska commission benefited from reactions to the earlier proposal, as well as from the contemporaneous work of the Advisory Council on Appellate Justice. As a result, the Hruska commission came to perceive the problem differently, and the Commission's proposal avoided most of the criticisms of the study group's recommendation. See Ownes, *The Hruska Commission's Proposed National Court of Appeals*, 23 UCLA L. Rev. 580, 599 (1976).

The National Court of Appeals devised by the Hruska Commission would have had the power to decide cases on the merits, but its jurisdiction would have consisted solely of cases referred by the Supreme Court or transferred from the courts of appeals. It would have been composed of permanent article III judges.

The Hruska Commission proposal was premised on the need to "increase the capacity of the Federal judicial system for definitive adjudication of issues of national law" in order to remedy what the Commission characterized as the problem of "unnecessary and undesirable uncertainty." See Hruska Commission report, *supra*, at 5, 13, 67 F.R.D. at 208, 217. The Commission pointed to four major consequences of the appellate system's lack of adequate capacity for the declaration of national law: (1) The Supreme Court's failure adequately to resolve conflicts among the circuits; (2) delay; (3) the burden upon the Supreme Court of hearing cases not clearly worthy of its attention; and (4) uncertainty in the law caused by potential intercircuit conflict, even though actual conflict might never develop. An additional problem, which was identified as particularly pressing in patent law, was said to be the Supreme Court's inability to monitor a complex field of law in which problems were caused not so much by actual unresolved conflicts between the circuits as by perceived disparities in results, a condition that encouraged unbridled forum shopping. *Id.* at 13-16, 67 F.R.D. at 217-21.

Critics raised a number of objections to the Hruska Commission's proposal, as they had previously to the Freund committee's recommendations. Most critics agreed, however, that even though the evidence compiled by these groups might not justify a National Court of Appeals in the mold which they had suggested, it did reveal an appellate system that was not working well. See, e.g., Feinberg, *A National Court of Appeals*, 42 Brooklyn L. Rev. 611, 624-27 (1976).

We believe that the problems identified in the Hruska Commission report continue, and that indeed they may be worsening. Some solutions for these problems are imperative. The proposed U.S. Court of Appeals for the Federal Circuit holds the potential of solving at least some of these problems.

3. Specialized courts

As an alternative remedy to the lack of uniformity and the uncertainty of legal doctrine in specific areas of the law, several commentators have advocated the establishment of an appellate court with national jurisdiction over a single area of litigation. For example, for at least the past 40 years, some distinguished tax attorneys have advocated a national court to review tax cases. See, e.g., Griswold, *The Need for a Court of Tax Appeals*, 57 Harv. L. Rev. 1153 (1944); Traynor & Surrey, *New Roads Toward the Settlement of Federal Income, Estate, and Gift Tax Controversies*, 7 Law & Contemp. Prob. 336 (1940). Other observers have concluded that because decisions in environmental cases were so inconsistent as to impede agency action, a special court might be warranted for these types of cases. See Whitney, *The Case for Creating a Special Environmental Court System*, 14 William & Mary L. Rev. 473, 500-01 (1973). Still other commentators propose some form of centralized review of actions of Federal executive and administrative agencies. See, e.g., Nathanson, *Proposals for an Administrative Appellate Court*, 25 Admin. L. Rev. 85 (1973).

An examination of the various proposals reveals that, in certain areas of the law, specialized appellate courts may offer three potential advantages over review in the regional circuit courts of appeals: Specialized courts could permit judges to develop expertise in the subject matter of their cases, thus improving the quality of decision (this factor is particularly relevant in fields where technical expertise expedites decisionmaking); by minimizing actual and potential inter-court conflicts, a specialized court could reduce or eliminate disuniformity and uncertainty in the law—and the forum shopping that accompanies these conditions; and by removing some of the most time-consuming cases from the dockets of the regional courts of appeals, a specialized court could relieve the caseload burden on the other courts. The total effect would be an improvement of the conditions for decisionmaking in both the regional and the specialized appellate courts. Cf. Currie & Goodman, *Judicial Review of Federal Administrative Action: Quest for the Optimum Forum*, 75 Colum L. Rev. 1, 73 (1975).

These potential advantages would not accrue, however, without corresponding costs. Indeed, because of sizable disadvantages, specialized courts have encountered broad opposition. Objection to a court with jurisdiction limited to a single, narrow category of cases rests primarily on twin concerns: such a court could foster the development of judges who take too limited and arcane a view toward the development and application of the law; and such a court would be vulnerable to capture by special interests centering on the subject matter of its jurisdiction.

The first of these concerns involves the apprehension that judges on a specialized court could lose sight of the basic values at stake in their decisions. Because the judicial process requires "the unique capacity to see things in their context," judges benefit from constant exposure to pressures that tend to expand the breadth of their experience. Rifkind, *A Special Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A.J. 425 (1951). Consequently, if one field of law becomes segregated from the mainstream of the law, there is a danger that the judges will develop "tunnel vision" and that the body of law will evolve "a jargon of its own, though patterns that are unique, internal policies which it subserves and which are different from and sometimes at odds with the policies pursued by the general law." *Id.* As a result, the "seclusiveness" of that branch of the law becomes further intensified, and the field of law becomes effectively "immunize[d] * * * against the refreshment of new ideas." *Id.* at 426.

The second apprehension—that vested interests might capture a specialized court—stems in part from experiences with the Commerce Court. Established in 1910 and abolished in 1913, the Commerce Court had been given jurisdiction over a single category of cases that commanded extraordinary public attention during a populist era of our history. See F. Frankfurter and J. Landis, *The Business of the Supreme Court* 153-74 (1928). Although during the period of the Court's existence it was asserted that the Commerce Court was dominated by the railroads, the opposite appears to have been true, in that the court and the railroads were not allies. See Dix, *The Death of the Commerce Court: A Study in Institutional Weakness*, 8 Am. J. Legal Hist. 238, 247 (1964). Whatever the facts, however, those experiences have left a strong distaste for specialized courts among American lawyers and judges.

Although we recognize the advantages of a specialized appellate forum in certain circumstances, on balance, we believe 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.

4. Omnibus Judgeship Act

Whatever the merits or lack of merits of earlier proposals, as a practical matter none of them has gained broad support. Consequently, the problems persist. Unfortunately, the malfunctioning also will not be solved by the recent enactment of the Omnibus Judgeship Act, which will add 152 new judges to the Federal judiciary. It is a curious characteristic of judicial organization and procedure that a remedy for one malady in the system often creates or exacerbates another—and that is the case here. The act is unlikely to alleviate docket congestion permanently, and, more importantly, it will not increase the capacity of the Federal judicial system for definitive adjudication of issues of national law. Indeed, the addition of new judgeships will only worsen problems of unevenness and uncertainty in the Federal law. This is because the new appellate judgeships will increase the number of decisional units at the intermediate level without increasing the system's capacity for definitive resolution of conflicts among the decisional units. See Carrington, *Crowded Dockets and the Court of Appeals: The Threat to the Function of Review and the National Law*, 82 Harv. L. Rev. 542, 544-46 (1969).

5. Imperatives of Federal court restructuring

The discussion provoked by the study group, the Hruska Commission, and the Advisory Council for Appellate Justice produced agreement on principles, stated in various ways, that must be considered in any future appellate court reform effort. These reform imperatives which, for reasons of public opinion or sound policy, cannot be ignored, are:

1. No fourth tier should be added to the Federal judicial system.
 2. Any new appellate tribunal with substantial, continuing jurisdiction should be composed of article III judges of its own.
 3. If a new court is created, its jurisdiction and position in the system should be such as not to diminish the status of existing courts and judges.
 4. Undue specialization of courts and judges should be avoided.
 5. Any new tribunal should provide flexibility in the Federal court system to meet changing docket conditions.
 6. Access to and review by the Supreme Court should remain available.
 7. The number of judges or courts within the Federal judiciary should not be unduly expanded.
 8. A new court should operate free of jurisdictional uncertainties.
- The proposed U.S. Court of Appeals for the Federal Circuit satisfies these imperatives.

B. UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

The proposal to create a new Court of Appeals for the Federal Circuit through a merger of the Court of Claims and the Court of Customs and Patent Appeals (CCPA) addresses the structural problems which have been the concern of all of these efforts of the last decade and which are left uncorrected by the Omnibus Judgeship Act. First, it would reduce the number of decisionmaking entities within the Federal appellate system. Second, it would provide a new forum for the definitive adjudication of selected categories of cases.

1. Background—The existing courts

Since the new appellate court would absorb the business of the Court of Claims and Court of Customs and Patent Appeals—and thus those two courts would be discontinued as such—a brief explanation of the background and business of those courts is useful to an understanding of the legislation we are proposing.

a. *The Court of Claims.*—The Court of Claims was created in 1855 primarily to relieve the pressure on Congress from the volume of private bills. Act of February 24, 1855, c. 122, 10 Stat. 612. In 1953 it was declared by Congress to be an article III court (Act of July 28, 1953, § 1, 67 Stat. 226), an action confirmed by the Supreme Court. See *Glidden Co. v. Zdanok*, 370 U.S. 530 (1962). The court is composed of seven judges, who sit either en banc or in three-judge panels. Headquartered in Washington, D.C., the court can and does sit elsewhere. (For a history of the Court of Claims, see Bennett, *The United States Court of Claims, A 50-Year Perspective*, 29 Fed. Bar J. 284 (1970); *Symposium, The United States Court of Claims*, 55 Geo. L. J. 573 (1967).

The jurisdiction of the Court of Claims is quite general and varied, even though the United States is always the defendant and the court has limited equity power and no criminal jurisdiction. See 28 U.S.C. §§ 1346, 1491-1506 (1976); 33 U.S.C. § 1321(i) (1976); 50 U.S.C. § 1218 (1976); 91 Stat. 274 (1977). Most of the court's

docket is made up of government contract and tax cases, with Indian claims cases, military and civilian pay cases, and inverse condemnation cases making up the bulk of the remainder. Patent cases are heard whenever the United States is the ultimate user of beneficiary of a product or process that allegedly has infringed the rights of a patent owner.

By statute the Court of Claims is a court of first instance (28 U.S.C. §§ 1491-1505 (1976)), but in reality its seven article III judges function largely as an appellate court. Initial determinations in the cases before this court are ordinarily made of 1 of 16 Court of Claims commissioners who serve in fact as the trial judges of the court. See 28 U.S.C. §§ 792(a), 2503 (1976). These trial judges issue all interlocutory orders and preside over pretrial proceedings and the trial itself, functioning much as district court judges do, except that Court of Claims judges do not conduct jury trials. See Cowen, *Foreward, A Symposium: The United States Court of Claims*, 55 Geo. L. J. 393, 395 (1966). Their functions are also analogous to those performed by Federal magistrates and special masters. The trial judges hear cases throughout the country, but only the article III judges may enter dispositive orders. After the conclusion of a trial, the trial judge prepares a report containing findings of fact and recommended conclusions of law. Definitive action in the case is then taken by the article III judges, sitting either in panels of three or en banc. Because of the anomalous position of the trial judges within the present judicial system, a restructuring of the Court of Claims has been advocated by the Court of Claims Committee of the Bar Association of the District of Columbia. This problem is dealt with in S. 677 and S. 678 by vesting all of the trial jurisdiction of the present Court of Claims in a new article I forum entitled the U.S. Claims Court.

Review of Court of Claims decisions is available by writ of certiorari in the Supreme Court. The trial judges, but not the article III judges, also adjudicate congressional reference cases. 28 U.S.C. §§ 1492, 2509 (1976).

The 1978 Clerk's Report shows that the Article III judges of the Court of Claims wrote 102 majority opinions involving 117 cases. At the close of the year ending September 30, 1978, the Court had only 29 cases awaiting decision, of which 19 were disposed of on or before October 18, 1978. Although the docket of the article III judges therefore is current and does not appear heavy when compared with that of the regional courts of appeals, the generally lengthy nature of government contract cases and numerous dispositions of cases by order appear to fully occupy the court.

Cases are commenced in the Court of Claims by filing a "petition," which is a pleading analogous to a complaint in district court. All cases are placed on the trial judges' docket, where they remain until the case is refined to an issue of law and the trial judge files a report with the article III judges. If a major motion is filed in a case, it may appear on the dockets of both the trial judges and the article III judges; thus, not all petitions require the attention of a trial judge. In 1978, 583 petitions were placed on the trial judges' docket, and a total of 1,524 petitions were pending before the trial judges at the end of the court year.

b. *Court of Customs and Patent Appeals.*—Created as the Court of Customs Appeals in 1909 (Customs Administrative Act of 1890, c. 407, § 29, 26 Stat. 131, as added by Payne-Aldrich Tariff Act of August 5, 1909, c. 6., § 28, 36 Stat. 11, 105), the name was changed to the Court of Customs and Patent Appeals following the addition of patent jurisdiction in 1929. Act of March 2, 1929, c. 488, 45 Stat. 1475. The court is composed of five judges. It was declared by Congress in 1958 to be an article III court (Act of August 25, 1958, § 1, 72 Stat. 848, added to 28 U.S.C. § 211 (1958)), a status which was upheld by the Supreme Court. *Glidden v. Zdanok*, 370 U.S. 530 (1962). (For a history of the CCPA, see Graham, *Court of Customs and Patent Appeals: Its History, Functions, and Jurisdiction*, 1 Fed. Bar J. 33 (1932)).

The CCPA has jurisdiction over appeals from decisions of the U.S. Customs Court, the Patent and Trademark Office, the U.S. International Trade Commission, and from certain findings of the Secretaries of Commerce and Agriculture. See 15 U.S.C. § 1071 (1976); 19 U.S.C. § 1337(c) (1976); 28 U.S.C. §§ 1541-1545 (1976). The court has no jurisdiction of patent infringement cases and no copy-right jurisdiction.

In 1978, the court had 153 filings and 199 dispositions. The Clerk's report for that year shows 20 customs, commerce, and international trade cases, and 133 patent and trademark cases. According to the Annual Report of the Director of the Administrative Office of the United States Courts, the average time for disposition of a patent or trademark case in the CCPA has fallen from 31.5 months from filing to decision in 1973 to 9.2 months in 1978.

Each judge on the CCPA has two technical advisors to assist him in resolving cases. These advisors are lawyers whose training is identical to that of a law clerk, except that they also have technical degrees and experience in a scientific or engineering field or in patent law. They serve for 2 years and confer with the judges on both legal and technical matters. In addition, the court has a permanent Chief Technical Advisor.

While allowance must be made for the complicated nature of much of the CCPA's caseload, the court appears to have some capacity for a larger volume of business. Evidence of this ability to handle additional cases is revealed by the frequent sittings by two of the five CCPA judges in other courts. During 1977, one of the judges sat 36 days on the circuit courts of appeals, hearing 209 cases; another judge served 9 days in the courts of appeals, hearing 47 cases. In 1978, one judge sat 16 days, hearing 101 cases; another judge sat 9 days, hearing 41 cases. These sittings on other courts are cited simply to show that there is judge-time available for the adjudication of appeals in addition to those that make up the current CCPA docket.

2. The proposed new court: Organization and structure

The proposed U.S. Court of Appeals for the Federal Circuit—which would absorb the business of the Court of Claims and the CCPA—would not be an additional tier in the Federal judiciary. Rather, it would be another circuit, functioning much like the other courts of appeals, except that its jurisdiction would be defined by subject matter instead of geography. Review of the new court's decision would be in the Supreme Court by writ of certiorari.

As a transitional measure, the persons occupying the twelve article III judgeships of the two existing courts on the effective date of this legislation (2 years after the date of enactment) would become judges of the new court. The positions would be designated as United States circuit judgeships, and future vacancies on the court would be filled by Presidential appointment, with senatorial confirmation.

As a further transitional feature, the first chief judge of the Court of Appeals for the Federal Circuit also would be appointed by the President, with senatorial approval. After the first chief judge of the Federal Circuit vacated that position, the chief judge would be chosen by seniority of commission, in the manner prescribed for other U.S. courts of appeals under 28 U.S.C. § 45.

The jurisdiction of the new appellate court would be both limited and exclusive. As we noted previously, it would inherit virtually all of the jurisdiction of the two existing courts. In addition, it would have jurisdiction over all Federal contract appeals in cases brought against the Government, over patent and trademark appeals from Federal district courts throughout the country, and over appeals from the Merit Systems Protection Board. The new court would not have any jurisdiction over cases brought under the Federal Tort Claims Act. Since these cases (only one of which has ever been filed in the present Court of Claims) frequently involve the application of State law, they will continue to go to the regional courts of appeals. In all, the new court would handle approximately 900 cases annually. Although the projected caseload is somewhat lighter than the number of cases that are docketed in the regional courts of appeals, it must be remembered that the cases considered by the new court will be unusually complex and time consuming.

The new appellate court would have its headquarters in Washington, D.C., in the facilities presently shared by the two existing courts. By rule of court, it could sit at other designated places throughout the country. The court would sit in panels of three or more judges or en banc. Under existing law, other U.S. courts of appeals are authorized to decide cases in separate divisions, each consisting of three judges. See 28 U.S.C. § 46(b) (1976). The jurisdiction of the Court of Appeals for the Federal Circuit would consist of an unusual number of complex cases in which current law is disuniform or inconsistently applied, and its decisions are intended to have nationwide precedential effect. Consequently, the judges of the Federal circuit would be authorized to determine the size of the divisions in which the court would sit—with the provision, however, that divisions could not consist of less than three judges. This would permit the Federal circuit to sit in panels of more than three judges, but at less than a full en banc court, for cases in which authoritative decision and doctrinal stability could be enhanced by the use of larger panels. Panels of five judges, for example, might provide greater assurance of sound collective judgment and afford greater dignity to the decisions, thereby contributing to nationwide stability in the law.

Under the bill, it is contemplated that the court would manage the assignment of cases and judges to panels in such a way as to assure a balance between continuity and rotation, and a balance between the development of subject matter competence and the avoidance of undue specialization. This would be achieved through a blend of gradual rotation of panel assignments of judges and subject matter assignments of cases. This is important in order to promote doctrinal coherence and stability.

Taken together, the provisions on panel composition and the provisions on the assignment of cases to panels authorize the court to conduct its adjudicative business in a flexible way that will take advantage of the backgrounds and special competencies of its judges. It provides an optimal procedure for developing sound, uniform legal doctrine.

As mentioned previously, the Court of Claims also performs a substantial trial function which, in practice, is carried out by the trial judges of the court rather than by the article III judges. Under this proposal, the trial function of the Court of Claims would be assigned to an independent article I court resembling the Tax Court of the United States. The new trial court would be called the U.S. Claims Court. Its jurisdiction would be identical to the trial jurisdiction of the current Court of Claims, except that it would not hear Federal Tort Claims Act cases.

The U.S. Claims Court would be composed of 16 article I judges, who would be appointed by the President with the consent of the Senate. They would serve for a term of 15 years. The chief judge of the Claims Court would be designated by the judges of the court on a biennial basis. As a transitional measure, persons who were in active service as trial judges of the Court of Claims on the effective date of this legislation would become article I judges of the U.S. Claims Court. They would serve for a term of 15 years, measured from the day they had first taken office as trial judges of the Court of Claims, and they would be eligible for reappointment. Like the present Court of Claims and the Tax Court, the Claims Court would be authorized to sit nationwide. The court would be required to establish times and places of its sessions with a view toward minimizing inconvenience and expense to litigants.

3. Administrative efficiencies and economics

The creation of a single new appellate entity has considerable advantages. The Court of Claims and the Court of Customs and Patent Appeals were historically justified at the time they were created, and those courts have done a good job with the cases that have been assigned to them through the years. But the merger of these two courts now would reduce some overlapping functions and would provide for more efficient court administration. For example, there should be considerable savings through the maintenance of one clerk's office instead of two.

At the same time, the consolidation of the two courts would bring them administratively into the mainstream of the Federal judiciary and would upgrade the status of their judges and functions. Although both courts participate in the Judicial Conference (28 U.S.C. § 331) and are among the courts within the jurisdiction of the Administrative Office of the United States Courts (28 U.S.C. § 610), their integration into the judicial budgetary and administrative process is far from total. On budgetary matters, for example, the proposed budgets for the two courts are routed to the Office of Management and Budget through the Administrative Office, along with the proposed budgets for the district and circuit courts; but, unlike the other courts that are serviced by the Administrative Office, representatives of each of these courts appear directly before the appropriating committees of the Congress to justify their budget requests, in much the same fashion as the Supreme Court. Whatever the historical reason for this practice may be, there is little justification today for having two courts (other than the Supreme Court), out of the entire Federal judiciary, appear separately to explain their budgetary submissions. The merger of the two courts would permit them to be fully integrated into the budgetary process. Thus, merging these two courts into a single court, as a regularized part of the intermediate appellate tier, would assure more effective and rational administration of the Federal judiciary as a whole.

4. Availability of a central appellate forum

In addition to achieving administrative efficiencies, the establishment of the Court of Appeals for the Federal Circuit would provide an appellate forum capable of exercising jurisdiction over appeals from throughout the country in areas of the law where Congress determines that there is special need for national uniformity. Thus, once such a forum is created, Congress will have available a central appellate court to which it can route categories of cases as needs and conditions change in the years ahead.

The absence of such a court in the present Federal judiciary has compelled Congress from time to time in the past to create special courts. In 1971, for example, Congress created the Temporary Emergency Court of Appeals (TECA), composed of three or more district or circuit judges designated by the Chief Justice, to hear all appeals nationwide in cases arising under the Economic Stabilization Act of 1970. Public Law 92-210. According to its legislative history, TECA was originally established to gain consistency of decision. S. Rept. No. 507, 92d Cong., 1st sess. (1971).

Although TECA's original caseload arising under the 1970 act diminished and then disappeared after the expiration of the mandatory wage-price controls authorized under the act, TECA was given additional jurisdiction under three subsequent statutes:

- (1) The Emergency Petroleum Allocation Act of 1973;
- (2) The Energy Policy and Conservation Act of 1975; and
- (3) The Emergency Natural Gas Act of 1977. TECA continues in existence and, to date, has rendered at least 116 reported opinions.

Such piecemeal establishment of courts with national appellate jurisdiction to provide consistency of legal doctrine carries with it many administrative disadvantages. When Congress established TECA, for example, it authorized the court to prescribe rules governing its procedures and to appoint a clerk and such other employees as it deemed necessary or proper. As a result, TECA duly promulgated its own rules of procedure (33 in number) and currently employs three full-time clerks and a full-time law clerk to serve the 19 judges currently designated for the court. The court currently has only 20 cases pending on its docket. Modest though these matters may seem, they constitute a proliferation of rules and personnel that could be avoided if there were in existence a court capable of exercising jurisdiction over appeals from throughout the nation. If the U.S. Court of Appeals for the Federal Circuit had been in existence, Congress would not have needed to create TECA.

TECA is but one example in our history of a felt need for the availability of central review of issues of national significance. The proposed court would provide an ongoing forum, adequately staffed and organized, to which Congress could direct appeals in categories of cases where there is particular need for definitive, uniform decisions. It would remove the necessity for special, *ad hoc* courts.

5. *Improved administration of the patent law*

Based on the evidence it had compiled, the Hruska Commission singled out patent law as an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. See Hruska Commission report, *supra*, at 15, 144-57, 67 F.R.D. at 214, 361-76. Furthermore, in a commission survey of practitioners, the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem, and the commission singled out patent law as an area in which widespread forum shopping is particularly acute. *Id.* at 144-57, 67 F.R.D. at 361-76.

There are three possible forums for patent litigation: the Court of Customs and Patent Appeals, a Federal district court, or the Court of Claims.

If the Patent and Trademark Office denies a patent, the disappointed applicant may choose between review of the decision in the CCPA or a suit against the Commissioner of Patents and Trademarks in the U.S. District Court for the District of Columbia. A loser in a patent interference proceeding may appeal to the CCPA or may file a civil action in Federal district court where the issues will be considered *de novo*. This suit will be subject to the general rules of venue and in personam jurisdiction. The winner in an interference proceeding, as appellee, may exercise the option to remove the case from the CCPA to Federal district court. Review of CCPA decisions is in the Supreme Court, while review of decisions of the District of Columbia District Court is in the Court of Appeals for the District of Columbia Circuit.

Jurisdiction of suits for infringement of patents or for declaratory judgments of noninfringement is in the Federal district courts. Thus, because district courts throughout the United States handle patent cases, each of the 11 circuit courts of appeals renders decisions on patent questions. Further review is by certiorari in the Supreme Court.

The Court of Claims decides patent cases in which the United States is an alleged infringer. The decisions of the court are reviewable by the Supreme Court.

Although these multiple avenues of review do result in some actual unresolved conflicts in patent law, the primary problem in this area is uncertainty which results from inconsistent application of the law to the facts of an individual case.

Even in circumstances in which there is no conflict as to the actual rule of law, the courts take such a great variety of approaches and attitudes toward the patent system that the application of the law to the facts of an individual case produces unevenness in the administration of the patent law. Perceived disparities between the circuits have led to "mad and undignified races" between alleged infringers and patent holders to be the first to institute proceedings in the forum that they consider most favorable. H. Friendly, *Federal Jurisdiction: A General View* 155 n.11 (1973).

The Hruska Commission's patent law consultants, Professor James B. Gambrell and Donald R. Dunner, Esq., deplored the forum shopping that occurs in that field of the law. They pointed out that, at least when the issue turned on validity, "[p]atentees now scramble to get into the Fifth, Sixth, and Seventh Circuits since the courts are not inhospitable to patents whereas infringers scramble to get anywhere but in these Circuits." Hruska Commission report, *supra* at 152, 67 F.R.D. at 370. They concluded that forum shopping on this scale "not only increases litigation costs inordinately and decreases one's ability to advise clients, it deems the entire judicial process and the patent system as well." *Id.*

The Supreme Court's decision in *Blonder-Tongue Laboratories v. University of Illinois*, 402 U.S. 313 (1971), does not wholly cure the problem. Until that case, the doctrine of mutuality of estoppel required that for the patentee to be bound by the prior decision, the alleged infringer must also be bound. Since the litigating parties were rarely identical, multiple litigations occurred, *stare decisis* being the only deterrent. In *Blonder-Tongue*, however, the U.S. Supreme Court announced the demise of the requirement of mutuality of estoppel. The stakes in an individual patent litigation have thereby grown because a loss by the patentee on the issue of validity may bind him in all subsequent litigation. While this is a salutary development in that it reduces multiple litigations over the same patent, the effect is to settle the validity of the patent under one circuit's view of the law and its approach in applying the law, which may differ from that of other circuits. In other words, although the *Blonder-Tongue* rule may settle certain issues as to a particular patent, it does little to establish nationally uniform administration of patent law. Moreover, because the first court to decide a case will settle the validity of the patent, this new estoppel effect may even intensify forum shopping. Centralized review of patent cases in the proposed court would resolve this problem.

The infrequency of Supreme Court review of patent cases leaves the present judicial system without any effective means of assuring evenhandedness nationwide in the administration of the patent laws. The proposed new court would fill this void in the system.

Directing patent appeals to the new court also would have the salutary effect of removing these unusually complex, technically difficult, and time-consuming cases from the dockets of the regional courts of appeals. This would leave those courts better able to handle other types of cases that flow to them. Although the creation of the new court would therefore reduce the workload of the appellate courts, case management is not the primary goal of the legislation; rather, the central purpose is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exists in the administration of patent law.

6. Avoidance of specialization and other pitfalls

The proposed new court should not be misunderstood to be a "specialized court," as that term is normally used. The court's jurisdiction would not be limited to one type of case, or even to two or three types of cases. Rather, it would have a varied docket spanning a broad range of legal issues and types of cases. It would handle all patent appeals and some agency appeals, as well as all other matters that are now considered by the CCPA or the Court of Claims. The cases heard by these courts contain a variety of issues. For example, the Court of Claims decides cases involving Federal contracts, civil tax issues if the Government is the defendant, Indian claims, military and civilian pay disputes, patents, inverse condemnation, and various other matters. The CCPA decides patent and customs cases from several sources, and those cases often include allegations or defenses of "misuse, fraud, inequitable conduct, violation of the antitrust laws, breach of trade secret agreements, unfair competition, and such common law claims as unjust enrichment." See Kauper, statement submitted to Hruska Commission, May 20, 1974, at 14 (unpublished; on file in National Archives).

The variety of issues that arise in the patent law is borne out by an analysis done by the Office for Improvements in the Administration of Justice of patent appeals in the regional Federal appellate courts during 1976, 1977, and 1978 (appeals which would hereafter go to the new court). Most of those appeals

presented only questions under the patent law. However, during that time, the circuits disposed of approximately 61 cases raising mixed patent, trademark, and antitrust or unfair competition issues. Of these, the circuit courts were called upon to decide antitrust questions in 10 cases and unfair competition issues in 16 cases.

This rich docket assures that the work of the proposed court would be broad and diverse and not narrowly specialized. The judges would have no lack of exposure to a wide variety of legal problems. Moreover, the subject matter of the new court would be sufficiently mixed to prevent any special interest from dominating it. When patent cases, claims of all sorts against the Government, and some civil tax cases and agency appeals are combined, it is clear that no single interest could muster sufficient political influence to control the selection of a majority of the judges on the court.

In addition to avoiding objections to specialized courts, the proposed court is structured and organized so as to observe all of the imperatives of appellate court reform identified earlier in this statement. It also avoids objections which have been raised to other appellate restructuring proposals of recent years.

7. Logistical feasibility

The proposal contains additional positive features. From a practical standpoint, a merger of the Court of Claims and the CCPA could be accomplished with virtually no disruption to the people involved. The existing courts already jointly occupy almost all of the Courts Building on Lafayette Square in Washington, D.C., where there appears to be room for additional judges' chambers. The two courts share the same library, and court personnel share the same dining facilities. The Court of Claims trial judges are also located in this building. Furthermore, there is already a standing order of the Judicial Conference allowing the interchange of judges between the two courts. See Report of the Proceedings of the Judicial Conference of the United States, September 23-24, 1976, at 53.

An analysis of the workload of the proposed new court discloses that this merger also could be accomplished easily in terms of caseload. The dockets of both existing courts are current. Set out below are tables showing the sources of cases for the proposed court.

CASELOAD IN THE COURT OF CUSTOMS AND PATENT APPEALS, FISCAL YEAR 1978

Type of case	Filed	Terminated
Customs, commerce, and international trade.....	20	26
Patent and trademarks.....	133	173
Total CCPA cases.....	153	199

The docketing of cases in the Court of Claims presents a confusing statistical picture to the uninitiated. Some cases appear on the trial judges' docket and others appear on the docket of the article III judges, while some cases are placed on both dockets. For purposes of projecting the new court's caseload, the relevant statistics are not those that reveal the total caseload of the Court of Claims but rather those that reflect the caseload of the article III judges on the Court. The following table contains those figures.

Appellate caseload in the Court of Claims—fiscal year 1978

Total dispositions by article III judges:

In chambers.....	150
Calendared.....	151
Requests for review.....	50

Total, article III, judge workload..... 351

In addition to inheriting the jurisdiction of the CCPA and the Court of Claims, the new appellate court would also receive patent appeals and all appeals in Federal contract cases brought against the United States that are presently heard in the regional courts of appeals. On the basis of 1978 figures, approximately 145 patent and trademark appeals and 214 Federal contract appeals would be rerouted to the new intermediate appellate court. The new court's appellate jurisdiction in patent cases is defined in relation to the district court's jurisdiction;

that is, if the district court has jurisdiction over the case under 28 U.S.C. § 1338, on the ground that the case arises under the patent law, the appeal in that case would go to the new appellate court, instead of to the regional circuit.

To recapitulate, at least on the basis of 1978 figures, the new court would be handling 153 cases that would otherwise have been heard by the CCPA, 251 cases that would have been heard by the Court of Claims, and 359 patent or Federal contract cases coming directly from the district courts that would have been heard by the regional courts of appeals. This would provide a total docket of about 863 cases. Figures are not yet available concerning appeals from the newly created Merit Systems Protection Board.

This number of appeals would provide an adequate but not burdensome workload for a court of 12 judges. Several years ago, Prof. Charles Alan Wright estimated that about 80 dispositions per year would be appropriate for a busy but not overworked Federal appellate judge. See Wright, *The Overloaded Fifth Circuit: A Crisis in Judicial Administration*, 42 Texas L. Rev. 949, 957 (1964). The projected annual filings per judgeship in the proposed court would be approximately 72, which is lower than the per judgeship filings in any of the regional circuit courts in 1978. See 1978 Annual Report of the Director of the Administrative Office of the U.S. Courts. Filings per judgeship in the 11 circuits ran from a low of 123 in the Eighth Circuit to a high of 238 in the Ninth Circuit. *Id.* However, because the new court will be considering cases that are unusually complex and the United States Courts. Filings per judgeship in the 11 circuits ran from a low of 123 in the Eighth Circuit to a high of 238 in the Ninth Circuit. *Id.* However, because the new court will be considering cases that are unusually complex and technical, its cases will be extraordinarily time consuming, and fewer of them will be appropriate for summary disposition than is true of the cases that make up the dockets of the regional courts of appeals. Therefore, a reduced number of cases per judgeship is realistic. In addition, there is value in not having a newly created court with nationwide jurisdiction overload initially.

In summary, the consolidation of the Court of Claims and the Court of Customs and Patent Appeals would be logistically and technically uncomplicated. Furthermore, it would make maximum use of facilities and of personnel that are already a part of the Federal system. Thus, the proposal makes only a modest change in Federal appellate court structure. It would, however, bring desirable uniformity to a critical area of the law. The forum shopping that is common to patent litigation would be reduced. Business planning would be made easier as more stable law is introduced. Moreover, as the new court brings uniformity to this field of law, the number of appeals resulting from attempts to obtain different rulings on disputed legal points can be expected to decrease.

At the same time, the merger of the courts would relieve docket pressures both on the regional appellate courts and on the Supreme Court. Although the number of appeals to be redirected is not great in proportion to the total caseload of these courts, the cases that would be rerouted contain some of the most complex and time-consuming issues that the courts consider. The impact of the new court on the dockets of these courts therefore would be far greater than a first glance at the raw numbers might indicate. The proposed new intermediate Federal appellate court therefore would increase the capacity of the judicial system for definitive adjudication of issues in the patent law and other fields in which it has jurisdiction.

S. 678—THE FEDERAL COURT IMPROVEMENT ACT OF 1979

There are two proposals in S. 678 on which I would like to submit the views of the administration and the Department of Justice, and one provision on which I would like to present my own views.

Section 151—Temporary assignment of judges to administrative positions.—This would authorize an active or retired justice or judge of the United States to be assigned temporarily to the position of Administrative Assistant to the Chief Justice, Director of the Administrative Office of the U.S. Courts, or Director of the Federal Judicial Center. Such service would be without additional compensation.

This provision would make available to the judiciary the talents of administratively able judges and could thereby strengthen the administration of the Federal judiciary. Presently, the Office of the Chief Justice is administratively overloaded, and enactment of such a proposal could make it possible for the Chief Justice to delegate a larger array of his routine administrative duties. As such, this is a meritorious proposal and should be enacted. However, it should not be regarded as a solution to more fundamental problems besetting the administration of the Federal judiciary. Those problems deserve continuing study and may require some alterations in the administrative machinery of the judiciary.

Section 201—Interlocutory appeals.—This amends 28 U.S.C. § 1292(b) to provide the courts of appeals with discretionary authority to entertain appeals from

interlocutory orders in civil actions after a refusal by a district judge to certify the matter for appeal in accordance with the provisions of existing law. Although the Department favors some modification of this section, the need for such broad power in the courts of appeals is far from clear. Other remedies, such as the writ of mandamus, may be available in appropriate cases.

The breadth of the current proposal is such that it is likely to increase needlessly the number of interlocutory rulings brought to the courts of appeals for review. Moreover, it could permit delay by artful litigants and generally enhance the prospects of increased costs of litigation. Consequently, we do not support enactment of this provision in its present form.

We would recommend, however, enactment of a more modest proposal that would require the courts of appeals to review interlocutory orders when the Attorney General of the United States certified that the ruling involved a question concerning national security or foreign intelligence of such magnitude that it would warrant prompt and full consideration by an appellate court. This would eliminate the possibility of a recurrence of the unseemly situation that developed last year in the Socialist Workers case in New York, in which the Attorney General was compelled to incur a contempt citation before he could bring a matter of this nature before the court of appeals.

Title IV—U.S. Court of Tax Appeals.—S. 678 contains provisions to create a new Federal appellate court, to be known as the U.S. Court of Tax Appeals. This court would have exclusive nationwide jurisdiction over all civil tax appeals—appeals from the Federal district courts as well as from the Tax Court. It would be composed of 12 U.S. circuit judges, designated to sit for terms of 3 years while continuing to function as judges on their home circuits. The Department of Justice and the administration have taken no overall position in relation to this proposal. It is understood that various officials within the administration most concerned with the issues involved may present individual or departmental views. It is with such thorough, good-faith airing of views on this complex issue that the most responsible discussion can take place. Hence, on this proposal, I do not speak for the Department of Justice or the administration. I offer herewith only the views of myself on this question, for whatever value they may be to the Committee as it considers this proposal.

1. *The objective*

The objective of the proposal is to create a single appellate forum which would decide all appeals in civil tax cases from throughout the United States. I endorse that objective, and I congratulate Chairman Kennedy and DeConcini and their staffs for their efforts on this proposal. This has long been advocated by tax lawyers and other informed observers. The problems of uncertainty and unevenness in the administration of the tax law have often been noted and were prominently identified as a problem needing attention during the hearings of the Hruska Commission in the mid-1970's. The President in his message to Congress on February 27, 1979, noted that a "need exists for uniformity and predictability of the law in the tax area, where conflicting appellate decisions encourage litigation and uncertainty."

An understanding of the forums available for tax cases is useful background in evaluating this proposal. Under the present system, a taxpayer has three possible forums for tax litigation: the Tax Court, a Federal district court, or the Court of Claims. The choice of court depends on whether the taxpayer is willing or able to pay the demanded taxes.

If the taxpayer refuses or is unable to pay, he must litigate his contention in the Tax Court of the United States. The Tax Court considers itself to be a national court bound only by a Supreme Court decision or a circuit opinion "squarely in point where appeal from our decision lies to that Court of Appeals and to that court alone." *Jack E. Golsen*, 54 T.C. 742, 757 (1970). Soon after the Tax Court stated this rule, it was presented with identical issues in separate litigations, one of which would have been appealable to the eighth circuit and one to the fifth. The eighth circuit had not ruled on the issue, and there was no precedent to follow; the Tax Court in that case ruled in favor of the Government. *Kenneth W. Doehring*, Tax Ct. Memo. 1974-234. The fifth circuit, however, had previously decided the issue in favor of the taxpayer; the Tax Court felt bound to follow that rule and therefore ruled in favor of the taxpayer. *Paul F. Puckett*, Tax Ct. Memo. 1974-235. These cases illustrate the potentially inconsistent results that taxpayers must consider if they decide to litigate before the taxes are paid.

Appellate review of decisions of the Tax Court takes the form of an inverted pyramid, with the cases fanning out over the entire country to the 11 regional courts of appeals. Review in each case is in the circuit in which the taxpayer is located. Review of Tax Court decisions by the regional appellate courts is not, however, an effective means of producing uniformity of treatment for taxpayers. For example, in another set of cases, two brothers who lived in different circuits were co-owners of the same exclusive right to open Dairy Queen franchises in the State of Washington. When they appealed a decision of the Tax Court to their respective circuit courts of appeals, one brother obtained the benefit of capital gains treatment for money received from sales of individual franchise outlets, while the other brother was required to treat the payments as ordinary income in the nature of royalties. Compare (*Theodore E.*) *Moberg v. Commissioner*, 310 F. 2d 782 (9th Cir. 1962), with (*Vern H.*) *Moberg v. Commissioner*, 305 F. 2d 800 (5th Cir.). Thus, these taxpayers received disparate treatment of the most blatant kind simply because of the absence of a controlling national tax forum.

A taxpayer with the financial ability and willingness to pay the tax under protest has some choice as to the forum in which to sue for a refund. One alternative is to file suit in Federal district court. Under most circumstances, the taxpayer may file suit in the Federal district court in which he resides or, in the case of a corporation, in the Federal district court in which the principal place of business is located. Alternatively, suits may be filed in the U.S. Court of Claims, which is located in Washington, D.C. District court decisions are reviewable by the regional courts of appeals and the Supreme Court, while Court of Claims decisions are reviewable by the Supreme Court.

This variety of available forums contributes to disuniformity in tax law. Indeed, articles which have considered a specialized tax court are replete with examples of direct conflicts among the courts that review tax cases. See, e.g., Miller, *A Court of Tax Appeals Revisited*, 85 Yale L. J. 228, 234-35 (1975). As many as 10 years may elapse before a final decision is reached on some tax issues. As a result of this delay, critical areas of the law remain open until the Supreme Court or Congress resolves them. This failure to define the national law adequately and quickly leads to uncertainty in legal doctrine and severe consequences for the appellate system. Lack of uniformity breeds forum shopping as the attorneys for taxpayers scramble to find a court with a decision directly in point with the special facts of their case, or at least a court whose general approach to problems leans toward the taxpayer's position.

The costs of uncertainty in the tax law outweigh whatever benefits there may be in prolonged and competing considerations of the same tax law question by the different circuits. The argument that the law gains through the approaches of different appellate courts has much less force in the tax law than it does in other areas such as, for example, constitutional law. This fermentation and prolonged consideration is a luxury which the tax law system cannot afford.

The creation of an appellate tax court with jurisdiction to render decisions that are binding nationwide would have material benefits for the system. Such a court would introduce certainty into tax litigation. As a result, taxpayers would know more quickly whether to settle or to press an issue—a development that could reduce court congestion as taxpayers come to recognize areas of tax law in which appeal would be fruitless. Predictability within the system would contribute to equality of treatment for all taxpayers, and citizens would know more clearly the tax consequences of their actions. The Internal Revenue Service also would benefit from this certainty of legal doctrine since it would reinforce our tax system, which depends upon self-assessment and administrative resolution of controversies. In addition, channelling tax litigation to a single forum would encourage expertise in the resolution of tax cases, and thereby reduce the time necessary to decide those cases.

2. Means of achieving the objective

Whether the structure embodied in S. 678 is the best means available for providing a single appellate forum for tax cases is much less clear. One admirable feature of the bill is that it does not create a narrowly specialized court, that is, an appellate court which decides nothing but tax appeals. As I pointed out earlier in this statement, there is much sentiment against rigidly specialized appellate courts. On the other hand, doctrinal coherence and stability—which are among the prime purposes of a single appellate court—would be better served through an appellate court which had permanent judges of its own. Putting these two considerations together, the ideal forum would be one which is not narrowly specialized, but which would have its own permanent complement of appellate judges.

This combination is achieved through the proposed U.S. Court of Appeals for the Federal Circuit, as provided for in S. 677 (title VII) and in S. 678 (title III). Earlier in my testimony, I pointed out that this tribunal would not be specialized but would have a wide range of jurisdiction, and it would have 12 permanent judgeships (which could be added to as the demands of judicial business justify). Moreover, a permanent court of this kind would have an established clerk's office and other facilities. The proposed U.S. Court of Tax Appeals, on the other hand, would require additional facilities of some kind, and it would also require a clerk's office and supporting personnel.

The judges of the proposed court of tax appeals would also remain judges on their home circuits. Scheduling problems for the tax appeals court might be unusually difficult, given the need to fix times and places compatible with judges from across the country who would also have continuing, substantial involvement in their own appellate courts. Moreover, the judges of the new court would themselves be confronted with a continual division of duties during their 3-year terms. These split responsibilities, in turn, could pose awkward administrative and logistical problems for each of the existing circuit courts.

All things considered, from the standpoint of administrative convenience and expense, the use of the proposed U.S. Court of Appeals for the Federal Circuit would be preferable. Generally speaking, the Federal judicial system can be administered better and more effectively by having fewer judicial units rather than many. We should avoid, wherever possible, adding to the number of separate forums. In addition, because the Court of Appeals for the Federal Circuit would have permanent judges, it would be a preferable forum for tax appeals from the standpoint of continuity and doctrinal stability.

One of the arguments made including tax appeals in the proposed U.S. Court of Appeals for the Federal Circuit is based on the premise that the individuals who at this moment are judges of the Court of Claims and the CCPA are not the ideal persons to serve as judges in the future on tax appeals. That argument, however, lacks real substance and, indeed, is irrelevant to the institutional question whether a new U.S. Court of Appeals for the Federal Circuit is the appropriate forum for civil tax appeals. In the first place, this is at most a shortrun, transitional matter. Under the terms of S. 677, the creation of the U.S. Court of Appeals for the Federal Circuit would not come about until 2 years after the date of enactment of the bill. Assuming that the bill were enacted in this session of Congress, the new court would not come into being until late in 1981. By that time, 4 of the 12 persons occupying these judgeships would have become eligible for retirement. Several more judges would be eligible for retirement within the next few years, and all of the judges would be eligible for retirement by 1989. All new appointments would be made by the President, and considered by the Senate, in light of the new duties to be carried out by the new appellate court.

In the second place, an examination of the backgrounds, qualities, and work of the individuals presently serving as judges on the two existing courts reveals that they compare favorably, as a whole, with the bulk of circuit judges throughout the country. But in any event, the merits of including tax appeals in the new court's jurisdiction should not be decided on the basis of the individuals filling judgeships in those courts at present.

In summary, in order to achieve the desirable objective of providing a single appellate forum for civil tax cases nationwide, there are two possibilities before the Congress: to create a new, additional appellate court, under S. 678, known as the U.S. Court of Tax Appeals, with no judges of its own; or, to route all tax appeals to the U.S. Court of Appeals for the Federal Circuit, as established under S. 677. Considerations of sound judicial administration and doctrinal stability point to the latter as probably the preferable of these two choices. However, if this suggestion is not acceptable to the Congress, the proposal in S. 678 should be enacted. The objective of creating a single appellate forum for tax cases, and the arguments that have been raised in support of that forum, would be well served by that action.

3. Selection of judges for the proposed U.S. Court of Tax Appeals

If the proposed court of tax appeals, under S. 678, is to be created, careful thought needs to be given as to the method of selecting the judges who are to sit on the court for 3-year terms. The bill presently provides that these judges are to be designated by the Chief Justice. That provision is in line with other provisions presently in the law under which the Chief Justice designates judges to sit temporarily on various courts other than their own.

However, designations to sit on the tax appeals court would be different from other designations which the Chief Justice now makes. This is so because the authority to designate the 12 judges to sit on all tax appeals nationwide is, to a large extent, an authority to determine much about the content and direction of the tax law in the courts.

Institutionally, in both fact and appearance, it might be preferable to have these designations made by the Judicial Conference of the United States rather than by the Chief Justice alone. Since the Judicial Conference includes the Chief Judges of all the circuits and one district judge from each circuit, it provides a broadly representative group of judges from throughout the Federal judiciary and would thus provide a balanced, collective judgment as to the most appropriate circuit judges to sit on the tax appeals court. Moreover, this method of designation would avoid the risk that any one official might be accused, rightly or wrongly, of attempting to control the interpretation of the tax law.

Another question concerning the composition of the tax appeals court which needs careful thought is whether the designated judges should sit on the court full time during the 3-year term. Full time designations would have the advantage of avoiding the difficult administrative and logistical problems which will be encountered if the judges continue to sit simultaneously on their home circuits. Requiring judges to sit exclusively on the tax appeals court for the 3-year term would also make it possible to involve fewer judges. For example, perhaps seven judges would be adequate to handle the annual caseload in civil tax appeals if those judges were devoting their entire time to that business.

A possible objection to the full-time designations is that it would take a judge totally away from his home circuit for a 3-year period thus depriving that circuit of one full-time active judge. However, it must be remembered that, under S. 678, the circuit would be deprived of a substantial portion of the judge's time. Moreover, if fewer judges could be utilized for tax appeals, the loss nationwide to the circuits would not be great. With senior judges available and other intercircuit assignments, this would seem to be a liveable situation.

CONCLUSION

On behalf of the administration and the Department of Justice, I wish to commend the Committee on the Judiciary and this subcommittee for giving serious attention to these important problems concerning the effective functioning of the Federal judiciary. Despite the fact that Congress created the Hruska Commission (and that Commission performed a splendid piece of work on many of these problems), Congress had not, until this year, devoted any substantial consideration to the structure of the Federal judiciary. If the Federal courts are to be maintained as effective agencies of justice, Congress should enact, without further delay, the proposals embodied in S. 677 and those proposals in S. 678 endorsed in this statement.

Mr. MEADOR [continuing]. First, let me commend on behalf of the Department and the administration, this subcommittee and the entire Senate Judiciary Committee, particularly the two chairmen, Senator DeConcini and Senator Kennedy, for bringing these proposals to hearing so early in this Congress. I don't think the American people realize that these bills that relate to the courts, their structure and functioning are of vast importance to their well-being, to the fairness and vitality of Government under law, and yet these proposals get very little attention in the press, in the public minds, and in political discourse.

For that reason I think the members of this committee and subcommittee are entitled to special appreciation. The only awards here are knowing that they are working to improve the system.

In my written statement, I recap the first six titles of S. 677. I also testified before the full committee on March 20 explaining those provisions. They all deal in one way or another with administrative and procedural matters in the courts, especially the appellate courts, and I will not go over those again. They are all important. And we hope will receive early attention in enactment. By far I think, though,

the most important features of S. 677 and 678 are the proposals for the new appellate courts, the judicial restructuring, if you will.

We are suffering in our court system from what the Attorney General often refers to as deferred maintenance. We have gone for many, many years with no basic restructuring realterations in the way the judiciary is designed. We need now fresh attention at judicial architecture. For 10 years at least now the problems besetting the courts structurally have been debated, have been the subject of serious attention.

The history of this is set out in my written statement. Also, Dean Griswold, this morning, has given us an excellent opening overview of these problems and these concerns that need attention. So we do hope very much that this Congress will take action and not merely prolong the debate indecisively.

I would like just to supplement my written statement by a few added comments on the proposed U.S. Court of Appeals for the Federal Circuit. There are three major purposes to the served by that proposal that is in both 677 and 678. The first, and I would say the most important, is to give us something that the Federal judiciary does not now have. The Federal judicial system does not now have an appellate court capable of exercising nationwide appellate jurisdiction, in a variety of matters. We do have the two rather unusual courts, the Court of Customs and Patent Appeals, and the Court of Claims, which as Dean Griswold pointed out, do have a subject matter jurisdiction that is nationwide in scope. However, they are each in various ways limited. They do not provide us with a general court of appeals capable of subject matter jurisdiction nationwide in such cases as Congress might from time to time assign to it. To bring such a court into being is one of the major purposes of this proposal.

We have the 11 courts of appeals now, each one restricted territorially or geographically.

The system needs at least one forum with a nationwide jurisdiction. Congress has from time to time had to create special courts to handle matters where there was felt a need for a single nationwide jurisdiction. As Dean Griswold mentioned, one was the Temporary Emergency Court of Appeals during the Second World War, the other is presently existing temporary emergency court set up in the early 1970's. In each of those situations, Congress had to enact special statutes, creating a special tribunal, arranging for its judges, authorizing special personnel and procedures, all of which are very cumbersome and expensive. Had there been at any one of those times an existing court to which those cases could have been sent, all that would have been necessary would have been a simple jurisdictional provision routing those cases to that court.

By consolidating the Court of Claims, Court of Customs and Patent Appeals into a new U.S. Court of Appeals, we would provide the system with this valuable additional kind of appellate forum, which as the years pass I think would become increasingly useful and, indeed, I think does signal the wave of the future in our thinking about appellate structure nationwide. This would also achieve considerable administrative and financial savings.

We would have a single appellate tribunal in place of the two courts that now exist. There would be administrative simplicity in that, a single forum of 12 judgeships can be administered more economically and efficiently than two separate courts. This is especially true where the two existing courts are already in the same building, using many of the same facilities. It would simply make commonsense, financially and administratively to combine them and create a more effectively administered unit.

A second major purpose of the proposal is to clarify, simplify, and make more effective the present rather unusual conditions within the Court of Claims concerning trial and appellate functions. That court was originally created as a trial court only. That is to say a court of first instance, subject to appellate review by the Supreme Court. In recent years, though, through evolution and various developments, the court has become divided within. There is now in effect a Trial Division and an Appellate Division. This came about through the addition of commissioners who were given trial functions, reserving the article III judges to a considerable extent to review functions over the commissioners. Even though this may have worked fairly well, it is a very confusing picture to practitioners, much less to litigants. There are some undesirable features of overlaps there between trial and appellate functions. This caused the Court of Claims Committee of the D.C. Bar Association to recommend 2 or 3 years ago that a special trial court be created under the Court of Claims.

This bill would do that by creating a new article I forum composed of the positions occupied by the present commissioners. And those trial court decisions would then be subject to review by the new U.S. Court of Appeals for the Fifth Circuit. That trial court would be modeled very closely on the existing Tax Court. They would be very similar forums. Each would be an exclusively trial forum of multiple judges sitting nationwide for the convenience of litigants and with considerable flexibility in the way trial business is handled.

Now the third major purpose of this proposal is to route patent appeals to a single appellate court. There are considerable advantages to be had from this as are detailed in my testimony. Dean Griswold has touched on this along with the tax appeals. In the patent law, it is clear from testimony over the years that there is considerable divergence in the way the 11 circuits treat matters. It is well-known among practitioners that there are some circuits you want to get into if you are trying to uphold a patent. There are some other circuits you would rather get into if you are trying to invalidate a patent. This is an unseemly situation. It is damaging to rules of law, concepts of fairness, uniformity and Federal law. We believe this situation can be remedied by routing all patent appeals to a single forum. This forum would be either a new U.S. Court of Appeals or Federal Circuit. The patent appeals are an excellent example of category case needing a national appellate court of the sort we do not presently have.

Let me mention anticipatorily two or three points that might be raised by way of questioning the desirability of this proposal. These questions have been debated at least for 10 years or more. My office has investigated them extensively for more than a year. We are familiar with virtually every point that can be raised and every argument

that can be had. There are two or three of these I might mention because there will be many other witnesses coming after me the committee might have some questions about.

One point is there, it has been said by some that if you want to route all patent appeals to a single tribunal, why not simply enact a new jurisdictional statute which seams them to the existing Court of Customs and Patent Appeals. And that is it. That argument overlooks the first and most important major purpose of the bill, which, as I have said, is to create a new kind of appellate forum capable of exercising nationwide jurisdiction in a variety of appeals. That is to say, to create a forum of the kind the system does not now have, merely sending all patent appeals to the existing CCPA would not do that. It would fall far short of achieving perhaps the major objective of the proposal. Moreover, of course, it would not achieve the kinds of administrative and financial savings that would come about through the consolidation of those two existing courts.

Another point that is sometimes raised, at least a question that is raised is about the patent cases coming to this new court, which would contain other issues, such as antitrust issues or claims of unfair competition.

It does sometimes happen that in a patent case these other claims or issues arise. The first question is a factual one of how much of a problem that is; that is, how often do those sort of mixed issues really arise in patent cases? We ran a search on the jury system in the Department of Justice over a 3-year period. It revealed something on the order of 370 patent and trademark appeals reported in all of the 11 circuits. An analysis of those showed approximately 11, in which there were also antitrust issues, and 16, I believe, in which there were unfair competition claims. If those figures are anywhere nearly accurate, they suggest that the problem raised occurs in only a very small percentage of cases.

My own view of that is that where it does occur, it is no major problem, just as the regional courts of appeals today decide those appeals containing mixed questions so the new court of appeals can do. There is no harm having this court deciding an occasional antitrust issue mixed in with a patent case, certainly no more harm than there is in having the 11 circuits currently do that. Whatever little problem there might be is far outweighed by the advantages of the new arrangement.

Now if I might by way of a final point comment briefly on the proposed U.S. Court of Tax Appeals in S. 678. As Assistant Attorney General Carr Ferguson has pointed out, neither the administration nor the Department of Justice has a formal position on that proposal. It is understood that various members of the administration, if invited by the committee, would express, or could express their own observations on that. It is in that light that I speak, speaking for myself alone.

First, I want to heartily commend the drafters of the bill within this committee, the staffs, for an imaginative, creative effort. I think I enthusiastically endorse the objective of the bill. I am one of those who came to the conclusion some years ago that the tax law is one area of Federal law in which the desirability of a single appellate forum nationwide would outweigh the other advantages that supposedly come from the existing system. I agree that the question is not free

from debate. However, it does seem to me that the weight of the argument by informed observers in recent years does run toward the single national forum. That certainly is my own conclusion. In my written statement I have tried to explain more fully in detail why I believe that to be so. I think in the interest of the taxpayers of the country, which, after all, is the ultimate consideration, this kind of forum is necessary. So, in my own mind, the debate and question really comes down to the best means of achieving that objective. Here I am somewhat less clear. My own view is that the proposal embodied in S. 678 is a good one, certainly a creative effort to resolve a very difficult problem.

I am inclined to think, however, it would be my second choice to achieve the objective. My first preference would be to utilize the U.S. Court of Appeals for the Federal Circuit, which is contained also in both of these bills. If Congress were to create that forum, a natural candidate for one category of business to route to it would be the civil tax appeals nationwide. I say that for basically two reasons. First, the administrative and financial considerations involved. There would be a court already in existence with judgeships, clerks' offices, supporting personnel, physical facilities, already in being.

It would be much simpler to route these appeals to that forum than it would be to create a special forum for the one category of case only.

Inevitably there will have to be supporting personnel, other expenses involved in running a special Court of Tax Appeals. Moreover, there would be logistical problems of the sort that has been mentioned earlier. So for what I call, for short, administrative and financial considerations, the Federal circuit seems to me to be more sensible.

The second reason I would send them there is for reasons of doctrinal stability and coherence. Here Mr. Ferguson mentioned some of the problems that would derive from a court manned by judges on assignments in and out from home circuits, and a court having no judges of its own. That problem likewise would be solved by routing these cases to the Federal circuit. There would be a continuity of judges, a stability of doctrine which I do not think could be achieved quite to the same degree by the court in S. 678. After all, that is perhaps the major purpose of a central tax appeals court.

One final point about both of these court proposals I would leave with the committee. The committee is well aware of the somewhat natural tendency of litigating lawyers to prefer options. Indeed, the business of litigating lawyers is to litigate. There is a subconscious tendency to prefer a system that allows choices of forums.

I don't suggest there is anything evil about this, that there is any conscious design to try to thwart an effective justice system. It is simply a natural tendency of a litigating lawyer.

Some of that kind of reaction is likely to surface. We have been exposed to it over the last year in various proposals. But the ultimate value of these proposals has to be determined in the interest of all the American people, particularly those who pay taxes, those who directly or indirectly must live and work with the patent system. While the views of the litigators are certainly important and must be considered, there must be more generalized view of the good of the system under which these proposals are judged.

Let me say again I commend the committee for its attention to these proposals, and I urge that not only debate be sponsored through hearings, but that some specific action be taken, at least to some degree, to enact some parts of these bills if not all of them. Mr. Chairman, I will be happy to answer any questions.

Senator DECONCINI. Thank you, Professor Meador. I want to extend my thanks and appreciation as chairman of this subcommittee to you and your staff for not only the outstanding testimony today, but your statement looked at impartially, and, the staff has reviewed it, it is one of the best statements we have ever received, and the cooperation of your office has been outstanding.

I have no questions at this time.

Mr. Feidler?

Mr. FEIDLER. I have no further questions, Mr. Chairman.

Senator DECONCINI. Mr. Feinberg.

Mr. FEINBERG. Just a brief question relating to something that you touched on in your written testimony only. That is the interlocutory appeals section of S. 678. You state in your testimony on page 46 that this section "could permit delay by artful litigants and generally enhance the prospects of increased costs of litigation."

Would that problem be sufficiently dealt with if we put back into the section, it got dropped off somewhere along the line, that during such an appeal a stay would not be provided and litigation in the district court would go forward?

Mr. MEADOR. That would certainly tighten it up to some extent. One of the fears is once the crack in the door is open, there would be pressure to get stays, even if there was presumption against them. That would tighten it up and help that problem.

Mr. FEINBERG. Just one other point. I question whether or not in your testimony you refer to a modification which would allow only the Attorney General to certify such an appeal.

To what extent does that offend your notion of evenhanded judgment in terms of not providing private litigants under some formula to be able to appeal interlocutorily?

Mr. MEADOR. If you start with the premise that the most pressing need here is that which is likely to surface on issues of national security or foreign intelligence, then it would follow that the Attorney General may be the only appropriate party who is in position in the litigation to assess that.

I am not bothered by the unevenhandedness there of not allowing a private litigant to make a certification about national security or foreign intelligence.

If you start from a broader premise that there are other situations in which an interlocutory appeal should be allowed, which present law does not allow, then I think you have a point.

Mr. FEINBERG. Thank you.

Senator DECONCINI. Thank you very much, Mr. Meador, for your testimony.

Mr. MEADOR. Thank you.

Senator DECONCINI. Our next witness is former Senator Jack Miller, and now a judge of the U.S. Court of Customs and Patent Appeals.

STATEMENT OF HON. JACK MILLER, JUDGE, COURT OF CUSTOMS
AND PATENTS APPEALS, AND FORMER U.S. SENATOR

Judge MILLER. First, I wish to commend this committee for its timely consideration of S. 677 and S. 678, and, particularly, for your clear interest in making some overdue structural improvements in the Federal appellate court.

[The prepared statement of Judge Miller follows:]

PREPARED STATEMENT OF JACK R. MILLER

I wish to commend this subcommittee for its timely consideration of S. 677 and S. 678 and, particularly, for its clear interest in making some overdue structural improvements in the Federal appellate courts. As a member of one of those courts for nearly 6 years and as one who has had the privilege of sitting with 10 of the 11 circuit courts of appeals and with the Court of Claims, I have some observations and suggestions which may be helpful to the subcommittee in its very important undertaking, particularly as it relates to appeals involving patents.

Certainly a primary goal in the improvement of justice is uniformity in the law. At one time in our history, the Supreme Court was able to achieve this uniformity. That is no longer the situation. In patent cases, for example, only a small fraction of the numerous petitions for certiorari from decisions of the circuit courts of appeals and the Court of Customs and Patent Appeals can be granted. The result is that most of such decisions stand—often at variance or in conflict with those of other appellate courts. This causes uncertainty over the law, which is not conducive to innovation; and, among the circuit courts, it encourages forum shopping, which is unfair to consumers of justice. Therefore, a proposal to centralize appeals in patent cases in one appellate court having nationwide jurisdiction is truly an idea whose time has come.

S. 678 incorporates such a proposal by combining the Court of Claims and the Court of Customs and Patent Appeals into a new court and by granting that court jurisdiction over appeals from patent application rejections by the U.S. Patent and Trademark Office, presently handled by the Court of Customs and Patent Appeals, and appeals from the Federal district courts in cases involving patent infringement and patent validity questions. The bill does the same thing with respect to cases involving trademarks, but I would point out that I have observed no significant problem over uniformity in the law in such cases; nor have I seen any statistics indicating that such a problem even exists.

It may well be that S. 678 goes too far in transferring from the circuits any case that involves a patent infringement or patent validity question. Many of such cases are antitrust cases, which the circuit courts are probably more capable of handling than the proposed new court. This problem could be avoided by providing that such cases continue to be appealed to the circuit courts, which would then transfer the patent infringement and patent validity questions to the new court for decision on an expedited basis. Such a decision might well render moot the antitrust aspects of the case; if it didn't, the circuit court would proceed accordingly. I might add that of the many circuit court judges I have talked to, only one has indicated that he would be just as happy to continue to work on the occasional patent infringement or patent validity question that comes before him.

This reaction is understandable. None of the circuit judges that I know of has had any background in patent law. Of more importance, none of the circuits possesses any technical resource on which the judges can draw when a patent case comes before them for review. It is a rare day, indeed, when a law clerk for a circuit judge has an engineering or science background. The district judges are similarly situated, but they, unlike the circuit judges, have an opportunity during pretrial or during trial to have opposing counsel explain the technical aspects of an involved patent and any references that may be cited against it.

The problems of the circuit judges over patent cases are not present in the Court of Customs and Patent Appeals. This court possesses a unique resource: each of the five judges has two technical advisers on 2-year commitments, and they are required to have an undergraduate degree in engineering or science in addition to a law degree plus 3 years' experience in the U.S. Patent and Trademark Office or equivalent (such as a private patent firm). These technical advisers are at grade 12 for the first year and grade 13 for the second year. Some of them take

a cut in income in order to gain the experience such a position offers. The court itself is authorized a chief technical adviser (grade of up to 18 authorized) and an assistant. Like almost all of the circuit court judges, I do not have a technical background (my major was philosophy), but with the resource afforded by the court, I have been quite capable of taking care of my share of the load.

This brings me to the most important point I wish to make. The proposal to centralize appeals in patent cases in one appellate court having nationwide jurisdiction can also be achieved by a far simpler and, if anything, more efficient means than by combining the Court of Claims and the Court of Customs and Patent Appeals. All that would need to be done would be to grant the CCPA, a nationwide appellate court, jurisdiction over appeals from Federal district courts and from the proposed new Claims Court in cases involving patent infringement and patent validity questions. This might, in time, require that one or two judges be added to the five presently authorized, with authority to sit in panels, but the unique resource of the court would assure the continued efficient disposition of patent appeals.

My principal concern over the proposed merger of the two courts is that this would result in a dilution, at least, of the technical resource presently possessed by the CCPA. As a member of the new court, would I be restricted, just for the sake of uniformity, to two law clerks at grade 11 who have no particular technical background? And even if I were authorized to continue to have two technical advisers, would I be able to attract young patent lawyers who might find that only a third of their time, or less, is devoted to working on patent cases? Perhaps the new court would have a pool of technical advisers on which any of the judges could draw when a patent case was before his panel, but this would destroy the intimate relationship that now exists when a technical adviser works full-time for a single judge and understands his requirements and points of view. Recruitment for such a pool would not be easy. And what would become of the chief technical adviser and his assistant? These and other considerations, such as the inevitable turmoil in consolidating staffs of the two courts raise a legitimate question over whether the proposed merger is the better solution.

If the subcommittee decides to proceed with the merger approach, I have two additional suggestions. First, I would hope that the bill would be amended to give the new court maximum flexibility in the assignment to panels—just as has been done in the circuit courts of appeals. Second, an alternative trial *de novo* in a Federal district court is authorized in patent and trademark cases that otherwise would come to the CCPA (and to the new court if the merger proposal is adopted). This alternative no longer rests on viable grounds and should be eliminated. Only about 30 cases a year are involved. I have detailed the specifics in an article in the November, 1978, issue of the *Journal of the Patent Office Society*, copies of which have been furnished the chairman and the staff.

Judge MILLER [continuing]. As a member of one of those courts for nearly 6 years, and as one who has had the privilege of sitting with 10 of the 11 circuit courts of appeals and with the Court of Claims, I have some observations and suggestions which may be helpful to the subcommittee in its very important understanding, particularly as it relates to appeals involves patents.

Certainly a primary goal in the improvement of justice is uniformity in the law. At one time in our history, the Supreme Court was able to achieve this uniformity. That is no longer the situation. In patent cases, for example, only a small fraction of the numerous petitions for certiorari from decisions of the circuit courts of appeals and the Court of Customs and Patent Appeals can be granted. The result is that most of such decisions stand often at variance or in conflict with those of other appellate courts.

This causes uncertainty over the law, which is not conducive to innovation; and, among the circuit courts, it encourages forum shopping, which is unfair to consumers of justice. Therefore, a proposal to centralize appeals in patent cases in one appellate court having nationwide jurisdiction is truly an idea whose time has come.

S. 678 and S. 677 incorporate such a proposal by combining the Court of Claims and the Court of Customs and Patent Appeals into a new court and by granting that court jurisdiction over appeals from patent application rejections by the U.S. Patent and Trademark Office, presently handled by the Court of Customs and Patent Appeals, and appeals from the Federal district courts in cases involving patent infringement and patent validity questions. The bill does the same thing with respect to cases involving trademarks, but I would point out that I have observed no significant problem over uniformity in the law in such cases. Certainly in my experience in sitting with the circuits, I have observed no problem at all. I am not sure there are any statistics which show that any significant problem exists.

It may well be that S. 678 goes too far in transferring from the circuits any case that involves a patent infringement or patent validity question. Many of such cases are antitrust cases, which the circuit courts are probably more capable of handling than the proposed new court.

This problem could be avoided by providing that such cases continue to be appealed to the circuit courts, which would then transfer the patent infringement and patent validity questions to the new court for decision on an expedited basis. Such a decision might well render moot the antitrust aspects of the case; if it didn't, the circuit court would proceed accordingly. I might add that of the many circuit court judges I have talked to, only one has indicated that he would be just as happy to continue to work on the occasional patent infringement or patent validity question that comes before him.

This reaction among circuit court judges is understandable. None of the circuit judges that I know of has had any background in patent law. Of more importance, none of the circuits possesses any technical resource on which the judges can draw when a patent case comes before them for review. It is a rare day, indeed, when a law clerk for a circuit judge has an engineering or science background. The district judges are similarly situated, but they, unlike the circuit judges, have an opportunity during pretrial or during trial to have opposing counsel explain the technical aspects of an involved patent and any references that may be cited against it.

The problems of the circuit judges over patent cases are not present in the Court of Customs and Patent Appeals. This court possesses a unique resource: each of the five judges has two technical advisers on 2-year commitments, and they are required to have an undergraduate degree in engineering or science or chemistry or the like, in addition to a law degree plus 3 years' experience in the U.S. Patent and Trademark Office or equivalent, such as a private patent firm. These technical advisers are at grade 12 for the first year and grade 13 for the second year. Some of them—I would say over half—take a cut in income in order to gain the experience such a position offers. The court itself is authorized a chief technical adviser—grade of up to 18 authorized—and an assistant. Like almost all of the circuit court judges, I do not have a technical background, my major was philosophy. Most of the circuit judges majored in philosophy, English, or history. So I have a resource that my brothers on the circuit courts do not have.

I just recently sat out with the tenth circuit in Denver. No engineering talent was available there. I happened to be assigned a patent case. Well, I have a technical adviser, in fact, I have two I can turn to to lay out some of these things, especially in a chemical patent case. I am not familiar with the various formulas or nice distinctions whether a certain element is on a certain ring of some kind.

I have a chemistry major at my elbow who can lay it out and I can put the law together and apply it. The circuit judges have nothing like that, and no wonder they don't like these cases.

I would be in the same boat because of my background being philosophy. Now I have had a little engineering background that I picked up during the war and Air Force afterwards, but it is a tough goal to handle efficiently a case like this. That is why statistics show of all the types of cases the circuit court of appeals handles, the type that take the longest are, first, antitrust and, second, patent. We don't have that problem on our court because we have the resource.

This brings me to the most important point I wish to make, before this subcommittee. The proposal to centralize appeals in patent cases in one appellate court having nationwide jurisdiction can also be achieved by a far simpler and, if anything—I want to emphasize this—more efficient means than by combining the Court of Claims and the Court of Customs and Patent Appeals. All that would need to be done would be to grant the CCPA, a nationwide appellate court, jurisdiction over appeals from Federal district courts and from the proposed new Claims Court in cases involving patent infringement and patent validity questions. This might, in time, require that one or two judges be added to the five presently authorized, with authority to sit in panels, but the unique resource of the court would assure the continued efficient disposition of patent appeals.

On this matter of efficiency, I hope this subcommittee will carry this idea through as they follow this legislation. There is no court, no Federal appellate court, that is more efficient in disposing of its docket than the CCPA. Several years ago, maybe even 6 or 7 years ago, it took 33 months from the time a notice of appeal was filed to our court before a decision came down. Today we are current. It takes about 6 months. That includes the time for printing up the record on appeal and the briefs. I don't know how we could possibly dispose of our patent appeals and other cases anymore efficiently than that. So if you are looking for greater efficiency in the disposition of patent appeals, trademark appeals, customs appeals, because of a merger of these courts, you will not find it.

I hope your staff people will check those statistics, and I think you will like what I see. I don't say this in disparagement of any of the circuits. Some of them are, as you know, up to 3 years behind, some of them are relatively current.

Second, currently speaking, you won't find any appellate court that operates more efficiently. Now, why? That isn't because we work any harder than the circuit courts, circuit judges work very hard; we do, too. But we have the resource that enables us to tackle those patent cases on an informed basis, and just because I may have two technical advisers doesn't mean that I don't have access to other technical

advisers. I happen to have a chemistry major and electrical man for my two so-called law clerks. If I run into a serious mechanical problem that my law clerk and I can't figure out, we can go down the hall and talk informally to other chambers. We very seldom have a case that there isn't some talent to be found among 10 technical advisers for the 5 judges, and the senior technical adviser and his assistant.

I should point out that appeals from the Customs Court and the International Trade Commission are already centralized in the U.S. Court of Customs and Patent Appeals; so I am not sure there is going to be any more centralization as a result of this litigation. My principal concern with this merger proposal is that this would result in a dilution, at least, of the technical resource presently possessed by the CCPA. As a member of the new court, would I be restricted, just for the sake of uniformity, to two law clerks at grade 11 who have no particular technical background? I understand I would be under present state of law unless this bill would be modified to cover that kind of contingency. Even if I were authorized to continue to have two technical advisers, would I be able to attract young patent lawyers who might find that only a third of their time, or less, is devoted to working on patent cases?

Perhaps the new court would have a pool of technical advisers on which any of the judges could draw when a patent case was before his panel, but this would destroy the intimate relationship that now exists when a technical adviser works full-time for a single judge and understands his requirements and points of view. Recruitment for such a pool would not be easy. And what would become of the chief technical adviser and his assistant? These and other considerations, such as the inevitable turmoil in consolidating staffs of the two courts raise a legitimate question over whether the proposed merger is the better solution.

In conclusion, if the subcommittee decides to proceed with the merger approach, I have two additional suggestions. First, I would hope that the bill would be amended to give the new court maximum flexibility in the assignment to panels, just as has been done in the circuit courts of appeals. I can't see any particular reason why the panel setup in this new court should be any different from the circuit court of appeals with the circuits.

Second, an alternative trial *de novo* in a Federal district court is authorized in patent and trademark cases that otherwise would come to the CCPA, and to the new court if the merger proposal is adopted. This alternative no longer rests on viable grounds and should be eliminated. In fact, in Professor Meador's first draft of his proposal, this was in it. I don't know why it was dropped out, but it has become an anachronism.

I have detailed the specifics in an article in the 1978 issue of the *Journal of the Patent Office Society*, copies of which have been furnished the chairman and the staff. I shall be pleased to answer any questions.

Senator DECONCINI. Thank you very much, Judge Miller. I think your points are well taken. We will certainly give consideration to the need for technical assistance if we and when we proceed with this statute.

Are there any questions from staff members?

Thank you, sir.

Judge MILLER. Thank you.

Senator DECONCINI. We will take a 5-minute break at this time. After reconvening we will have Donald Dunner and Homer Blair, Harry Manbeck, Richard Witte, and George Whitney as a panel, patent lawyers, so they can proceed up to the table and be seated.

[Brief recess.]

Senator Simpson [presiding]. We would like to proceed now. I am in the batter's box for Senator DeConcini. I am Senator Simpson, a participant in this committee's actions, so we will proceed with the panel of Mr. Dunner, Mr. Blair, Mr. Manbeck, Mr. Witte, and Mr. Whitney.

If you will, please feel free to proceed. I believe that you have submitted written statements. You will now proceed with a summary of those. I urge you to go forward. Thank you.

PANEL OF PATENT LAWYERS:

STATEMENTS OF DONALD R. DUNNER; HOMER O. BLAIR, VICE PRESIDENT, PATENTS AND LICENSING, ITEK CORP.; HARRY F. MANBECK, JR., GENERAL PATENT COUNSEL, GENERAL ELECTRIC CO.; RICHARD C. WHITE, CHIEF PATENT COUNSEL, PROCTER & GAMBLE CO., AND GEORGE W. WHITNEY

Mr. DUNNER. My name is Donald Dunner. I appreciate the opportunity to appear before you today. I will deal with several considerations involving the Court of Appeals for the Federal Circuit in S. 677 and S. 678.

In particular, I would like to address the question of whether there is a need for such a court, and assuming that there is a need, whether this particular approach is the right approach, and I would like to deal with some of the points which have traditionally been raised and frequently raised recently pro and con in connection with this measure. I might say I am here supporting the concept of a Court of Appeals for the Federal Circuit.

[The prepared statement of Mr. Dunner follows:]

PREPARED STATEMENT OF DONALD R. DUNNER

For reasons to follow, I strongly favor the provisions of S. 677 and S. 678 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.

I appeal before this subcommittee today to comment generally on the provisions of S. 677 and 678 providing for the creation of a Court of Appeals for the Federal Circuit, to be formed through combinatin of the Court of Customs and Patent Appeals and the Court of Claims and to be given exclusive appellate jurisdiction in patent, trademark, and other cases.

By reason of my particular professional training, I am fortunate enough to be particularly well situated to comment on this topic. In the course of my nearly 25 years of practice in the patent, trademark and related fields, I have had occasion not only to serve as law clerk to Chief Judge Noble J. Johnson of the Court of Customs and Patent Appeals but to have taught, at the George Washington

University Law School, a graduate course (the only one of its kind in the country), involving CCPA and other court review of Patent Office decisions in connection with which I have authored a two-volume text. Having also served as one of the two patent consultants, along with Professor James B. Gambrell, to the Hruska Commission on Revision of the Federal Court Appellate System in connection with its proposal for a National Court of Appeals, I have devoted considerable effort toward study of the special problems associated with patent procurement and enforcement and the litigation of patent disputes in the Federal courts.

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 decisionmaking 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 fostering 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 but 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 holding 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,' writes 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 decisionmaking process in the U.S. industrial environment: No right to exclude competitors can be obtained in much less than about 4 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 plagiarism, but the 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 decisionmakers 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 popularly placed 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 decisionmakers 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 the bills presently before this subcommittee, S.677 and 678, are the perfect, ultimate answer to the problems noted above may be the subject of legitimate debate. Certain aspects of both of these bills 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 decisionmaking 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 both S.677 and 678 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, et cetera, 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. And this is wholly aside from the possibility that, under S. 677 and 678, respectively, copyright and FAA issues could be included.

Moreover, both S. 677 and 678 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 decisionmaking 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. 677 and 678, 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.

It is not my purpose in appearing here today to subject the detailed provisions of S. 677 and 678 to scrutiny but to make the case, broadly, for the concept of a Court of Appeals for the Federal Circuit embodied in both such bills. That general case would, however, be incomplete were it not to deal with and put to rest still additional objections which have from time to time been lodged against the notion of a national court having exclusive patent jurisdiction. This I will do in the remaining segment of this paper.

CONTENTION I

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.

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 nonissue 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 adjudicating 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.

Mr. DUNNER [continuing]. Before I proceed with these points, I would like to deal briefly with my background which will give you some indication of the vantage point from which I approach the issue before this committee. First of all, I am one of those litigating lawyers. I have had approximately 25 years' experience in the practice of patent law. Second, I have had the privilege of having been a law clerk to a former chief judge of the Court of Customs and Patent Appeals, the type of person that Judge Miller referred to as the technical adviser, they are now called. Third, I have taught and presently teach a course in the graduate school at the George Washington University Law School, the only one of its kind, and its relevance of this issue, because it deals with patent office decisions, and particularly with Court of Customs and Patent Appeals review, as well as review in other courts.

In addition to that, I have served recently on the Patent Subcommittee of President Carter's Advisory Committee on the Domestic Policy Review for Industrial Innovation. I had a particular interest in the aspect of the recommendations of that subcommittee dealing with a national court of appeals. That committee, as you probably know, favored the concept. Last, I was one of two patent consultants to the Hruska Commission, and in that capacity consulted and gave advice on the subject of a specialized national court of patent appeals.

In light of this background, I feel uniquely qualified to comment on the issue of whether and how there should be a court of appeals of the Federal circuit court or some other substitute. First, is there a need for such a court? There has been lots of comment about the fact that there are no extensive conflicts in the patent field. There has been

comment that the problems in the patent field are no different than the problems in other fields and that they can be rectified by conventional Supreme Court review and/or perhaps by congressional oversight to fill the voids that exist or to correct the problems that exist.

First of all, let me assure this committee that there, indeed, is a conflict problem in the Federal courts in the area of patents. It is primarily attitudinal conflict. There is no question that the attitudes of the court of appeals vary from circuit to circuit. These attitudinal differences create a race to the courthouse. Some circuits are hospitable to patents, and some circuits are hostile to patents. Patent owners and potential patent defendants rush to the courthouse to try to get into the most hospitable court to their point of view. This is a result, as is apparent in widespread forum shopping, which demeans the entire patent process. It increases the cost of litigation. Litigation today can hardly be fought through the district court for much less than a quarter of \$1 million, and in most cases exceeds a quarter of a million dollars.

It is very difficult to advise one's client as to how a case will come out. As the result of prediction, patent suits are fought that shouldn't be fought; patent suits take place that shouldn't take place. And this is wholly contrary from the fact that there are not only actual conflicts—there are plenty of actual conflicts; one does not need to spend much time reading to see one court of appeals talk about requirement of synergism in patent cases and another court of appeals saying it is not the case. One court of appeals talking about a test for special commination inconveniences, another saying there is no such thing as commination inconveniences. They are all comminations.

The Supreme Court does not have time to monitor the situation which is sorely needed to cure these attitudinal differences and actual differences. The number of cases the Supreme Court deals with in the patent area is minuscule and, worst of all, in those few cases where the Supreme Court has granted certiorari it has spoken rhetorically, and, unfortunately, it has created more conflict than it has solved. Nor has Congress been able to cope with the problem. In 1952, there was a general codification and revision of the patent laws. The drafters of that act felt that, or hoped that that act would cure the many disparities in judicial approaches to patent problems. Unfortunately, it has not cured that problem.

For the last 10 years, there has been debate in and out of the halls of Congress trying to come up with and pass patent bills to cure the problem. That has merely led to more chaos and there is no end in sight. The debates over how, what and when just don't give anybody much assurance that the legislative approach is the solution to the problem, at least insofar as curing the patent statute is concerned. Whether other fields of law have the same problem is difficult to gage. That point has been made over and over again. It seems clear that the tax field has an analogous problem.

I have not seen a good case made for whether other fields do or do not have the problem. If they do have that same problem of minuscule Supreme Court review and difficulty of solving the problem of legislating of the basic organic act governing the area, they may well need assistance just as the tax field does and just as the tax field seems to.

Assuming there is a need, why this particular solution? Why not a national court of appeals such as was recommended by the Huska

Commission? Why not expanded Court of Customs and Patent Appeals such as Judge Miller just suggested to you? As far as the national court of appeals is concerned, during my consultancy with Professor Gambrel on the Hruska Commission, we recommended that that approach be followed, rather than the approach of a special national court of appeals having exclusive patent jurisdiction. That seemed to be politically feasible; we felt that would engender a broader base of support, and we felt as long as that was possible, and there seemed to be some hostility to a specialized court of appeals at that time, let's try the national court of appeals. That proposal seems to be going no place quickly. I have no confidence, from everything I have heard, that it will. And, therefore, we are still faced with the problems that I outlined which exist in overabundance today, and which I feel should be dealt with.

As far as the expanded CCPA is concerned, this approach has generated so much hostility in the past that while this would certainly solve most if not all of the problems, I fear that it may not be politically feasible. The proposed court of appeals for the Federal circuit outlined in 677 and 678 comes to grips directly with this proposal. It deals with the most fundamental objection to a national court having exclusive patent jurisdiction, and that is it leaves the court with jurisdiction far exceeding patents. It keeps not only the Patents and the Customs and the International Trade Commission and Trademarks that the Court of Customs and Patent Appeals deals with, but it would pick up to a greater or lesser extent antitrust cases. It would pick up contract cases, and it would pick up Indian claims cases, and what have you, and it would deal directly with the tunnel vision argument which Judge Rukfin has mentioned and seems to be cited over and over again in opposition to this proposal.

There no doubt are other approaches, but this, to me, seems to be the best approach that one can come up with, which stands a reasonable prospect of passage and a reasonable prospect of appealing to a broad range of people. There are also other deficiencies that have been mentioned in this proposed Court of Appeals for the Federal circuit. Briefly I would like to just deal with them—

Senator SIMPSON. Mr. Dunner, we have a time constraint, which I thought had been shared with all panelists, and apparently not, but 12:30 is the time, and that would mean we would have a limitation here of 25 to 30 minutes for each panel, and of course your statement will be made part of the record and if you could just summarize, and we may move on to other panel members.

I am not trying to be rude, I just want to assure you that is the time problem.

Mr. DUNNER. That is all right, Mr. Chairman. Rather than responding to the various points in opposition, I will rely on my written statement for that which does that. I would like to conclude by noting that there isn't any perfect proposal. The question is one of a trade-off.

We have a problem in industrial innovation today in the United States. We have a problem with expensive litigation. We have a problem with people not being able to afford access to the courts, and it seems to me we must deal with that. This proposal is a reasoned proposal, which comes to grips with most of the points in opposition.

It is my feeling that the advantages of these proposals far outweigh the disadvantages by a resounding margin. I therefore favor those proposals.

Thank you, Mr. Chairman.

Senator SIMPSON. Thank you very much. You have an excellent summary of your contentions relating to consolidation of patent cases at the national appellate level, and your specific responses are important for analysis by this subcommittee. Thank you so much.

So next I believe is Mr. Blair.

Mr. BLAIR. Thank you. I am Homer Blair. I agree with Don Dunner. I am in favor of the legislation, although we come to it from quite a different background. I also have had about 25 years of practice. In that period of time I have worked for five different corporations, so I have not been in private practice.

[The prepared statement of Mr. Blair follows:]

PREPARED STATEMENT OF HOMER O. BLAIR

Mr. Chairman and members of the committee: My remarks will be directed primarily to the portions of S. 677 establishing the U.S. Court of Appeals for the Federal Circuit by combining the U.S. Court of Claims and the Court of Customs and Patent Appeals (title VII, sections 701-707, and section 1295).

I am in favor of this legislation.

EXPERIENCE AND BACKGROUND

My opinion is based on my experience of some 25 years in the practice of law involving technology and, particularly, in patent, trademark and copyright law and licensing and technology transfer. I have two bachelor degrees, one in chemistry and one in physics and a J.D. degree (law), all from the University of Washington in Seattle.

I have been an employee of five U.S. corporations and I am presently employed at Itek Corporation in Lexington, Mass., where I am vice president, patents and licensing.

I am a past president of the Licensing Executives Society (U.S.A.) and am the first recipient of the LES Award of Highest Honor. I have been a member of four U.S. Government delegations, one to the Soviet Union in 1971 on Exchange on Patent Management and Patent Licensing, two to the United Nations (UNCTAD) in Geneva relating to the Role of the Industrial Property System in the Transfer of Technology and one to the United Nations (Economic Commission for Europe) in Geneva relating to a Manual on Licensing Procedure. I am also a member of the U.S. State Department Advisory Committee on International Intellectual Property.

THE VIEWPOINT OF THE RECIPIENT OF TECHNOLOGY (LICENSEE)

Among other things, my views are based on the fact that Itek Corp., as is true with the vast majority of U.S. corporations, has received more licenses under the technology of others than we have granted to others under our technology. This trend will increase in the future because of the reduction of new product research and development at U.S. corporations, which means that they must receive more of their new product technology from outside sources.

Thus, I and my peers spend more time evaluating the patent rights of others than we do evaluating our own patent rights.

VALIDITY OF A PATENT MAY DEPEND ON WHERE A PATENT INFRINGEMENT SUIT IS TRIED

Are these patents valid? How strong are they? How much royalty should we pay? These are the questions I must answer for my management. What kind of an answer is it to say "Well, it all depends on what U.S. judicial circuit we get sued in." I am then asked "Do you mean to tell me a patent may be held valid or invalid, or an invention may or may not be patentable, depending on what circuit a patent infringement trial is held in?" The answer unfortunately and ridiculously is "Yes".

PATENT LITIGATION COSTS

When one gets involved in litigation either on the patent rights of others or ourselves, the time and cost escalate dramatically.

The U.S. Patent System has been an excellent system and has served our country well for many years. However, a major problem with the system is the extremely high cost of determining the validity of a patent and the high cost of enforcing a patent or determining that a patent is invalid. These litigation costs can easily run to \$500,000 for each side of the controversy and take up literally years of time.

Obviously, small- and medium-size corporations, universities, and individual inventors cannot bear such costs and thus, usually their patents are, practically speaking, unenforceable because of the tremendous cost in enforcing them.

PROPOSED LEGISLATION WILL HELP IMPROVE CONSISTENCY OF JUDICIAL OPINIONS

While the proposal incorporated in the subject legislation is an excellent one, it will, of course, not solve all the problems of patent litigation. In my opinion, however, it will be a significant improvement, particularly in the long term. As you have undoubtedly heard, people who may be involved in patent litigation in the United States are well aware of which judicial circuits tend to be more favorable toward patents and which tend to be less favorable. Thus, there is a substantial amount of "forum" shopping in which either the patent owner or the potential infringer play legal games in order to attempt to have the litigation take place in a location which will be more favorable to their interests.

While in some cases, the U.S. Supreme Court resolves conflicts between judicial circuits, as a matter of practice, the Supreme Court cannot spend the time to resolve very many of these conflicts and, as a result, the reliability of the patents is quite uncertain.

If appeals from the various U.S. district courts would all go to the same court in a fairly short time, there would be more consistency in judicial opinion, keeping in mind, of course, that the U.S. Supreme court would still have the authority to handle an appeal from this appellate court if it felt such an appeal was necessary.

COURTS DECIDING COMPLEX TECHNICAL QUESTIONS

One of the strongest points in favor of this legislation is the fact that the technology involved in many patent suits call for the judge (or if not the judge himself, at least some of his staff) to have a technical background and the ability to understand the technology, which, by the nature of invention, was often in the forefront of technology at the time the invention was made. Thus, the courts are faced with the very difficult task of deciding whether an invention, which might involve very complex organic chemistry molecules or very complex electronic computer circuits, et cetera, was not "obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains". Thus, the judge must put himself in the position of a person skilled in the art of chemistry, electronics or whatever and decide whether the complex invention was obvious to such a skilled chemist or skilled electronics engineer. A very, very difficult task, without a technical background and a technical staff.

This task is probably even more difficult for an appellate court which must operate without the benefit of a trial, and the education it provides over a period of time in the technology involved.

In this regard, consider the statement of the very experienced and capable Judge Friendly of the U.S. Court of Appeals of the Second Circuit in *The General Tire & Rubber Company v. Jefferson Chemical Company, Inc.*, 182 U.S.P.Q. 70 (1974) makes the following opening statment:

"This patent appeal is another illustration of the absurdity of requiring the decision of such cases to be made by judges whose knowledge of the relevant technology derives primarily, or even solely, from explanations by counsel¹ and who, unlike the judges of the Court of Customs and Patent Appeals, do not have access to a scientifically knowledgeable staff."

¹ We compliment appellant's counsel for the appendix to their brief entitled "Background Chemistry," which has not been controverted by appellee. Without the aid furnished by this, the writer, for one, would have been helpless. But such rudimentary education is no substitute for having lived for years with a subject and a way of thinking.

This statement makes my point quite nicely.

While it would be useful to have the judges involved on this appellate court acquire a technical background before going on the court, I do not believe it is mandatory, as the judges would be able to acquire such background over a period of time if they worked on technical litigation problems and had a technical staff available to assist them as does the Court of Customs and Patent Appeals at present.

One advantage of having a judge with a technological background is that most lawyers become lawyers in part because they are not interested in technology and therefore, they are not interested in becoming engineers, chemists, et cetera.

SOME LAWYERS HAVE TECHNICAL BACKGROUND

However, as you know, there is a small group of lawyers, including patent attorneys, who usually started their college education in a technical field and received a degree in some form of technology. Most of them then made a decision that they did not wish to work completely in technology, attended law school and ended up working in the patent and technology transfer field. It would appear to me that if judges were chosen in part from this group of technically oriented lawyers, it would be very beneficial for a court such as that embodied in the subject legislation.

ALL PATENT DISPUTES HAVE PATENT LAWYERS ON EACH SIDE

One more point must be emphasized. In each patent dispute there are patent lawyers saying the patent is valid and there are patent lawyers saying the patent is invalid. I do not believe that a court included either patent lawyers or those familiar with technology would result in a court in which all patents are held valid. Far from it, I believe these judges would be able to more quickly decide that certain patents were invalid and remove them, properly, from the roster of active patents.

In the attached material, I have some additional comments in answer to some of the objections which some have raised in the past to courts such as this and have some comments and quotes from a small number of decisions relating to patent matters.

[The attachment referred to above can be found in the appendix.]

CONCLUSION

I believe, speaking from the viewpoint of one who spends a lot of time evaluating patents owned by others, the establishment of the proposed U.S. Court of Appeals for the Federal Circuit will provide markedly improved consistency and certainty in judicial opinion on the validity or invalidity of patents, which is much needed today.

Mr. BLAIR [continuing]. The present corporation I work for is by far the smallest I have worked for, as the others are multibillion dollar corporations. I am one of those strange people that Judge Miller mentioned. I have two technical degrees, one in physics, one in chemistry, as well as a law degree. I have been very active in licensing and technology transfers. I would like to bring the viewpoint of the smaller corporation, particularly the one which is recipient of technology.

My company, like most U.S. corporations, have situations where we have taken a license from someone else under their technology.

I spend a lot of my time evaluating patents, what the value of these patents are, whether we can avoid them, and related matters. My management wants to get opinions from me as to what is the value of these patents that we are prepared to pay money to get a license under with the know-how involved. It isn't a very good answer to say, well, it depends on where somebody is going to file a patent suit. Patent law, after all, is national law. It should be uniform throughout the country. Unfortunately, at present it is not.

The costs of litigation, particularly to the small company, the individual inventor and the university, have escalated so much over the

last years that it becomes, in practice, very difficult for those smaller organizations to enforce their patents. Litigation can now cost as much as \$500,000 for each litigant in a patent infringement suit. Small organizations cannot pay that. Our hope would be that this proposed legislation to create the U.S. Court of Appeals for the Federal Circuit would improve the consistency in judicial opinions and, in the long term, we think it would cut down on some of the litigation. It certainly won't solve all the problems. No single piece of legislation will. But we think it is definitely a step in the right direction.

I would like to make just a few comments on some of the problems raised by Judge Miller in pointing out that the judges have a very difficult problem in deciding technological controversy. Most lawyers become lawyers because they aren't interested in technology. There are a few strange people like myself, Mr. Dunner, and some of the others on this panel that have usually gotten a technical degree in some field, and then decided they didn't really want to be a chemist or engineer, and went to law school and became a patent lawyer or got involved in technology transfer.

The judges, when they are faced with a situation involving validity of a patent, have to decide whether the invention was obvious at the time the invention was made to a person having ordinary skill in the art to which said matter pertains. If it is a complex organic chemistry matter, the judge has to put himself in the position of someone skilled in organic chemistry at this time, and if it is a computer matter, he has to do the same thing there with respect to computer technology. The present CCPA can solve this problem, because they have their technical advisers as Judge Miller mentioned. The new court could also solve their problem if they had the same type of technical advisers.

One point I would like to make is that in patent controversies, there are patent lawyers on one side saying the patent is valid; and patent lawyers on another side saying the patent is invalid. I think it is not fair to assume that if you have specialized courts deciding patent matters, they would be deciding that all patents are valid or invalid. They would have enough expertise to hopefully promptly determine which ones were valid or which ones were not, and be able to do a quicker and probably better, job than some of the judges who do not have the background which they need to determine this.

I would like to make one final comment relating to a comment by Assistant Attorney General Ferguson this morning on the subject of regionalism, where many lawyers feel regionalism has significant value. In the patent field I disagree. For example, my company has plants in California, Florida, and in Rochester, N.Y. Should an invention made by an employee in California be valid and one by another employee in Florida be invalid, if it is the same invention, in the same country, using the same patent laws?

I think not. I think whether an invention is patentable should be the same throughout the entire country. My hope is this type of legislation would provide consistency throughout the country which the Supreme Court is not able to do now just because of their workload, and therefore, I support this legislation. Thank you.

Senator SIMPSON. Very helpful. Thank you very much, Mr. Blair. You have additional comments which you have submitted for the record, as well as your basic statement. I will assure you that your statement in its entirety, together with the 10-page attachment of additional comments, will become part of the record.

I am interested in your comments about lawyers and technology. That sparked my interest. A pungent observation, after being in the general practice for 20 years myself, where I did everything from replenishing a recalcitrant mule to reorganizing a railroad, never knew which when I went to work in the morning, and I was never a technologist; so I certainly understand that one.

I believe now we have Mr. Manbeck.

MR. MANBECK. I am Harry Manbeck, Jr., general patent counsel of General Electric Co.

By appearing here I bring the viewpoint of at least one large American corporation, and specifically I appear in support of S. 677 insofar as that bill pertains to appeals in patent cases.

[The prepared statement of Mr. Manbeck follows:]

PREPARED STATEMENT OF HARRY F. MANBECK

Gentlemen: I am Harry F. Manbeck, Jr., general patent counsel of the General Electric Co. I appear today in support of S. 677, the Judicial Improvement Act of 1979 insofar as that bill pertains to appeals in patent cases.

General Electric Co. is a technically based company which develops, designs, and manufactures a broad line of products. Those products range from consumer appliances and electrical equipment to engineered materials and aircraft engines. When our engineers and scientists make inventions pertaining to our product lines or other areas of research, we try to obtain patents on them. We are involved in the administration of these patents on a regular basis, and we are concerned with the patents of others with some frequency. Although we prefer to avoid litigation, there are at times honest differences of opinion as to the validity and scope of patents necessarily requiring submittal to the courts.

Currently, we have 12 patent cases pending in the district courts and this is not an atypical number for us in recent years, our society seeming to be more litigious than in the past. We are the plaintiff in 4 of these cases and the defendant in 9. If you ask why the number doesn't add up, it is because we are involved as a counter-claim plaintiff in one case where we are also the defendant. These cases are pending in 10 different districts and were they to be appealed, we would become involved with the court of appeals in 7 different circuits. Based on our past experience, it is far more likely than not that most of these cases will be settled before or after trial in the district court and that appeals will be necessary, if at all, only in a few.

I mention these numbers, however, to illustrate why we are interested in national uniformity of judicial decisions in the patent law. It is a firmly held conclusion among patent lawyers that some circuits are more favorable to patents than other circuits. Statistically, this can be shown to be true, although one should go back of the statistics to determine what quality of patents were litigated in each circuit. Be that as it may, the statistical results have led to frequent forum shopping in patent cases. I like to think that we as a company are not guilty of this, but yet I would admit that we have on some occasions let the statistical record of a court of appeals tip our decision in one direction or the other when bringing a case. On the other side of the coin, I am sure that people have moved quickly into court against us to get into a more favorable forum. In one current negotiation with another major company, we have tentatively reached agreement between us as to where the suit will be filed if one should be necessary. The choice may not be quite the best forum for either of us, but it is preferable to taking the chance of being caught in the other company's first choice.

To state the obvious, the patent law is a national law. A final decision upholding or striking down a patent extends to all corners of the country. It is important that patents be viewed with consistency at the appellate level and that the law be the same in all judicial districts.

This is of concern not only to patent lawyers but more importantly to businessmen. Significant economic decisions are made from time to time based upon the existence or the lack of patent coverage or on the law as it may apply to the administration of patents. The businessman wants to know if a patent is likely to be sustained or overturned and not that his chances are at one percentage level if the trial occurs in one circuit and at another percentage level if it occurs in another circuit. Patents, in my judgement, are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for producing and distributing the goods. Certainly, it is

important to those who must make these investment decisions that we decrease unnecessary uncertainties in the patent system.

With the judiciary speaking through 1 court of appeals rather than 11, some of the present splits or apparent splits in authority should be resolved and new ones should be avoided. This would certainly be a principal advantage of the new Federal Court of Appeals if not its foremost advantage. Further, it cannot be denied that patent cases are often very complex, involving not only technical subject matter but also concepts of law seen infrequently by many judges whether at the district court level or the court of appeals level. A single appellate court dealing on a regular basis with technology and with the patent law should be able to dispose of these often complicated cases more expeditiously than the present courts of appeals. I don't know if it would be desirable for the court to have technical advisors, but if it were, it would certainly be easier to provide them for one court of appeals than for a large number.

Another advantage of a single court of appeals for patent cases would be that both infringement matters and appeals from the Patent and Trademark Office would be heard in the same court. An interesting speculation is that the new court having patent infringement cases before it might be more adaptive than the present Court of Customs and Patent Appeals, which now hears only the prospective patentees and never the alleged infringers. Experience hearing both sides of infringement cases cannot help but broaden the judges in their approach to appeals from the Patent and Trademark Office. Being exposed to a panoply of patent cases, including the strike case type of infringement suit, cannot help but give the judges a better feel when deciding whether to direct the issuance of patents in the first instance.

Hopefully, with greater certainty in the law, there will be fewer patent cases brought. Ordinarily, no responsible corporation brings a suit or accepts one where it expects to lose.

Recently, I have had the opportunity to serve on a working group which assisted in a study of U.S. technology policy being undertaken by the Committee for Economic Development. The Committee for Economic Development, a non-profit private organization, is composed of 200 trustees including many corporate executives and university presidents. The working group was given the opportunity to consider what changes it thought should be made in the U.S. patent system to enable it to support innovation more effectively. One of the recommendations made by the working group is that there be a single court of appeals at the national level for patent cases. The subcommittee has viewed this recommendation favorably thus far, and I anticipate that CED will be issuing a statement later this year on technology policy which will include the recommendation. However, I should emphasize that at this time it is a draft recommendation that has not, as yet, been approved by the CED trustees.

In closing, I would like to recognize that there are members of the private bar who express a justifiable concern that the new court might tend to become more rigid and specialized in its approach than are the present court of appeals. However, the court's docket would include many other types of cases, would be more diversified than the present dockets of either the Court of Customs and Patent Appeals or the Court of Claims and the results obtainable seem to justify accepting the risk of possible overridgity at least until proven.

Mr. MANBECK [continuing]. General Electric Co. is a technically based company which develops, designs, and manufactures a broad line of products. These products range from consumer appliances and electrical equipment to engineered materials and aircraft engines. When our engineers and scientists make inventions pertaining to our product lines or other areas of research, we try to obtain patents on them. We are involved in the administration of these patents on a regular basis, and we are concerned with the patents of others with some frequency. Although we prefer to avoid litigation, there are at times honest differences of opinion as to the validity and scope of patents necessarily requiring submittal to the courts.

Currently, we have 12 patent cases pending in the district courts and this is not an atypical number for us in recent years, our society seeming to be more litigious than in the past. We are the plaintiff in four of these cases and the defendant in nine. If you ask why the

number doesn't add up, it is because we are involved, as a counter-claim plaintiff in one case where we are also the defendant. These cases are pending in 10 different districts and were they to be appealed, we would become involved with the court of appeals in 7 different circuits. Based on our past experience, it is far more likely than not that most of these cases will be settled before or after trial in the district court and that appeals will be necessary, if at all, only in a few.

My prepared statement does not mention we have a case pending in the Court of Claims at this point, awaiting a decision, as a matter of fact.

I mention these numbers, however, to illustrate why we are interested in national uniformity of judicial decisions in the patent law. It is a firmly held conclusion among patent lawyers that some circuits are more favorable to patents than other circuits. Statistically, this can be shown to be true, although one should go back of the statistics to determine what quality of patents were litigated in each circuit. Be that as it may, the statistical results have led to frequent forum shopping in patent cases. I like to think that we as a company are not guilty of this, but yet I would admit that we have on some occasions let the statistical record of a court of appeals tip our decision in one direction or the other when bringing a case.

On the other side of the coin, I am sure that people have moved quickly into court against us to get into a more favorable forum. In one current negotiation with another major company, we have tentatively reached agreement between us as to where the suit will be filed if one should be necessary. The choice may not be quite the best forum for either of us, but it is preferable to taking the chance of being caught in the other company's first choice. To state the obvious, the patent law is a national law. A final decision upholding or striking down a patent extends to all corners of the country. It is important that patents be viewed with consistency at the appellate level and that the law be the same in all judicial districts.

This is of concern not only to patent lawyers but more importantly to businessmen. Significant economic decisions are made from time to time based upon the existence or the lack of patent coverage or on the law as it may apply to the administration of patents. The businessman wants to know if a patent is likely to be sustained or overturned and not that his chances are at one percentage level if the trial occurs in one circuit and at another percentage level if it occurs in another circuit. Patents, in my judgment, are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for producing and distributing the goods. Certainly, it is important to those who must make these investment decisions that we decrease unnecessary uncertainties in the patent system.

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A single appellate court dealing on a regular basis with technology and with the patent law should be able to dispose of these often complicated cases more expeditiously than the present courts of appeals.

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Senator SIMPSON. Thank you very much for your swiftness in reporting that. Thank you.

Mr. Witte now, please.

Mr. WITTE. Thank you, Mr. Chairman.

I am here on behalf of Industrial Research Institute. I am also chief patent counsel for Procter & Gamble Co.

It is a nonprofit organization comprised of 250 of the largest industrial companies in this country and covers most of the industrial research done here.

The IRI really represents most of the principal users of the patent system.

[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 have been asked to speak on behalf of the Industrial Research Institute in support of the provisions of S. 677, which relate to a single court of patent appeals. I am chief patent counsel for the Procter & Gamble Co., a member of the IRI.

Industrial Research Institute, Inc., is a nonprofit organization with a membership of about 250 industrial companies 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.

Purposes of the Industrial Research Institute are sixfold: (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.

It will be helpful to describe how the IRI's support of the single patent appeals court developed. Early in 1978, the IRI 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 research and development executives of several of the IRI member companies. I was asked to provide legal support for this committee.

The position statement on the patent system was presented to the entire IRI membership for their comments and eventual 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 several 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 IRI 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 IRI 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 IRI in June 1978. Comments on the statement were requested. A questionnaire was employed for this purpose. Over 50 percent of the IRI 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 percent response level is very high for this sort of survey and represents most of the major industrial research and development effort in the 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:

	<i>Percent</i>
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 judicial 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.....	64
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 incentive?

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 IRI membership at a meeting on October 23, 1978, and approved by its board of directors on December 15, 1978.

Mr. WITTE [continuing]. The IRI supports the patent system. But the member companies want patents which will be enforceable in the courts so that the purpose of the patents will be met, which is to

provide an incentive for investment in innovation. The IRI recognizes the problems in patent enforcement described very comprehensively by Mr. Dunner. And the IRI wants patent enforceability to be certain, uniform, and to take less time and less money than is presently required.

The IRI has very carefully developed a position paper on the patent system and includes an observation on the concept of a single court of patent appeals. They support this concept of a single court of patent appeals. I am here on behalf of the IRI to support those provisions in S. 677 on that point.

The IRI sees the single court of patent appeals as a significant opportunity to improve the patent system, particularly on enforceability.

The IRI, I should say, has taken this position on a sophisticated point, on the basis of very comprehensive survey. This is not a paper written by a handful of people. It was done on the basis where the IRI membership understood what was going on, and it was based on a questionnaire, and it was based on a carefully prepared position statement. This questionnaire was circulated to the entire membership of the IRI and included several questions directed to the concept of a single court of patent appeals. And there was great interest in this notion as well as support of the patent system as a whole. In fact, in addition to a question about whether or not a particular member company was in favor of the single court of patent appeals, we tried to maintain objectivity and put in a special extra question which was addressed to the principal criticism of the court concept which is this tunnel vision which has been used before. We use the term "rigidity and inability to handle auxiliary issues."

In addition to almost 3-to-1 majority in favor of the single court of patent appeals, a similar majority felt that this tunnel vision problem would not take place. They felt a single court of patent appeals would be flexible and able to handle ancillary issues as well as the questions of patent infringement and validity.

Many of the IRI members felt that the quality of jurists for a new court, if there is to be one, was very important, and felt that the quality of jurists on the Court of Customs and Patent Appeals was a model, and I have to say that if the new single court is legislated, and the jurists of the CCPA quality, that it can't but succeed. Thank you very much.

Senator SIMPSON. Thank you, sir. Your entire statement will be made a part of the record.

Mr. Whitney now, please.

Mr. WHITNEY. I find myself not only bringing up the tail end of this panel discussion, but I also find myself in the interesting position of opposing the views that my other four colleagues have.

While I have submitted a paper of nine pages and also a result of a survey that was taken among a group, I believe, of informed patent litigators, and has some very interesting conclusions in it, I would like to be able to comment on some of the points that have been raised here by my colleagues, and I would like to have the opportunity to make some of the points again that are in my paper.

[The prepared statement of Mr. Whitney follows:]

PREPARED STATEMENT OF GEORGE W. WHITNEY

It is an honor and a pleasure to appear again before a subcommittee of the Committee on the Judiciary.¹

While I currently serve as first vice-president of the American Patent Law Association and as chairman, Committee on Patent Litigation, ABA Litigation Section, I speak today as an individual with respect to certain provisions of S. 678 and S. 677 which in my opinion are neither in the public interest nor in the interest of effective judicial administration. In particular, I will address the proposals for providing exclusive appellate jurisdiction in a newly constituted article III circuit court of appeals² intended to provide a 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. I have no quarrel with that broad basic concept; there may well be a need for such a form to which Congress can add or take away categories of cases as circumstances change in the future.

However, I 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 comments are based on over 30 years of personal experience as an active practitioner in the patent, trademark, unfair competition and antitrust field. As a litigator I have for more than 25 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, Brumbaugh, Graves, Donohue & Raymond of New York, in which I have been a partner for 19 years and associated with for 27 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 antipatent direction.

The patent and trademark systems while working well in this country for almost 200 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 these 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 battlecry 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 this committee 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 appeal "with their more generalist approach."

¹ On May 12, 1971, I appeared before Senator McClellan's patent, trademark and copyright subcommittee accompanying the then president of the American Patent Law Association in testimony on various proposals for revision of the U.S. Patent Laws.

² Court of Appeals for the Federal Circuit.

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 * * * less than 2/10 of 1 percent of those issued."

Over the 10 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 percent were held valid and infringed, 57.7 percent invalid and 10.8 percent 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 percent were found invalid and another 19 percent 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 1 to 3 percent of total appellate court load, where is the burden on the system?

Attached to my remarks are the Results Announced on Patent Litigation Poll Re Improvements in Federal Appellate Procedure published in January 1979, Vol. 4, No. 2, Litigation News, ABA Section of Litigation. The various viewpoints pro and con set forth therein highlight many of the important aspects of the specific proposal under consideration. (61 percent opposed).

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). S. 678 may eliminate that opportunity for both patents and trademarks. S. 677 may eliminate it for trademarks, although I understand that that is not the Justice Department's intention.

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.

Attachment.

RESULTS ANNOUNCED ON PATENT LITIGATION POLL RE—IMPROVEMENTS IN FEDERAL APPELLATE PROCEDURE

The interim results of a questionnaire sent to the committee membership and a few other active patent litigators formed a basis in part for a very cooperative and informative dialogue with key representatives of the Justice Department's Office for Improvements in the Administration of Justice. James A. Hourihan, Chairman of the Environmental Litigation Committee, and George W. Whitney, Committee on Patent Litigation Chairman (as representatives of an *ad hoc* committee under Section Council member Charles H. Wilson) met with the Justice Department in Washington on October 26 for an interchange of plans and developments of the respective positions of the Justice Department and the Litigation Section on proposed changes in Federal procedure.

Draft legislation will be prepared before the end of November 1978 and be reviewed by Justice before Christmas for planned introduction in Congress early in 1979. Clearly time is of the essence for meaningful input by our section's committees and council.

The interim poll results showed 61 percent in opposition to the concept of a single national court of appeals having exclusive jurisdiction over appeals involving patents, civil tax and environmental matters. The reasoning for such 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 and 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.

The Committee meeting in Washington on November 10, 1978 continued to explore the foregoing matter. Plans are being made for a Committee-sponsored program in Dallas next August, a proposed uniform trade secret law and other matters. The Committee is growing and solicits membership from active patent litigators.

Mr. WHITNEY [continuing]. I have been in this field of patent law since 1948 when I started out as an examiner in the Patent Office, which I did for some 2½ years.

I also worked for General Motors, which is a relatively large corporation, for a short period of time. I went into private practice in a law firm in 1951, which I have been a partner in that firm for some 19 years. Since 1953, at least I have been involved in patent litigation on both sides of the fence, both for patents, and against patents. I am currently in that situation, and I expect to be more most of my career.

I believe strenuously in the patent system. I want to make it work. I do not want to have a system that is biased one way or the other, biased to antipatent or propatent. I do not think that is in the public interest. I do not think it is in the interest of gentlemen such as representing various corporations who have been speaking this morning. We want to make that system work. I happen to serve as first vice president of American Patent Law Association. I am also chairman of the Committee on Patent Litigation of the American Bar Association, Litigation Section.

I am familiar with the polls and discussions that we have looked into within the groups of special committees of those associations. I can report as I have in my papers that within the committee polls that we have taken, there have been proportions in the order of 61 to 70 or more percent strongly opposed to the idea of specialized courts. Since writing my paper that you have before you, and which I submitted to you some 2 weeks ago, I have been in England. I bring that up for the interesting reason that I spent a week, actually 6 days, working in conjunction with the barristers, solicitors, and judges of the British court system.

In Britain they have had for many years a specialized patent tribunal. There are two judges of the high court in England that handle patent cases. And one would say now isn't that very nice, we have got a specialized, centralized way of handling these things. As a practical matter over the years, if you talk to the barristers and if you talk to the solicitors that are handling the thing, and if you talk to the British companies, it makes a hell of a lot of difference whether you get Judge Wickford or whether you get Judge Graham as to how your case is going to come out, and whether you are going to be sort of propatent or antipatent, and where you are standing on some of these things.

I did have an opportunity there to talk to some of the gentlemen who are in positions comparable to the Justices of the U.S. Supreme Court; namely, a couple of the lower lords of the House of Lords, one of whom interestingly enough had a degree in chemistry before he went into the practice of law. His father had been a judge before him, and his father had suggested to him that he get into the patent area because he might make more money as a barrister there than he would

as a generalist barrister. He got his chemical degree behind him, and then he ended up, though, as a generalist barrister. He interestingly pointed out that for years he was able to hide the fact of his technical competence from many people until one day somebody brought up a problem of polymers, and he made the mistake of indicating that he understood quite thoroughly what polymers were all about, and he has since become known as the polymer judge.

It was the consensus of the judiciary, the barristers, and the solicitors that I spoke to in England just 1 week ago about these problems, because I had written my paper, and I knew I was going to be testifying here, that in their idea maybe a specialized court should be at the trial level, but they saw no reason for having a specialized court at the appellate level. That is one of the themes that runs through my paper. It is one of the themes I think that is highly important here. Let's not confuse what is supposed to be going on at the trial court level and what is supposed to be going on at the appellate level.

My colleagues here have indicated that we do not have—many have, at least—that there is really not a conflict in the law. It is the application of the facts of particular cases to the law that we are talking about. We also, when we were concerned in 1974 and 1975 with the Hruska Commission and that sort of thing—it is true that in 1966 we had the trilogy of cases in Graham against Deare—that those cases had really not gotten to the point where the 11 circuit courts of appeals were beginning to apply, and in the district courts were not applying with any degree of regularity the test for determining what obviousness was all about, and the factual issues that should be presented. Why?

So that when a case gets to the appellate level, the appellate level can be reviewing the issues of law; that is a function of the appellate level. Since last fall we have added significantly to the district courts in this country. We have taken from somewhere around 400 judges—we are now going to have about 500 judges in the district courts. They are going to be handling these patent cases. There are only about 650 patent cases filed in a year. And that is a statistic that is supported by going back anywhere for the last 10 years. Some 250 of them get to trial. This is at the district court level. In 1977, only 95 of them got to an appellate level. In 1978, OK; they went back to 135 or 139. But what are we talking about? Is that a big increase? No; because 95 happened to be an anomalous situation. The average over the years was somewhere around 140 or 150.

Senator SIMPSON. I am sorry to intrude, if you will please accelerate your remarks. We have your written statement. I am trying to give everyone appropriate time, the 7 minutes, if you would, sir.

Mr. WHITNEY. I basically, as I indicated in my paper, and I am trying to indicate now, I think that we are going at the problem on the wrong side of the fence. There is a problem. My problems in the corporations are correct, that patent litigation is too expensive. There have to be ways to handle it.

I submit those things can be done at the trial court level. We do not, as the British do, have an appellate system where you can go on and argue appeals for days on end, or for months. We in the patent bar and in the trademark bar are faced with the same 15 minutes, 20 minutes,

or half an hour for presenting our case before the appellate courts. We are presented with the same limitations of 50 pages of briefs or 35 pages. That is not a real problem at the appellate level.

The problem that has to be addressed is at the trial court level and there much can be done. I am concerned with the way we are working now in getting to, in effect, right back to 1975 of the national court of appeals for patent cases. As well, we are also in the last minute, we have thrown in trademarks, we have thrown in copyrights. We have had darn little consideration by the appropriate bars with respect to that. And trademark rights aren't some incidental little thing in there.

You are asking this Washington court or this one group of five people, who, by the way, don't seem to quite agree with each other quite frequently, if you bother to read the cases in the decisions of the Court of Customs and Patent Appeals:

Senator SIMPSON. Have you ever seen a judge work his wrath about the litigant attorneys? Would you please wind yours down? I would appreciate that very much.

Mr. WHITNEY. I will wind it down. I want to, on the part of the trademark law, merely indicate that there you are thrown into something that is involved with definitely regional problems, common law, trademarks, States rights, Federal rights, State statutes and all the rest.

It just doesn't make sense, gentlemen.

Senator SIMPSON. Thank you very much. I appreciate all of you sharing your varied backgrounds with the subcommittee, and it will certainly be considered by the subcommittee. I appreciate your being here.

Mr. DUNNER. Thank you.

Senator SIMPSON. Now we have another panel of association representatives: Marie Driscoll, Thomas Gittings, Carroll Harper, James Wetzal, John Tramontine.

If you would proceed in that order, I would appreciate that. Thank you very much.

PANEL OF ASSOCIATION REPRESENTATIVES:

STATEMENTS OF MARIE DRISCOLL, ACCOMPANIED BY ALBERT ROBIN; THOMAS M. GITTINGS, BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA; CARROLL G. HARPER, ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK, COMMITTEE ON PATENTS; JAMES WETZEL, AND JOHN TRAMONTINE, NEW YORK PATENT LAW ASSOCIATION

Ms. DRISCOLL. I am Marie Driscoll. I am appearing here on behalf of the U.S. Trademark Association, which is an organization made up of some 1,300 trademark owners and members of the bar who specialize in trademark law. After polling its membership, the association has reached the conclusion that it is strongly opposed to two parts of S. 677 and S. 678.

Opposition, first, is to placing exclusive jurisdiction in the new Federal Court of Appeals of cases involving trademarks in whole or in part.

And the second is the apparent elimination in these bills of the dual routes of appeal now available in trademark cases decided in the Trademark Trial and Appeal Board or by the Commissioner of Patents and Trademarks.

Now, first of all, I feel as an introduction, I must make the point that the direct link of trademarks to patents is unjustified. They are based on completely different concepts, and, in fact, Federal jurisdiction in the Constitution is based under completely different sections of the Constitution. Trademarks are acquired by use within a given State or States, and depend in no way on a Federal grant. In fact, one can have a trademark and never register it federally.

Trademark law, whether or not a Federal registration is involved, is considered to be part of the law of unfair competition and the decisions are based essentially on equitable considerations. There is no question with trademarks of any technical expertise as there may be with patents.

There is no question of interpreting a complicated statute, and presently there is, to my knowledge, no lack of uniformity among the various circuits in deciding cases involving trademark law and no seeking forum shopping. Now specifically as to giving exclusive jurisdiction to the new Federal Court of Appeals in trademark cases, the association believes that this is not necessary and may lead to a lack of uniformity rather than to uniformity. First of all, these cases are never just trademark cases. In my experience I know of not a single case involving a claim of infringement of a federally registered trademark which does not also involve a claim of unfair competition under State law.

I might also add that unlike patents where there are no State statutes relating specifically to patents, there are State statutes relating specifically to trademarks because of the difference in the way in which trademarks are acquired. For example, I point out in my statement that 17 States have adopted antidilution statutes.

Cases involved in those jurisdictions very often involve a claim of antidilution, and it is in the opinion of the association more appropriate that the courts of appeals in those areas with a tradition of applying those State laws continue to do so, and not one Federal court in Washington.

[See appendix section for the prepared statement of the U.S. Trademark Association presented by Ms. Driscoll; also under miscellaneous see exhibits A and B pertaining to her testimony.]

I might also add that Federal jurisdictions in trademark cases, unlike copyright or patent cases, is not exclusive. Where there is an unregistered trademark involved, and where there is diversity, trademark and unfair competition cases can still go up through the present Federal system and can be decided by the present courts of appeals, and may be decided differently from the way they will be decided by the new Federal court of appeals. In addition, trademark owners, to repeat, do not have to go to the Federal court, and they may proceed in the State courts. Once again, there may be a lack of uniformity of decision.

Now, as to the dual routes of appeal, presently under the Federal Trademark Act, in a case which is decided by the Trademark Trial and Appeal Board or the Commissioner of Patents and Trademarks, the

parties have an option, they can either appeal on the record they made below to the Court of Customs and Patent Appeals or they can commence action de novo in the district court. Although these are called alternate routes of an appeal, they are not in fact alternates, they are very different remedies now available. And the association believes that it is very important that they continue to be available.

In review by the Court of Customs and Patent Appeals, which would now be in the new Federal court of appeals, one is limited by its record below and may put in no new evidence, whereas, in a district court new evidence can be introduced. This is a significant benefit and a significant right of the trademark owner.

Records created before the Trademark Trial and Appeal Board are based completely on depositions. There is no opportunity to have demeanor evidence nor any rulings on evidence.

Senator SIMPSON. May I intrude? I feel like the evil ogre, but if we are going to have everyone testify, I would appreciate your summarizing quickly, because we do have the benefit of your entire written statement in our record.

Ms. DRISCOLL. I would just like to say on this question of dual routes of appeal, that if one cannot appeal by way of action de novo in the district court, it is very likely because of the disadvantage to just proceeding on a record below that litigants will instead of proceeding in an administrative way to try to prevent registration of trademarks, simply start an infringement suit in Federal court and thereby increase the workload in the Federal district courts.

Thank you.

Senator SIMPSON. Thank you very much. I appreciate that. Now Mr. Gittings.

Mr. GITTINGS. Mr. Chairman, my name is Thomas M. Gittings, Jr. The witness list is incorrect. I appear this morning on behalf of the Court of Claims Committee of the Bar Association of the District of Columbia. The bar association is a voluntary association composed of more than 4,500 attorneys in the District of Columbia, who are engaged in the private practice of law.

[The prepared statement of Mr. Gittings follows:]

PREPARED STATEMENT OF THOMAS MORTON GITTINGS, JR.

Mr. Chairman, and members of the subcommittee, my name is Thomas Morton Gittings, Jr., and I am an attorney engaged in the practice of law in the District of Columbia. I am appearing in the capacity of chairman of the Court of Claims Committee of the Bar Association of the District of Columbia. The Bar Association is a voluntary organization composed of more than 4,500 attorneys who are engaged in the private practice of law in the District of Columbia, or with the legal departments of the Federal Agencies. The Court of Claims Committee is the largest committee within the Association, having 165 members, who are engaged in handling cases that cover the entire area of the Court of Claims' broad jurisdiction. Our membership includes patent, tax, government contract, Indian claims, military and civilian pay, transportation and eminent domain practitioners. Our committee is one of three organizations in the United States that devote their attention exclusively to the affairs of the present Court of Claims, and is by far the most active of these groups. Other committees of the association, such as the tax, patent, civil service and military law committees, have a peripheral interest in the court, but have not elected to take a position regarding the proposed legislation.

COMMITTEE'S POSITION REGARDING S. 677 AND S. 678

The members of the court of claims committee have considered at length the provisions of both S. 677 and S. 678, and while our members do not unanimously favor any change in the existing structure of the Court of Claims, a majority of

the committee, representing many areas of practice, favor the enactment of S. 677 in preference to S. 678. The proposal in S. 678 to strip the new Claims Court and the Court of Appeals for the Federal Circuit of tax jurisdiction, and to establish a Court of Tax Appeals, would create more problems than it would cure. Our objections include the following:

a. The Chief Justice would possess the power, if so disposed, to select all liberal, or all conservative, judges in exercising the selection process.

b. The requirement that the court sit in divisions (§ 402(b)), that it sit at least once a year in each of the circuits (§ 401(c)), and that the judges be rotated periodically (§ 401(b)), may result in a lack of continuity among the decisions of the court. Much of the time of the judges necessarily will be spent in traveling rather than in deciding cases.

c. If tax jurisdiction is withheld from the new Court of Appeals for the Federal Circuit, it is seriously questioned whether it will have sufficient work for the proposed 12 judges. Similarly, it is questioned whether the proposed Claims Court would have sufficient cases to justify the appointment of 16 judges. As shown by the attached excerpt from the Report of the Court of Claims for the Court Year Ended September 30, 1978, of the 1,731 cases pending therein on September 30, 1978, 655 or 37.8 percent involved tax issues. In addition, 95 cases, or 5.5 percent, involved civilian pay issues, jurisdiction over which will largely rest with the Merit System Protection Board under the Civil Service Reform Act of 1978. No new areas of jurisdiction have been proposed to replace the proposed loss of cases.

d. Several of the present trial judges (commissioners) of the Court of Claims were selected because of their outstanding background in the tax field. This expertise is lost if tax refund jurisdiction is restricted to the district courts.

RECOMMENDED MODIFICATIONS TO S. 677 RELATING TO THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT

a. Our committee does not support the proposed provisions of § 705 of S. 677 which amends 28 U.S.C. § 46(b) to provide that judges of the Court of Appeals for the Federal Circuit shall be assigned to divisions for periods of at least 2 years. We would prefer that the chief judge designate the members of each panel to hear each case. This latter procedure is now employed by the appellate division of the present Court of Claims, and has worked very well. The present language of 28 U.S.C. § 46(b) is considered adequate for this purpose. We do favor a requirement that the professional and judicial experience of the panel members be taken into consideration in assigning cases to a division.

b. Our committee believes a technical change is necessary in the language of 28 U.S.C. § 44(c) to provide that: "Except in the District of Columbia and Federal circuits, each circuit judge shall be a resident of the circuit for which appointed at the time of his appointment and thereafter while in active service."

It is obvious that future appointments to the Court of Appeals for the Federal Circuit should be representative of all areas of the United States.

c. Our examination of the provisions of 28 U.S.C. § 46(c) have led us to conclude that it would authorize the Court of Appeals for the Federal Circuit to hear cases en banc. If, however, our interpretation is incorrect, we would recommend that the new court be brought within the purview of this provision.

d. Our committee is especially concerned by the fact that the separation of the appellate functions of the present Court of Claims from the trial functions will result in a more formalized and more expensive appellate procedure. Traditionally, the Court of Claims has been a court where the citizenry could air its grievances against the Federal Government in a proceeding which has been designed to keep costs as low as possible. At the present time either side, if dissatisfied with a decision of the Trial Division, has been able to file a simple notice of appeal to the Appellate Division, and proceed with the presentation of the appeal without the necessity of preparing a costly appeal record. These costs, coupled with the additional legal fees incurred in preparing the record, would price many small litigants, such as the active duty enlisted man seeking an answer to a pay dispute, out of court. We think Congress should take cognizance of this fact, and since the new Court of Appeals for the Federal Circuit and the new Claims Court will continue to occupy the same building, should mandate that the Court of Appeals establish a simplified appellate process which would utilize the record in the Court below.

e. Our committee also believes that Congress should devote some attention to the composition of the bar of the new Court of Appeals. We would urge that,

at least in its report, the committee recommend that the new court, at its inception, grant blanket admission to all present members of the bar of the Court of Claims, which is national in scope. Otherwise, the clerk's office will be besieged with paperwork handling applications for admission.

f. The present legislation does not contain any provisions governing the orderly transition of functions from the present Court of Claims to the new court. What disposition will be made of pending cases awaiting argument on dispositive motions on the effective date of the act, which, under present procedures, would be heard by the appellate division of the Court of Claims, sitting in a panel of three judges? This problem becomes further aggravated if the provisions of S. 678 are adopted in lieu of S. 677, and both the Court of Appeals for the Federal Circuit and the Claims Court are deprived of all tax jurisdiction. We would urge that this situation be studied thoroughly, and that Congress specify the transition procedures, rather than leaving it up to the new Courts to resolve after they come into existence.

g. Our committee has also detected a discrepancy between the provisions of S. 677 and S. 678 relating to the status of the current senior judges of the Court of Claims and the Court of Customs and Patent Appeals. We would urge that the provisions of § 703 of S. 677, which provides that they shall continue in office as senior judges of the new Court of Appeals, be included in the legislation.

COMMENTS REGARDING PROVISIONS OF S. 677 RELATING TO PROPOSED CLAIMS COURT

Our committee is in favor of the basic concept and proposed jurisdiction of the new Claims Court, as specified in S. 677. We are opposed to the provisions of S. 678 which would eliminate this court's jurisdiction over tax cases. As noted previously, if the committee adopts the provisions of S. 678, we would question the need for 16 judges to staff this court. Our support of the provisions of S. 677 is, however, tempered by the following comments which reflect the need for a number of modifications to the proposed provisions.

a. The proposed designation in § 708 of S. 677 of the new court as the U.S. Claims Court is strongly opposed by our committee. This designation unfortunately conveys the impression that the court is intended to fulfill the role of the traditional small claims courts found in most urban areas, rather than devoting the distinctive and traditional role of this court as "the keeper of the nation's conscience." We recognize the need for a new name to distinguish it from the present U.S. Court of Claims, and would urge that it be redesignated as either the Federal Court of Claims or the National Court of Claims.

b. There is an omission of important language in the proposed provisions of the new 28 U.S.C. § 171(a) (line 5 of p. 13 of S. 677). This should be conformed with the provisions of the same section appearing on p. 27 of S. 678, to read as follows: "(a) Except as provided in section (b), the President shall appoint, by and with the consent of the Senate, sixteen judges who shall constitute a court of record known as the United States Claims Court."

c. For several years our committee has studied the need for restructuring the Court of Claims. This study recommended conferring article III status on the trial judges, and was overwhelmingly adopted by our members. The argument cited principally in opposition to this status is that it would preclude the future use of the Congressional Reference procedures. This problem can be easily solved by appointing several Special Commissioners in the Trial Division, without article III powers, to hear such cases, and otherwise assist the court. We thus urge that the judges be designated as article III judges, and subsequent comments should not be construed as approving of article I status.

d. The provisions of the proposed 28 U.S.C. § 171(b) relating to the appointment of the present trial judges (commissioners) to the new court are, in our opinion, ill-conceived, and should be revamped in entirety because they would result in gross inequities. To illustrate, there are some trial judges nearing the completion of 15 years of service who will be under 65 years of age when this period expires. As there is no assurance they will be reappointed by the President, they are faced with reestablishing themselves in positions they had given up in the expectation that they would have permanent tenure during good behavior. On the other hand, newly appointed trial judges who range in age from their mid-fifties to sixty, are assured that they will be able to serve until normal retirement age. This not only is unfair, but could deprive the court of the services of experienced and capable judges.

In lieu of this proposal, we urge the committee to substitute the following provisions in the new 28 U.S.C. § 171(b):

"(b) Each person who on the effective date of this Act is serving as a commissioner of the U.S. Court of Claims shall be a judge of the U.S. Claims Court for a term of 5 years from the effective date of this act. If, during such 5-year period, such judges are not reappointed by the President in accordance with subsection (a) of this section, their terms shall expire 5 years after the effective date of this Act. At the time a commissioner becomes a judge of the Claims Court, he may elect between the retirement program described in section 7447 of the Internal Revenue Code of 1954, as amended (26 U.S.C. § 7447), and the pension plan in which he was previously enrolled."

If adopted, this provision will insure that each of the incumbent trial judges (commissioners) is treated equally during the transition period.

In conjunction with these changes, we further respectfully urge that the provisions of new 28 U.S.C. § 172 be clarified and expanded to provide as follows:

"(a) The term of any judge of the United States Claims Court appointed pursuant to the provisions of 28 U.S.C. § 171(a) shall expire fifteen years after the individual takes office, but each such judge may continue to perform the duties of his office until his successor takes office, unless such office has been eliminated. Each judge shall receive a salary at the same annual rate as judges of the district courts of the United States.

"(b) Except as otherwise provided in 28 U.S.C. § 171(b), judges of the Claims Court appointed pursuant to the provisions of 28 U.S.C. § 171(a) shall be subject to the retirement, retired pay, and recall provisions contained in section 7447 of the Internal Revenue Code of 1954."

The provisions of subsection (a) are necessary to insure that the Claims Court can continue to function efficiently if any delay is experienced in the appointment of new judges. The suggested language tracks the provisions of 28 U.S.C. § 153, as added by the Bankruptcy Act of 1978, Public Law 95-598, 92 Stat. 2549.

While S. 677 makes provision for the retired pay of incumbent commissioners who would automatically become judges of the Claims Court, it is silent with respect to the retirement and retired pay of future judges appointed by the President. This omission should be corrected. In addition, it should be made clear that retired judges are thereafter subject to recall.

It is the committee's position that, to effectively accomplish these ends, numerous technical amendments should be made to § 7447 of the Internal Revenue Code to make it clear that the provisions thereof apply to judges of both the Tax Court and the Claims Court, and that the powers possessed by the Chief Judge of the Tax Court are also conferred upon the Chief Judge of the Claims Court.

e. Our committee opposes the proposal in the new 28 U.S.C. § 171(c) that the judges of the new Claims Court biennially designate a judge to act as chief judge, as this would result in intracourt politics. In lieu thereof, we urge that provisions be made (a) specifying that the incumbent chief trial judge shall serve as the first chief judge until the expiration of 1 year after the effective date of the act, or until he attains the age of 70 years, whichever occurs last, and (b) thereafter the chief judge shall be selected pursuant to the procedures contained herein (new 28 U.S.C. § 138a) for the selection of the chief judges of the several district courts.

The first year of the new Claims Court will be a year of difficult transition. The present Chief Trial Judge, the Honorable Roald A. Hogenson, in our opinion, possesses the experience and ability to carry out the transition in an orderly and effective manner. If the judges of the new court are equated to district court judges for salary purposes, we consider it appropriate that the procedures specified for the selection of the chief judges of the district courts be made applicable to it.

f. We urge the elimination of the provisions of § 313(h)(1) and (2) of S. 677 which provide for the repeal of 28 U.S.C. § 415. This section requires the clerk of the Court of Claims annually to transmit copies of the court's decisions to the heads of departments, the Comptroller General of the United States, and other specified officials, and is intended to assure that such officials conduct their activities in conformity with the court's rulings. This provision affords the mechanism whereby the opinions of the Court of Claims are published in bound volumes.

Since the new Claims Court is designated as a court of record, its decision will likewise be binding on the heads of departments and the Comptroller General. Accordingly, we believe it is extremely important that their decisions be published and distributed in bound form. Also, their publication and distribution affords the private citizen an opportunity to determine for himself the substance of the court's decisions. Finally, the publication and distribution of all decisions permits the practicing attorneys throughout the United States to determine the holdings of the court without coming to Washington to perform legal research. In their

absence, such attorneys are restricted to the selected opinions published in the Federal Reporter system.

g. Our committee is concerned by the impact of the proposed legislation upon the fine staff of employees now serving in the Clerk's office of the Court of Claims. We would therefore urge the inclusion of language in the provisions of the new 28 U.S.C. §§ 791 and 793 requiring the Court, in its initial selection of a clerk, chief deputy clerk, bailiff, auditors and other employees, to grant preference to the current employees of the Court of Claims.

h. Under the provisions of § 14 of the Contract Settlement Act of 1944, codified as 41 U.S.C. § 114, the Court of Claims is authorized to appoint not more than ten auditors to assist it with its work. For some years the Court has exercised this authority to appoint two auditors who play a vital role in analyzing the complex accounting issues that come before the court. Provision should therefore be made to continue this power, and it is recommended that it be done by inserting in the provisions of new 28 U.S.C. § 791(a), after the words "chief deputy clerk" (line 18, p. 19 of S. 677), the word "auditors".

i. There is an urgent need for the insertion of provisions providing for an orderly transfer of cases pending in the trial division of the Court of Claims on the effective date of the act to the new Claims Court. Further, if the Claims Court is deprived of tax jurisdiction, as proposed in S. 678, provision must be made for the transfer of pending tax cases to other courts so that litigants are not deprived of their rights. Provision must also be made for the transfer of pending Congressional Reference cases.

j. The status of the present members of the bar of the Court of Claims in relationship to the new Claims Court should also be clarified. The committee is urged to provide that all current members in good standing be granted blanket admission to the Bar of the new Court.

CONCLUSION

While our committee has, for several years, recognized the need for the restructuring of the Court of Claims, and while we favor the basic concepts of S. 677, we respectfully urge that the restructuring not be accomplished in haste, but rather that the statutory provisions be reviewed carefully to insure that a viable result is achieved which does not impair the treasured right of a citizen of the United States to engage in litigation with his Government.

REPORT OF THE U.S. COURT OF CLAIMS FOR THE COURT YEAR ENDED SEPT 30, 1978

	Pending Sept 30, 1977		Filed		Disposed		Pending Sept 30, 1978	
	Petitions	Plaintiffs	Petitions	Plaintiffs	Petitions	Plaintiffs	Petitions	Plaintiffs
Cases other than class cases...	1,457	3,552	555	774	371	396	1,641	3,930
Class cases ¹	65	12,505	28	443	8	894	85	12,054
Appeals from the Indian Claims Commission.....	5	5	3	2	3	3	5	4
Total.....	1,527	16,062	586	1,219	382	1,293	1,731	15,988
Cases other than class cases:								
Service pay.....	108	108	51	51	38	38	121	121
Civilian pay.....	70	70	56	56	31	31	95	95
Contract.....	284	320	116	194	88	97	312	417
Indian.....	12	12	4	4	2	2	14	14
Indian (transfer) ²	22	22	30	30	0	0	52	52
Patent.....	41	41	14	14	14	14	41	41
Property (taken).....	117	1,485	34	143	29	36	122	1,592
Tax.....	587	647	189	219	121	128	655	738
Declaratory judgments (tax exemptions).....	2	2	8	8	1	1	9	9
Renegotiation.....	88	90	7	7	19	19	76	78
Transportation.....	21	21	16	16	6	6	31	31
Miscellaneous.....	91	720	25	27	15	17	101	730
Oil spill ³	14	14	5	5	7	7	12	12
Class cases: 1								
Civilian pay.....	32	1,377	9	380	3	49	38	1,708
Service pay.....	19	950	7	27	5	845	21	132
Indian.....	14	10,178	12	36	0	0	26	10,214
Appeals from the Indian Claims Commission.....	5	5	3	2	3	3	5	4

¹ Multiple-plaintiff petitions

² Received on transfer from Indian Claims Commission

³ In previous years included in miscellaneous

Mr. GITTINGS. The biggest single committee within the association is the court of claims committee. Our committee is one of only three committees in the United States in bar associations, which devote their attention solely to the functions of the present Court of Claims. The membership of our committee covers a broad spectrum of the court's jurisdiction, it includes patent, tax, Government contract, Indian claims, military, civilian pay, transportation, and eminent domain practitioners.

I am engaged in Court of Claims practice myself. My practice covers the broad spectrum with the exception of patent and trademark matters. I clerked at the Court of Claims many years ago, and since entering private practice, I have represented some 6,000 litigants in that court. So I believe I have some understanding of its procedures.

Our committee, as pointed out by Professor Meador earlier this morning, recognized the need for the reorganization of the Court of Claims several years ago. Our proposals at this time were somewhat different than those now before the committee. As between S. 677 and 678, our committee much prefers S. 677. Very briefly, our objection to S. 678 has to do with the National Court of Tax Appeals.

We share the objections, espoused by others this morning. In addition, we would point out that if the justices were given the power to select that bench, we could have a situation where, depending upon the philosophical concepts of the Chief Justices, where we had a packed court with all liberal or all conservative judges. We have attached to our statement some statistics to the U.S. Court of Claims showing its caseload and a breakdown into the different categories of jurisdiction during its last complete court year.

If the court is stripped of its tax jurisdiction, it loses approximately 37 or 38 percent of its present caseload. If that comes about, we frankly do not see the need for a new National Court of Appeals for the Federal Circuit consisting of 12 judges. It would be overstaffed unless, as Dean Griswold has suggested, other jurisdiction is transferred to it. Similarly the trial division, the new Claims Court as it is termed in the legislation, would be overstaffed with 16 judges.

The principal objection that we have to S. 677 in its present form is that it would call for the assignment of judges to panels for 2 years. We would much prefer that it be a selection process on a case-by-case basis as is currently followed in the Court of Claims. The second basis for concern to us, and particularly with respect to the pay field where the Court of Claims has extended jurisdiction is the cost. The Court of Claims as it is presently constituted, is a keeper of the Nation's conscience. It hears the cases involving whistleblowers, it hears cases of buck private or military man that has some gripe about his salary, his military pay. It has been an inexpensive forum where he got a fair shake, an opportunity to be heard and heard his rights determined.

As is presently constituted, cases go from trial division to appellate division by simply filing a notice of appeal and using the records below. Under the new procedure we would have to have expensive records and transcripts prepared.

We don't think many of the litigants who now have the opportunity to go to that court could withstand that expense.

Turning directly to the provisions relating to proposed new Claims Court, our first objection is to that title. We think the title Claims Court denotes the type of court that has jurisdiction over fender-

benders or small claims involving minority claims. We would much prefer some other title that had more dignity, such as the National Court of Claims or the Federal Court of Claims. I think a name change is desirable to distinguish it from the present Court of Claims, if the structure is changed.

We do not like the proposed process for selecting the chief judge on a biennial basis. We have proposed an alternate to that, basically following the same procedures as were utilized in the U.S. district courts. We would urge the committee to consider naming the present chief judge of the Trial Division as the first chief judge in the legislation. We think the transition period at least for a year will be a very difficult one, and we would urge that someone who could provide continuity be named to that post.

I realize my time is short. The last point I would like to make is with respect to the appointment of the trial commissioners, the appointment of the incumbent trial commissioner as trial judges of the new court.

We think there is a basic unfairness in the present provisions. It is a rather complex situation, but I would urge the committee to study the consequences that we have set forth in our statement. Also, we would point out that while the present legislation covers the retirement of the incumbent commissioners who would be blanketed in, in part, it makes no provision for retirement of people who would be appointed as judges of the Claims Court in future years.

We thank you very much for this opportunity to appear, sir.

Senator SIMPSON. Thank you, Mr. Gittings. Thank you very much. And now Mr. Harper.

Mr. HARPER. Thank you, Mr. Chairman. My name is Carroll Harper. I speak on behalf of the committee on patents of the association of the bar of the city of New York.

I address myself only to patent aspects of S. 677 and S. 678. A minority of our committee is in favor of the bill, the provisions of the bills, relating to one appellate court for all patent matters, because they feel it does promote greater uniformity and greater predictability in patent cases. A majority of the 80 percent is in opposition. Our reasons are very simple and I will be very brief. We think that a single appellate court for all patent matters would result in undue control and concentration of power over the patent system in a single court.

We think that the present system of geographical checks and balances provided by the various courts of appeal and the various circuits is as important to the patent system as it is to other aspects of the law, perhaps even more important. Third, those of us who are trial lawyers, believe that it is an advantage in patent cases as in other cases to have nontechnically trained appellate judges, who are experienced in resolving complex issues in all sorts of cases, and not just a few specialized fields.

Further, we believe that a single appellate court would ultimately tend to take the patent system out of the mainstream of jurisprudence. One of the most common criticisms leveled against the patent system, against patent lawyers, is that they are insular. They speak only to themselves, they are only understood by each other. You hear it constantly and read it constantly. We believe that giving us a single

court of appeals to talk to is a step in the direction of insularity which is the wrong direction for us to take.

Senator SIMPSON. Certainly if we could patent that length of statement in this place, it would be a great thing. Thank you so much.

Now Mr. Wetzel.

Mr. WETZEL. My name is James Wetzel. I am here speaking on behalf of the Patent Law Association of Chicago. I am currently the chairman of the Federal Rules and Procedures Committee and speak on behalf of them as well as the Patent Legislation Committee and the board of managers of the Patent Law Association of Chicago.

[The prepared statement of Mr. Wetzel follows:]

PREPARED STATEMENT OF JAMES M. WETZEL

Honorable Senators and staff members: My name is James M. Wetzel. I am a trial lawyer, having an office in the City of Chicago, specializing in patent, trademark and copyright law and practicing in Federal courts throughout the country. I have been a member of the bar for 28 years. My appearance here today is as chairman of the Federal Rules and Practice Committee of the Patent Law Association of Chicago and to give testimony on behalf of that association.

The Patent Law Association of Chicago was founded in 1884 and is comprised of members of the legal profession specializing in the law of intellectual property who have offices within 100 miles of Chicago. The association has approximately 800 members drawn from that area which embraces the States of Illinois, Wisconsin, Indiana, and Michigan.

As the second largest regional patent law association, reflecting a view of the law current within the Seventh Federal Circuit, we have asked for this opportunity to appear and to express our views in regard to title III of Senate bill S. 678, (which also appears as title VII of Senate bill S. 677) particularly as that title relates to the establishment of the Court of Appeals for the Federal Circuit. We feel that our views are authoritative and informed.

In September of 1978, the Federal Rules and Practice Committee of the Association reviewed the then proposed consolidation of the Court of Claims and CCPA, which views were summarized and passed on to Mr. Meador, the Assistant Attorney General in the Office for Improvements of Administrative Justice by our then President, Howard Clement. Subsequently, and on October 23, 1978, Mr. Meador made a presentation in regard to the proposed Court of Appeals for the Federal Circuit to a special meeting of the Patent Law Association of Chicago. In preparation for this testimony today, the association has polled its membership with a statement on the pros and cons of the proposed court and sought the views of the membership through a return questionnaire. They express a divided but clearly defined position against the Court of the Federal Circuit as proposed in the bills. I have copies of the statement available as well as the returned questionnaires and will comment later on the intelligence conveyed.

Further, the Federal Rules and Practice Committee and the association's Patent Legislation Committee has met with regard to the proposal. The views expressed here are consistent with the consensus expressed by the returned questionnaires and are found on the deliberations of the Federal Rules Committee and the Patent Legislation Committee. In summary, it is the view of the members of the Patent Law Association of Chicago that the provisions for the U.S. Court of Appeals for the Federal Circuit in the Federal Judicial Improvements Act of 1979, are inappropriate and that portion of the bill relating to a Federal Circuit is to be opposed.

Specifically, if as has been suggested, one of the purposes of the bill is to develop sound, uniform legal doctrine in an area of the law considered to be unusually complex and time consuming, specifically the statutory law of intellectual property, title III of the bill is mistakenly and ommissively wide of the target.

The law of intellectual property is complex to the beholder because it is statutory and knows no source rationale from the common law. Thus, patent law, which is entirely statutory, is complex; copyright law, which is entirely statutory, is not only complex but, because it was obfuscated by the compromises of The Copyright Act of 1976, copyright law today is complex and abstruse. Trademark law, on the other hand, is a part of the law of unfair competition which has a rationale derived from the common law, and thus is considerably less complex.

If we accept the premise that patent law is complex and hence justifies the assignment to a technical court, the assignment of trademark law to the same technical court for that reason is a mistake, and not to have assigned the complex and abstruse copyright law to that technical court for that reason is a grave omission. From that jurisdictional perspective the drafters of title III were not well counseled.

If one of the purposes of the bill is to effect a judicial expertise for dealing with unusually complex and time-consuming problems, then title III must be said to be misdirected. The complexity in patent litigation shows most prominently at the trial level (not at the appeal level) where the court is required to juggle and evaluate relevant and irrelevant facts against the background of a law with which the court has but infrequent occasion to use. As perhaps the Honorable William Connors, U.S. District Judge from the Southern District of New York and a former trial attorney specializing in patent matters could advise this subcommittee, the supposed complexity of the law is sliced through neatly by intelligent handling at the trial level. Judge Connors has been complimented by the Second Circuit Court of Appeals for his displayed ability in that regard. No amount of direction from a Court of Appeals for the Federal Circuit is ever going to make a trial judge do that which he is not equipped to do, and no amount of expertise centered in the Federal circuit court is going to make the trial court more expert, more efficient or more judicious in these patent matters. If expertise in disposing of complex and time-consuming problems is the goal, then title III places the goal in the wrong court.

If one of the purposes of the bill is to effect a "uniformity and a consistency" in the patent law, that may be a purpose which is to be avoided. Historically, legal doctrine in this country has had the enriching benefit of evolving from different positions taken by different courts on the same question, which different positions have then been rationalized from the best of those positions into a controlling doctrine by a final court. On the premise that we no longer have a Supreme Court which is effective for rationalizing different positions taken by different courts in the field of the patent law, the proposed solution of title III is to do away with the different courts so that we won't have the problem of different positions. That's not solving the problem, that's avoiding it by sacrificing one of the rich leveling influences of our system.

And the other side of that same avoidance is the scepter of a specialized court, insular and with time ingrown. At the appellate level where the problem decisions are reviewed there is thought to be no substitute for the broader perspective that the generalist judges can bring to bear on a problem. In the long run it may not be worthwhile giving up that perspective and balance for the sake of uniformity and consistency where the effect of the latter can be uniformly bad just as it can be uniformly good.

Some of the benefits attributed to the new court including economy, encouragement of technological innovations and bringing an end to forum shopping are pie-in-the-sky buzzwords more than the fact. The "economy" supposedly to be achieved is the reduction in clerical staff. Maybe; maybe not. Even if achieved, which is questionable, reduction in clerical staff is not much economy.

On "encouragement of technological innovation," it is a remote guess without foundation, that the Federal circuit court would have any effect. The fact is that 3M and Honeywell, among others, not only survived but thrived in the no-patent land of the eighth circuit, and obtained recognition as leaders in technological innovation and as patent enforcers at the same time.

As to "forum shopping" the creation of a Federal circuit court will not eliminate forum shopping but would only eliminate the regional appellate considerations from forum shopping and will still leave, and probably emphasize, trial court shopping. For the clever advocate, multiple law suits in avoidance of Federal circuit court jurisdiction is likely to result, with all of the attendant complications of pretrial motions on joinder and consolidation.

To the extent the Federal Courts Improvement Act of 1979 represents a small step toward curing of some of the problems that have befallen our judicial system, the effort is to be applauded and furthered. However the step is fraught with danger insofar as the bill constructs a Court of Appeals for the Federal Circuit. The Federal Circuit Court proposal as constituted is without good reason and turns up as many problems as it proposes to lay to rest.

The Patent Law Association of Chicago does not have an alternative proposal, nor is it obliged to. However, we do have some observations to make with regard to the results from the returned questionnaires. Of the 758 questionnaires sent

out on April 25, 1979, 208 had been returned by Thursday, May 3, 1979. Considering that the time was short and that the returnees had to furnish their own envelope and stamp, the response is considered quite good and reflects a concerned interest on the part of the membership. The questionnaire was simple and asked but three questions. The first was whether the recipient was for or against a Federal circuit court concept. The second was, if against, would the objection be influenced if: (a) the jurisdiction of the court was elected rather than mandatory, (b) if the sitting panel included at least one appellate judge from a regional court of appeals, and (c) if the court were required to sit in different regional locations.

The third question was whether the recipient was for or against any changes in the current system.

Of the 208 returns 98 were in favor of and 110 were against the Federal circuit court concept. Thirty-six were against any change in the current system. Of the 110 against the Federal circuit court concept 44 answered the second question affirmatively and indicated that: (a) 27 would be influenced if jurisdictions were elected, (b) 15 would be influenced if each panel of the Federal circuit court included at least one generalized judge, and (c) 23 would be influenced if the court were required to sit in regional locations.

Hence, in the membership of the Patent Law Association of Chicago there is a healthy and thriving minority view which is favorable toward the concept of a singular appellate court for patent matters; perhaps with some modification in the court as proposed the membership would be in favor of a "patent court of appeals."

I trust that I have expressed to you both the concern and the interest of the members of the Patent Law Association of Chicago in regard to the proposal for a Federal circuit court as outlined in the Federal Courts Improvement Act of 1979. If the Department of Justice is the entity which has been given the responsibility of carrying the ball in effecting improvements in the Federal courts, the Patent Law Association of Chicago offers its resources in aid to the Department of Justice for achieving the end which we all seek—efficiency and fairness in the administration of justice.

Mr. WETZEL [continuing]. We polled our membership which has a mailing list of 754 and, I assume that accounts for them all, just a few weeks ago from that we got back a return of approximately 240 votes. Of those 240 votes, it was a very simple questionnaire, the membership expressed a divided but firm position against the Circuit Court of Appeals for the Federal Circuit. When I say divided, the count came out finally as of last Friday to be 108 for the Federal circuit court and 131 against. Now the 131 against had a caveat associated because we did ask them if there were some changes, would you then be in favor of a Federal court, circuit court, and some of those people said yes.

I would like to just comment in that regard, because, speaking here for the membership of the Patent Law Association, I can't express a view of all of them, but I think it is interesting that this subcommittee should have the benefit of what they said. Of the group who was against, there was one group who said they would be influenced if the jurisdiction was not mandatory but elective as between the parties. And 36 people who had voted no said they might be in favor of a circumstance of that kind. Another group of 22 indicated they might be influenced in favor if the Federal circuit court included at least one generalist judge on panel, and not all specialist judges. Another group of 30 said they would be influenced favorably if the court was required to sit in regional locations, rather than as the law reads right now. I guess they could sit in any place that they chose, probably Washington, D.C., and there is a suspicion that that is probably where it will sit.

Now I think I would like to make two other remarks, if I can, having to do with philosophy, one on jurisdiction. I reflect the thinking of the U.S. Trademark Association that it doesn't make much sense having trademark law as a matter of philosophy. You wrap it in with the technical law of patents. But by the same token, it doesn't make much sense to have left the copyright, probably one of the most highly technical areas of law. I am not speaking in the areas of technology, but specialization; it doesn't make much sense to have left them out. There is a philosophical inconsistency in the Federal circuit court as it is constituted presently. Another matter of philosophy I think is worthy of consideration, and I am going back a little ways, democracy is built upon man's suspicion of man. I like it, I like the way we do things. I like being able to vote. Here we are suggesting that we are going to give up the balance system which has richly given us law of the United States by virtue of diversity of opinion, an ability to get rationalization from diversity.

Here we are resolving the fact that the U.S. Supreme Court can no longer review patent decisions by saying we will have no inconsistency in appellate court decisions. We will do away with diversity. That seems to be philosophically in our environment a rather reverse way of doing things.

Now as a final comment, and I have been asked to state this on behalf of the Board of Managers of the Patent Law of Association of Chicago, if enforceability is one of the goals that we seek here in this legislation, then, indeed, enforceability will be much, much more favored by Congress giving the Patent Office the consideration that it needs by way of budget to increase the efficiency and capability of the people working there.

It is that presumption of validity which the law says is associated with the issuance of a patent which is basically under attack. That is resolved by once more bringing to the Patent Office the expertise in examination that it enjoyed so many years ago.

Thank you.

Senator SIMPSON. Thank you very much. Mr. Tramontine.

Mr. TRAMONTINE. My name is John Tramontine. I appear here as a representative of the New York Patent Law Association. I am the chairman of that association's Committee on Practice and Procedure in the Courts.

[The prepared statement of Mr. Tramontine follows:]

PREPARED STATEMENT OF JOHN O. TRAMONTINE

The New York Patent Law Association has studied the proposal to improve the Federal appellate system by merging the Court of Customs and Patent Appeals and the Court of Claims into a single appellate court which would have jurisdiction of all appeals in patent cases. The association believes that the drawbacks to the proposal far outweigh the benefits, if any, which might result from its implementation.

Given the existing jurisdiction of the Court of Customs and Patent Appeals, and the proposed jurisdiction of the new court, that court will be a highly specialized court at its inception, and is likely to remain so for an extended period of time. There is a substantial risk that such a specialized court would be less prone to adhere to the "clearly erroneous" standard for appellate review, set forth in rule 52 of the Federal Rules of Civil Procedure. Such a result would be manifestly unfair in circumstances where the parties may have spent substantial time and money in

presenting their respective cases to the trier of fact. If, in fact, specialization is a valid concept, it should occur at the district court level, and not at the appellate level.

While the proposed new court may well have expertise in matters of pure patent law, the proposal, itself, recognizes that few, if any, patent cases are so limited and that they quite often involve issues of contract, trade secret, antitrust and other branches of the law. The new court, at its inception and for some period of time thereafter, is apt to suffer from a lack of expertise in these areas as compared to a typical circuit court. It would be unfortunate if stability in appellate decisions can be achieved only by sacrificing quality.

As the new court would retain the existing jurisdiction of the Court of Customs and Patent Appeals, there would be the specter of a decision by that court under its current jurisdiction directing the grant of a patent, followed by litigation of the validity of that patent in a district court with the only appeal being to the very court that directed that the patent be granted. Would the district court be bound to follow the first decision of its only appellate court, notwithstanding that it was rendered in an *ex parte* proceeding? Even if *stare decisis* did not apply, the alleged infringer would be deprived of impartial appellate review, bearing the onerous if not impossible burden of persuading the new court that it erred in directing the grant of the patent in the first instance.

The three reasons advanced for treating patent cases in this special manner—conflicting decisions, forum shopping and technical expertise in patent cases—do not bear scrutiny. Only one instance of conflicting patent decisions has been identified. If forum shopping in patent cases is a problem, the answer would be to restrict venue for a declaratory judgment action brought by an alleged infringer to the same extent that venue currently is restricted for patent infringement actions under 28 U.S.C. § 1400(b). Forum shopping would be negated by the new court only if it did not apply the “clearly erroneous” standard in reviewing final judgments of the various district courts. And a degree in electrical engineering obtained 30 or more years ago, before embarking on a legal career, would not qualify a jurist as a competent expert in current electrical technology, much less chemical or other technology. Such technical expertise, if needed at all, is needed at the fact-finding level, not at the appellate level where only questions of law are to be resolved.

The proposal for the new court merely shifts, and does not reduce, the workload of the Federal appellate judiciary. A reduction will occur only if, as predicted, the elimination of conflicting opinions between the circuits reduces the total amount of litigation. There is a strong potential, however, that the ancillary and pendent jurisdiction of the new court may lead to the splitting of controversies as a new forum-shopping technique. For example, a civil action which normally might have involved a patent claim, an unfair competition claim and an antitrust claim is likely to be filed as three separate civil actions, raising the possibility of three separate trials and appeals, and a net increase in the judicial workload.

That the proposal will increase the cost to litigants, and reduce access to the court, seems obvious unless the new court adheres to a firm commitment to have its panels regularly sit in the jurisdictions from which its appeals emanate, a prospect which seems highly unlikely. If the judges of the new court must “ride the circuit,” it will be difficult to attract high quality legal talent to that bench.

In the final analysis, if the philosophy underlying the proposed court reform is sound, there would appear to be no reason why each of the current circuit courts of appeal should not be assigned sole and exclusive appellate jurisdiction for selected areas of Federal substantive law. In that manner, stability, predictability, and uniformity presumably could be achieved in all areas of Federal law, and not just in patent law. The association doubts that such a reform would be acceptable to the bar, the judiciary or persons having business before the courts. There would appear to be no good reason why patent law should be singled out for such treatment, unless and until the concept of specialized courts of law is determined to be an acceptable means of achieving stability, predictability and uniformity in judicial decisions in all areas of Federal law. While there is little doubt that conflicting decisions by circuit courts may cause some increase in the judicial workload, it is also true that such conflicts tend to prevent stagnation in legal thought and, ultimately, make the courts more responsive to the needs of the people they serve.

Mr. TRAMONTINE [continuing]. The New York Patent Law Association, which numbers over 800 active members, is opposed to a single court of appeals for patent appeals.

The position of the association is set forth in a prepared statement which has been filed with this subcommittee and which I request be placed in the record.

Senator SIMPSON. It will be, so ordered.

Mr. TRAMONTINE. I have one additional point to make. It is crystalized in my mind by stepping back and realizing that this bill has much broader implications than just tax or patents and trademarks.

The D.C. bar is in favor of it as far as the patent and trademark side is concerned. Well, they should be, because if this bill is passed, it will be one of the greatest power grabs for centralized government in Washington that has ever been engineered by the Department of Justice.

For the first, time, as far as I know in appeals in litigation between private parties having nothing to do with the U.S. Government or any of its agencies, the only appeal of right will be here in Washington, D.C.

I see no reason why trademark litigation or patent litigation, for example, between a private party in Arizona and a private party in Wyoming, should be compelled to have the only appeal of right to come all the way to Washington, D.C.

This apparently is only just beginning. Mr. Meador, who is one of the architects of the bill in the Department of Justice, at page 14 of his prepared statement says this legislation merely provides the foundation—and he goes on to say that the new court can be used for other areas, in which for any reason there is a perceived need for a single appellate forum. Dean Griswold echoed it in response to a question from Senator DeConcini that maybe we should expand this. Dean Griswold said, well, let's first get the camel's nose in the tent and if we made it too broad now, we would concentrate the opposition.

It seems to me that this subcommittee is being asked to change the diversity of this country to where in litigation between private parties not involving a governmental agency or the U.S. Government, those parties must come to the seat of power in Washington, D.C., to have their only appeal. Now the only reason for this, as I understand it, is for uniformity. This country is not premised on uniformity. It is premised on diversity. It is the lifeblood of our economy. It is the lifeblood of our law. Just as we need competition in the marketplace for products, we need competition in the marketplace for judicial ideas. We should not have monopolies in trade, nor should we have monopolies in law.

We hear requests for certainty. The only possible certainty that a national court can give is to law professors. They can then lecture with certainty on the law. Litigators know one thing: You cannot predict the outcome of litigation unless you can move for summary judgment.

We hear about forum shopping. Every litigator forum shops when he decides to sue in a State court or a Federal court, in asking for a jury or not asking for a jury.

Finally, I have heard the suggestion that the court of appeals needs what the CCPA can provide here and that is technical advisers at the appellate level.

In all my years of litigation, I was under the impression that finders of fact were at the district court level, and their findings of fact on the

record would have to be accepted on appeal unless clearly erroneous. Now we have the specter of the court of appeals going out after argument and talking off the record with a technical adviser, who is not subject to cross-examination, and was not even at the trial.

For those reasons our association opposes this bill.

Senator SIMPSON. Well, does any counsel request rebuttal?

No, none of that here.

I am pleased to see that there is still great divergence in the bar. It shows my profession is in good form, and I have lost track of it since I have been here. It is good to see that.

I thank you for sharing your professional judgments and thoughtful opinions with the subcommittee. And even though your oral statements were limited by the Chair, and I regret having to fill the role of the swiftest gavel in the west here, but your full statements, of course, will be carefully considered and analyzed by the subcommittee.

We thank you. On behalf of the chairman, Senator DeConcini, at this time we will recess until 9 a.m. tomorrow morning.

The subcommittee is adjourned. Thank you so much for your attentiveness and for coming.

[Whereupon, at 12:35 p.m., the subcommittee recessed, to reconvene at 9 a.m., Tuesday, May 8, 1979.]

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