

No. 10-290

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In the  
**Supreme Court of the United States**

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MICROSOFT CORPORATION,

*Petitioner,*

v.

I4I LIMITED PARTNERSHIP AND  
INFRASTRUCTURES FOR INFORMATION INC.,

*Respondents.*

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On Petition for a Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit

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**BRIEF OF GOOGLE INC., VERIZON COMMUNICATIONS  
INC., DELL COMPUTER CORP., HEWLETT-PACKARD CO.,  
HTC CORP., AND WAL-MART STORES, INC. AS *AMICI  
CURIAE* IN SUPPORT OF PETITIONER**

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**QUESTION PRESENTED**

Whether a party disputing a patent's validity must prove invalidity by clear and convincing evidence.

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## INTEREST OF *AMICI CURIAE*<sup>1</sup>

*Amici* include innovative leaders in the high-technology and computer-related fields. Having obtained a number of patents based on their own extensive research and development efforts, and having also been unfairly and repeatedly accused of infringing others' patented technology, *amici* have a strong interest in a fair and balanced patent system that rewards rather than impedes actual innovation. *Amicus* Wal-Mart Stores, Inc., one of the world's largest retailers, has a similar interest because it sells over 100,000 products that high-technology and other companies manufacture and provide to it.

All too often, the requirement that a party prove a patent's invalidity by clear and convincing evidence skews the inquiry and causes courts and juries to sustain invalid patents. *Amici* provide or sell products and services incorporating large numbers of components that can and do generate numerous allegations of patent infringement. Those allegations are often based on invalid patents, but they are nonetheless costly and risky to defend, in part because of the clear-and-convincing-evidence standard. Those costs and risks often give issued patents a significant

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<sup>1</sup> Pursuant to Sup. Ct. R. 37.2(a), *amici* timely notified the parties of their intent to file this brief. The parties have consented to the filing of this brief in letters submitted herewith or on file with the Clerk. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amici* and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief.

settlement value even when they are invalid—a reality that encourages the filing of abusive patent suits and ultimately discourages and penalizes actual innovation while increasing the cost of goods and services without any corresponding value to the consumer.

### **INTRODUCTION AND SUMMARY OF ARGUMENT**

1. In private civil litigation, a preponderance of the evidence is the default burden of proof. Because the Federal Circuit’s clear-and-convincing-evidence requirement departs from that general principle of law without any basis in the text of the patent statute, this Court should grant review and re-affirm that the same principles of law that apply in all other areas of law also apply in patent cases.

Policy arguments alone cannot overcome the law’s default presumption that the standard of proof in private civil litigation is a preponderance. Nonetheless, it bears emphasis that the clear-and-convincing standard does not advance the broad purposes of the Patent Act. That Act seeks to strike a balance between two objectives: rewarding genuine innovators with exclusive property rights, but not deterring innovation by granting such rights for subject matter that does not deserve them. Especially in light of that balance, there is no reason to adopt a heightened burden of proof that favors one private litigant over another.

2. It is no answer that the Patent Act states that patents are presumed to be valid. Outside of patent law, such statutory presumptions are

routinely governed by the preponderance-of-the-evidence standard, not a heightened one.

Nor is a heightened standard justified by notions of deference to the Patent and Trademark Office's ("PTO's") issuance of a patent. Deference to agency action is generally governed by the substantive standards of review set forth in the Administrative Procedures Act, 5 U.S.C. § 501 *et seq.* ("APA"), *not* by *ad hoc* impositions of heightened burdens of proof. Moreover, a proper understanding of the PTO's role in issuing a patent shows that deference notions are misplaced.

The PTO itself presumes that all patent applications should be granted, and therefore permits a patent examiner to reject an application only if *the examiner* demonstrates invalidity. The examiner bears that burden as part of an *ex parte* procedure that generally relies on the applicant's disclosures and the examiner's own research—research that is greatly limited because of the extreme time pressures that workload demands impose on examiners. Moreover, examiners are not expected to consider all of the requirements for patentability, in part because it is impractical to consider some of them as part of the *ex parte* examination process.

Against that backdrop, deference is unwarranted under settled principles of administrative law. *First*, in part because of severe constraints on the PTO's resources, the PTO's *ex parte* consideration is too incomplete to warrant deference. *Second*, the PTO's procedures are skewed heavily in favor of issuing patents. *Third*,

established administrative-law principles do not support deferring to a result—the PTO’s issuance of a patent—without regard to whether the agency’s actual reasoning is sustainable, which is the traditional focus of judicial review of agency action.

3. Even without the clear-and-convincing-evidence standard, juries take the presumption of validity very seriously and are extremely reluctant to second-guess the PTO’s determination. The clear-and-convincing-evidence standard serves only to tilt the playing field even further in favor of patent holders, contrary to general principles of law, the realities of the PTO’s processes, and the public interest in a balanced patent system.

## ARGUMENT

### **I. The Federal Circuit’s Application Of The Clear-And-Convincing-Evidence Standard Puts Patent Law At Odds With Ordinary Principles Of Law.**

General principles of law that apply in all other contexts also govern in patent cases. *See, e.g., MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (declaratory judgment standard); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (permanent injunction standard); *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999) (standard of review of agency action). There is little doubt about the applicable general principles here: in civil suits, the party that bears the burden of proof may overcome that burden with a preponderance of the evidence, unless Congress expressly requires a higher standard or certain important liberty interests are at stake. *See, e.g., Grogan v. Garner*, 498 U.S. 279, 286 (1991). Neither of those



exceptions even arguably applies here. Just like the normal principles of law at issue in *eBay*, *MedImmune*, and *Zurko*, normal burdens of proof also apply in patent cases.

**A. The Patent Act Does Not Require A Heightened Standard Of Proof.**

Nothing in the Patent Act requires a heightened burden of proof for invalidity. The Act simply states that “[a] patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. § 282. While that statute identifies *who* bears the burden of proof on invalidity, it says nothing about the *evidentiary standard* for carrying that burden. As explained above, the default preponderance-of-the-evidence standard therefore applies.

It is no answer that the statute also establishes a presumption of validity. Such presumptions do not affect the burden of proof, only the initial burden of production, which is not at issue here. Fed. R. Evid. 301. Indeed, *all* agency decisions are “entitled to a presumption of regularity.” *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971); *see also* Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 Geo. L. Rev. 269, 281 n.53 (2007) (citing cases). But that does not mean that they must all be overcome by clear and convincing evidence.

To the contrary, numerous statutory presumptions—including the presumptions of validity for copyrights and trademarks—are

overcome by a preponderance of the evidence. *See, e.g., Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 114 (2d Cir. 2002) (copyright); *Material Supply Int'l, Inc. v. Sunmatch Indus. Co.*, 146 F.3d 983, 990 (D.C. Cir. 1998) (trademark); *Bracic v. Holder*, 603 F.3d 1027, 1034 (8th Cir. 2010) (fear of persecution in asylum proceedings). Even the Federal Circuit has applied that default rule to statutory presumptions outside the context of patent law. *See St. Paul Fire & Marine Ins. Co. v. United States*, 6 F.3d 763, 768-69 (Fed. Cir. 1993) (presumption that decisions of the Customs Service are correct); *Thomas v. Nicholson*, 423 F.3d 1279, 1282 (Fed. Cir. 2005) (“presumption of service connection for [veterans] injuries that occur during active duty”).

Here, as in *eBay*, “[n]othing in the Patent Act indicates that Congress intended . . . a departure” from traditional principles. *eBay*, 547 U.S. at 391-92. When Congress intended to impose a clear-and-convincing evidentiary burden in the Patent Act, it knew how to do so: “A person asserting the defense under this section [concerning prior uses of business methods] shall have the burden of establishing the defense by clear and convincing evidence.” 35 U.S.C. § 273(b)(4). Congress’s specification of the clear-and-convincing-evidence standard for that one defense, coupled with its silence on that issue elsewhere, provides strong evidence that Congress did not intend to require a heightened burden of proof for other issues, including invalidity. *See Barnhart v. Sigmon Coal Co.*, 534 U.S. 438, 452 (2002).

Nor does the legislative history express any intent to deviate from traditional principles; the committee reports do not even mention evidentiary burdens. *See* H.R. Rep. No. 82-1923, at 10 (1952); S. Rep. No. 82-1979 (1952). Congress’s “silence is inconsistent with the view that Congress intended to require a special, heightened standard of proof.” *Grogan*, 498 U.S. at 286.

**B. The Nature Of The Patent Right Does Not Warrant A Heightened Standard Of Proof.**

Absent explicit congressional direction, this Court has permitted deviations from the baseline preponderance standard only where interests unlike those implicated by patent rights are at stake. *See id.* Because the potential loss of liberty is “more substantial than mere loss of money,” “[t]he individual should not be asked to share equally with society the risk of error” in such cases, *Addington v. Texas*, 441 U.S. 418, 424, 427 (1979), which include civil confinement, *id.* at 432-33; denaturalization, *Schneiderman v. United States*, 320 U.S. 118 (1943); deportation, *Woodby v. INS*, 385 U.S. 276 (1966); and loss of parental rights, *Santosky v. Kramer*, 455 U.S. 745 (1982).

In contrast, private patent litigation involves the same types of economic injuries that are at issue in “the typical civil case involving a monetary dispute between private parties.” *Addington*, 441 U.S. at 423. *See eBay*, 547 U.S. at 391 (money damages are the norm in patent litigation absent irreparable injury because “familiar principles apply with equal force to disputes arising under the Patent Act”). With respect to such injuries, there is

no reason to adopt a burden of proof that favors one side over the other, absent express statutory language requiring that result.

To be sure, society has an interest in a well functioning patent system. But the public interest is in a *balanced* patent system that rewards genuine innovation with exclusive patent rights without impeding innovation by granting such rights to applicants that did not innovate. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). As this Court recently emphasized, invalid patents “stifle, rather than promote, the progress of useful arts.” *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 427 (2007). Thus, “the strong federal policy favor[s] free competition in ideas which do not merit patent protection.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969).

Abusive patent suits based on invalid patents have powerful coercive effects and are a scourge of modern business. *See eBay*, 547 U.S. at 396 (Kennedy, J., concurring). That problem has become far worse in recent years as “non-practicing entities” have bought up questionable patents for the sole purpose of asserting them in litigation. *See, e.g., Patent Trolls: Fact or Fiction?, Hearing Before the Subcomm. on Courts, the Internet, & Intellectual Property of the House Comm. on the Judiciary*, 109th Cong. 2-3 (2006) (statement of Rep. Berman). And the most dubious patents benefit the most from the added protection of the clear-and-convincing-evidence standard. Nothing about the patent right warrants judicial imposition of a standard of proof that favors patent holders

over other entities that are attempting to innovate and compete.

## **II. Deference To The PTO's Expertise Does Not Warrant A Heightened Burden Of Proof.**

The Federal Circuit has treated its clear-and-convincing-evidence requirement as a means of deferring to the PTO's issuance of a patent. *See Am. Hoist & Derrick, Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984). That mixes apples with oranges. The Administrative Procedures Act generally governs deference to administrative agencies, including the PTO. *Zurko*, 527 U.S. at 152-154. The APA nowhere relies on the burden of proof for deference; instead, it requires a party challenging agency action to satisfy certain substantive standards by showing that agency action is, for example, contrary to law or arbitrary and capricious. *See* 5 U.S.C. § 706. The Federal Circuit's use of a heightened burden of proof as a deference doctrine is more than just a category mismatch; it obscures the fact that under traditional deference principles, the PTO's issuance of a patent is not entitled to any deference—much less the strong deference the Federal Circuit accords it.

### **A. Federal Circuit Law And PTO Practice Tilt The Scales Heavily In Favor Of Granting Patent Applications.**

Deference turns not on whether the PTO is “do[ing] its job,” *Am. Hoist & Derrick*, 725 F.2d at 1359, which it is, but on whether the job the PTO's examiners are tasked with doing is the kind that warrants deference. As the Federal Trade

Commission (“FTC”) has determined, current law and PTO procedure stack the deck heavily in favor of issuing patents. *See* FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Executive Summary at 9 (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (“FTC Report”). Under ordinary principles of law, the PTO’s unbalanced and incomplete review of patent applications is not entitled to deference.

1. Ordinarily, an applicant bears the burden of proving its entitlement to a government benefit or privilege. *See, e.g., Fagan v. Shinseki*, 573 F.3d 1282, 1286 (Fed. Cir. 2009). But under Federal Circuit precedent, patent prosecution takes the opposite approach: the patent *examiner* “bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability.” *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992); *see also* Manual of Patent Examining Procedure § 716.01(d) (“MPEP”).

In other words, the PTO presumes that it should award an exclusive property right to anyone who asks for it. If the examiner’s initial review does not result in “a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent.” *In re Oetiker*, 977 F.2d at 1445 (citations omitted). For example, “[i]f the examiner does not produce a *prima facie* case [of obviousness], the applicant is under no obligation to submit evidence of nonobviousness.” MPEP § 2142. Thus, the PTO’s favorable determination is better understood as a non-denial rather than an issuance subject to deference.

2. Moreover, a “plethora of [additional] presumptions and procedures tip the scales in favor of the ultimate issuance of a patent, once an application is filed.” FTC Report, Executive Summary at 8. Under the PTO’s institutionalized procedures, examiners do not typically consider all aspects of patentability. For example, “[t]he examiner should assume that the best mode [required by 35 U.S.C. § 112] is disclosed in the application . . . .” MPEP § 2165.03. In addition, “[t]here is a strong presumption that an adequate written description of the claimed invention is present” in an application, MPEP § 2163, along with a similar presumption concerning the enablement requirement, MPEP § 2164.04.

Those guidelines concerning the various requirements for patentability that are set forth in 35 U.S.C. § 112 mean that the PTO “rejects fewer patent applications for § 112 disclosure problems than for prior art problems and virtually never provides a detailed analysis of claim language, meaning that serious § 112 analysis is left for litigation.” R. Polk Wagner, *Understanding Patent-Quality Mechanisms*, 157 U. Pa. L. Rev. 2135, 2150 (2009). Likewise, examiners rarely inquire into important non-documentary sources of information, such as the knowledge of skilled artisans, market demands, *see KSR*, 550 U.S. at 418, and public uses or commercial offers for sale, *see* 35 U.S.C. § 102(b). The PTO *can* require an applicant to disclose such information. *See* 37 C.F.R. § 1.105; MPEP §§ 704.10, 704.11. But such inquiries present obvious challenges, especially in an *ex parte* setting, and the PTO has not widely

required applicants to disclose such information. See John R. Thomas, *The Responsibility of the Rulemaker*, 17 Berkeley Tech. L.J. 727, 749-50 (2002).

3. The PTO procedures discussed above produce a substantial risk of error in issuing patents. That risk is compounded by the PTO's limited resources. Despite the PTO's technical expertise, it lacks the resources to review each patent application thoroughly. This Court identified that problem over four decades ago, *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 18 (1966), and the PTO's resources have been stretched even further since then.

“Almost any patent lawyer will agree that the U.S. patent system is currently overburdened: there are too many patent applications and not enough examiners to ensure that the merits of each and every patent are properly assessed.” Matthew Sag & Kurt Rohde, *Patent Reform and Differential Impact*, 8 Minn. J.L., Science, & Tech. 1, 16 (2007); see also Warren K. Mabey, Jr., *Deconstructing the Patent Application Backlog*, 92 J. Pat. & Trademark Off. Soc'y 208 (2010); Mark A. Lemley & Bhaven Sampat, *Examining Patent Examination*, 2010 Stan. Tech. L. Rev. 2 (2010). In 2003, the FTC found that examiners “have from 8 to 25 hours to read and understand each application, search for prior art, evaluate patentability, communicate with the applicant, work out necessary revisions, and reach and write up conclusions.” FTC Report, Executive Summary at 10; see also Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1500



(2001). The number of patent applications submitted to the PTO has increased by 37% since then, from 355,418 to 485,500 annually, making the situation even worse. *See* Microsoft Pet. 19; PTO, Performance and Accountability Report Tables 1-3 (2009), <http://www.uspto.gov/about/stratplan/ar/2009/2009annualreport.pdf>.

The PTO's lack of resources poses particular problems in light of its *ex parte* examination process. Without an adversary to aid the process and expand the record, the PTO examiner often lacks adequate time to develop a complete understanding of the relevant technology and prior art. Joseph Farrell & Carl Shapiro, *Intellectual Property, Competition, and Information Technology* (Working Paper 2004), at 33, *available at* [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=527782](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=527782).

By contrast, when the PTO reexamines a previously issued patent, its second look *normally* reveals that the patent's original issuance was in error. Whereas a single examiner undertakes an initial examination and has to attempt to consider a wide range of issues in a limited amount of time, three experienced examiners from the PTO's Central Reexamination Unit conduct a reexamination that focuses on specific validity issues. *See generally* MPEP § 2271 (2008). *Inter partes* reexaminations also provide adversarial guidance. *See* 35 U.S.C. § 314. Significantly, 92% of the previously issued patents that go through *inter partes* reexaminations are either cancelled or re-issued only after the patentee amends some of the claims. *See* PTO, Quarterly Review: *Inter*

*Partes* Reexamination Filing Data Review, [http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_June\\_30\\_2010.pdf](http://www.uspto.gov/patents/IP_quarterly_report_June_30_2010.pdf). Patents involved in *ex parte* reexaminations do not fare much better: only 23% have escaped with all claims confirmed, and that number has dropped in recent years to about 12% last year. See PTO, Quarterly Review: *Ex Parte* Reexamination Filing Data Review, [http://www.uspto.gov/patents/EP\\_quarterly\\_report\\_June\\_30\\_2010.pdf](http://www.uspto.gov/patents/EP_quarterly_report_June_30_2010.pdf). The PTO's own reexaminations show that resource constraints and the limits on its *ex parte* examination process cause it to issue many patents in error.

4. A growing number of scholars have concluded that the PTO is issuing a large number of patents of dubious validity. See, e.g., Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law's Presumption of Validity*, 60 Stan. L. Rev. 45, 47 (2007); Joshua D. Sarnoff, *Bilcare, KSR, Presumptions of Validity, Preliminary Relief, and Obviousness in Patent Law*, 25 Cardozo Arts & Ent. L.J. 995, 1050-52 (2008). Like the reexamination results, litigation results support that conclusion. When judges determine patents' validity on summary judgment or following a bench trial, they invalidate patents approximately half of the time, notwithstanding the daunting burden of proof. See Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. Econ. Persp. 75, 76 (2005); Adam B. Jaffe & Josh Lerner, *Innovation and Its Discontents* 125 (2004). Under more balanced standards, that number would undoubtedly increase.

As the FTC concluded, “[i]t does not seem sensible to treat an issued patent as though it had met some higher standard of patentability.” FTC Report, Executive Summary at 10. “Whatever greater technical expertise does exist [at the PTO] . . . is counterbalanced by the greater time devoted to validity in the litigation process.” Lemley, 95 Nw. U. L. Rev. at 1510 n.64. Litigation permits an in-depth review of issues that the examiner may not have even been aware of, much less had time to focus on.

The bottom line is that patent applicants receive the benefit of favorable procedures and a resource-constrained review by the PTO and then assert presumptively valid patents that, according to the Federal Circuit, can be defeated only by clear and convincing evidence. That serves only to insulate patents of dubious quality from adequate scrutiny at any stage.

**B. The PTO’s Grant Of A Patent Should Not Receive Deference Under Ordinary Principles Of Administrative Law.**

The realities of the examination process discussed above show that, under traditional administrative-law principles, the PTO’s issuance of a patent is not entitled to deference, much less the strong deference the Federal Circuit gives it. The PTO’s presumptions and procedures mean that it does not approve patent applications so much as it does not deny them unless a time-constrained examiner discovers and develops a prima facie case of unpatentability. This process of issuing effective

non-denials is not entitled to deference for at least two reasons.

1. First, the amount of deference due to an agency decision generally correlates with the thoroughness of that decision. *See Motor Vehicle Mfrs. Assn. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42-44 (1983); *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944). The practical constraints on the time available for review of each *ex parte* patent application, and the procedures that constrain examiners' ability thoroughly to consider all aspects of validity, demonstrate that the PTO is not entitled to deference.

Indeed, under general principles of administrative law, an agency commits reversible error when it fails to consider an important aspect of the problem before it. *Motor Vehicles*, 463 U.S. at 43. For practical reasons, as discussed above, the PTO's institutionalized procedures encourage examiners not to consider all requirements for validity. For the courts to give a heightened presumption of validity to patents issued by that process would turn basic administrative law principles on their head.

Second, and most fundamentally, the PTO's other pro-applicant presumptions and procedures provide an additional reason for not deferring to its issuance of a patent. When agencies systematically place a thumb on the scale, courts often apply a reduced level of deference. *See, e.g., NLRB v. St. Mary's Home, Inc.*, 690 F.2d 1062, 1067 (4th Cir. 1982); *UPS Worldwide Forwarding, Inc. v. United States Postal Serv.*, 66 F.3d 621, 638-39 (3d Cir.

1995); *Spentonbush/Red Star Cos. v. NLRB*, 106 F.3d 484, 492 (2d Cir. 1997). As discussed above, the PTO does that in this context by presuming that patent applications are patentable. One leading commentator has concluded that the PTO views “its mission to be ‘helping our customers get patents.’” Lemley, 95 Nw. U. L. Rev. at 1496 n.3 (citation omitted). Whether or not that is the case, “the presumption of validity attached to a determination of patentability made by the United States Patent Office [must be] subject to searching review by the courts.” *Howes v. Great Lakes Press Corp.*, 679 F.2d 1023, 1028-29 (2d Cir. 1982) (citations omitted).

2. The Federal Circuit’s application of its clear-and-convincing-evidence standard also deviates from ordinary deference doctrines by affording deference without regard to the reasoning behind the PTO’s issuance of a patent. As this Court has made clear, “an administrative order cannot be upheld unless the *grounds* upon which the agency acted in exercising its powers were those upon which its action can be sustained.” *SEC v. Chenery Corp.*, 318 U.S. 80, 95 (1943) (emphasis added). Similarly, “the focal point for judicial review should be the administrative record *already in existence*, not some new record made initially in the reviewing court” and not considered by the agency. *Camp v. Pitts*, 411 U.S. 138, 142 (1973) (per curiam) (emphasis added).

In the Federal Circuit’s view, however, deference is not tied to the reasons an examiner issued a patent. Instead, the clear-and-convincing-evidence standard *always* applies. *Am. Hoist &*

*Derrick*, 725 F.2d at 1359. And the basis for an examiner's conclusion, as well as the examiner's findings, are only non-exclusive factors for a court to consider in making its own independent determination of invalidity. *See, e.g., Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359-60 (Fed. Cir. 2007); *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555 (Fed. Cir. 1985) (holding that examiner's decision is merely "evidence the court must consider"); *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1139 (Fed. Cir. 1985) (holding that court must make "independent conclusion" while deferring to the PTO's "result"). For that reason as well, the Federal Circuit's clear-and-convincing requirement bears little relationship to established deference doctrines.

That conclusion is all the more clear in cases where litigants raise evidence and theories that the PTO did not consider. It is appropriate and sometimes essential for a defendant to raise invalidity issues or evidence that the patentee did not disclose to the PTO. *See Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320, 1329 (Fed. Cir. 2000). That further undermines the case for deference under the administrative-law principles discussed above. It also demonstrates that the clear-and-convincing standard is not based on deference to the PTO's actual determinations.

This Court has observed that the rationale behind the presumption of validity is "much diminished" where the examiner did not actually review the relevant prior art or event. *KSR*, 550 U.S. at 426. The Federal Circuit has likewise acknowledged that, "[w]hen new evidence touching

validity of the patent not considered by the PTO is relied on, the tribunal considering it is not faced with having to *disagree* with the PTO or with *deferring* to its judgment or with taking its expertise into account.” *Am. Hoist & Derrick*, 725 F.2d at 1360 (emphases in original). But even though deference to an administrative determination is not at issue, because the PTO has made no relevant determination, the Federal Circuit still applies the clear-and-convincing-evidence standard in that and every other circumstance. *Id.* The Federal Circuit even applies its heightened burden of proof when the applicant misrepresented the relevant prior art, obscured it as part of a last-minute deluge of additional documents, or provided it only in a foreign language. *See id.* at 1359 (holding that the clear-and-convincing standard *always* applies). The Federal Circuit’s across-the-board application of its clear-and-convincing standard is proof positive that the standard is not based on rational deference to the PTO’s determinations.

Indeed, the Federal Circuit applies its clear-and-convincing-evidence standard even when the PTO itself has called its issuance of a patent into question. If the PTO has found that a substantial new question of patentability warrants a reexamination, the Federal Circuit still applies its clear-and-convincing requirement in litigation concerning the same patent. *See Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir. 2008). If the PTO examiners finally reject a patent during reexamination, the Federal Circuit applies the clear-and-convincing-evidence

requirement as long as appeals from the reexamination are pending. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1337 n.4, 1342 (Fed. Cir. 2009). There is no justification for deferring to an examiner's initial issuance of a patent when three examiners have since determined on reexamination that the patent is not valid. The Federal Circuit's contrary conclusion underscores the indefensibility of its clear-and-convincing standard.

**C. A Heightened Burden Of Proof Only Enhances Lay Juries' Tendency To Defer Excessively To The PTO's Issuance Of A Patent.**

The statutory presumption of validity and the realities of jury trials already provide significant advantages to patent holders. There is no legal or policy justification for granting them an *additional* advantage.

"Jurors are notoriously reluctant to second-guess patent examiners." Lemley, 95 Nw. U. L. Rev. at 1528. "Jury research has indicated that almost one out of every three jurors is unwilling to undertake a task which they view [the PTO] to have already accomplished. While almost all jurors on *voir dire* will honestly state that they are willing to look behind that which [the PTO] has already done, many (if not most) will resort to the presumption of validity once the issues become complicated or difficult." Donald S. Chisum et al., *Principles of Patent Law* 1036-40 (3d ed. 2004) ("side bar" of William F. Lee). Even without the clear-and-convincing-evidence standard, therefore,



lay juries face an enormous temptation to defer to the PTO instead of having to master the sometimes daunting complexity of technical details on which an alleged infringer's case often depends. *Id.*

Especially in complex patent cases, the clear-and-convincing requirement can often dictate the outcome because “it is very difficult to ever make the evidence ‘clear and convincing’ to a group of people who do not have the necessary training and education to understand it.” Jaffe & Lerner, *supra*, at 196. “Thus the ‘clear and convincing evidence’ standard combined with decision-making by juries makes it likely that the patentee will win on validity questions” regardless of whether the patent is actually valid. *Id.*

Indeed, the evidence shows that juries are twice as likely as judges to find patents valid. *Id.* at 125; *see also* Kimberly A. Moore, *Judges, Juries, and Patent Cases*, 99 Mich. L. Rev. 365, 390 (2000). Imposing a clear-and-convincing-evidence burden only enhances the significant risk of error that is already built into the system.

The clear-and-convincing standard has also had a corrosive effect on patent law itself. For example, this Court has long held that patent claims must “clearly circumscribe” their scope in order to satisfy the definiteness requirement for patentability. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942). The Federal Circuit, however, has held that claims may be ambiguous so long as they are not “insolubly ambiguous.” *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347-48 (Fed. Cir. 2005). And it has cited the need to

“follow” its clear-and-convincing requirement as a reason for adopting that more permissive standard. *Id.* In that respect as well, the clear-and-convincing standard is skewing outcomes to favor the most questionable patents.

### III. This Court’s Precedents Do Not Require A Heightened Burden Of Proof.

The Federal Circuit has concluded that this Court’s precedents support a clear-and-convincing-evidence requirement. *See, e.g., Am. Hoist & Derrick*, 725 F.2d at 1359. They do not.

1. An older line of cases holds that, when a party relies only on oral testimony for the proposition that a patent is invalid because of a prior use, the oral testimony must prove the prior use “beyond a reasonable doubt.” *Adamson v. Gilliland*, 242 U.S. 350, 352-53 (1917); *The Barbed Wire Patent*, 143 U.S. 275, 284 (1892); *Cantrell v. Wallick*, 117 U.S. 689, 693-695 (1886); *Coffin v. Ogden*, 85 U.S. 120, 124 (1873). This Court explained that “oral testimony tending to show prior invention as against existing letters patent is, in the absence of models, drawings or kindred evidence, open to grave suspicion.” *T.H. Symington Co. v. Nat’l Malleable Castings Co.*, 250 U.S. 383, 386 (1919); *see also The Barbed Wire Patent*, 143 U.S. at 284; *Adamson*, 242 U.S. at 353.

That elevated evidentiary burden is irrelevant because it relates to the nature of a particular type of *evidence* (uncorroborated oral testimony concerning a prior use, which tends to be uniquely within the knowledge of the witness), not to the nature of *validity* more generally. Thus, this Court

has not required a heightened burden of proof for invalidity challenges generally. In *The Barbed Wire Patent*, for example, this Court resolved invalidity defenses based in part on documentary evidence without applying a heightened standard; it then articulated and applied the “beyond a reasonable doubt” standard only for purposes of uncorroborated oral testimony about prior uses. 143 U.S. at 284. In other cases, this Court likewise held patents invalid without applying, or even mentioning, a heightened evidentiary standard. *E.g.*, *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998); *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976); *Graham*, 383 U.S. 1.

The Federal Circuit itself has read *The Barbed Wire Patent* line of cases to require corroboration of oral testimony. *See Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 728, 740 (Fed. Cir. 2002); *Finnigan Corp. v. ITC*, 180 F.3d 1354, 1366-69 (Fed. Cir. 1999). That corroboration requirement fully addresses the concerns discussed in this Court’s cases; there is no reason to impose a clear-and-convincing-evidence standard on top of it.

2. The Federal Circuit has also cited *Radio Corp. of Am. v. Radio Eng’g Labs.*, 293 U.S. 1 (1934), in support of its clear-and-convincing-evidence standard. *Am. Hoist & Derrick*, 725 F.2d at 1359. After citing the cases discussed above, *Radio Corp.* stated in *dictum* that “one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.” 293 U.S. at 8.

Significantly, *Radio Corp.* did *not* concern a patent issued by the PTO following only an *ex parte* examination. Instead, it concerned a claim of prior inventorship—a question that had previously been litigated multiple times between the purported inventors, both in *inter partes* proceedings before the PTO and in district court litigation. 293 U.S. at 3-7. When assignees of the prevailing patentee brought suit for infringement, and the defendant attempted to relitigate priority of inventorship yet again, this Court held that the defendant could not overcome the prior determinations. *Id.* at 8.

The *inter partes* priority proceedings at issue in *Radio Corp.* are far removed from the PTO's typical *ex parte* examination of a patent application. Moreover, this Court's discussion of the appropriate evidentiary standard in *Radio Corp.*—"more than a dubious preponderance"—was pure dictum. *See id.* The defendant in that case could not have surmounted any burden of proof by refighting a lost battle. Perhaps for that reason, this Court was less than clear about what it meant by "more than a dubious preponderance." And as noted above, this Court has not typically applied a clear-and-convincing-evidence standard to invalidity. *See* p. 23, *supra*.<sup>2</sup>

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<sup>2</sup> This Court's recitation of the reasonable-doubt standard in *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937), was likewise dictum. *Mumm* held only that plaintiffs need not plead validity because it is an affirmative defense; the Court mentioned the evidentiary standard by which a defendant must overcome its burden of proof only in passing dictum. *Id.*

Before the creation of the Federal Circuit, at least two regional circuits determined that the traditional preponderance-of-the-evidence standard applies to validity challenges “in the usual case.” *Rains v. Niaqua, Inc.*, 406 F.2d 275, 278 (2d Cir. 1969); *see also Dickstein v. Seventy Corp.*, 522 F.2d 1294, 1297 (6th Cir. 1975). Numerous other circuits agreed that the clear-and-convincing-evidence standard should not apply where, as in this case, the PTO did not consider the relevant prior art. Microsoft Pet. 15-18. Those courts correctly recognized that this Court’s precedents do not mandate a clear-and-convincing-evidence standard. Instead, the question is governed by traditional principles of law, the text of the Patent Act, and the practical realities of the patent system, all of which confirm that there is no such requirement.

### CONCLUSION

For the foregoing reasons, this Court should grant the petition for a writ of certiorari.

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