

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 WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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BRIEF OF *AMICUS CURIAE*  
**ROBERTA J. MORRIS, ESQ., PH.D.**  
IN SUPPORT OF NEITHER PARTY

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**INTEREST OF THE *AMICUS CURIAE***

*Amicus Curiae* ROBERTA J. MORRIS has been a lecturer in patent law for twenty years and has worked at patent law firms including Fish & Neave (now Ropes & Gray) in New York, and Gifford Krass in Michigan. She has no personal stake in the outcome of this case.<sup>1</sup> She does, however, have an abiding interest in seeing that the patent laws fulfill the Constitutional purpose of promoting progress.

**SUMMARY OF ARGUMENT**

The Question Presented before this Court is:

Whether the court of appeals in *i4i LP v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010), erred in holding that Microsoft's invalidity defense must be proved by clear and convincing evidence.

*Amicus* Roberta J. Morris does not seek to answer the Question Presented. Rather, she wishes to address some issues that the briefs of the parties and other *amici* may not address sufficiently:

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<sup>1</sup> Rule 37.6 Statement: No counsel for any party has authored the brief in whole or in part, nor has counsel or any party made a monetary contribution intended to fund the preparation or submission of the brief. Only *amicus* Morris in her personal capacity has made any monetary contribution. Written Consent to Filing: In December, 2010, counsel for both parties filed written consents to all *amicus* briefs.

1. What are the advantages and disadvantages of a binary standard of proof on validity? A single standard?
2. Is the current standard more accurately described as single or binary?
3. What relevance to the Question Presented is there in: the statutory presumption of validity, the Federal Circuit's selection of binding precedent, the role of deference to agency determination as a rationale for the presumption, and the reversal rate on invalidity?
4. If the standard of proof should be binary, how should the line be drawn?
5. How and when does the standard of proof make a difference in litigation?
6. If prospective application of the decision in this case is possible, and preferable to retroactive application, what are the options for the commencement of applicability?

## **ARGUMENT**

### **I. HOW MANY STANDARDS OF PROOF: ONE OR TWO?**

#### **A. Introduction**

The Question Presented (*supra*, p. 1) concerns the standard of proof<sup>2</sup> for invalidity. The current, arguably non-binary, standard is "clear and

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<sup>2</sup> Because both parties during the petition stage of this case used "standard of proof," that term will be used here rather than the alternative phrase, "quantum of proof."

convincing evidence." If it must be changed, should the new standard be single or binary?

Modern day courts rarely have to choose standards of proof. Mostly they are already set by time-honored common law, such as the basic civil standard of "preponderance;" the heightened "clear and convincing" standard for civil fraud and other special situations, and the criminal standard of "beyond a reasonable doubt." Occasionally a standard of proof is set by statute. Part of the reason there is so little caselaw on choice of standard is that it is difficult to conduct a civil suit in such a way that the standard of proof becomes an appealable issue.<sup>3</sup>

A heightened standard of proof on validity in patent cases dates back at least to nineteenth century decisions by this Court. The cases generally involved oral testimony of prior invention by third parties.<sup>4</sup> In *The Barbed Wire Patent*, 143 U.S. 275

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<sup>3</sup> The "social disutility" theory first discussed in Justice Harlan's concurrence in *In re Winship* (397 U.S. 358 (1970)) is not addressed here.

<sup>4</sup> In the present case, the fact that the prior invention is by the patent owner gives the situation a different color. When a challenger asserts that a third party invented a now-lost prior product, the reliance on oral testimony calls into question the credibility of the challenger and its witnesses. When the assertion is that the patent owner invented a now-lost prior product that could be a 102(b) bar to validity, the situation is more complicated. Third party witnesses will still have the taint of having a memory that is "prodded by the eagerness of interested parties to elicit testimony favorable to themselves." *The Barbed Wire Patent*, 143 U.S. 275, 284 (1892). But the patent owner, an adverse witness to the challenger, is prodded in the direction of validity, not invalidity.

Invalidity and the standard of proof are not the only

(1892), for example, oral testimony was the only proof offered at trial to show the existence of allegedly anticipatory fences. This Court stated that in order to invalidate, the proof would have to be "clear, satisfactory and beyond a reasonable doubt."

Those long-ago cases may have created a *de facto* binary standard of proof (see Part II, *infra*), with a higher level for oral testimony of prior invention.

In any case, the Patent Act of 1952 included, for the first time, a statutory presumption of validity and a statement on the burden of proof. 35 USC § 282. (See Part III.A, *infra*.) In the years that followed, litigants who sought appellate review of invalidity rulings tended to focus on the effect upon the presumption of validity of art proffered at trial that was "more pertinent than that considered by the examiner." *E.g.*, *Solder Removal Co. v. U.S. Int'l Trade Comm'n*, 582 F.2d 628, 632 (C.C.P.A. 1978) (Markey, C.J.). (Art "considered by the examiner" is sometimes called "cited art." Both phrases are ambiguous: they may refer specifically to art which was the basis for a rejection on anticipation or

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arrows in patent law's quiver that provide a challenged with means to inform the court of invalidity evidence that belonged to the patent owner and seems to have disappeared. Other issues include laches (in particular, prejudice from delay due to loss of records and fading memories) and inequitable conduct (based on the inventor's failure to disclose its earlier activities to the Patent Office during prosecution). Indeed, in the present case, the court held a bench trial on both these equitable issues. Petitioner lost and did not appeal either ruling. *i4i Ltd. P'ship v. Microsoft Corp.*, 670 F.Supp.2d 568, 603-609 (E.D. Tex. 2009) *aff'd* 598 F.3d 831, 841 (Fed. Cir. 2010) (listing appealed issues).

obviousness.<sup>5</sup> They may mean art the examiner mentioned in a communication with the applicant as showing "the state of the art." In more recent times, they may refer to art on an Information Disclosure Statement submitted by the applicant to comply with Rule 56 (37 CFR 1.56). (See Part IV.A, *infra*.)

Some appellate courts found the presumption "weakened" in the face of "more pertinent art," with or without deciding that the weakening changed the standard of proof.

Then in 1984 the year-old Court of Appeals for the Federal Circuit, with jurisdiction to hear appeals from the entire country, spoke definitively on the subject. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1358-1361 (Fed. Cir. 1984) declared that the standard of proof, the presumption of validity and the burden of proof, all three, were static and unchanging. 725 F.2d at 1360. Still, *American Hoist* acknowledged that

When new evidence ... not considered by the PTO is relied on, [it] may ... carry more weight and go further toward sustaining the attacker's unchanging burden.

Meanwhile, other courts may have ruled that the quantum of evidence needed to prove invalidity decreased when the prosecution history included

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<sup>5</sup> When an examiner rejects claims on the basis that specific pieces of prior art render them anticipated or obvious, the applicant customarily responds by amending the claims, explaining why they do not read on that art. If the examiner is convinced, the claims are allowed. The "cited art" will have served its purpose and no longer be invalidating.

nothing like the art or arguments offered at trial. ("Prosecution history" refers to the record, required to be in writing, 37 CFR § 1.2, of the exchanges between the applicant and the United States Patent and Trademark Office (PTO or Patent Office).) That is, the contents of the prosecution history would govern which of two standards of proof for invalidity should apply to which invalidity argument.

Choosing the right standard of proof for the facts in the instant case thus may require deciding whether there ought to be two standards of proof or just one.

### **B. Advantages of a Binary Standard**

A binary standard has the advantage of appearing to be flexible and therefore more fair. The parties and other *amici* will offer their views on this.<sup>6</sup> To assess the advantages that flexibility in the standard of proof will confer requires a thorough appreciation of the life of an invention from conception and beyond, sometimes even to this Court. *See* Part I.C.2, *infra*.

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<sup>6</sup> This Court will be briefed by the parties and *amici* on the issue for which *certiorari* has been granted. Little of relevance will be in the record, however. The case was a dispute between two companies, not a fact-gathering exercise or debate about standards of proof. The other two branches of government, if they faced this issue, could conduct hearings and investigations. The judicial branch has only self-selected volunteers (which term covers both the parties and *amici*).

## C. Problems with a Binary Standard

### 1. *Which Facts Do What*

A binary standard of proof will require the trial judge to analyze the prosecution history. If there are rejections based on prior art, the judge will have to determine the scope and content of that art. Claim language may need to be construed so that the claimed invention can be compared to the examiner's art, and the examiner's art compared to the accused infringer's art. Once the applicable standard of proof is determined, many of those same facts will be sifted again to determine whether invalidity has been proven. The process may seem convoluted and circular.

Prior art invalidity is not, of course, the only kind of invalidity as to which the prosecution history may speak. Claims are rejected for failing to meet other requirements, e.g., § 101: patentable subject matter and utility; § 112: enablement, definiteness. *See* Part III.B, *infra*. Depending on how the dividing line is articulated and what the accused infringer argues, the same circular use of facts may occur.

Other invalidity issues come up less often during prosecution. In some cases, that is because the proofs lie in the future. For example, secondary considerations of nonobviousness (35 USC § 103, and *see, e.g., Graham v. John Deere Co.*, 383 U.S. 1 (1966) and *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)) may be at issue in the litigation. During prosecution, recognition of the invention and

commercial success probably lie in the future but evidence of long felt need and failure of others may be proffered. See 37 CFR § 1.132 and Manual of Patent Examining Procedure § 2145.

Some invalidity issues may lie outside an examiner's expertise: they are not about the art itself but about the reality of working in it. For example, if an ordinary artisan would need an undue period of experimentation to follow the teachings of the patent, the claim would not be "enabled." 35 USC § 112P1. An examiner, even one well-versed in the literature of the technology, might not suspect from reading the applicant's specification that there was such a problem.

As to other matters, the examiners must rely on the honesty of the applicant. They will not know to probe and they lack the means to inquire. Examples of such issues include the disclosure of the best mode known to the inventor for carrying out the invention, 35 USC § 112P1, and sales or uses by the applicants themselves more than one year before the application date (such as were alleged to have occurred here). 35 USC § 102b. See, e.g., *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998).

Where the prosecution history is silent, choosing the standard in a binary system will not require any double use of facts.

## 2. *Diverting Resources from the Core Issues*

This Court may announce a binary standard of proof for validity. Whether it does so by describing the dividing line, or by stating only the side of it on which the facts of this case fall, lawyers will have to advise their clients about the standards of proof. Everyone will spend time, money and energy evaluating which side of the line they are on. Once litigation begins, that means motion practice and another boost to the already high costs of patent litigation. But before litigation is even contemplated, the resource drain will commence, affecting some patents that will never be the subject of a lawsuit. (Such patents are about 98% of the total, *see* Part III.E.2 *infra*.)

The law and lore of patents affects many decisions: applying for a patent; seeking a license or demanding that someone take one; investing in research and development to design around an existing patent or to build on knowledge from the public domain and trade secrets (owned or licensed); lending, investing, merging with, acquiring, or otherwise becoming financially involved with a patent-seeking or patent-owning enterprise. Standards of proof on invalidity are part of a very complicated calculus.

**D. Advantage of a Single Standard:  
Keeping Attention and Resources  
on the Core Issues**

The Constitution's patent clause<sup>7</sup> indicates a plan to reward that which is new -- from the word "inventors" -- and to encourage the enlargement of the public store of knowledge -- from the goal of "promot[ing] progress" and the fact that "letters patent" are just that: public documents.

Any legal rule that diverts attention from these two central questions "Is it new? Is it taught adequately?" should be adopted with care.

The belief that patents contribute to the common good is in the Constitution. Patents encourage innovation in two ways, with carrot -- the financial rewards that a patent's right to temporary exclusivity may produce -- and stick -- the financial security that a design-around to avoid other people's unexpired patents may confer (whether or not the

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<sup>7</sup> The Constitution's patent clause, Article I, section 8, clause 8,

The Congress shall have Power ... To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

is like the presumption of validity: neither one has much legislative history. As to the Constitution, see Edward C. Walterscheid, *To Promote the Progress of Science and Useful Arts: The Background and Origin of the Intellectual Property Clause of The United States Constitution*, 2 J. INTELL. PROP. L. 1 (1994). Still, government-issued patents for inventions were not new in 1789 any more than the presumption of validity was new in 1952.

designers obtain their own patent).

The existence of a binary standard would inevitably encourage not only litigants, but anyone making any decision related to a patent or a patent application, to spend resources analyzing matters secondary at best to whether the invention is new and adequately explained.

A single standard of proof, by contrast, would keep attention on the core issues: a comparison of the claimed invention to the prior art and to the patent's disclosure of how to make and use the invention. Those inquiries would not become stepchildren to a dispute over how well or ill the Patent Office did its job.

#### **E. Problems with a Single Lower Standard**

A single "preponderance of the evidence" standard of proof (the same standard that the Patent Office uses), that ignores what happened during prosecution, will encourage accused infringers to assert invalidity on the basis of precisely the arguments and art the examiner used. Courts will thus have to do the kind of reexamination that Congress choose to prohibit -- *de novo* review of the examiner's actions -- when it enacted the reexamination provisions, 35 USC § 301 et seq. Yet reexamination was supposed to provide a cheaper, quicker alternative to litigation. *In re Portola Packaging Inc.*, 110 F.3d 786, 789-90 (Fed. Cir. 1997).

A reexamination request to the PTO, by contrast, must present "a substantial new question of patentability." A combination of cited and uncited

art is a new combination as long as the uncited art is not cumulative to the cited art<sup>8</sup> and something "new" is required. *In re Hiniker*, 150 F.3d 1362, 1367 (Fed. Cir. 1998).

Many litigants will be motivated and well enough financed to find "more pertinent" prior art or other arguments with which to attack validity. But some may not. The latter may be the counterpart of trolls. They could be called "thugs" and they come in two basic varieties, entities who infringe a smaller, weaker company's patent knowing that they can outspend or outlast the patent owner (bullies), and entities who infringe knowing they can always shut down and move to another location if they need to (muggers). Changes to the system to punish trolls and thugs should be undertaken cautiously because of the effect they may have on the legitimate participants in the patent system.

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<sup>8</sup> *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 341, 343 n.2 (7th Cir. 1979) has a good illustration of the question of "cumulative" art. The trial court found that a brochure cited during prosecution was "equivalent" to a patent relied on at trial, an assessment the appellate court accepted as not clearly erroneous. The patent was therefore presumed valid under the "more pertinent" test. Nevertheless it was invalidated for obviousness under an unspecified standard of proof.

## II. CURRENT PRACTICE

### A. Two Standards, As a Practical Matter

The Question Presented may imply that a single standard of proof currently governs validity. That may be true in the law books, but it is not quite true in reality.

Experienced litigators understand that they need something more to show invalidity than the same prior art in the prosecution history that was overcome by the applicant's arguments and amendments. If the litigators do not have anything better than that, and do not concede validity, the judge will take that weakness into account as the case moves forward.

This *amicus* was taught this when she first started practicing patent law at Fish & Neave (now Ropes & Gray) in 1986. The same idea is also found in John R. Allison and Mark A. Lemley, *Empirical Evidence of the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 231 (1998):

It is received wisdom among patent lawyers that it is much easier to invalidate a patent on the basis of 'uncited' prior art, that is, art that the Examiner did not consider during prosecution.

The article's Table 10 shows that the median number of references relied on in litigation that were cited during prosecution is zero. Omitted, however, is a more telling statistic: the percentage of validity challenges where **only** cited art is proffered.

Probably in that study, and long before, and to this day, this percentage is very close to zero.

The result of the "received wisdom" is that there is a higher standard of proof for an invalidity position based only on the examiner's art. The reason is that such reliance amounts to asking the judge to review *de novo* the prosecution history. The existence of the higher standard can be inferred from the fact that essentially no accused infringers rely solely on cited art.

Of course, this does not settle the question of the level for the two standards. It does, however, show that if two standards are deemed desirable, no change in the law is needed.

### **B. Two Standards, Without the Disadvantages**

In current practice there is a binary standard. "Clear and convincing" applies to validity issues that are the subject of summary judgment motions or trial. A higher (unspecified) standard effectively keeps out any arguments that were already dealt with in the Patent Office as shown by the prosecution history.

Certainly, sometimes the examiner does not understand the cited art or the claims or how to compare them properly. But those cases do not seem to give rise to reported decisions.

This *de facto* binary standard has a marked advantage over a *de jure* binary standard: It does not give rise to motion practice. When a validity challenge is contemplated or feared (or in the course of due diligence in a transactional setting), the

prosecution history must be reviewed to see what was and was not done, and a prior art search may be undertaken. Judicial resources, however, are largely spared and the parties are spared the expense of motion practice on the appropriate standard of proof.

Whether that is a savings whose benefits outweigh its costs is a matter for decision by this Court.

### III. THE PRESUMPTION OF VALIDITY AND RELATED MATTERS

#### **A. What Does the Statute Say and Not Say?**

Before 1952, the statute said nothing about the presumption of validity, the burden of proof or the standard of proof. Judge-made law covered those three matters of civil procedure. After the enactment of the Patent Act of 1952, only the standard of proof remained unwritten. The reason is lost to history. Maybe the standard of proof was so controversial that including it would jettison the statute, but more likely it was too **un**controversial because it was something "everybody knows."

*1. 35 USC § 282*

Section 282 of Title 35, Patents, begins:

A patent **shall be presumed valid**. Each claim of a patent (whether in independent, dependent, or multiple dependent form) **shall be presumed valid** independently of the validity of other claims; dependent or multiple dependent claims **shall be presumed valid** even though dependent upon an invalid claim.

(emphasis supplied) These sentences set forth the "presumption of validity." Petitioner does not argue that the presumption is unconstitutional. The presumption of validity is not in dispute.

Section 282 continues:

... The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

Petitioner does not argue that the assignment of the burden of persuasion on an accused infringer is unconstitutional. The burden of persuasion on invalidity is not in dispute.

*2. Legislative History and Other Clues*

The legislative history for § 282 is sparse but there was some testimony in a 1951 hearing directed to an earlier version of the provision.<sup>9</sup> Paul A. Rose of

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<sup>9</sup> In H.R. 3760, the provision was numbered 242 not 282. The first sentence on the presumption of validity was identical to 282 as enacted and as it is to this day. The burden of proof

the American Patent Lawyers' Association told Congress:

[This section] in the first paragraph includes a positive declaration of the presumption of validity and places the burden of proving invalidity on the party asserting it. In view of the growing tendency in the recent past for courts to ignore or pay little more than lip service to the doctrine of presumption of validity, it is hoped that this positive declaration by the Congress will be of real value in **strengthening the patent system.**

Paul A. Rose, Washington, D.C., Chairman of the Laws and Rules Committee of the American Patent Law Association (APLA), *Statement of the American Patent Law Association on H.R. 3760*, PATENT LAW CODIFICATION AND REVISION, HEARINGS ON H. R. 3760 BEFORE SUBCOMMITTEE NO. 3 OF THE HOUSE COMMITTEE ON THE JUDICIARY, 82d Cong., 1st Sess., at 46 (1951) (emphasis supplied).

The often-cited proxy for legislative history of the Patent Act of 1952, Federico's Commentaries<sup>10</sup>

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provision was almost identical, lacking only the words "or any claim thereof" and using "a" before "party" instead of "the."

<sup>10</sup> P. J. Federico was a career employee of the Patent Office who had risen to Examiner-in-Chief by the time the Patent Act was being drafted. He worked on the codification with Congressional staff and a small group of practicing lawyers, among them Giles S. Rich. See Giles S. Rich, *Congressional Intent--Who Wrote the Patent Act?* in PATENT PROCUREMENT AND EXPLOITATION 61 (Southwest Legal Found. 1961). Attorney Rich, part of a 2-person drafting committee

(originally included with the printed volume of 35 United States Code Annotated; subsequently reprinted in 75 JPTOS 161 (1993)) explains § 282 as follows:

That a patent is presumed valid was the law prior to the new statute, but it was not expressed in the old statute. The statement of the presumption in the statute should give it greater dignity and effectiveness.

The desire to confer "dignity" and "effectiveness" on a statutory presumption does not unfortunately pinpoint the standard of proof by which to measure evidence rebutting the presumption.

## **B. Presumptions and Facts (and Law)**

Presumptions tie together a pair of facts:  
[1] Presumption Requires Factfinder to Accept Some Facts as Proven on Proof of Other Facts: A presumption is a procedural rule affecting the finder of

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along with Paul A. Rose (see testimony in accompanying text), also testified before Congress about the bill. Rich's testimony concerning a different provision, § 271(d), was later quoted by this Court in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 146 (1980). In 1956 Rich was appointed to the Court of Customs and Patent Appeals (CCPA) and became a member of the Federal Circuit when it succeeded to the CCPA's jurisdiction. Judge Rich also gave speeches and wrote articles explaining the origins of the language of the Patent Act of 1952. Judge Rich's decision in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984), see Part IV, *infra*, written 32 years later, might reflect views he had held for decades.

fact. Under this rule, if a basic fact (Fact A) is established, then the fact-finder must accept that the presumed fact (Fact B) has also been established, unless the presumption is rebutted.

1-301 WEINSTEIN'S FEDERAL EVIDENCE § 301.02  
(Matthew Bender 2010).

What are facts A and B with regard to § 282? Fact A is that the patent issued. That is indisputable. Fact B is ... what: validity? That is not a fact in the legal sense, nor in any other sense. Validity is an umbrella term that covers a host of issues and subissues. Some are designated questions of fact and most are designated law. Those designations may not be intuitive, and may at times seem contradictory, but they do illustrate that a presumption of validity is no ordinary presumption.

If invalidity over the prior art is asserted, then each claim in suit, considered separately (see § 282, second sentence, Part III.A.1, *supra*), must be broken down into its elements, and compared to one or more references. In order to make this comparison, the court may first have to construe some of the claim language. Claim construction is an issue for the judge, not the jury, *Markman v. Westview Instruments*, 517 U.S. 370, 391 (U.S. 1996), making it more like a question of **law** than one of fact.

When only one piece of prior art is involved, the issue, called **anticipation**, is a question of **fact**. See, e.g., *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1379 (Fed. Cir. 1986).<sup>11</sup> If the

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<sup>11</sup> Citations are to representative cases and not necessarily the earliest, most recent, or most cited.

attacker proffers more than one piece of prior art, or a single piece of prior art plus the knowledge and ability of a hypothetical person of ordinary skill in the art, the issue, **obviousness**, is a question of **law**, albeit with factual underpinnings. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (U.S. 2007).

Now assume that the invalidating prior art is a prior sale or use, whether by the patent owner (as was alleged here) or by a third party (as was alleged, for example, in *The Barbed Wire Patent*, *supra*. 35 USC § 102(b). Whether an activity constitutes a sale or a public use is a question of **law**. **Sale:** *Scaltech, Inc. v. Retec/Tetra, L.L.C.*, 269 F.3d 1321, 1327 (Fed. Cir. 2001). **Use:** *Am. Seating Co. v. USSC Group, Inc.*, 514 F.3d 1262, 1267 (Fed. Cir. 2008) (factual underpinnings). Whether the use was experimental (which would negate its "public use" character) is also a question of **law**.

Sometimes that which is asserted to be prior art may not be prior, and then dates of invention must be proven. Priority, conception, and reduction to practice are questions of **law**, again with factual underpinnings. *Cooper v. Goldfarb*, 154 F.3d 1321, 1327 (Fed. Cir. 1998). Corroboration of an inventor's activities, and proof of the inventor's diligence in reducing to practice are both questions of **fact**: **Corroboration:** *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1171 (Fed. Cir. 2006). **Diligence:** *In re Meyer Mfg. Corp.*, 2010 U.S. App. LEXIS 25813 (Fed. Cir. Dec. 17, 2010) (unpublished).

A host of invalidity issues do not depend on prior art. For example, 35 USC § 101 provides the basis for invalidating a claim because it is not directed to patentable subject matter (**law:** *In re*

*Comiskey*, 554 F.3d 967, 975 (Fed. Cir. 2009)), or because it lack utility (**fact:** *In re Fisher*, 421 F.3d 1365, 1369 (Fed. Cir. 2005)). Section 112 also provides means to attack validity for failure to meet the statutory requirement of: written description (**fact:** *Laryngeal Mask Co. Ltd. v. Ambu A/S*, 618 F.3d 1367, 1374 (Fed. Cir. 2010)), lack of enablement, indefiniteness (both **law** with factual underpinnings: *Green Edge Enters., LLC v. Rubber Mulch etc., LLC*, 620 F.3d 1287, 1299 (Fed. Cir. 2010)), and failure to disclose the best mode (**fact:** *Green Edge*, 620 F.2d at 1296)).

Long though this list is, it is not exhaustive. A complete list would help refine the line-drawing for a binary standard on validity.

### **C. The Federal Circuit v. The Regional Circuits on the Presumption of Validity**

The parties and other *amici* in the petition phase told this Court about the history of the presumption of validity. They also addressed how the presumption of validity was viewed in the regional circuits before the creation in late 1982 of the Court of Appeals for the Federal Circuit. Those decisions, however, were not binding precedent on the Federal Circuit. That court was constrained by its first decision, *South Corp v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982) to be bound only by the decisions of this Court and the Federal Circuit's predecessor courts, the Court of Customs and Patent Appeals (CCPA) and the Court of Claims. In fact, five judges from each of those courts made up the *en*

*banc* panel in *South Corp.*<sup>12</sup> Petitioner has not suggested that *South Corp.* should be overruled.

If there had been no relevant precedent on the presumption of validity from the CCPA or the Court of Claims, the Federal Circuit might well have surveyed the regional circuits to determine how to proceed. But there was precedent. There is therefore no reason to review (or even remark upon) the Federal Circuit's failure to follow regional circuit law.

#### **D. Deference to Agency Review**

It is easy to get tangled up in the question of deference to agency review but the entanglement is not necessary. The presumption of validity is in the statute. Congress may have acted out of concern for deference to an executive agency, or may have codified court decisions that alluded to deference. Or not. Maybe Congress wanted to encourage the kind of innovation that comes from having to invent around a patent, or to discourage the use of judicial resources to review *de novo* the Patent Office's examination of patent applications. We do not know. But we also do not have to care. A statutory presumption is a statutory presumption. It needs no justification as long as the presumption itself violates

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<sup>12</sup> CCPA judges: Markey (Chief Judge), Rich, Baldwin, Miller, Nies. Court of Claims judges: Friedman (Chief Judge), David, Kashiwa, Bennett, Smith. Senior Judge Cowen, who had already taken senior status at the Court of Claims, was not included in the *en banc* panel for *South Corp.*, *supra*, but served on many Federal Circuit panels thereafter.

no Constitutional prohibition and the subject matter is within Congress' power. No argument has been made on either score.

For those who, regardless, wish to disentangle the administrative law issue, there is a basic problem: the *ex parte* examination of a patent application, resulting in the issuance of a patent, is unlike other agency actions that adversely affected parties ask courts to review. The only analogy that this *amicus* has identified is the issuance of drivers' or professional licenses. In both the licensing and patent arenas, the agency confers what is initially a private and personal privilege. The agency, guided by statutes, develops means for conducting an *ex parte* evaluation of the applicant's qualifications. What begins as a private matter may, however, have consequences for other people, including by causing harm if the agency's issuance was in some way flawed. For example, in the case of the Department of Motor Vehicles (DMV), the means for deciding whether someone should be licensed -- written and road tests -- may not match what the legislature intended, either because the tests are poorly conceived or because they are poorly administered.

The problem is that the analogy breaks down at the litigation stage. Wrongful issuance of the driver's license is not part of the cause of action for recovery after a car accident. Rightful issuance is not an affirmative defense, either. The parties are reversed, too: the licensed person is the tortfeasor while the patent owner is the tort claimant. In any case, in tort suits nobody cares if a driver's license carries a presumption of validity. It is irrelevant to the suit.

## E. The Reversal Rate

The fact that the reversal rate on invalidity judgments is around 50% is sometimes relied on as proof of a broken system. Maybe so, but maybe it is proof that the system is working just about perfectly.

Patent litigation is notoriously expensive in money and time and can sap the energy of a company's employees. Cases that are not close are highly likely to settle: a company is in business to do its business, not to be in litigation.

Patent cases are also intellectually more challenging than many other kinds of litigation. Many of the legal issues are abstruse. The language of patent claims can be virtually impenetrable. The technology -- in the patent, the prior art, the accused product, the non-infringing alternatives, or all of them -- can be complicated even to an expert in the field.

This makes a 50% reversal rate look good. If it were anything different, there might be a serious pro- or anti-patent bias in the appeals court.

### *1. A Thought Experiment*

If doubts still remain, this thought experiment may dispel them. Imagine that the records on appeal to the Federal Circuit are also given to a group of ten patent litigators who have no connection to the case but do have substantial experience, from the pre-Complaint stage through appeal, as counsel to both patent owners and accused infringers. (Such people are not rare. Unlike other areas of the law,

few patent lawyers specialize in "plaintiff's work" or "defense work." (See Roberta J. Morris, *Thoughts on Patent Bashing, Obviously*, INTELLECTUAL PROPERTY TODAY, April 2007, at 23.) How would these attorneys rule, 10:0? 5:5? People who know patent law would guess that the panel of experienced litigators would consistently be closer to evenly split than to unanimous.

## 2. *Litigation and Jury Verdict Rates*

A statistic that lends perspective to the reversal rate is the overall litigation rate. It is about 2%.

Every year, the Patent Office examines more than 400,000 applications for utility patents (patents of invention) every year.<sup>13</sup> It also issues plenty of patents. In recent years, the number has fluctuated, but almost exactly 1,000,000 patents issued in the last six years (2005-2010), an average of about 170,000 annually.

Most issued patents are not practiced at all, not even by their owners. There are many reasons for this, and it is not a new phenomenon. It does not necessarily mean that too many patents are issued, or that too many people have too much time on their hands, or that venture capital money is hard to come by, or that in some places in the world budgets for

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<sup>13</sup> Source: [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm) which shows application data for calendar years 1963 to 2009. For the years 2005-2009, the number of utility applications filed were, respectively, 390,733, 427,967, 456,154, 456,321, and 456,106.

research and development are quite high even in bad economic times.

Many patents that are practiced are used only by their owners. That may be for very mundane reasons: the size of the market, the number of players, the narrowness of the claims, the ease of designing around, the competitors' expertise in alternative technology (older, proprietary or patent-protected), etc. The right to exclude will be a nullity not because the invention is no good but because nobody wants or needs to infringe. Some patents are also licensed without fanfare to be practiced by others whether or not the owner also practices them.

For an extremely small fraction of patents, however, unauthorized practice of the claims may be suspected. The owners of those patents may determine that another entity should be offered a license. Occasionally the potential licensee seeks out the owner.

Negotiations may ensue, but sometimes they will break off or never begin, and a lawsuit will commence. That happens in no more than about two percent of all issued patents over their lifetime. Putting it the other way, about 98% of issued patents never become the subject of a Complaint.<sup>14</sup>

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<sup>14</sup> In 2001 this *amicus* undertook a survey of all patents in the Lexis database issued between 1991 and 2000. At that time Lexis software permitted as many hits as the database contained. The total number of patents was 1,175,388. Roberta J. Morris, *Some Data on Patents in Class 705*, INTELLECTUAL PROPERTY TODAY, May 2001 at 51, 54 Table C-2. The number for which a Complaint was filed, that is the number fulfilling the search LIT-REEX(NOTICE), was 5,718, or less than half a percent. The real number must be somewhat

For the others, the lawsuits will almost all settle before any judgment on the merits by a judge or a trial before a judge or jury. The University of Houston Law Center, which analyzes data made available by the Federal Judicial Center, has posted on the web for 2008 and 2009, a list of the different ways that District Court patent cases terminated.<sup>15</sup>

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higher because a spot check of famously-litigated patents showed that some were missing from the hit list. In order for Lexis to put a Notice of Litigation into its database, the clerk of the court where the case is filed must notify the Patent Office, in accordance with 35 USC § 290, and then the Patent Office must record it and Lexis take note of it. There is much slippage in this process.

Because litigation rates may have increased since 2001, this *amicus* did another search about a year ago, looking at all patent numbers from 5,000,000 (issue date 3/19/1991) to 7,000,000 (issue date 2/14/2006) as of October 8, 2009. (Nowadays searches must be done piecemeal to avoid the 3000 hit ceiling. Searching in 200,000 patent number increments does the trick.) Roberta J. Morris, *Patenting Software and Business Methods*, page 18, available at <http://stanford.edu/~%7Erjmorris/ICLETALK.DOC> (page 18). The percentage of litigated patents was almost exactly 1%. If we estimate that Lexis catches only half the litigated patents, although it probably does a good bit better, then approximately 2% of all issued patents are litigated.

<sup>15</sup> Statistics for 2009 and 2008 are available at [http://www.patstats.org/2009\\_FY\\_patent\\_case\\_disposition\\_modes.doc](http://www.patstats.org/2009_FY_patent_case_disposition_modes.doc) and [http://www.patstats.org/2008fy\\_Patent\\_Case\\_Disposition\\_Modes.doc](http://www.patstats.org/2008fy_Patent_Case_Disposition_Modes.doc) using data culled from the Federal Judicial Center reports, for example in <http://www.uscourts.gov/Viewer.aspx?doc=/uscourts/Statistics/FederalJudicial-CaseloadStatistics/2010/tables/C04Mar10.pdf>. Forty years ago in *Blonder-Tongue Labs, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, nn.29-33 (1971), this Court cited data about patent jury trials, too.

1872 out of 2120 and 2032 out of 2295, respectively, ended in settlement. This works out to around 88%. Of the remaining 11+% of patent lawsuits, about two-thirds end by summary judgment (around 8% of the total in each of the two years). Only about 3.5% ended by trial, a jury trial in 59/2120 and 63/2295 cases, respectively.

Trial by jury thus resolves less than 1 in 25 of all litigated patent cases and litigated patents are probably less than about 1 in 50 of all issued patents. If we use the 2% and 3.5% figures from above, then the patent in suit here is among the 0.07% (or roughly 1 in 1400) of issued patents on which a jury will reach a verdict.

These numbers may provide some perspective on the place of jury determinations within the patent system as a whole.

#### IV. WHERE TO DRAW THE LINE FOR A BINARY STANDARD

##### **A. Invalidity over the Prior Art**

The two predecessor courts of the Federal Circuit, the Court of Customs and Patent Appeals (CCPA) and the Court of Claims, evaluated invalidity over the prior art in view of the presumption of validity, and drew a line between art that was "more pertinent" and art that was "the same or less pertinent" than what the Examiner had considered during prosecution.

1. *Art "Considered" by the Examiner*

The word "considered" may have been better defined prior to the 1977 promulgation of Rule 56 (37 CFR § 1.56), often called the duty of candor. (For the history of the regulation, see Gary M. Hoffman and Michael C. Greenbaum, *The Duty of Disclosure Requirements*, 16 AIPLA Q. J. 124, 128 (1988-89)). The rule requires disclosure to the Patent Office of all information known to the applicant and associated persons that is "material to patentability." (The stated definition of that phrase changed in 1992 in ways not relevant here.) The problem is that Rule 56 has come to be interpreted as requiring disgorging everything known. Rule 56(b) specifically excludes from the definition of "material to patentability" any art that is "cumulative," but the exclusion is honored in the breach. The burden on examiners is heavy because they are obligated to "consider" essentially all of it. In the Manual of Patent Examining Procedure (MPEP), the Patent Office's internal rules for its examiners, the word "considered" is discussed:

Once the minimum requirements of [companion regulations] are met, the examiner has an obligation to consider the information.... Consideration by the examiner of the information submitted in an IDS means nothing more than considering the documents in the same manner as other documents in Office search files are considered by the examiner while conducting a search of the prior art in a proper field of search.

MPEP § 609, 7th paragraph (8th ed. rev. 8, July

2010). That amorphous view of "considered" suggests that for line-drawing with regard to the standard of proof, a better form of words than "that which the Examiner considered" might be "that which the Examiner used as a basis for a prior art rejection."

## 2. *"More Pertinent Art"* *and the Predecessor Courts*

The Federal Circuit's two predecessor courts used different words to discuss the effect on the presumption of validity when a challenger cited "more pertinent art."<sup>16</sup> The distinction is without a difference, however, because the question here involves not the presumption but the standard of proof. As far as this *amicus* has been able to ascertain, both courts, if they mentioned the standard of proof, always declared it to be "clear and convincing" regardless of what happened to the presumption of validity. The "more pertinent art" concept is in any case a good one to use for drawing the line if a binary standard of proof is desired. It also may be more readily understood than the Patent Office's word "cumulative" used in Rule 56, although the concepts are related.

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<sup>16</sup> Prof. Jeffrey Lefstin recently pointed out that the Federal Circuit's two predecessor courts held different views on whether or not the presumption of validity could be "weakened." See Jeffrey Lefstin, *Guest Post: Origins of the Clear and Convincing Standard*, October 17, 2010 available at <http://www.patentlyo.com/patent/2010/10/guest-post-origins-of-the-clear-and-convincing-standard.html>. The post, however, makes no mention of the Federal Circuit's *American Hoist* decision, Part IV.A.2, *infra*, nor whether the

## THE COURT OF CLAIMS

The Court of Claims, which had a trial division and an appellate division, heard patent infringement cases brought against the United States government. In 1966, for example, the Court held:

By statute, 35 U.S.C. § 282, a patent issued by the Patent Office is presumed valid, and the burden of establishing invalidity is on the party asserting it. But this presumption may be **dispelled**, especially by reference to pertinent prior art which was not considered by the Patent Office. *See Scripto, Inc. v. Ferber Corporation*, 267 F. 2d 308, 121 U.S.P.Q. 339 (3d Cir. 1959), *cert. denied*, 361 U.S. 864. Such is the case of the prior art items relied upon most heavily by defendant herein.

*Soundscriber Corp. v. United States*, 175 Ct. Cl. 644, 649 (Ct. Cl. 1966) (*per curiam*, adopting the opinion of trial judge Commissioner Lane, emphasis supplied.) In the years that followed, the Court of Claims often chose the verb "weakened" rather than "dispelled" in discussing the effect on the presumption of more pertinent art. *E.g., Egley v. United States*, 216 Ct. Cl. 346, 355 (Ct. Cl. 1978); *compare, e.g., General*

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Court of Claims, when it declared the presumption of validity to have "weakened." ever explicitly embraced "preponderance of the evidence" as the standard of proof instead of "clear and convincing." In fact, it appears that the Court of Claims never did so. *See Part IV.A.1, infra.*

*Electric v. United States*, 206 USPQ 260 (1979), text near n.35 ("may be set aside"), *Kornylak Corp. v. United States*, 207 USPQ 145 (1980) ("weakened or overcome").

Regardless of what words the Court of Claims judges used with the presumption of validity, whenever they mentioned the standard of proof, it was always "clear and convincing." *See, e.g., General Electric; Kornylak Corp.* at \*14.

### THE CCPA

CCPA Chief Judge Howard Markey, later to be the first Chief Judge of the Federal Circuit, in *Solder Removal Co. v. Int'l Trade Comm'n*, 582 F.2d 628, 632 (CCPA 1978)<sup>17</sup> used different language to discuss the presumption and the burden of proof when "more pertinent" art was brought into court:

Rebuttal of the presumption may be more easily and more often achieved in reliance on prior art more pertinent than that considered by the examiner....

Some may scoff at the content or clarity of the words "more easily and more often achieved," but as noted *supra*, Part III, litigators and trial judges understood

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<sup>17</sup> The CCPA came into existence in 1910. Federal Judicial Center, History of the Federal Judiciary, U.S. Court of Customs and Patent Appeals (successor to the Court of Customs Appeals), 1910-1982, available at [http://www.fjc.gov/history/home.nsf/page/courts\\_special\\_cpa.html](http://www.fjc.gov/history/home.nsf/page/courts_special_cpa.html). It did not have jurisdiction over infringement cases until 1975, when 19 USC § 1337(c) was amended in connection with the creation of the USITC. The CCPA was given jurisdiction over appeals from it.

it, then and now. There is a linguistic argument in Judge Markey's favor that presumptions, especially statutory ones, disappear rather than weaken. It also makes sense that good rebuttal evidence -- such as that the examiner failed to consider the best art -- should make it easier to carry the burden of proof. The presence of a presumption at the start does not alter the character of the actual evidence at the finish.

#### THE FEDERAL CIRCUIT

The Court of Claims' alumni on the Federal Circuit did not dissent from Federal Circuit decisions concerning the presumption of validity that were penned by CCPA alumni. They could have: each court contributed an equal number of active judges to their successor court. *See n.12 supra.*

When CCPA alumnus Judge Rich, who was on the panel in *Solder Removal, supra*, wrote *American Hoist, supra*, a veritable dissertation on the presumption of validity and the burden and standard of proof, he wrote for a unanimous panel of three. The other two were Court of Claims alumni: Judge Kashiwa and Senior Judge Cowen. Judge Cowen, in particular, is on a number of the Court of Claims decisions addressing the presumption of validity and the standard of proof.

The various views on what happens to the presumption of validity when "more pertinent prior art" is produced at trial are irrelevant to deciding the correct standard of proof. The phrase, however, is a very good one for a binary standard of proof applicable to invalidity attacks based on prior art.

## B. Non-prior art Prosecution History

The prosecution history may address matters of invalidity other than prior art, such as patentable subject matter, lack of utility, written description and indefiniteness problems, etc. These issues also will work for accused infringers. An appropriate formula for line-drawing that would cover these situations might be that the higher standard of proof should apply to "any issue developed in the prosecution history."

Silence in the prosecution history makes line drawing easy. In the absence of silence, though, motion practice would likely ensue. Examiners can be extremely terse. Are a couple of lines a development? What is an issue?

## V. THE STANDARD OF PROOF DURING LITIGATION

In addition to its effect on decision-making outside of litigation, Part I.C.2, *supra*, the standard of proof will have an impact on litigation that goes beyond jury instructions. (Whether or not standards of proof really affect juries, however, is hard to know. Scholarly literature on the subject, mostly about criminal law, may be addressed by other *amici*.)

The standard of proof will also matter in bench trials. Judges are familiar with the differences in standards of proof and make every effort to apply the right one carefully and correctly.

Judges also encounter the presumption of validity in pretrial motions. In ruling on a motion

for summary judgment of invalidity, the standard of proof must be considered. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254-5 (1986).<sup>18</sup> Likewise, in preliminary injunction motions, the judge must assess likelihood of success on the merits bearing in mind the burden and standard of proof on each issue. *Abbott Labs v. Sandoz Inc.*, 544 F.3d 1341, 1364 (Fed. Cir. 2008).

## VI. RETROSPECTIVE v. PROSPECTIVE APPLICATION

If the Court decides to lower the standard of proof for invalidity, whether in connection with a single or a binary standard, it may wish to consider prospective application of its ruling. The Court might ask for additional briefing on *Harper v. Virginia Dept of Taxation*, 509 U.S. 86 (1993) and *Chevron Oil Co. v. Huson*, 404 U.S. 97 (1971). If prospectivity is an option, there are still choices to be made. The new standard(s) of proof might apply only to (1) trials commencing after the date of the

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<sup>18</sup> "Although the [Second Circuit, in a summary judgment case where the standard of proof was also clear and convincing evidence] thought that this higher standard would not produce different results in many cases, it could not say that it would never do so." *Anderson*, 477 U.S. at 254. *Cf. Dickinson v. Zurko*, 527 U.S. 150, 162 (1999), concerning the standard of review the Federal Circuit should use in reviewing fact findings of the Board of Patent Appeals and Interferences. This Court said, "We believe the Circuit overstates the difference that a change of standard will mean in practice." On remand the Federal Circuit indeed came to the same conclusion despite the change in standard of review. *In re Zurko*, 258 F.3d 1379 (Fed. Cir. 2001).

decision, (2) lawsuits filed after the date of the decision, (3) patents issued after the date of the decision, or (4) patents issued on applications filed after the date of the decision.

Each of these alternatives would strike a different balance with the "settled expectations" of inventors, investors, entrepreneurs, lenders, etc. of which this Court has been mindful in the past. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 738 (2002), discussing *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 n.6. (1997).

Retrospective application might raise a Fifth Amendment problem. That the Court rather than the legislature is changing the standard might not foreclose that argument. Affected parties would have been denied an opportunity to be heard: The opportunity to file an *amicus* brief may not satisfy the requirements of notice and hearing that the government must ordinarily satisfy when it enacts statutes or regulations that affect property rights.

A Fifth Amendment argument was launched against the retroactive application of the reexamination statute to previously issued patents. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). In reexamination the standard of proof is preponderance of the evidence and the presumption of validity does not apply. The patent owner's argument were unsuccessful but largely for reasons that would not apply here.

This and other points in this brief may suggest that choosing the standard of proof for patent invalidity is a job for the legislative branch.

VII. CONCLUSION

The Question Presented does not have an obvious or simple answer. This *amicus* hopes to have shed a little light on some aspects of a complex case.

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