

No. 10-290

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IN THE  
**Supreme Court of the United States**

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MICROSOFT CORPORATION,

*Petitioner,*

v.

14I 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 FOR PETITIONER**

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### **QUESTION PRESENTED**

The Patent Act provides that “[a] patent shall be presumed valid” and that “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. § 282. The Federal Circuit held below that Microsoft was required to prove its defense of invalidity under 35 U.S.C. § 102(b) by “clear and convincing evidence,” even though the prior art on which the invalidity defense rests was not considered by the Patent and Trademark Office prior to the issuance of the asserted patent. The question presented is:

Whether the court of appeals erred in holding that Microsoft’s invalidity defense must be proved by clear and convincing evidence.

**RULE 29.6 STATEMENT**

The corporate disclosure statement included in the petition for a writ of certiorari remains accurate.

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## **BRIEF FOR PETITIONER**

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Petitioner Microsoft Corporation respectfully submits that the judgment of the court of appeals should be reversed.

### **OPINIONS BELOW**

The opinion of the court of appeals (Pet. App. 1a-57a) is reported at 598 F.3d 831. An earlier opinion of the court of appeals (Pet. App. 58a-111a) is reported at 589 F.3d 1246 but was withdrawn by the court. The opinion of the district court (Pet. App. 112a-188a) is reported at 670 F. Supp. 2d 568.

### **JURISDICTION**

The judgment of the court of appeals was initially entered on December 22, 2009. In response to Microsoft's petition for panel rehearing and rehearing en banc, the panel on March 10, 2010, withdrew its opinion, issued a revised opinion, and referred Microsoft's petition for rehearing en banc to the en banc court. Pet. App. 191a-192a. The court of appeals denied the petition for rehearing en banc on April 1, 2010. *Id.* at 189a-190a. Justice Stevens extended the time within which to file a petition for a writ of certiorari to and including August 27, 2010. *See* No. 09A1195. The petition was filed on that date and granted on November 29, 2010. This Court has jurisdiction under 28 U.S.C. § 1254(1).

### **STATUTORY PROVISIONS INVOLVED**

Section 282 of the Patent Act, 35 U.S.C. § 282, provides, in relevant part:

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.

The complete text of Section 282, as well as the other pertinent provisions of the Patent Act of 1952, 35 U.S.C. § 1 *et seq.*, and the Administrative Procedure Act (“APA”), 5 U.S.C. § 551 *et seq.*, are reproduced in the appendix to this brief.

### STATEMENT

The Federal Circuit has interpreted the presumption of validity codified in 35 U.S.C. § 282, which specifies no particular standard of proof, to require that a person challenging the validity of a patent prove the factual predicates of invalidity by clear and convincing evidence, even when the prior-art evidence on which the invalidity defense rests was never considered by the Patent and Trademark Office (“PTO”). As this Court unanimously recognized in *KSR International Co. v. Teleflex Inc.*, however, the “rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” in these circumstances. 550 U.S. 398, 426 (2007).

In this case, respondents i4i Limited Partnership and Infrastructures for Information Inc. (collectively, “i4i”) alleged that certain versions of Microsoft’s word-processing software, Microsoft *Word*, infringed i4i’s patent. Pet. App. 3a. At trial, Microsoft contended that i4i’s patent is invalid because the disclosed invention had been embodied in a software product sold in the United States more than a year before the patent application was filed, *id.* at 19a-22a, thus rendering the invention unpatentable under the “on-sale bar” of 35 U.S.C. § 102(b). That prior-art software was never considered by the PTO during prosecution of the patent. Pet. App. 184a.

Yet because i4i had destroyed the source code for the software before filing its action against Microsoft, i4i's technical expert and counsel were able to stress to the jury repeatedly that Microsoft could not prove *by clear and convincing evidence* that the software embodied the patented invention. Ultimately, the jury concluded that Microsoft failed to sustain this heightened standard of proof. *Id.* at 23a, 146a.

1. The patent at issue in this litigation—U.S. Patent No. 5,787,449 (the “449 Patent”)—relates to a technology called markup languages. At its most basic level, a markup language is a way of indicating how text should be displayed—which words are in boldface, for example, or where line breaks should appear. Pet. App. 5a. In general, a markup language inserts “tags” that indicate how the text between those tags should look on a computer screen. *Ibid.* For instance, <Para> is a computer markup code that indicates the start of a paragraph, and </Para> indicates the end of a paragraph. Using “custom XML,” users can create and define their own markup codes. *Ibid.* The '449 Patent refers to markup codes as “metacodes.” *Ibid.*

Markup languages for computers have existed and, indeed, have been standardized for decades. C.A. App. 5367, 5527. Computer programs for creating and editing these markup languages also have existed for decades, including one—embedded in a system called S4—that the inventors of the '449 Patent developed and sold to SEMI, a client of i4i's predecessor, over a year before applying for the '449 Patent. Pet. App. 20a, 137a. S4 was not before the PTO when the '449 Patent was prosecuted. *See id.* at 184a; J.A. 55a (listing prior-art references before the PTO).

The invention claimed by the '449 Patent is an allegedly improved method for editing a document containing markup codes by storing the document's content separately from its metacodes. Pet. App. 5a. The metacodes are stored in a "metacode map," which permits the user to determine where each metacode belongs in the stream of content. *Ibid.* This allows the user to edit the structure of the document (*i.e.*, the metacodes) by accessing only the metacode map, without needing to access the content. *Id.* at 6a.

2. Since 2003, Microsoft *Word* has allowed users to edit documents containing custom XML. Pet. App. 6a. In 2007, i4i sued Microsoft in the United States District Court for the Eastern District of Texas, alleging that *Word* users infringe the '449 Patent when they use *Word* to open files that contain custom XML. *Id.* at 6a, 167a. i4i asserted that, when used in this manner, *Word* separates the custom XML metacodes from content and stores them in the manner claimed by the '449 Patent. *Id.* at 28a.

a. In addition to denying infringement, Microsoft argued that the '449 Patent was invalid because i4i's S4 system embodied the claimed invention and had been sold to SEMI more than a year before the patent application was filed, rendering the invention unpatentable under the "on-sale bar" of 35 U.S.C. § 102(b). Pet. App. 19a-20a, 184a. The only dispute between the parties with respect to Microsoft's on-sale-bar defense was whether S4 practiced the invention claimed in the '449 Patent. *Id.* at 20a.

Microsoft presented considerable evidence to support its contention that S4 did, indeed, practice i4i's patented invention. Shortly after i4i filed its patent application, Michel Vulpe—one of the named

inventors and i4i's founder—touted the pending patent in a funding application to the Canadian government, noting that “[t]he initial implementation [of the ’449 Patent] is embedded into [i4i’s] S4 product” and that the ’449 Patent’s “single metacode model” was “implemented in i4i flagship product S4.” J.A. 264a, 297a. This is consistent with what Vulpe told potential investors in a letter explaining, before the patent application was filed, that he was “currently exploring the patenting of some fundamental ideas used in the [i4i] technology” and that “[t]he basis of the patent . . . precedes [i4i].” *Id.* at 249a, *quoted in* Pet. App. 187a. Vulpe admitted at trial that, because i4i was founded contemporaneously with the development of S4, his letter informed these potential investors that the basis for the ’449 Patent dated back to S4’s development. *Id.* at 159a-162a.

That S4 practiced the invention of the ’449 Patent was also confirmed by a former employee of both SEMI and i4i, Scott Young. Young testified that Vulpe told him the ’449 Patent application was filed to cover the S4 program. J.A. 176a-177a. Young also testified that, after he left SEMI to join i4i, he and Vulpe touted the patenting of S4 in attempting to obtain funding for i4i’s business. *Id.* at 177a-178a, 180a-182a

Young confirmed that S4 provided mapping between the content and tags (*i.e.*, metacodes) of a document opened by a user of the SEMI system, as claimed in the ’449 Patent. J.A. 172a-175a. Consistent with Young’s testimony, the S4 user guide showed that it was—just as the system described and claimed in the ’449 Patent—a system for creating, opening, editing, and storing documents containing metacodes, and that it allowed the metacodes to be manipulated separately from the content. *See,*



*e.g.*, *id.* at 250a-260a. In fact, the same hardware platform described in the S4 manual is also described in the '449 Patent as the preferred embodiment. *Compare id.* at 76a *with id.* at 252a-253a.

The inventors insisted at trial, however, that the prior-art S4 software did not practice the invention of the '449 Patent because they had not yet conceived of that invention at the time S4 was developed. *See* Pet. App. 20a; *see also* J.A. 132a-133a, 147a-150a. Acknowledging that this testimony was inconsistent with Vulpe's own pre-litigation letter to prospective investors stating that "[t]he basis of the patent" dated back to when S4 was being developed, Vulpe claimed that he had lied in the earlier letter to further his financial interests. *Id.* at 161a-162a ("It's an exaggeration, and as I said, it could be said to be a lie."); *see also* Pet. App. 187a ("Mr. Vulpe admitted on the stand that he lied to investors about the creation date of the [']449 patent.").

b. Microsoft's ability to rebut the inventors' testimony was hampered significantly by the fact that i4i had "discarded" the S4 source code before commencing this litigation. J.A. 168a-170a; *see also* Pet. App. 20a (noting that "the S4 source code was destroyed"). The standard of proof for Microsoft's invalidity defense thus assumed critical importance.

Microsoft proposed an instruction that its "burden of proof with regard to its defense of invalidity based on prior art that the examiner did not review during the prosecution of the patent-in-suit is by preponderance of the evidence." J.A. 124a n.8; *see also, e.g., id.* at 112a-117a, 120a nn.24-26, 121a & n.29, 125a n.56, 126a & nn.58, 60, 127a & n.62. Over Microsoft's objection (*id.* at 192a), the district court instead instructed the jury that "Microsoft has

the burden of proving invalidity by clear and convincing evidence.” Pet. App. 195a; *see also id.* at 195a-196a.

Seizing on this heightened standard of proof, i4i argued that the destruction of the S4 source code precluded Microsoft from carrying its burden. Its technical expert, for instance, claimed that the S4 user manual “does not provide the level of detail necessary to form a clear and convincing opinion about what’s actually being done by the SEMI system when its software is executed.” J.A. 194a. During closing argument, i4i’s counsel similarly emphasized the clear-and-convincing-evidence standard. *Id.* at 203a.

The jury concluded that Microsoft had infringed the ’449 Patent and that Microsoft had failed to prove by clear and convincing evidence that the patent was invalid. Pet. App. 7a. The jury awarded \$200 million in damages to i4i. *Ibid.*

c. Microsoft moved for a new trial, again challenging the “clear and convincing evidence” instruction. Motion for New Trial, D.E. 359, at 21 & n.55. The district court denied Microsoft’s motion. Pet. App. 146a. The court then entered judgment against Microsoft for \$290 million, including “enhanced damages,” interest, and post-verdict damages. J.A. 208a-210a. It also permanently enjoined Microsoft from selling any *Word* products capable of opening certain files containing custom XML—namely, all versions of *Word* that were available at the time of judgment. *Id.* at 205a-207a; Pet. App. 175a.

3. On appeal, Microsoft again challenged the instructions imposing a clear-and-convincing-evidence standard of proof. Microsoft C.A. Br. 45-46. The Federal Circuit “conclude[d] that the jury instructions were correct in light of” Federal Circuit prece-

dent. Pet. App. 23a. The court explained that its decisions “make clear that the Supreme Court’s decision in *KSR International Co. v. Teleflex Inc.* did not change the burden of proving invalidity by clear and convincing evidence.” *Ibid.* (citation omitted).

### SUMMARY OF ARGUMENT

According to the Federal Circuit, any person challenging the validity of a patent must “prove invalidity by clear and convincing evidence.” Pet. App. 23a. The Federal Circuit has rationalized this inflexible rule variously as encoded within the statutory presumption of validity in 35 U.S.C. § 282 (“[a] patent shall be presumed valid”), and as an extra-statutory, common-law rule derived from principles of administrative law. Both rationales are meritless.

**I.** Section 282 does not impose a heightened standard of proof. Although the statute assigns to the challenger the burden of proving invalidity, it does not prescribe any particular standard for carrying that burden. That statutory silence necessarily entails a preponderance standard and does not permit imposition of a clear-and-convincing-evidence standard.

**A.** The default standard of proof in civil cases is a preponderance of the evidence. This Court has authorized departures from that standard only in a narrow category of cases implicating uniquely important individual liberty interests that are more significant than property rights. Patent infringement litigation, by contrast, concerns precisely the sort of property right that this Court has concluded does not warrant a heightened standard of proof.

The public interest in a balanced patent system further supports application of the preponderance standard. The patent system reflects a careful bal-

ance designed to encourage innovation without stifling competition: Although society benefits from the incentives that patent protection creates for inventors, the erroneous issuance of a patent harms society by removing an invention from public use. The litigation process plays a critical role in weeding out invalid patents, and it cannot properly fulfill this role if the scales are tipped sharply in favor of upholding patents.

**B.** i4i nonetheless contends that Section 282's presumption of validity also codified (*sub silentio*) a heightened standard of proof that supposedly was enforced by this Court before 1952, when the statute was enacted. i4i is mistaken.

**1.** i4i's argument runs afoul of the unambiguous text of Section 282, which originally provided: "A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it." Patent Act of 1952, Pub. L. No. 82-593, § 282, 66 Stat. 792, 812. If the first sentence imposed a heightened *standard* of proof on the party challenging patent validity, there would have been no need for Congress to have allocated the *burden* of proof in the second sentence; the heightened standard itself would have identified the party that must surmount it. This Court should not interpret Section 282 to render one of its sentences superfluous.

i4i's interpretation is also inconsistent with the apparent purpose of Section 282. Before 1952, several courts had held that the presumption ran in the opposite direction—*i.e.*, that the *patentee* had the burden of proving *validity*. Congress overturned these decisions by making clear that the burden always rests with the party challenging validity. Achieving that purpose does not justify imposing a

heightened standard of proof that appears nowhere in the text of the statute.

**2.** i4i is also mistaken that this Court had consistently applied a heightened standard of proof to validity challenges before 1952. To the contrary, this Court addressed dozens of validity issues in the years leading up to the enactment of Section 282 without ever *mentioning* a heightened standard. By contrast, the cases i4i invokes arose in two narrow situations—neither of which is presented here.

*First*, the Court had imposed a heightened standard for proving invalidity when the defense rested on oral testimony of prior invention. This line of cases has been supplanted in modern patent law by a corroboration requirement, but in any event it has no relevance here, where i4i's own written admissions demonstrate the on-sale bar.

*Second*, this Court had applied a heightened standard for invalidity challenges based on priority of invention where the relevant evidence had been litigated in an *inter partes* proceeding before the PTO. Where (as here) the PTO issues a patent after *ex parte* examination, there is no basis for according the same degree of deference.

i4i therefore errs in contending that the pre-1952 caselaw mandated a heightened standard for all invalidity challenges.

**3.** Indeed, the overwhelming majority of the regional courts of appeals had held before 1952—and all of them held afterwards—that the presumption of validity was weakened or destroyed where, as here, the relevant prior-art evidence was not before the PTO. Against this background, Section 282 could not conceivably be construed as codifying a heightened standard as to patentability issues that the PTO did

not address before issuing the patent. If i4i were correct, and Congress had mandated in Section 282 that all invalidity assertions be proven by clear and convincing evidence, surely the regional courts of appeals would have recognized and applied that mandate in the years after its enactment. But they did not—because no such mandate existed.

C. Finally, i4i claims that Congress has tacitly acquiesced in the Federal Circuit’s heightened standard by failing to overrule it despite amending Section 282 in other respects. This Court has cautioned against construing statutes based on congressional inaction, and it would be particularly inappropriate to do so here. There is no evidence that Congress was even *aware* of the Federal Circuit’s interpretation, let alone that it implicitly *endorsed* that interpretation in amending other portions of Section 282. This Court has not hesitated to overrule longstanding lower-court authority that cannot be reconciled with governing law—including, in this case, the statutory text—and it should not hesitate to do so here.

II. The Federal Circuit has alternatively rationalized its heightened standard of proof as a judicially created rule that implements principles of agency deference. Under settled administrative law, however, the factfinding embedded in the PTO’s decision to issue a patent does not warrant deference of a type that possibly could be translated into a clear-and-convincing-evidence standard at trial. And to the extent the PTO’s patentability decisions ever warrant deference, such deference could not be accorded where—as here—the PTO never evaluated the relevant prior-art teaching and accordingly never made a finding on the relevant issue.

**A.** Courts defer to agency decisions in accordance with the commands of the APA, but that statute does not apply to patent infringement litigation and in any event would require *de novo* review of the PTO's decision to issue a patent.

**1.** The APA governs judicial review of agency action based on the administrative record. A patent infringement suit, by contrast, is not a method for seeking review of agency action and is not litigated on an administrative record. As a result, the APA's review standards are inapplicable and cannot justify a heightened standard of proof.

**2.** Even if the APA were applicable, the appropriate standard would be *de novo* review, because Section 282 clearly contemplates the introduction of invalidity evidence that was not before the PTO. Moreover, the procedures used by the PTO in issuing a patent are inadequate to justify review under a more deferential standard. The PTO presumes that a patent applicant is entitled to the patent unless the examiner can establish a *prima facie* case of unpatentability. Meanwhile, the *ex parte* and confidential nature of the examination generally precludes the examiner from obtaining reliable information about the claimed invention, such as evidence of prior sales or uses.

Because of these and other constraints, the decision to issue a patent cannot be made with sufficient thoroughness to warrant deferential, rather than *de novo*, review under the APA.

**B.** Even if deference in the form of a heightened standard of proof could be justified where the PTO has issued a reasoned decision resolving the particular issue of patentability later brought before the court, there is no justification for applying the same

heightened standard to invalidity contentions that the PTO never analyzed because they are based on prior-art teachings the PTO did not consider. Where an agency has failed to address the relevant evidence or issue, no deference could even conceivably be warranted. The Federal Circuit accordingly erred when it affirmed the district court's application of a clear-and-convincing-evidence standard to Microsoft's on-sale-bar defense, which (it is undisputed) the PTO never considered because the patent applicants did not disclose their own prior-art software.

### ARGUMENT

The Federal Circuit insists that all challenges to patent validity—even those based on prior-art evidence or invalidity theories never addressed by the PTO—must satisfy the clear-and-convincing-evidence standard. *See, e.g., Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984) (“*AmHoist*”). That rule cannot be reconciled with this Court's longstanding presumption that, in the absence of a constitutional or congressional command to the contrary, civil cases are governed by a preponderance standard. *See Grogan v. Garner*, 498 U.S. 279, 286 (1991). Nor is it consistent with bedrock principles of administrative law: The PTO's decision to issue a patent does not warrant deference in the form of a heightened standard of proof, and certainly not when the agency did not make any determination regarding the relevant prior-art evidence. To the contrary, as this Court unanimously “th[ought] it appropriate to note” in *KSR International Co. v. Teleflex Inc.*, the “rationale underlying the presumption” of patent validity—“that the PTO, in its expertise, has approved the claim—seems much diminished” where an invalidity



defense rests on evidence that the PTO never addressed in a reasoned decision. 550 U.S. 398, 426 (2007).

**I. SECTION 282 DOES NOT IMPOSE A HEIGHTENED STANDARD FOR PROVING PATENT INVALIDITY.**

Section 282 provides, in relevant part, that “[a] patent shall be presumed valid” and “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. § 282. This language does not impose a heightened *standard* of proof but instead assigns the *burden* of proving invalidity to the accused infringer. Statutory “silence” on the requisite standard is an impermissible basis for a court to conclude that “Congress intended to require a special, heightened standard of proof.” *Grogan*, 498 U.S. at 286.

**A. THE APPROPRIATE STANDARD FOR PROVING INVALIDITY OF A PATENT IS A PREPONDERANCE OF THE EVIDENCE.**

The default standard of proof in civil cases is a preponderance of the evidence. *See, e.g., Herman & MacLean v. Huddleston*, 459 U.S. 375, 389-90 (1983). There is no basis for departing from that default standard when invalidity issues arise in patent litigation. To the contrary, as this Court has repeatedly emphasized, the same procedural rules that govern other civil litigation also apply in patent cases. *See, e.g., MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 & n.11 (2007).

1. The appropriate standard of proof in civil cases is a preponderance of the evidence “unless ‘particularly important individual interests or rights are at stake.’” *Grogan*, 498 U.S. at 286 (quoting *Huddle-*

ston, 459 U.S. at 389-90). Thus, the Court has required proof by clear and convincing evidence only to protect interests that are “far more precious than any property right.” *Santosky v. Kramer*, 455 U.S. 745, 758-59 (1982); see also, e.g., *Addington v. Texas*, 441 U.S. 418, 424 (1979) (requiring interests “more substantial than mere loss of money”).

The “uncommon” interests warranting a heightened standard of proof are “ordinarily recognized only when the government seeks to take unusual coercive action,” *Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989) (plurality op.), such as termination of parental rights, see *Santosky*, 455 U.S. at 756, involuntary civil commitment, see *Addington*, 441 U.S. at 423, deportation, see *Woodby v. INS*, 385 U.S. 276, 285-86 (1966), and denaturalization, see *Chaunt v. United States*, 364 U.S. 350, 353 (1960). The Court has concluded that the individual interests at stake in those cases are so important, and the consequences of deprivation so great, that it is appropriate to increase the *overall* risk of an erroneous decision in order to reduce the risk of erroneously depriving an individual of fundamental rights. See *Huddleston*, 459 U.S. at 390. That is, a heightened standard of proof “concede[s] the possibility of error” but “ensure[s] that the error is generally in one direction.” Ralph K. Winter, Jr., *The Jury and the Risk of Non-persuasion*, 5 *Law & Soc’y Rev.* 335, 339-40 (1971); cf. 4 William Blackstone, *Commentaries* \*352 (“[B]etter that ten guilty persons escape, than that one innocent suffer.”).

In the absence of such uniquely important interests, this Court has applied the preponderance standard—even where the losing party could face severe consequences. See, e.g., *Steadman v. SEC*, 450 U.S. 91, 95 (1981) (proceeding to bar individual from se-

curities industry on grounds of fraud); *United States v. Regan*, 232 U.S. 37, 48-49 (1914) (civil suit that could expose defendant to prosecution).

2. The private economic interests involved in patent litigation fall well outside the narrow categories that warrant a heightened standard of proof. Patents are not “far more precious than any property right,” *Santosky*, 455 U.S. at 758-59; to the contrary, a patent *is* a property right, *see* 35 U.S.C. § 261. Resolution of validity issues in patent litigation does not “threaten the individual[s] involved with ‘a significant deprivation of liberty’ or ‘stigma’” of the sort that this Court has previously found necessary to justify a heightened standard. *Santosky*, 455 U.S. at 756 (quoting *Addington*, 441 U.S. at 425-26).

The preponderance standard is particularly appropriate because the public’s interest in the proper functioning of the patent system is undermined rather than advanced by “express[ing] a preference for one side’s interests” with respect to patent validity. *Huddleston*, 459 U.S. at 390. The patent system represents a “balance between the interest in motivating innovation and enlightenment by rewarding invention with patent protection,” on the one hand, and “the interest in avoiding monopolies that unnecessarily stifle competition,” on the other. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998); *see also, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989) (same). Just as “progress beginning from higher levels of achievement is expected in the normal course, the results of ordinary innovation are not the subject of exclusive rights under the patent laws.” *KSR*, 550 U.S. at 427.

Because invalid patents threaten to “stifle, rather than promote, the progress of useful arts,”

*KSR*, 550 U.S. at 427, there is an “important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain,” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). The on-sale bar and other provisions in Section 102(a) and (b) “express a congressional determination that the creation of a monopoly in such information would not only serve no socially useful purpose, but would in fact injure the public by removing existing knowledge from public use.” *Bonito Boats*, 489 U.S. at 148. Invalid patents force the public “to pay tribute to would-be monopolists without need or justification,” *Lear*, 395 U.S. at 670; they encourage litigation, raise “transaction costs,” and create uncertainty that “may deter investment in innovation and/or distort its direction.” Nat’l Research Council, *A Patent System for the 21st Century* 95 (2004), available at <http://www.nap.edu/html/patentsystem/0309089107.pdf>. For these reasons, “[i]t is just as important that a good patent be ultimately upheld as that a bad one be definitively stricken.” *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 331 n.21 (1971) (quoting *Technograph Printed Circuits, Ltd. v. United States*, 372 F.2d 969, 978 (Ct. Cl. 1967)).

Since well before the enactment of Section 282—indeed, from the earliest days of the Republic—patent litigation has played an important role in “weeding out” those “patents that should not have been granted.” U.S. Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, ch. 5, at 28 (2003) (“FTC Report”), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>; see also, e.g., Roscoe Steffen, *Invalid Patents and Price Control*, 56 Yale L.J. 1, 22 (1946) (“[F]or at least a century,” “[t]he ultimate question,

whether the patent would actually satisfy the fixed requirements of the patent laws, has been regarded as one for the courts to pass upon.”). Thus, “Congress has from the outset chosen to impose broad criteria of patentability while lodging in the federal courts final authority to decide that question.” *Blonder-Tongue*, 402 U.S. at 332. There is no indication in Section 282—or anywhere else in the Patent Act—that Congress, in drawing the careful balance required by our patent system, intended to tip the scales sharply in favor of sustaining patents by imposing a heightened standard of proof on defenses of invalidity. To do so by judicial implication would create the “serious potential for judicially confirming unnecessary, potentially competition-threatening rights to exclude.” FTC Report, *supra*, ch. 5, at 28. As elsewhere in civil litigation, a preponderance standard “reflects a fair balance between th[e] conflicting interests.” *Grogan*, 498 U.S. at 287.

#### **B. SECTION 282 DID NOT CODIFY A HEIGHTENED STANDARD OF PROOF.**

According to i4i, Section 282’s provision that “[a] patent shall be presumed valid,” 35 U.S.C. § 282, was intended to codify pre-1952 caselaw that, i4i maintains, applied a heightened standard of proof to invalidity challenges, *see* Opp. 8. To support this contention, i4i invokes legislative history indicating that “[t]he [relevant] paragraph [of Section 282] declares the *existing presumption* of validity.” Opp. 11 (quoting H.R. Rep. No. 82-1923, at 29 (1952), and S. Rep. No. 82-1979, at 2422 (1952)). Even taking these reports at face value, they did not indicate any intention to enact a particular standard of proof, much less a heightened one. And enactment of a presumption should not be read even as allocating the burden

of proof, let alone imposing a clear-and-convincing-evidence standard. *See* Fed. R. Evid. 301.

i4i never explains why Congress, if it had intended to codify a heightened *standard* of proof, did not simply say so—particularly since Section 282 quite expressly allocated the *burden* of proof. Indeed, there can be no doubt that Congress knew how to impose a heightened standard and chose not to do so: An earlier draft of the statute would have provided that “[a] patent shall be presumed to be valid” and “the burden of establishing invalidity *by convincing proof* shall rest on any person asserting invalidity of the patent.” H.R. Comm. on the Judiciary, 81st Cong., *Proposed Revision and Amendment of the Patent Laws: Preliminary Draft with Notes* 68 (Comm. Print 1950) (emphasis added). This Court has warned that “[d]rawing meaning from silence is particularly inappropriate” when “Congress has shown that it knows how to [address an issue] in express terms.” *Kimbrough v. United States*, 552 U.S. 85, 103 (2007). Yet, here, i4i asks this Court to infer from Section 282’s silence an intention to enact precisely the standard of proof that Congress declined to adopt.

Moreover, even as it imposed a heightened standard of proof on all invalidity challenges, the Federal Circuit rejected the premise (now intoned by i4i) that the pre-1952 caselaw uniformly applied a similarly heightened standard: “[I]n 1952 the case law was far from consistent—even contradictory—about the presumption.” *AmHoist*, 725 F.2d at 1359; *see also, e.g.,* B.D. Daniel, *Heightened Standards of Proof in Patent Infringement Litigation: A Critique*, 36 AIPLA Q.J. 369, 398 (2008) (“There was clearly no established principle requiring a heightened burden of proof for all invalidity issues when Congress passed the

Patent Act of 1952.”). To the extent there was any consensus at all, it was that the presumption of validity was *weakened* or *eliminated* where, as here, the relevant art was never considered by the Patent Office. Thus, even if the statutory language were susceptible to interpretation by reference to pre-1952 caselaw—and it is not—that would simply confirm that the Federal Circuit’s approach is incorrect.

### **1. The Statutory Text And Purpose Foreclose A Heightened Standard Of Proof For Patent Invalidity.**

As originally enacted, the first paragraph of Section 282 provided: “A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it.” Patent Act of 1952, Pub. L. No. 82-593, § 282, 66 Stat. 792, 812. Since 1952, Congress has modified this language in minor respects, *see infra* at 38, and has added additional language to other paragraphs, *see ibid.*, but the core of the provision remains intact, *see* 35 U.S.C. § 282.<sup>1</sup>

i4i contends that the first sentence of Section 282—patents are “presumed valid”—“requires challengers to bear a heightened burden of proof.” Opp. 6. But if that had been the intended meaning of the first sentence, the second sentence—imposing the “burden of establishing invalidity” on the challenger—would have been unnecessary; the presumption of validity would already have dictated the burden (and, on i4i’s view, the standard) of proof. *See*

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<sup>1</sup> Although Congress has introduced two sentences between the first and original second sentences of Section 282, this brief will, for convenience, refer to the “burden of establishing” sentence as the “second sentence.”

*Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 837 (1988) (“[W]e are hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law.”). There are, by contrast, two alternative readings of the relevant statutory language that avoid this difficulty—neither of which is consistent with (much less requires) a heightened standard of proof.

a. The most natural reading of the statutory language is that the first sentence of Section 282 allocates the burden of production, whereas the second sentence allocates the ultimate burden of persuasion. *See Schaffer v. Weast*, 546 U.S. 49, 56 (2005); *see also, e.g., Daniel, supra*, at 381 (concluding that “the presumption had a practical meaning—it resolved the burden of going forward—without regard to a heightened standard of proof”). This appears to be the interpretation of Section 282 accepted by the Court in *Blonder-Tongue*. *See* 402 U.S. at 335 (noting that “the defendant in an infringement suit” must “both introduc[e] proof to overcome the presumption and attempt[t] to rebut whatever proof the patentee offers to bolster the claims”).

This reading of Section 282 is consistent with the widely held understanding of presumptions as a procedural device for shifting the burden of production. *See James Bradley Thayer, A Preliminary Treatise on Evidence at the Common Law* 336-39 (1898); *see also, e.g., John Henry Wigmore, Select Cases on the Law of Evidence* § 745, at 1068-71 (2d ed. 1913). The second sentence was necessary because, “once the opponent introduced evidence showing the nonexistence of the presumed fact, the presumption dropped out of the case.” 21B Charles Alan Wright *et al.*, *Federal Practice and Procedure* § 5122.1, at 428 (2d ed. 2005) (discussing the Thayer-Wigmore approach



to presumptions); *see also, e.g., N.Y. Life Ins. Co. v. Gamer*, 303 U.S. 161, 170 (1938) (noting that “the presumption is not evidence and ceases upon the introduction of substantial proof to the contrary”); *Texas Dep’t of Cmty. Affairs v. Burdine*, 450 U.S. 248, 255 n.10 (1981) (same).

An alternative, but less accepted, understanding of presumptions viewed them as shifting *both* the burden of production *and* the burden of persuasion. *See* Edmund M. Morgan, *Forward* to Model Code of Evidence 52-65 (1942); *see also* Charles T. McCormick, *Law of Evidence* § 316, at 667-68 (1954). On that view, the second sentence of Section 282 simply defined the presumption of validity that had been announced in the first sentence. *See AmHoist*, 725 F.2d at 1359 (“[t]he two sentences of the original” Section 282 “amount in substance to different statements of the same thing: the burden is on the attacker”).

The former view is the most consistent with the text of the statute and is also supported by this Court’s repeated endorsement of the Thayer-Wigmore approach to presumptions. *See, e.g., Gamer*, 303 U.S. at 170 (citing Thayer, *supra*, at 346); *Dick v. N.Y. Life Ins. Co.*, 359 U.S. 437, 443 n.4 (1959) (citing 9 *Wigmore on Evidence* § 2491 (3d ed. 1940), as providing the “modern’ rule on the effect of presumptions”); *St. Mary’s Honor Ctr. v. Hicks*, 509 U.S. 502, 518 (1993) (citing the Thayer-Wigmore approach as the “classic law of presumptions”).

On either reading, however, Section 282 shifts both the burden of production and the burden of persuasion. Critically, *neither* interpretation is consistent with i4i’s position that, by enacting a presump-

tion of validity, Congress imposed a heightened standard of proof.

Application of the default preponderance-of-the-evidence standard to assertions of patent invalidity would be consistent with the treatment of presumptions of validity in other areas of intellectual property law. In the PTO's other primary area of responsibility—trademarks—“[a] defendant may satisfy [its] burden of proof with respect to the specific defect he alleges in plaintiff's registration by a preponderance of the evidence.” *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 373 & n.6 (1st Cir. 1980); *see also, e.g., Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, 586 F.3d 1352, 1356 (Fed. Cir. 2009) (“A party seeking to cancel a registration must overcome the registration's presumption of validity by a preponderance of the evidence.”). Similarly, courts apply the preponderance standard to overcome the presumption of validity for copyrights. *Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 114 (2d Cir. 2002) (affirming a jury instruction that “the defendants could rebut the presumption of validity by a preponderance of the evidence”). There is no reason to treat the presumption of validity differently in the patent context. *Cf. Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984) (noting the “historic kinship between patent law and copyright law”).

b. i4i's reading of Section 282 is also inconsistent with the purpose of that section: to establish that patents are presumed valid and that the burden of proof always rests on the challenger. *See, e.g., AmHoist*, 725 F.2d at 1359 (noting that Section 282 was “for the benefit of those cynical judges who [said] the presumption [was] the other way around”

(quoting Giles S. Rich, Address to the New York Patent Law Association (Nov. 6, 1952))).

In the decade before Section 282 was enacted, skepticism of the Patent Office caused courts to question whether *any* presumption of validity was warranted. *See, e.g., Fischer v. Karl*, 6 F.R.D. 268, 269 (E.D.N.Y. 1946) (noting that the “presumption of validity of a patent has been greatly reduced almost to the point where the presumption is the other way”). For these courts, the low quality of issued patents “illustrate[d] the reason for the judicial weakening of the presumption of invention formerly extended by virtue of the administrative grant from the patent offices.” *Baker & Co. v. Fischer*, 52 F. Supp. 910, 911 (D.N.J. 1943); *cf. Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 156-57 (1950) (Douglas, J., concurring) (noting the “pressure to extend monopoly to the simplest of devices”).

As these courts concluded, “[i]t may now well be said that no presumption whatever arises from the grant of patent.” *Ginsberg v. Ry. Express Agency, Inc.*, 72 F. Supp. 43, 44 (S.D.N.Y. 1947). “[T]he impact upon the presumption of many late decisions,” one court noted, effectively made it as “attenuated” as “the shadow of a wraith, incapable of sustaining anything more substantial than the memory of earlier social and economic concepts.” *Philip A. Hunt Co. v. Mallinckrodt Chem. Works*, 72 F. Supp. 865, 869 (E.D.N.Y. 1947), *aff’d*, 177 F.2d 583 (2d Cir. 1949) (L. Hand, J.).

Indeed, several courts had “require[d] the *patentee* to prove the validity of his patent by a preponderance of the evidence.” H.F. Hamann, Note, *The New Patent Act and the Presumption of Validity*, 21

Geo. Wash. L. Rev. 575, 578 (1953). In *Myers v. Beall Pipe & Tank Corp.*, for instance, the court expressly placed the burden “upon the patentee to establish validity.” 90 F. Supp. 265, 268 (D. Or. 1948) (Fee, J.), *aff’d sub nom. Fruehauf Trailer Co. v. Myers*, 181 F.2d 1008 (9th Cir. 1950). Other courts applied the same rule. See *Hueter v. Sears, Roebuck & Co.*, 91 U.S.P.Q. 238, 241 (N.D. Ohio 1951); *United States v. Patterson*, 205 F. 292, 298 (S.D. Ohio 1913).

Against this judicial backdrop, the purpose of Section 282 is evident: The statute simply confirms that the PTO’s decision to issue a patent gives rise to a rebuttable presumption of validity, and that the burden of establishing invalidity rests on the challenger rather than the patentee. This congressional purpose is accomplished by recognizing the presumptive validity of patents and holding challengers to their burden of proof—without any need for imposing an extra-statutory increase in the magnitude of that burden.

## **2. This Court’s Precedents Did Not Impose A Heightened Standard For Proving Invalidity In All Cases.**

i4i is mistaken that this Court had “repeatedly held” that the presumption of validity “imposes a heightened burden on parties seeking to prove invalidity in litigation.” Opp. 8. In fact, this Court’s pre-1952 decisions recognized only limited categories of cases, such as those involving oral testimony of prior invention, in which a heightened standard could be appropriate.

a. The vast majority of decisions cited by i4i (Opp. 9) addressed assertions of invalidity based on “oral testimony tending to show prior invention as

against existing letters patent.” *T.H. Symington Co. v. Nat’l Malleable Castings Co.*, 250 U.S. 383, 386 (1919). Far from supporting a heightened standard of proof for invalidity defenses, they instead applied a judge-made rule concerning the perceived unreliability of certain oral testimony. See, e.g., *The Barbed Wire Patent*, 143 U.S. 275, 284 (1892) (noting that, “[i]n view of the unsatisfactory character of [oral] testimony,” courts “have required that the proof shall be clear, satisfactory and beyond a reasonable doubt”).

As *The Barbed Wire Patent* explained, “[t]his doctrine” for oral testimony “was laid down” by the Court in *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120, 124 (1874), and “was subsequently cited with approval” in *Cantrell v. Wallick*, 117 U.S. 689, 696 (1886). 143 U.S. at 285. Following *The Barbed Wire Patent*, only a handful of cases invoked the doctrine—each time emphasizing “[t]he temptation to remember” and “the ease with which honest witnesses can convince themselves after many years of having had a conception at the basis of a valuable patent.” *Eibel Process Co. v. Minn. & Ont. Paper Co.*, 261 U.S. 45, 60 (1923); see also *Adamson v. Gilliland*, 242 U.S. 350, 353 (1917) (noting that the reasons for this “practical rule” are “stated in the case of *The Barbed Wire Patent*”).

Although i4i claims that “this Court *has* applied the heightened burden” even “where the evidence was partly documentary,” Opp. 10, the sole case it cites—*Smith v. Hall*, 301 U.S. 216 (1937)—turned on the reliability of oral testimony of prior inventorship. The defendants in *Smith* challenged a patented method as anticipated by two earlier inventions. *Id.* at 221. This Court noted that “[t]his oral testimony” offered by the defendants, “if taken at its face value,”

would establish anticipation. *Id.* at 222. “But without corroboration,” the Court emphasized, “it is insufficient to establish prior use.” *Ibid.* (citing, e.g., *The Barbed Wire Patent*). Finding that the documentary evidence “afford[ed] convincing corroboration of the oral testimony,” *id.* at 226, the Court concluded that the defendants had satisfied their “heavy burden of persuasion,” *id.* at 233; *see also id.* at 221, 228 (“abundantly corroborated”); *id.* at 228 (other witnesses “corroborate the testimony”); *id.* at 230 (testimony is “corroborated”); *id.* at 232 (“sufficiently corroborated”).

As *Smith* foreshadows, the heightened standard of proof announced in *The Barbed Wire Patent* has been supplanted in modern patent law by the requirement that “[c]orroboration is required of any witness whose testimony alone is asserted to invalidate a patent.” *TypeRight Keyboard Corp. v. Microsoft Corp.*, 374 F.3d 1151, 1159 (Fed. Cir. 2004). In this respect, the Court’s early cases “bear little relationship to modern lawsuits.” *Huddleston*, 459 U.S. at 388 n.27 (rejecting, as irrelevant to the standard of proof under the securities laws, older cases “impos[ing] a more demanding standard of proof” because of “[c]oncern[s] that claims would be fabricated”).

Moreover, the concerns about oral testimony motivating this line of cases are not implicated by Microsoft’s invalidity defense. There was no dispute that the prior-art S4 system had been sold more than a year before i4i’s patent application was filed, and Microsoft introduced considerable documentary evidence—including a letter from one of the ’449 Patent’s named inventors—that S4 practiced i4i’s invention. *See supra* at 4-5. The oral testimony contra-

dicting the documentary evidence was presented by the *inventors*—not Microsoft.

b. In a separate line of cases, this Court applied a heightened standard of proof to invalidity challenges based on priority of invention where the priority issue had previously been litigated in an *inter partes* proceeding before the PTO. In *Morgan v. Daniels*, for instance, this Court held that, “where the question decided in the Patent Office is one between contesting parties as to priority of invention,” that decision is “controlling” unless “the contrary is established by testimony which in character and amount carries thorough conviction.” 153 U.S. 120, 125 (1894). Although this rule was originally applied to “any subsequent suit between the same parties” to the earlier proceeding, *ibid.*, this Court subsequently expanded its application, at least to some extent, to third parties. See *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 9 (1934) (“RCA”).

In *RCA*, “rival claimants to [an] invention”—Armstrong and De Forest—contested priority of invention in an *inter partes* proceeding before the Patent Office. 293 U.S. at 2-3. The ultimate outcome of the proceeding, as well as three lawsuits on the same issue, was that De Forest had priority of invention. *Id.* at 4-6. De Forest assigned his patents to RCA, which sued Radio Engineering Laboratories (“REL”)—a company “all[ied]” with Armstrong, “who [was] paying its expenses.” *Id.* at 6. REL attempted to relitigate priority based on a “repetition, word for word, of the evidence in the earlier suits.” *Ibid.*

Although this Court declined to hold REL directly bound by the earlier judgments, it stated 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. <sup>i4i</sup> reads this passage as “impos[ing] a heightened burden on parties seeking to prove invalidity,” Opp. 8, but there is no indication that the Court’s opaque references to a “heavy burden” and “dubious preponderance” were intended to specify a particular standard of proof to govern all invalidity issues; to the contrary, the Court acknowledged that its earlier cases “were not defining a standard in terms of scientific accuracy or literal precision, but were offering counsel and suggestion to guide the course of judgment,” 293 U.S. at 8.

The Court emphasized that “a stranger to a patent suit does not avoid altogether the consequences of a judgment rendered in his absence by establishing his privilege under the doctrine of *res judicata* to try the issues over again.” 293 U.S. at 8. Instead, if there is “substantial identity of evidence,” the “principle of adherence to precedent will bring him out at the end where he would be if he had been barred at the beginning.” *Ibid.* Thus, the Court was concerned not with the standard of proof in the abstract, but instead with the ability of non-parties to relitigate priority issues based on the same evidence that had already been fully litigated. *See, e.g., Universal Inc. v. Kay Mfg. Corp.*, 301 F.2d 140, 148 (4th Cir. 1962) (distinguishing *RCA* as a “cas[e] in which priority of discovery of the same invention was the issue rather than invalidity by reason of relevant disclosures of the prior art”); *see also* Daniel, *supra*, at 398 (noting that the Court’s analysis “applied only to inventorship issues”).

*Morgan* and *RCA* thus appear to have been based on two underlying factors that, in combination, were viewed by the Court as warranting a height-



ened standard. *First*, the question at issue had been decided in an adversarial, rather than an *ex parte*, proceeding before the PTO. *Second*, the subsequent validity challenge was based on the same evidence that the PTO previously considered. Not only had the PTO analyzed the relevant prior art, it also had considered (and rejected) the arguments of the party opposing issuance of the patent. These cases could not possibly support a heightened standard of proof where—as in this case—the validity issue and evidence were not addressed in an adversarial proceeding before the PTO.

c. Though hardly the “h[o]ld[ing]” it*i* supposes, Opp. 8, one possibly could read *RCA*’s isolated references to a “heavy burden” and “dubious preponderance” as suggesting, in *dictum*, some sort of generally heightened standard of proof; another case decided a few years later contains similar *dicta*. See *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937). But the issue is not whether *RCA could* be read as announcing a heightened standard applicable to all invalidity assertions; it is instead whether it *was* understood that way in 1952 when Congress enacted Section 282. The contemporaneous record reveals it was not.

As an initial matter, this Court did not regard *RCA* as adopting a heightened standard of proof applicable to patent validity challenges in general. To the contrary, the Court routinely addressed validity issues—including disputed factual issues—without any suggestion of a heightened standard. See, e.g., Hamann, *supra*, at 580 (this Court’s opinions since 1937 “have not affirmatively attributed any weight to the presumption arising from the grant of a patent”).

In *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*, for instance, the Court held several patent claims valid and others invalid, based on its analysis of various factual disputes, without any indication that a heightened standard of proof factored into its analysis. 336 U.S. 271, 276 (1949); *id.* at 276-78 (finding some claims invalid based on trial court’s resolution of hotly contested factual issue). Similarly, in *Marconi Wireless Telegraph Co. of America v. United States*, the Court held a patent invalid for anticipation after engaging in a “careful study of the merits of [the parties’] respective contentions and proofs.” 320 U.S. 1, 38 (1943). The Court nowhere suggested, however, that its “careful study” was constrained by a heightened standard of proof.<sup>2</sup>

In keeping with this Court’s approach during the relevant time period, the regional circuits routinely rejected the notion that a heightened standard of proof governed all invalidity challenges. In *Western Auto Supply Co. v. American-National Co.*, the Sixth Circuit discussed *RCA* (along with nearly every other case cited by *i4i* to support a heightened standard) as follows:

The doctrine of these cases has been generally applied when it has been sought to prove

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<sup>2</sup> Between 1938 and 1952, this Court decided dozens of cases addressing patent validity, usually finding the patent claims at issue invalid. See, e.g., *Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471 (1944) (lack of invention); *Muncie Gear Works, Inc. v. Outboard, Marine & Mfg. Co.*, 315 U.S. 759 (1942) (prior use); *Standard Brands, Inc. v. Nat’l Grain Yeast Corp.*, 308 U.S. 34 (1939) (lack of invention and indefiniteness); *Lincoln Eng’g Co. v. Stewart-Warner Corp.*, 303 U.S. 545 (1938) (indefiniteness). None of these cases mentioned a heightened standard of proof.

anticipation by oral testimony. . . . But when proof of anticipation consists of drawings and claims of actual patents and admittedly prior publications, invalidity may be confidently determined despite the fact that letters patent have been issued.

114 F.2d 711, 713 (6th Cir. 1940) (citations omitted).

i4i's reading of *RCA* is likewise inconsistent with the numerous cases recognizing, shortly before enactment of Section 282, that the presumption of validity had, as a practical matter, ceased to have any effect. *See, e.g., Jacuzzi Bros., Inc. v. Berkeley Pump Co.*, 191 F.2d 632, 634-35 (9th Cir. 1951) ("The presumption of validity of administrative grant has been in recent years almost reduced to nullity in patent cases."); *see also supra* at 24-25 (collecting cases).

In short, there is no basis for concluding that the federal courts in 1952 consistently subjected claims of patent invalidity to a heightened standard of proof, let alone that Congress endorsed the non-existent judicial consensus. *See Burdick v. Perrine*, 91 F.2d 203, 207 (8th Cir. 1937) ("[t]he cases are not in entire accord"). i4i's assertion of a settled judicial practice with respect to the standard of proof applicable to invalidity challenges is "too flimsy to justify presuming that Congress endorsed it when the text and structure of the statute are to the contrary." *Jama v. Immigration & Customs Enforcement*, 543 U.S. 335, 352 (2005).

### **3. A Heightened Standard Of Proof Is Particularly Inappropriate Where The PTO Did Not Consider Relevant Prior Art.**

Even if Section 282 somehow could be read as codifying a heightened standard of proof in *some* cases, there is no support for i4i's assumption that a heightened standard would apply even where, as here, the PTO never considered the relevant prior art. To the contrary, the overwhelming majority of the courts of appeals had recognized before 1952 that "[t]he issuance of a patent creates no presumption of validity sufficient to overcome a pertinent prior art reference which has not been considered in the patent office." *O'Leary v. Liggett Drug Co.*, 150 F.2d 656, 664 (6th Cir. 1945). Nor did these courts understand the Patent Act of 1952 to have altered this rule; to the contrary, between 1952 and 1982, *all* of the regional courts of appeals rejected application of a heightened standard of proof in these circumstances. Thus, even assuming *arguendo* that Congress codified a heightened standard at all, that standard could conceivably apply only to patentability issues that—unlike the one at issue here—the PTO actually considered and resolved on the record in a reasoned decision.

a. As early as 1904, the Third Circuit emphasized that "the force of th[e] presumption is much diminished, if not destroyed, by the lack of any reference by the Examiner to, or consideration of, [allegedly invalidating] patents." *Am. Soda Fountain Co. v. Sample*, 130 F. 145, 149 (3d Cir. 1904). And numerous other decisions—both before and after *RCA*—similarly recognized that "there can be no presumption of validity over . . . prior art which the

Examiner did not note.” *Nordell v. Int’l Filter Co.*, 119 F.2d 948, 950 (7th Cir. 1941); *see also Nat’l Elec. Prods. Corp. v. Grossman*, 70 F.2d 257, 258 (2d Cir. 1934) (“presumption of validity does not extend beyond the record before the Examiner”).

Indeed, just one year before Congress enacted Section 282, the Ninth Circuit held that “[e]ven one prior art reference, which has not been considered by the Patent Office, may overthrow the presumption of validity.” *Jacuzzi Bros.*, 191 F.2d at 634. “[W]hen the most pertinent art has not been brought to the attention of the administrative body,” the court reasoned, “the presumption is largely dissipated.” *Ibid.*

By 1952, eight of the ten circuits had recognized that the presumption of validity was, at a minimum, “weakened” when the PTO did not consider relevant prior art. *See, e.g., H. Schindler & Co. v. C. Saladino & Sons, Inc.*, 81 F.2d 649, 651 (1st Cir. 1936); *Gillette Safety Razor Co. v. Cliff Weil Cigar Co.*, 107 F.2d 105, 107 (4th Cir. 1939); *Butler Mfg. Co. v. Enter. Cleaning Co.*, 81 F.2d 711, 716 (8th Cir. 1936); *see also supra* at 33-34 (collecting cases).

b. The pre-1952 caselaw from the courts of appeals forecloses any suggestion that Congress codified a then-existing heightened standard of proof applicable where the PTO never considered the prior art at issue. And tellingly, after 1952, none of the circuits understood Congress to have done so.

After the Patent Act of 1952, two circuits have categorically rejected the clear-and-convincing-evidence standard. The Sixth Circuit holds that “a preponderance of evidence is sufficient to establish invalidity” in the “usual” patent case. *Dickstein v. Seventy Corp.*, 522 F.2d 1294, 1297 (6th Cir. 1975). The Second Circuit had previously reached the same

conclusion. *Rains v. Niaqua, Inc.*, 406 F.2d 275, 278 (2d Cir. 1969) (“a preponderance of the evidence determines the issue”).

The remaining circuits agree with this preponderance standard at least where, as here, the prior art evidence was never considered by the examiner. In *Manufacturing Research Corp. v. Graybar Electric Co.*, for instance, the Eleventh Circuit held that the district court “erred in instructing the jury to apply a clear and convincing evidence standard to the defense of invalidity” in those circumstances. 679 F.2d 1355, 1364 (11th Cir. 1982). “[W]hen pertinent prior art was not considered by the Patent Office,” the court explained, the defendant “need only introduce a preponderance of the evidence to invalidate a patent.” *Id.* at 1360-61.

Presented with the converse situation—a patent holder arguing that the district court erred in instructing the jury that it could find invalidity by a preponderance of the evidence—the First Circuit affirmed the preponderance instruction. See *Futorian Mfg. Corp. v. Dual Mfg. & Eng’g, Inc.*, 528 F.2d 941, 943 (1st Cir. 1976). The First Circuit explained that, “to the extent patent office attention has not been directed to relevant instances of prior art the presumption of validity arising from the issuance of a patent is eroded.” *Ibid.* “[I]t follows that while [the] burden still remain[s] on the challenger, it would, as a practical matter, be less than the burden embodied in the ‘clear and convincing’ standard.” *Ibid.*

The remaining circuits are substantially in accord, holding that when the evidence of invalidity adduced by the challenger has not been considered by the PTO, the statutory presumption is weakened or destroyed. See, e.g., *Turzillo v. P & Z Mergentime*,

532 F.2d 1393, 1399 (D.C. Cir. 1976) (“does not apply”); *Henry Mfg. Co. v. Commercial Filters Corp.*, 489 F.2d 1008, 1013 (7th Cir. 1972) (“does not exist”); *Plastic Container Corp. v. Cont’l Plastics of Okla., Inc.*, 708 F.2d 1554, 1558 (10th Cir. 1983) (“vanishes”); *Ralston Purina Co. v. Gen. Foods Corp.*, 442 F.2d 389, 390 (8th Cir. 1971) (per curiam) (“weakened, if not completely destroyed”); *Marston v. J.C. Penney Co.*, 353 F.2d 976, 982 (4th Cir. 1965) (“weakened or destroyed”); *Baumstimler v. Rankin*, 677 F.2d 1061, 1066 (5th Cir. 1982) (“weakened”); *U.S. Expansion Bolt Co. v. Jordan Indus., Inc.*, 488 F.2d 566, 569 (3d Cir. 1973) (“weakened”); *Jaybee Mfg. Corp. v. Ajax Hardware Mfg. Corp.*, 287 F.2d 228, 229 (9th Cir. 1961) (per curiam) (“largely dissipated”).

\* \* \*

These pre- and post-1952 cases are consistent with this Court’s recognition that “the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” where the prior art was not considered by the PTO. *KSR*, 550 U.S. at 426. They flatly contradict, however, i4i’s argument that Congress implicitly codified a supposedly well-established, court-made rule mandating a uniformly heightened standard of proof applicable even where, as here, the relevant prior art was not before the PTO.

**C. CONGRESS HAS NOT IMPLICITLY  
RATIFIED THE FEDERAL CIRCUIT’S  
DEPARTURE FROM REGIONAL CIRCUIT  
PRECEDENT.**

Finally, i4i argues that Congress has implicitly ratified the Federal Circuit’s clear-and-convincing-

evidence standard by “not act[ing] to change th[at] interpretation” despite amending Section 282 in other respects. Opp. 13. According to i4i, whatever Congress’s intention when it enacted Section 282, reliance interests that supposedly have accrued since the Federal Circuit construed the statute to require a heightened standard of proof in all cases now preclude this Court from reviewing that construction in any case. *Id.* at 16-17. i4i is mistaken.

1. The Federal Circuit has applied a heightened standard of proof to patent validity challenges since shortly after its creation, *see, e.g., Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983); *z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354-55 (Fed. Cir. 2007). But while i4i claims that “prolonged congressional inaction” constitutes acquiescence in the Federal Circuit’s rule, Opp. 13, this Court “do[es] not expect Congress to make an affirmative move every time a lower court indulges in an erroneous interpretation.” *Jones v. Liberty Glass Co.*, 332 U.S. 524, 534 (1947); *see also Patterson v. McLean Credit Union*, 491 U.S. 164, 175 n.1 (1989) (“Congressional inaction cannot amend a duly enacted statute.”).

Instead, because “[n]onaction by Congress is not often a useful guide,” *Bob Jones Univ. v. United States*, 461 U.S. 574, 600 (1983), this Court has insisted on “overwhelming evidence of acquiescence,” *Solid Waste Agency of N. Cook Cnty. v. Army Corps of Eng’rs*, 531 U.S. 159, 170 n.5 (2001). In this case, there is no evidence (much less “overwhelming” evidence) that Congress was aware of (never mind “acquiesce[d]” in) the Federal Circuit’s heightened standard.



i4i claims that “Congress has . . . been made aware of criticisms of the clear-and-convincing standard” because two individuals testifying before congressional subcommittees supported a lower standard for proving patent invalidity. Opp. 15. This Court has declined, however, to “presume general congressional awareness” based “only upon a few isolated statements” in “thousands of pages of legislative documents.” *SEC v. Sloan*, 436 U.S. 103, 121 (1978). Moreover, neither hearing focused on the standard of proof for invalidity defenses, let alone any particular proposal for modifying that standard; instead, they addressed reform of the patent system more generally. *See* Opp. 15.

i4i also attaches significance to several minor amendments to Section 282 over the last 25 years. Opp. 15. These amendments are irrelevant, however, because they were “addressed principally to matters other than that at issue here,” *Aaron v. SEC*, 446 U.S. 680, 694 n.11 (1980). Indeed, none of the provisions cited by i4i addressed the appropriate standard of proof for patent invalidity. In fact, these amendments pre-dated the subcommittee hearings on which i4i relies by a decade or more; they were, instead, focused exclusively on unrelated changes to the patent laws. They provide no support for i4i’s claim that Congress implicitly endorsed the Federal Circuit’s heightened standard.

2. If Congress acquiesced in anything, it was the uniform view of the regional circuits. For the first 30 years of the 1952 Patent Act’s operation, the regional circuits consistently understood Section 282 as not requiring a heightened standard, at least where the relevant evidence was not before the PTO. *See supra* at 34-36. Congress amended Section 282 in both 1965 and 1975, yet it did “not ac[t] to change the in-

terpretation” (Opp. 13) consistently applied by the courts of appeals. Indeed, the 1965 amendment actually reenacted the first sentence of Section 282, while extending the presumption of validity to dependent claims. *See* Pub. L. No. 89-83, § 10, 79 Stat. 259, 261 (1965). Under i4i’s congressional ratification theory, that amendment conclusively established that a heightened standard of proof is inapplicable where the PTO did not consider the relevant prior art.

Moreover, the evidence that Congress was *actually* aware of the regional circuits’ unanimous view is far stronger than the evidence mustered by i4i. As part of an official study conducted pursuant to a Senate resolution, an attorney from the Patent Office explained that the “burden of proof . . . is reduced” to a “preponderance of the evidence” when “the patents and/or publications adduced in court present a significantly stronger case of lack of patentable invention than do the patents and/or publications cited by the Patent Office.” George C. Roeming, *Court Decisions as Guides to Patent Office Policy and Performance: A Current Viewpoint from Within the Patent Office* 5-6, Patent Study No. 25 of the Subcomm. on Patents, Trademarks, & Copyrights (1960). If Congress endorsed that interpretation of Section 282 by amending the statute in 1965—or, for that matter, 1975—there is no room to apply a legislative-acquiescence argument to later statutory amendments that did not affect the relevant statutory language.

3. i4i also contends that this Court should decline to overturn the Federal Circuit’s longstanding rule because it supposedly has conferred a “settled expectatio[n],” alterable only by Congress, that patent owners will remain “protected from invalidation

of their patents.” Opp. 17. It is difficult to imagine how patent owners could develop a “settled expectatio[n]” regarding a procedural rule like the clear-and-convincing-evidence standard, particularly when, as *i4i* itself notes (at 19-20), the PTO does not apply any heightened standard of proof in reexamination proceedings. See, e.g., *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (en banc).

In any event, this Court has not hesitated to overturn long-standing Federal Circuit law that unduly tilts the playing field in favor of asserted patent rights. In *KSR*, for instance, the respondent warned that any “change in settled [Federal Circuit] doctrine” would be “exceptionally disruptive” because “[l]iterally millions of patents have been issued in reliance on the [‘teaching, suggestion, or motivation’] test.” Br. for Resp., No. 04-1350, at 14-15. But this Court nonetheless unanimously “reject[ed] the rigid approach of the Court of Appeals.” 550 U.S. at 415; see also, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (unanimously reversing the Federal Circuit’s long-settled rule that a prevailing patentee is presumptively entitled to an injunction).

In these and other cases, this Court has recognized that a lower court’s error does not become in-violate simply because it has been long continued. The same is true here.

## **II. A HEIGHTENED STANDARD FOR PROVING PATENT INVALIDITY IS NOT JUSTIFIED BY PRINCIPLES OF AGENCY DEFERENCE.**

Because Section 282 cannot properly be read as imposing a heightened standard for proving patent invalidity, any conceivable justification for such a standard would have to be drawn from principles of administrative law. To the extent administrative

law can be applied at all in a private patent infringement action, it is clear that the PTO's decision to grant a patent does not warrant heightened deference approaching that embodied in the clear-and-convincing-evidence standard.

It would be particularly inappropriate to defer to the PTO's decision to issue a patent where the PTO never made a reasoned decision concerning the relevant prior-art evidence. The PTO's expertise is irrelevant in such cases because that expertise has not been applied to the issue at hand. Thus, even if patent validity issues were sometimes subject to a heightened standard of proof, that standard could not apply here.

**A. THE PTO'S DECISION TO ISSUE A PATENT DOES NOT WARRANT A HEIGHTENED STANDARD OF PROOF.**

According to the Federal Circuit, the PTO's decisions regarding patentability are entitled to deference based on the "basic proposition that a government agency" is "presumed to do its job." *AmHoist*, 725 F.2d at 1359. This proposition is fully embodied in the statutory presumption of validity and imposition of the burden of proof on the challenger; the issue is whether deference to the PTO *also* warrants imposition of a heightened standard of proof. Under settled principles of administrative law, it does not.

**1. The APA's Standards Of Review Do Not Apply To Validity Issues Raised In Infringement Suits.**

In *Dickinson v. Zurko*, this Court held that the APA provided the relevant standard of review for patent denials appealed from the PTO's Board of Patent Appeals and Interferences ("BPAI") to the

Federal Circuit. 527 U.S. 150, 152 (1999). But the APA’s review standards do not apply when validity issues arise in patent infringement suits. Instead, the relevant—and only—provision governing deference in this context is Section 282 itself.

The APA was “designated as an Act ‘To permit review,’” and that “reviewing function is one ordinarily limited to consideration of the decision of the agency . . . and of the evidence on which it was based.” *United States v. Carlo Bianchi & Co.*, 373 U.S. 709, 714-15 (1963). Consistent with that congressional design, the APA prescribes a series of review standards to guide the “reviewing court” in deciding whether to “hold unlawful and set aside agency action, findings, [or] conclusions.” 5 U.S.C. § 706. “The task of the reviewing court,” therefore, is “to apply the appropriate APA standard of review to the agency decision based on the record the agency presents to the reviewing court.” *Fla. Power & Light Co. v. Lorion*, 470 U.S. 729, 743-44 (1985) (citation omitted); *see also Camp v. Pitts*, 411 U.S. 138, 142 (1973) (per curiam) (“the focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court”).

These concepts—“reviewing court,” “administrative record already in existence,” and so forth—make little sense in the context of a civil action for patent infringement. An assertion of patent invalidity is a defense to a claim of patent infringement, *see* 35 U.S.C. § 282(2), not a method for seeking review of agency action. The PTO itself is not a party to the litigation, there is no requirement that the factfinder base its decision *exclusively* on the record before the agency, and juries find the relevant facts.

There is, accordingly, a mismatch between review of agency action governed by the APA, on the one hand, and patent infringement suits, on the other. Accordingly, as the Federal Circuit has recognized, “[t]he Administrative Procedure Act standard of review adopted in *Zurko* . . . has no application” in patent infringement suits. *Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320, 1329 (Fed. Cir. 2000).

That conclusion is consistent with analogous decisions in other areas—most notably, copyright and trademark. There, the defendant may overcome the presumption of validity by a preponderance of the evidence, without satisfying any of the APA’s review standards. *See supra* at 23 (collecting cases). As Judge Silberman has explained in the copyright context, the fact that the Register of Copyrights adopted a particular position “does not mean that the judiciary would be obliged to afford deference to that position in an infringement action.” *Atari Games Corp. v. Oman*, 888 F.2d 878, 887 (D.C. Cir. 1989) (Silberman, J., concurring in judgment), *cited with approval in OddzOn Prods. v. Oman*, 924 F.2d 346, 348 (D.C. Cir. 1991) (Ruth Bader Ginsburg, J.). That is so, he explained, because an infringement action “is *not* a direct review of agency action governed by the Administrative Procedure Act.” *Ibid.*

This does not mean, of course, that the PTO’s decisions are entitled to *no* deference in infringement actions. Rather, it means only that “deference . . . takes the form of the presumption of validity that is accorded to issued patents under 35 U.S.C. § 282.” *Purdue Pharma*, 230 F.3d at 1329.

## **2. Even If The APA's Standards Of Review Applied, De Novo Review Would Be Warranted.**

The APA provides that reviewing courts shall “hold unlawful and set aside agency action, findings, and conclusions found” to be “unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.” 5 U.S.C. § 706(2)(F). This provision would require validity issues raised in infringement actions to be resolved without deference.

a. In a civil suit for patent infringement, the district court develops a new record regarding patent validity, and any factual disputes bearing on invalidity are resolved by the factfinder on that record. Indeed, Section 282 explicitly contemplates the introduction of new invalidity evidence, requiring defendants to provide notice of particular witnesses and categories of evidence. 35 U.S.C. § 282. And the defendant has a Seventh Amendment “right to a jury trial on issues of patent validity.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985); see also *Swofford v. B&W, Inc.*, 336 F.2d 406, 411 (5th Cir. 1964) (same).

This approach to resolution of factual questions is fundamentally inconsistent with either form of deferential judicial review of agency factfinding under the APA. “Substantial evidence” review under Section 706(2)(E) must be conducted “within the record of closed-record proceedings to which it exclusively applies.” *Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.) (emphasis omitted). Likewise, “even informal agency action” governed by the arbitrary or capricious standard in Section 706(2)(A)

“must be reviewed only on the basis of ‘the administrative record already in existence.’” *Ass’n of Data Processing Serv. Orgs.*, 745 F.2d at 684 (quoting *Pitts*, 411 U.S. at 142). And where agency action is arbitrary or capricious, the “proper course” is to “re-mand to the Agency for clarification of its reasons.” *Nat’l Ass’n of Home Builders v. Defenders of Wildlife*, 551 U.S. 644, 657 (2007).

Because patent infringement suits are not—and cannot be—litigated on the record before the PTO or remanded to that agency, the only APA standard of review that could even *conceivably* apply is *de novo* review under Section 706(2)(F). *Cf. Chandler v. Roudebush*, 425 U.S. 840, 861-62 & n.37 (1976) (holding that statute authorizing public employees to bring a “civil action” following an adverse agency determination authorized “trial *de novo*”).

b. Moreover, *Citizens to Preserve Overton Park v. Volpe* explained that “trial de novo” under Section 706(2)(F) is “authorized when the [agency] action is adjudicatory in nature and the agency factfinding procedures are inadequate.” 401 U.S. 402, 415 (1971); *see also Pitts*, 411 U.S. at 142 (same). Assuming that the PTO’s determination regarding patentability constitutes “agency action” under the APA, then it likewise qualifies as an “adjudication”—that is, an “agency process for the formulation of an order.” 5 U.S.C. § 551(7); *see also id.* § 551(6) (defining “order” as “the whole or a part of a final disposition . . . of an agency in a matter other than rule making”). Because of significant legal and practical constraints, however, the procedures used by the PTO in



deciding to issue a patent are “inadequate” to warrant deferential review.<sup>3</sup>

i. “Logic would dictate that when an applicant seeks a grant of property from the government the applicant bears the burden of establishing entitlement to that grant.” *In re Epstein*, 32 F.3d 1559, 1570 (Fed. Cir. 1994) (Plager, J., concurring) (footnote omitted). That is, indeed, the usual rule. See *Cheeseman v. Office of Personnel Mgmt.*, 791 F.2d 138, 141 (Fed. Cir. 1986). In the patent context, however, the Federal Circuit shifts the burden to the examiner to “presen[t] a *prima facie* case of unpatentability.” *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). “If examination at the initial stage does not produce a *prima facie* case of unpatentability,” the Federal Circuit has held, “then *without more* the applicant is entitled to grant of the patent.” *Ibid.* (emphasis added).

Yet even though examiners have the burden of establishing unpatentability, they generally cannot consider the full range of issues that bear on that determination. For instance, the PTO will consider on-sale-bar issues—such as the one raised in this litigation—only if the applicant “make[s] an admission” or “submit[s] evidence of sale of the invention . . . by others,” or if the examiner happens to have “personal

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<sup>3</sup> The PTO’s procedures with respect to patent *denials*—at issue in *Zurko*—are quite different. Only a disappointed applicant “may appeal from the decision of the primary examiner to the [BPAI].” 35 U.S.C. § 134(a). If unsuccessful before the BPAI, the applicant may (among other things) appeal to the Federal Circuit, *see id.* § 141. These layers of appellate scrutiny—available only when a patent is denied—are in addition to the many institutional factors, discussed below, that overwhelmingly favor patent grants rather than denials.

knowledge that the invention was sold by applicant.” Manual of Patent Examining Procedure (“MPEP”) § 706.02(c). The same is true regarding evidence of public use. *Ibid.*; see also, e.g., FTC Report, *supra*, Executive Summary at 8 (discussing a “plethora of presumptions” that “tip the scales in favor of the ultimate issuance of the patent”).

At the same time, the bar for submitting a patent application is exceedingly low. Although the Patent Act requires an “oath by the applicant,” 35 U.S.C. § 111(a)(2)(C), that “oath” requires only that the applicant “believ[e] himself to be the original and first inventor” of the invention “for which he solicits a patent,” *id.* § 115. Thus, in combination with the PTO’s burden-shifting approach, an applicant is presumed to be entitled to a patent if he “believes himself” to be.

The PTO’s approach to these issues may well be justifiable given the many limitations (discussed *infra*) on its ability to develop and consider a complete factual record. But, as the courts of appeals have recognized, a reduced level of deference is warranted when an agency’s process “displays an institutional or policy bias” in favor of particular results—even where, unlike here, the agency process is not structurally biased to favor those results. See *NLRB v. St. Mary’s Home, Inc.*, 690 F.2d 1062, 1067 (4th Cir. 1982); see also, e.g., *Spontonbush/Red Star Cos. v. NLRB*, 106 F.3d 484, 492 (2d Cir. 1997) (noting that “biased” treatment of cases “reduce[s] the deference that would otherwise be accorded” to the agency’s determination). That same reasoning requires *de novo* review under the APA for the PTO’s patentability determinations.

ii. The PTO's factfinding procedures are also inadequate because "parties interested in proving patent invalidity" have no meaningful opportunity to be heard during the *ex parte* examination process. *Lear*, 395 U.S. at 670.

The Patent Act provides that "applications for patents shall be kept in confidence by the Patent and Trademark Office" and, subject only to limited exceptions, prohibits disclosure of "information concerning the same." 35 U.S.C. § 122(a). Until 2000—and, in particular, when i4i's patent was issued in 1998—applications were held in confidence until the patent was issued. *See id.* § 122 (1999). Congress has since provided that patent applications generally must be published 18 months after the application date. *Id.* § 122(b). But that amendment *also* required the PTO to "ensure that no protest or other form of pre-issuance opposition to the grant of a patent" may commence after publication without the applicant's "express written consent." *Id.* § 122(c); *see* MPEP § 1134.

The combination of statutorily required pre-publication confidentiality and statutorily prohibited post-publication opposition virtually ensures that adversely affected third parties have no opportunity to contest patentability before issuance of a patent. As the courts of appeals have recognized, where those affected by an agency decision "ha[ve] no opportunity before the agency to respond," then "trial de novo in the district court would be a possible procedure." *Sec'y of Labor v. Farino*, 490 F.2d 885, 891 (7th Cir. 1973). Because a party cannot be "bound by evidence offered in a proceeding in which it was not heard," a "necessary consequence" of an agency's "unilateral procedure is that the facts on which the [agency] presumably acted should not be given the

preferred position accorded by the substantial-evidence rule.” *First Nat’l Bank of Smithfield v. Saxon*, 352 F.2d 267, 272 (4th Cir. 1965).

iii. The PTO’s inability to “solicit . . . credible outsider opinions” also diminishes the examiner’s ability to obtain reliable information. Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 *Stan. L. Rev.* 45, 46 (2007). This is a necessary feature of any *ex parte* process, but it is compounded by the structure of the patent application system. Although patent applicants have a “duty to disclose to the [PTO] all information *known to that individual* to be material to patentability,” 37 C.F.R. § 1.56(a) (emphasis added), there is “no duty to conduct a prior art search,” *Am-Hoist*, 725 F.2d at 1362; *see also, e.g.*, Alan Devlin, *Revisiting the Presumption of Patent Validity*, 37 *Sw. U. L. Rev.* 323, 325-26 (2008).

Unsurprisingly, few applicants search for prior art; absent a requirement to do so, there is little incentive to expend time and resources to uncover potentially damaging references and provide them to the PTO. USPTO, *Public Hearing on Issues Related to the Identification of Prior Art During the Examination of a Patent Application* 166 (July 14, 1999) (testimony of J. Michael Thesz, AIPLA) (“Are prior art searches typically conducted before filing a patent application with the U.S. PTO? We think not.”), *available at* <http://www.uspto.gov/web/offices/com/hearings/priorart/0714pato.doc>.

At the same time, particular types of prior art are “not readily located by Patent Office examiners.” John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 *U. Ill. L. Rev.* 305, 319. “Identification of a

promising secondary reference,” for instance, is a “difficult tas[k]” because “much of the secondary literature” is, unlike patents, not “readily accessible, conveniently classified, [or] printed in a common format.” *Id.* at 318.

Yet even if the examiner had access to *all* relevant prior art, “[p]atent applications are evaluated early in the life of a claimed technology, and thus at the time of patent review there is typically no publicly available information” from which an examiner could readily determine novelty or nonobviousness. Lichtman & Lemley, *supra*, at 46. Given these and other limitations, it is hardly surprising that, “in the majority of prior-art related cases, no cited art [*i.e.*, prior art cited in the patent application] is relied upon at all.” John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 233 (1998).

iv. Finally, the PTO faces daunting practical challenges in attempting to ensure that only valid patents are granted. *See* Lichtman & Lemley, *supra*, at 46, 54. During fiscal year 2010, the PTO received 509,367 patent applications—an increase of more than 60% from 10 years ago (311,807) and almost 200% from 20 years ago (174,711). *USPTO Performance and Accountability Report—Fiscal Year 2010*, at 126 tbl. 2 (2010), available at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>. The current backlog of patent applications exceeds one million. *Id.* at 127 tbl. 3.

The overwhelming volume of patent applications challenges the examiners’ ability to consider the full range of patentability issues implicated by each application. Indeed, although “the entire process of reading and evaluating an application, searching for

prior art, writing a rejection, responding to an amendment with a second office action, having an interview, and fulfilling various formal requirements” averages three or four years, “the examiner spends an average of only 18 hours over those years working on any given application.” Mark Lemley & Bhaven N. Sampat, *Examiner Characteristics and the Patent Grant Rate* 5-6 (Stanford Law & Econ. Olin Working Paper No. 369, 2009), *available at* [http://www-siepr.stanford.edu/programs/SST\\_Seminars/Examiner\\_Characteristics.pdf](http://www-siepr.stanford.edu/programs/SST_Seminars/Examiner_Characteristics.pdf); *see also, e.g.*, Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. Econ. Persp. 75, 79 (2005) (same).

The PTO can hardly be blamed for the fact that its budget is not remotely adequate to handle the unprecedented surge in patent applications. But the consequence is that the PTO is unable to provide the sort of robust assessment of validity that could warrant anything other than *de novo* review. Instead, the PTO’s examination is, at best, a first pass through some of the evidence—“not sufficiently intense or accurate to warrant deference.” Lichtman & Lemley, *supra*, at 59. Particularly in an era when the PTO’s gatekeepers are stretched too thin, patent litigation—unhampered by distorting standards of proof—is an essential tool for “weeding out . . . those patents that should not have been granted.” FTC Report, *supra*, ch. 5, at 28.

**B. A HEIGHTENED STANDARD OF PROOF  
COULD CONCEIVABLY BE JUSTIFIED  
ONLY WHEN THE PTO EXERCISED ITS  
EXPERTISE.**

If the decision to grant a patent warranted any deference beyond that expressed in Section 282, such deference could be appropriate only where the exam-

iner had “consider[ed] . . . the relevant factors.” *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42 (1983). By contrast, where the examiner has not considered the teachings of relevant prior art, the decision to issue the patent “fail[s] to consider an important aspect of the problem” and therefore cannot be a “judgment” that is entitled to deference. *Id.* at 43.

1. As this Court unanimously concluded in *KSR*, the “presumption . . . that the PTO, in its expertise, has approved the claim . . . seems much diminished” where an invalidity defense rests on evidence that the PTO never considered. 550 U.S. at 426; *see also Baumstimler*, 677 F.2d at 1066 (same). This understanding is consistent with the fundamental principle of administrative law that agency determinations are entitled to deference only to the extent that they have considered “all relevant factors.” *Fla. Power & Light Co.*, 470 U.S. at 744.

Under “boilerplate administrative law,” the PTO is not entitled to deference when it did not consider the relevant evidence regarding patentability: “[A] court cannot defer to agency factfinding if the agency has not even passed on the factual question—the agency has not considered the factual question, so there is nothing for the court to defer to.” Stuart M. Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 *Geo. L.J.* 269, 319 (2007). Thus, as courts have recognized in other contexts, “[t]he more that the district court relies on new evidence,” “the less it should defer to the administrative decision.” *Alex R. v. Forrestville Valley Cmty. Unit Sch. Dist. No. 221*, 375 F.3d 603, 612 (7th Cir. 2004); *see also, e.g., Sch. Dist. of Wis. Dells v. Z.S.*, 295 F.3d 671, 675 (7th Cir. 2002) (“Judicial review is more searching

the greater the amount (weighted by significance) of the evidence that the court has but the agency did not have.”).

As the Federal Circuit itself has acknowledged, “[w]hen an attacker . . . produces prior art or other evidence *not* considered in the PTO,” “there is . . . *no reason to defer* to the PTO so far as *its* effect on validity is concerned.” *AmHoist*, 725 F.2d at 1359. In that circumstance, “the tribunal considering [the new art] is not faced with having to *disagree* with the PTO or with *deferring* to its judgment or with taking its expertise into account.” *Id.* at 1360.

The Federal Circuit has nonetheless insisted that “the production of new prior art or other invalidating evidence not before the PTO” does not “chang[e] the standard of proof.” *AmHoist*, 725 F.2d at 1360. But this reasoning effectively mandates deference to agency determinations of patentability that, by the Federal Circuit’s own admission, cannot warrant deference. Instead, to the extent principles of agency deference ever suggest a heightened standard of proof, that standard could not apply where, as in this case, the PTO has never exercised its expertise in resolving the relevant issue of patentability.

2. The Federal Circuit’s position is also inconsistent with the fact that no remotely analogous area of patent law requires courts to defer to PTO determinations in the face of new information affecting patentability. For instance, as this Court explained in *Zurko*, when a disappointed patent applicant sues in district court under 35 U.S.C. § 145 to review a decision of the BPAI, “[t]he presence of . . . new or different evidence makes a factfinder of the district judge.” 527 U.S. at 164. The administrative decision is not subjected to substantial-evidence or arbitrary-and-



capricious review; the district court is obligated to resolve in the first instance the disputes of fact arising out of the “new or different evidence,” *ibid.*, presumably under a preponderance standard, *see Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985) (“where new evidence is presented to the district court . . . a *de novo* finding will be necessary to take such evidence into account”).

Similarly, when the PTO opens a reexamination of an issued patent “on the basis of new information about pre-existing technology which may have *escaped review at the time of the initial examination*,” the agency does not impose any heightened standard. *Etter*, 756 F.2d at 856 (quoting H.R. Rep. No. 66-1307, at 3-4 (1980)). Indeed, because reexamination proceedings involve “a substantial *new* question of patentability,” the Federal Circuit has held that the presumption of validity does not apply at all (much less a presumption of validity *and* a heightened standard of proof). *Ibid.* (quoting 35 U.S.C. § 305) (emphasis added). There is no basis for deferring to a PTO determination of patentability when the PTO has failed to consider pertinent evidence affecting that determination.

### CONCLUSION

The Federal Circuit’s clear-and-convincing-evidence standard for proving patent invalidity has no basis in the text of Section 282 and is contrary to overwhelming precedent from the regional courts of appeals—both before and after the Patent Act of 1952. It is similarly inconsistent with settled principles of administrative law; especially when the PTO has never considered the teachings of the prior-art evidence on which an invalidity defense rests, there is no factual determination with respect to pat-

entability that could even conceivably warrant deference in the form of a heightened standard of proof. Because the district court therefore erred in instructing the jury to apply a heightened standard, Microsoft is entitled to a new trial.<sup>4</sup>

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<sup>4</sup> Under *Gasoline Products Co. v. Champlin Refining Co.*, a new trial cannot be limited to invalidity because that issue is not “so distinct and independent of the others . . . that it can be separately tried.” 283 U.S. 494, 499 (1931); *cf. Mfg. Research Corp.*, 679 F.2d at 1366 (declining to order a new trial limited to invalidity). The damages verdict, for instance, was closely intertwined with the jury’s decision on validity because the jury was required to consider, in assessing a “reasonable royalty,” “whether or not [the patented invention] is commercially successful” and “[t]he utility and advantages of the patented invention over the old modes or devices,” Transcript of Trial, May 19, 2009, Afternoon Session, D.E. 340, at 159—issues that bear directly on validity. Similarly with respect to willful infringement, the district court’s instructions expressly linked willfulness and invalidity by requiring the jury to consider “[w]hether or not the alleged infringer possessed a reasonable basis to believe that it has a substantial defense to infringement and reasonably believed that the defense would be successful if litigated, including the defense that the patent is invalid.” *Id.* at 136. And because this instruction also linked willful infringement to infringement, *see ibid.*, a new trial on willful infringement would require a new trial on infringement itself.

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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# **APPENDIX**

Section 10(e) of the Administrative Procedure Act, as amended, 5 U.S.C. § 706, provides:

To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those

parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

Section 102 of the Patent Act of 1952, as amended, 35 U.S.C. § 102, provides in relevant part:

A person shall be entitled to a patent unless—

\* \* \*

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .

\* \* \*

Section 281 of the Patent Act of 1952, 35 U.S.C. § 281, provides:

A patentee shall have remedy by civil action for infringement of his patent.

Section 282 of the Patent Act of 1952, as amended, 35 U.S.C. § 282, provides:

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. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a

determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

- (1) Noninfringement, absence of liability for infringement or unenforceability,
- (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
- (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
- (4) Any other fact or act made a defense by this title.

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge

of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 of this title because of the material failure—

- (1) by the applicant for the extension, or
- (2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.