

No. 10-290

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IN THE  
*Supreme Court of the United States*

MICROSOFT CORPORATION,  
*Petitioner,*

v.

I4I LIMITED PARTNERSHIP AND  
INFRASTRUCTURES FOR INFORMATION INC.,  
*Respondents.*

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

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**BRIEF FOR 3M COMPANY, CATERPILLAR INC.,  
JOHNSON & JOHNSON, PROCTER & GAMBLE,  
GENERAL ELECTRIC COMPANY, ELI LILLY AND  
CO., BP, E.I. DU PONT DE NEMOURS AND  
COMPANY, ECOLAB INC., DOLBY LABORATORIES  
BOSTON SCIENTIFIC CORPORATION, AND THE  
VALSPAR CORPORATION  
AS AMICI CURIAE  
IN SUPPORT OF RESPONDENTS**

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## **INTEREST OF *AMICI CURIAE***

*Amici* own significant patent portfolios and, at times, are both plaintiffs and defendants in patent infringement actions. As direct participants in the United States patent system, *amici* are vitally interested in the proper interpretation of 35 U.S.C. § 282 and the protection that the presumption against invalidity affords to patents. *Amici* believe that a consistently applied clear and convincing evidence standard constitutes a key element of this presumption.<sup>1</sup>

3M Company is a diversified technology company with a leading global presence in the health care, industrial, display and graphics, consumer and office, safety, security and protection services, electronics and telecommunications, and transportation markets, applying its technologies to produce and sell more than 55,000 products and services to customers around the world.

Caterpillar Inc. is the world's largest maker of construction and mining equipment, diesel and natural gas engines, and industrial gas turbines.

The Johnson & Johnson family of companies develops, manufactures, and markets a wide variety of pharmaceutical, biotechnology, medical device, and consumer products.

Procter and Gamble develops consumer products

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<sup>1</sup> No counsel for any party authored this brief in whole or in part. No party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief.

for a global market, including such markets as beauty and grooming products, health and well-being, and household care.

General Electric is a high-tech infrastructure and financial services company with global leadership positions in energy, oil and gas, healthcare, transportation, water, and consumer products.

BP is one of the world's largest energy companies, which provides energy, fuel and petrochemicals to a global customer base, and engages in substantial innovation to improve efficiency and delivery of energy and to generate low carbon energy.

Eli Lilly is the tenth largest pharmaceutical company in the world.

DuPont is a science-based products and services company operating in more than ninety countries. Founded in 1802, DuPont offers a wide range of innovative products and services for markets including agriculture and food; building and construction; communications; and transportation. In 2010, DuPont's research and development expenditures were about \$1.7 billion and it was granted 689 U.S. patents. Since 1804, when company founder E.I. du Pont was granted DuPont's first patent, DuPont has been awarded over 36,600 U.S. patents.

Ecolab is the global leader in cleaning, sanitizing, food safety and infection prevention products and services, delivering comprehensive products and services to foodservice, food and beverage processing, healthcare, and hospitality markets in more than 160 countries.

Dolby has been at the forefront of defining high-quality audio and surround sound in cinema, broadcast, home audio systems, cars, DVDs, headphones, games, televisions, and personal computers for more than four decades. Dolby's technologies have been included in more than 4 billion products through licenses with major manufacturers throughout the world. Dolby's worldwide portfolio includes over 1400 issued patents and over 1900 pending applications. For fiscal year 2010, Dolby spent more than \$100 million for research and development.

Boston Scientific improves the quality of patient care and the productivity of health care delivery through the development and advocacy of less-invasive medical devices and procedures.

Valspar is a global leader in innovative and high quality paints and industrial coatings, and serves diverse markets including: paints, varnishes and stains, primarily for the do-it-yourself market; industrial coatings for original equipment manufacturers; coatings for food and beverage cans; automotive refinish coatings; and resins and colorants for sale to other coatings companies.

#### **STATEMENT OF THE CASE**

A federal jury upheld the validity of U.S. Patent 5,787,449 ("the '449 patent"), a software patent owned by respondent i4i Limited Partnership ("i4i"). The same jury found willful infringement and awarded damages against petitioner Microsoft Corporation.

At trial, Microsoft argued that it had established anticipation by the sale of prior art software, which

the United States Patent and Trademark Office (“PTO”) had not considered during patent prosecution. At the close of the evidence, the court instructed the jury that it had to find invalidity by clear and convincing evidence. The Federal Circuit affirmed.

In this Court, Microsoft now argues that the trial court and Federal Circuit imposed too high a burden of proof on its challenge, and that a preponderance of the evidence standard should apply. Microsoft has also twice sought administrative reexamination of the ‘449 patent by the PTO. The PTO upheld the validity of the ‘449 patent both times, and Microsoft’s request for reconsideration remains pending.

#### **SUMMARY OF ARGUMENT**

*Amici* agree with respondents that the clear and convincing standard is compelled by this Court’s precedent. *See, e.g., Radio Corp. of Am. v. Radio Eng’g Labs*, 293 U.S. 1, 2 (1934) (“there is a presumption of validity, a presumption not to be overturned except by clear and cogent evidence”). The purpose of this brief, however, is not to tread the same ground as respondents and other *amici*, but instead to illustrate for the Court the significant risk to the U.S. patent system posed by petitioner’s proposed variable standard of review, under which the preponderance standard would apply to invalidity claims that depend on prior art that the PTO had not considered.<sup>2</sup>

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<sup>2</sup> As respondents note, Microsoft’s support for the variable standard of proof has waned since this Court granted certiorari, and petitioner has instead shifted its emphasis to argue that the

The presumption of a patent's validity is a cornerstone of the intellectual property system. The clear and convincing standard of evidence is, in turn, a vital element of that presumption. The presumption has roots not only in deference to the PTO, but more importantly in the need for strong intellectual property rights that encourage innovation and facilitate licensing and exploitation of inventions. Under this rigorous standard, patents are not subject to invalidation by generalist judges or lay juries except when the evidence strongly supports the conclusion that the PTO erred in issuing the patent. It thus provides comfort to inventors that when they disclose their inventions to the world through the patent process, the property right they receive in return cannot be easily taken.

Lowering a challenger's burden of proof in litigation would upset the balance at the core of the patent bargain, significantly disadvantaging inventors. A decision from this Court announcing a lower standard of proof would devalue the intellectual property rights of inventors, while simultaneously signaling to would-be licensees that they might fare better by infringing the patent and defending the action on the basis of invalidity. Because the costs and the stakes in patent litigation

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preponderance standard should apply in *every* case. Resp. Br. 2-3. However, although petitioner has de-emphasized the variable standard of proof, it continues to press it. Furthermore, many of the arguments in this brief, such as those that relate to the virtues of the reexamination system, apply equally to Microsoft's broad argument to abandon the clear and convincing evidence standard altogether.

are so high, inventors may choose to permit infringement rather than risk the total invalidation of their patents, either by declining to enforce their patent rights or by settling claims at artificially low prices. Inventors and society would suffer from such a rule, which would simultaneously reduce the rewards of innovation by weakening property rights while increasing the costs of innovation by spurring infringement and defensive patent litigation.

In addition to being inconsistent with the basic purpose and structure of the U.S. patent system, a variable standard of proof based on whether the PTO had considered the prior art would be unworkable and unwise. Such a variable standard of proof is unprecedented, and would only add a layer of counterproductive complexity to this vitally important area of law. At the patent prosecution phase, a variable standard would encourage patent applicants to inundate the PTO with prior art references, and would compel patent examiners to produce exhaustive reports of all of the art they had considered. As a best-case scenario, this would place additional burdens and costs on inventors and examiners at the PTO. As a worst-case scenario, all of the above would occur, and the added baggage from petitioner's rule would also increase the likelihood of mistakes at the PTO as applicants and examiners focus on comprehensive listings of marginally relevant prior art rather than applying their judgment and expertise to the process.

To be more specific, during patent prosecution, PTO examiners perform one or more searches of the prior art. To make the scale of the searches manageable, the prior art is grouped into classes and

subclasses. Those classes and subclasses most relevant to the invention are searched. Each search may reveal dozens of references that the examiner reviews more closely, but she may only pick and list in the patent file those references she believes are closest for whatever patentability question is being addressed. In fact, the PTO's rules for examiners instruct her to cite only the "best" prior art references:

In selecting the references to be cited, the examiner should carefully compare the references with one another and with the applicant's *disclosure* to avoid the citation of an unnecessary number. The examiner is not called upon to cite *all* references that may be available, but only the "best." (37 CFR 1.104(c).) Multiplying references, any one of which is as good as, but no better than, the others, adds to the burden and cost of prosecution and should therefore be avoided.

Manual of Patent Examining Procedure § 904.03 [hereinafter "MPEP"].<sup>3</sup>

Thus, the examiner has "considered" all of the prior art in the classes and subclasses she searched. Under Microsoft's rule, however, unless she lists in the patent file every single reference in the classes and subclasses she searched, any reference she did not pick to list specifically might be touted as the "unconsidered" smoking gun reference in litigation.

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<sup>3</sup> Available at [http://www.uspto.gov/web/offices/pac/mpep/documents/0900\\_904\\_03.htm](http://www.uspto.gov/web/offices/pac/mpep/documents/0900_904_03.htm).

The administrative problems would not end with patent prosecution. During patent litigation, juries would have to evaluate invalidity evidence under fluctuating standards of proof, sowing the seeds of confusion. In addition, courts would be drawn into time-consuming, expensive, and difficult collateral proceedings to determine which prior art the patent examiner had “considered,” and whether prior art not listed on the face of the patent was nonetheless “considered,” or is merely cumulative of “considered” prior art. These proceedings would raise an entirely new set of challenges for courts that are already overburdened, as courts would have to allocate burdens of proof, set rules for decision, and hear evidence regarding the mental processes of patent examiners, a subject that traditionally has been beyond the scope of judicial fact finding. Given the administrative headaches that inevitably would ensue, it is little wonder that even *amici* supporting the petitioner acknowledge that a variable standard of proof is a bad idea. *See, e.g.*, Google Br. 30-32.

A lower standard of proof would also undermine existing incentives to use administrative reexamination processes to correct errors in the patent process. If the allegedly invalidating art consists of patents or printed publications – *i.e.*, prior art unlikely to involve evidentiary disputes and thus amenable to being considered in an administrative proceeding lacking discovery – challengers to patents have the ability to request administrative reexamination of patenting decisions, during which the PTO revisits its initial determinations using a preponderance of the evidence standard. This standard makes more sense in reexamination, where patent examiners – who are experts in the state of

the art, make determinations – and where the patentee has the ability to amend and narrow patent claims instead of the blunt outcome of litigation, which can only determine whether the claims as issued are invalid. The differential standard of proof – preponderance in reexamination, and clear and convincing evidence in litigation – not only makes more sense for those reasons, but also creates an incentive to use the PTO’s reexamination process, and thus vests the experts at the PTO with the opportunity to correct errors in the patent process. Altering the standard of proof would tip the scales in favor of infringement and litigation, denigrating the role of the PTO and again injecting uncertainty into the marketplace for intellectual property.

These concerns are not theoretical or speculative. In this brief, *amici* will furnish an illustration based on their real-world experiences with the patent system from start to finish, demonstrating that the system presently rests on a carefully crafted balance to promote innovation without stifling competition. Any sweeping changes to that balance at the heart of this system risk undermining its ability to function. If such changes are to be made, then they should be made by Congress after careful study of the consequences, and not by courts focused narrowly on the interests of the parties before them.

## ARGUMENT

### **I. The Presumption Of Validity Rests Substantially On The Need To Confer Strong Intellectual Property Rights, Not Merely On Deference To The Judgment Of The Patent Examiner.**

Microsoft begins with the premise that the

presumption of a patent's validity rests only upon the judgment of an expert patent examiner. On that basis, it maintains that less deference is owed to the judgment of the PTO when a patent is challenged on the basis of evidence that was not before – and thus not considered by – the examiner.

Because Microsoft's premise is incorrect, the conclusion it draws is mistaken as well. Deference to the examiner's expertise is not the exclusive – or even principal – basis for affording a patent a presumption of validity. Rather, the presumption has everything to do with the creation of strong intellectual property rights that provide incentives for innovation and economic development. The U.S. patent system facilitates economic growth by striking a balance between conferring broad patent protection as a robust incentive for inventors to innovate, while simultaneously ensuring that patent rights are not so overbroad as to inhibit competition. The equilibrium embodied by the patent system depends substantially upon the perceived strength of the property right conferred by an issued patent. Thus, instilling confidence in patents is an essential function of the presumption of a patent's validity that Microsoft and its *amici* significantly undervalue. This rationale for the presumption exists whether the PTO has considered any particular prior art reference or not, and therefore Microsoft's argument that the presumption should not apply to unconsidered prior art is misplaced. Instead, the clear and convincing standard has long applied to all judicial validity challenges, but the jury may give greater weight to evidence that was not before the examiner. And that is precisely the legal standard that the Federal Circuit has applied for decades. *See American Hoist*

*& Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984).

The structure of the patent review process proves that the purpose of the presumption of validity, and in turn of the clear and convincing evidence standard, is to support strong intellectual property rights. Once the PTO issues a patent, the inventor's property right is secure, subject only to administrative and judicial review of the patenting decision. *See* 35 U.S.C. § 261 (providing that "patents shall have the attributes of personal property"). The inventor must be able to withstand the prospect of reexamination, but that process occurs before an expert patent examiner in whose knowledge of both the field and principles of patentability the inventor can have confidence. *See* 35 U.S.C. §§ 305, 314 (describing the procedures for *ex parte* and *inter partes* reexamination). Moreover, reexamination may only be invoked when the prior art is in the form of patents and printed publications; that is, its authenticity and status as prior art are beyond question. *See* 35 U.S.C. §§ 301-02. Finally, as is the case in original prosecution, during reexamination the inventor may narrow claims the PTO concludes are too broad, without losing his entire property right.

The patent owner's safeguards against misapplication of the preponderance standard in reexamination do not end there. Reexamination proceedings are handled by the PTO's Central Reexamination Unit ("CRU"), a group of experienced examiners to whom all new reexamination requests are assigned. MPEP §§ 2236, 2636. A primary examiner, whose sole job is to handle reexaminations,

is assigned for each proceeding. *Id.* §§ 2236, 2636. However, any preliminary decision by the primary examiner must be reviewed by a panel of two other examiners at a conference and approved before it becomes final and is issued. *Id.* §§ 2271.01, 2671.03.

Further, before a reexamination certificate can issue in any reexamination, the file must undergo further agency review, including a screening by the Office of Patent Legal Administration. MPEP §§ 2289, 2689. A patent owner who is dissatisfied with the CRU's decision to reject claims in a reexamination proceeding may appeal as of right to the Board of Patent Appeals and Interferences. 35 U.S.C. § 134(b), 306, 315. A panel of three administrative patent judges decides the appeal. 35 U.S.C. § 6(b). Thereafter, the patent owner may appeal judicially, including directly to the Court of Appeals for the Federal Circuit. 35 U.S.C. § 141.

Thus, the inventor who is subject to the preponderance standard in the PTO reexamination is protected against the same standard being applied in litigation – for example, by a lay jury receiving oral testimony of alleged prior invention, use or sales, where he has no opportunity to amend his claims in lieu of them being adjudged invalid. The function of the clear and convincing evidence standard as an evidentiary safeguard is important, as claims or prior invention and the like may come years after the patent has issued, when the inventor's ability to defend against the allegations may be limited by faded memories, lost documents, and other evidentiary shortcomings. As this Court explained 120 years ago:

In view of the unsatisfactory character of testimony, arising from the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling them would have them recollect them, aside from the temptation to actual perjury, courts have not only imposed upon defendants the burden of proving such [prior art] devices, but have required that *the proof shall be clear, satisfactory, and beyond a reasonable doubt*. . . . The very fact, which courts as well as the public have not failed to recognize, that almost every important patent, from the cotton gin of Whitney to the one under consideration, has been attacked by the testimony of witnesses who imagined they had made similar discoveries long before the patentee had claimed to have invented his device, has tended to throw a certain amount of discredit upon all that class of evidence, and to demand that it be subjected to the closest scrutiny. . . . The doctrine was laid down by this court in *Coffin v. Ogden*, 18 Wall. 120, 124, that *“the burden of proof rests upon him, [the defendant,] and every reasonable doubt should be resolved against him.”*

*Washburn & Moen Mfg. Co. v. Beat ‘Em All Barbed-Wire Co.*, 143 U.S. 275, 284-85 (1892) (emphasis added).

A district court judge or jury has the extraordinary power to reject the final determination of the PTO that the inventor has produced a patent-

eligible invention. This judicial review serves as an external check on bad patent decisions. But there is a significant danger in affording the jury *too much* power. As this Court has previously recognized, in the field of patent law, vesting lay juries with excessive discretion would undermine the uniformity that enables the patent system to function. *Cf. Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390-91 (1996) (holding that judges, and not juries, have the authority to construe terms of art in patents). If the jury is empowered to invalidate a patent too easily, this balance is distorted, confidence that an issued patent will be upheld is undercut, and a significant incentive to innovate is lost. It has thus long been settled that a party seeking to have a jury strike down an issued patent cannot prevail unless it supports its challenge with “clear and convincing evidence.” *See, e.g., Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983).

To be sure, that established standard also incorporates a significant element of flexibility to account for the circumstances of the patent’s issuance. For example, in recognition of the fact that the clear and convincing evidence standard is not merely intended to convey a property right, but also rests in part upon the examiner’s expert judgment – which is the point on which Microsoft rests its argument – a jury may give greater weight in the calculus of the patent’s validity to prior art that the examiner did not consider. *See, e.g., American Hoist & Derrick Co.*, 725 F.2d at 1359-60. But although such evidence may be afforded greater weight, the root requirement remains that a mere preponderance of evidence will not suffice in litigation to eliminate the property right embodied in an issued patent.

By seeking to retire the clear and convincing evidence standard, Microsoft risks undermining the strength, and therefore the value, of each of the roughly one million patents currently in force, as well as the more than a million pending patent applications, as well as every future application for a patent. Such a rule is guaranteed to inhibit innovation, for intellectual property rights can be maximally exploited through investment by the patentee and by third parties – such as venture capitalists or licensees – only if the patent’s validity is regarded as secure, and not subject to ready invalidation. Inventors and investors are far more likely to bear the sometimes-massive cost of financing the research, production, marketing, and distribution of new products and inventions if they are truly confident in the robustness of the exclusive rights conferred by the patent – *i.e.*, that a competitor will not readily be able to copy the invention, particularly given that the competitor may come to market at a lower price, having escaped all of the inventor’s antecedent development costs. *See Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979) (noting that the “right to exclude others” is “one of the most essential sticks in the bundle of rights that are commonly characterized as property”); *Consolidated Fruit Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.”).

By the same token, a third party will purchase a license for an invention – rather than merely reverse-engineering and copying it – only if the third party similarly believes that the inventor can enforce the patent in a suit for infringement. A party’s

willingness to challenge the patent or accept the risk of being sued by the patentee for infringement thus rises with the prospect that a jury will invalidate the patent in court.

Perhaps the best model for the patent process is that of a bargain in which the prospect of acquiring from society a robust property right induces inventors not only to invent in the first place, but also to disclose their inventions to the world, together with the best modes they knew of practicing those inventions, and to describe the inventions in sufficient detail to enable others to understand and recreate them. For the thousands upon thousands of inventors who have already filed patent applications, and thus fulfilled their part of the bargain, a change to the clear and convincing presumption of validity would constitute a massive societal renegeing, weakening inventors' rights at a time when they are powerless to reverse their commitment to society. Such a result would not only be manifestly unjust, but also inconsistent with the purposes and structure of the patent system.

The same logic undermines Microsoft's still-broader request that this Court jettison the settled "clear and convincing evidence" standard in favor of a "preponderance of the evidence" test in *all* litigated challenges to patent validity, without regard to whether the PTO considered the prior art that assertedly renders the invention patent-ineligible. That legal rule would expose patents to far more ready invalidation and therefore profoundly undercut settled expectations and the confidence in the value of the property right conferred by an issued patent. Microsoft's broader argument also reveals an

inherent contradiction in its position. Elsewhere, petitioner seemingly acknowledges that the issuance of a patent is entitled to significant deference as a decision by an expert administrative agency. That is the basis for Microsoft's claim that the "clear and convincing evidence" standard should not be applied in the limited subset of cases in which the examiner did not consider the prior art alleged to establish invalidity. *See* Pet. Br. 40-54. But Microsoft's broader, categorical argument for applying a preponderance standard in all cases fails to recognize the PTO's relative expertise vis-à-vis a lay jury and affords essentially no weight to the PTO's action. In actual litigation, it would merely place the burden of proof upon the party defending the patent.

In the considerable experience of *amici* as patentees, licensees, and patent-infringement litigants, existing law adequately guards against the issuance and enforcement of bad patents, through an initial examination before the PTO, coupled with the ability to challenge an issued patent in either a reexamination proceeding or litigation in court. The balance currently struck in U.S. patent law certainly can be improved after thoughtful consideration by Congress; and that debate is actively underway. But the courts ought not lightly intervene to alter the core package of incentives and limitations, lest they inadvertently tip the balance considerably in one direction and undermine a system that currently breeds more technological innovation than any other in the world.

## **II. Overturning The Clear And Convincing Evidence Standard Would Significantly Undermine The Functioning Of The U.S. Patent System.**

Microsoft and its supporting *amici* generally advance arguments that are divorced from actual experience in the patent system. By contrast, *amici* here will use illustrations grounded in real-world experience to demonstrate that a ruling by this Court overturning the settled “clear and convincing evidence” standard in whole or in part would harm our patent system. The following is a composite of the experiences of *amici* designed to illustrate the functioning of the patent system, and the likely difficulties of applying a variable standard of proof to typical facts.

**The patenting process begins** with an invention – in this illustration, a new solar panel. The undersigned *amici* have patented a broad array of inventions in fields ranging from construction equipment to beauty products to pharmaceuticals to oil drilling devices to surround-sound equipment to disinfectants to adhesives and, yes, to solar panels. Despite their diversity, these inventions share three key features: they all have required significant investments of time, resources, and intellect to develop; they all have added value to society and to the U.S. economy; and their inventors were willing to disclose them to the world on the understanding that they would, in return, receive protection from the patent system.

The solar panel in this illustration fits that description. For years, solar engineers have struggled to make solar energy cost effective. Some

have resorted to thin films, which are cheap to manufacture, but which are less efficient than some other materials at absorbing the sun's energy. But after years of struggle, and trial and error, scientists and engineers at InventCo have discovered a design that represents a significant advancement in efficiency over past panels. The new panel uses a unique shape and structure that causes light to be reflected over the surface of the panel several times, enabling thin film cells to capture more sunlight. The invention represents a significant step toward making solar energy cost effective versus fossil fuels.

If petitioner's rule were the law, it is not clear that any of the aforementioned investment and struggle to develop the new solar panels would have taken place at all. Of course, no one is contending that invention would cease in the face of a preponderance standard. But companies that focus on innovation would recognize that their inventions would be more readily subject to misappropriation, and this fact would alter the cost-benefit calculation of innovation. At the margins, the additional costs might dissuade a business like InventCo from pursuing risky projects, especially if it was not confident at the outset that it would experience breakthroughs that would set its products apart from prior art. Likewise, at the margins, investors would shy away from risky investments in start-up companies, where often the only assets are patents and other intellectual property. Highly technical, competitive, and risky industries like solar energy would likely suffer the worst ill effects, and vital products might be delayed or prevented altogether from reaching the marketplace.

**The invention discovered, the next step in the process is patent filing and prosecution:** the process of submitting an application and having it evaluated by an examiner. Here, InventCo submitted a patent application that complied with the statutory requirements set forth in 35 U.S.C. § 111, including a written description explaining the structure of the solar panel and the materials used to create it, *id.* § 112, a drawing of the shape and structure of the panel, *id.* § 113, and the inventor's oath that he believed himself to be the first person to invent this solar panel, *id.* § 115. Anyone skilled in the art would be capable of reproducing the new solar panel based on the material in the application. The application also listed several prior art references of related technologies, including other solar panel designs and thin film inventions.

Once a patent application is submitted, the PTO assigns the application to a technology center, which in turn docket the case to an examiner. Examiners are experts in the state of the art, and are called upon to evaluate the application in light of their knowledge and research. During prosecution of the application, the examiner searched several classes of prior art, sifting through dozens of references located during the search before choosing twenty references, including several solar panel designs and new materials for solar panels, which she cited in the prosecution history. As an expert in the field, the examiner also had other prior art fresh in her mind as the result of contemporaneous examinations of other applications for solar panels and related inventions. These references were in the public files of those prosecutions, but she did not note them in the patent file.

The examiner chose to cite References A and B, which involved solar panels that used different shapes in an attempt to achieve the same effect as the patented panel, to apply in evaluating the application. The examiner did not cite a similar disclosure in Reference C located from her searching, or the related disclosure of Reference D, known to her from other ongoing examinations, because she concludes that References C and D are merely cumulative of A and B.

In deciding whether to approve InventCo's application, the examiner relied on her technical training, her experience gained from examining hundreds of applications in the field, the opinions of her supervisory examiner (who is even more experienced than she), and common sense. Ultimately she allowed the patent application based on her expert opinion that the invention as claimed represents a patentable advance over all of the prior art of which she was aware, and because it otherwise met all of the requirements for patentability. Thus, a patent for the new solar panel was issued to InventCo.

Were this Court to adopt petitioner's variable standard of proof, the examination process would proceed differently. Rejecting the "clear and convincing evidence" standard for prior art not "considered" by the patent examiner would have rendered the initial examination of the patent application essentially unworkable. The field of prior art that in hindsight might be deemed at least tangentially relevant to a new solar panel is vast. If InventCo had faced the prospect that any omission of any prior art could significantly undercut the

presumption of the patent's validity, InventCo would have had no choice but to flood the examiner with every conceivably relevant reference. Between all of the references InventCo would have submitted, and all of the references that would have been generated by the examiner's searching, she would have to evaluate hundreds of pieces of domestic and foreign prior art, and list all of it in the prosecution history, no matter its relevance, or risk a lower presumption that she had done her job correctly.

The consequences of such a change to the scheme would be predictably pernicious. In the best case scenario, inventors would waste considerable time and energy compiling lists of marginally relevant references to prior art, and patent examiners would work considerably longer to assess each application, which would mean increased cost and delay for inventors using the system, for no concomitant benefit. The quality of the examination does not change depending on whether or not the examiner chooses to list a prior art reference she does not believe to be particularly relevant to the claimed invention. Yet examiners who are experts in the field would set aside their judgment and instead seek to set forth the most complete record possible, all in anticipation of future invalidity litigation. In the worst-case – and more likely – scenario, overworked patent examiners, confronted with myriad new references, might find themselves glossing over the truly important ones as they strive to give the appearance of a comprehensive review, producing more bad patents in the process. By ratcheting up the importance that the patent file reflect consideration of prior art, petitioner's rule would disrupt the balance at the heart of the patent system,

generating inefficiencies and rendering the process as a whole less effective.

**The patent having been issued, InventCo began taking measures to exploit it by initiating licensing discussions with manufacturers.** But before long, a competitor, TheftCo, which had attended a presentation hosted by InventCo but denied having any interest in the invention, started marketing solar panels that bore a remarkable resemblance to the patented panel. Fearing that it would be unable to recoup its investment in the new panel, InventCo sued TheftCo for infringement, and TheftCo defended the action on the basis of four different invalidity contentions, alleging that the claimed solar panel:

1. Lacks novelty over Reference A.
2. Lacks novelty over Reference C.
3. Is obvious over Reference A in view of Reference B.
4. Is obvious over Reference A in view of Reference C or Reference D.

A jury was empaneled to hear the evidence. At trial, TheftCo specifically alleged that the patent examiner did not consider all of the relevant prior art, specifically References C and D, which were not cited in the patent file.

At the close of the evidence, the judge instructed the jury. Applying the Federal Circuit's settled precedent, the judge instructed that "TheftCo must prove any defense by clear and convincing evidence. That's a different standard than the preponderance standard. It's a slightly higher standard of proof. Clear and convincing evidence exists if it is highly probable that the facts asserted by the manufacturer

are true.” The jury found in favor of InventCo on invalidity and also awarded damages in its infringement action.

In this case, the jury was instructed to assess TheftCo’s invalidity defense under a single, workable standard: the “clear and convincing evidence” test. Under petitioner’s proposed rules, however, the litigation would have proceeded differently. First, under the broad proposed rule, where validity of the patent would be evaluated only under the preponderance of the evidence standard, InventCo would face the risk that a lay jury would find a fifty-one percent chance that the patent for the new solar panel was invalid. Such a risk would vitiate InventCo’s property interest, and in a crowded field such as solar technology, where any number of prior art references might result in a finding of invalidity, create enormous uncertainty.

Under petitioner’s narrower proposed rule, applying a variable standard of proof, the risks faced by InventCo would be similar to those under the broad rule, but the court would suffer additional headaches from application of the standard of proof. Invalidity contentions (1) and (3) would be reviewed under a clear and convincing standard, contention (2) would be subject to a preponderance standard, and the standard applied to contention (4) would be unclear. Undoubtedly there would be collateral disputes as to whether the examiner was aware of the subject matter of Reference C and/or D, or whether those references are merely cumulative of References A or B.

This collateral inquiry would be distracting, expensive, and fraught with uncertainty. The

question of what prior art the examiner “considered” for a particular patent is not as simple as it seems at first blush, and in the end is inherently unknowable. The court or jury would have to determine whether References C and D were sufficiently relevant to the patent determination, a matter that the parties would vigorously contest. The court or jury would also have to determine whether the examiner had, in fact, been aware of References C and D, and to further determine whether the examiner had afforded sufficient consideration to those references.

These questions may sound simple, but it is far from clear how courts should resolve them. Who would bear the burden of proof? What standard of proof would apply? What sorts of evidence would the court solicit – would the references cited in the patent file be conclusive, or would patent examiners be deposed and made to testify regarding their mental processes? And who would decide the question – a judge, or the jury? The answers to these questions, which petitioner does not address anywhere in its submissions to this court, would likely prove dispositive in a great number of patent cases.

For some of these questions, there are no good answers. With regard to the question of evidence, for example, any choice would compromise the patent process. It is well-known that patent examiners do not cite every reference that they considered in the patent file. However, if courts began to treat the patent file as a conclusive catalogue of every reference that the examiner “considered,” then applicants would demand that examiners cite each reference, regardless of its relevance. On the other hand, if courts acknowledged reality and chose not to

treat the patent file as conclusive, then litigants would seek to depose patent examiners regarding their mental processes. But such an inquiry would be unprecedented, and would denigrate the quasi-judicial role that patent examiners occupy. *See Western Elec. Co., Inc. v. Piezo Tech., Inc.*, 860 F.2d 428, 431-32 (Fed. Cir. 1988) (“[T]he general rule has been that a patent examiner cannot be compelled to testify regarding his ‘mental processes’ in reaching a decision on a patent application.”). Either way, the role of the patent examiner would be compromised as the examiner altered her behavior in anticipation of litigation.

For other of these questions, it might be possible to fathom satisfactory answers, but petitioner has not offered any such answers here, and this Court need not do so in light of the Federal Circuit’s settled rule, which acknowledges the concerns that animate a variable standard of proof, but channels them appropriately toward the weight of the evidence, instead of the standard of proof. *See American Hoist & Derrick Co.*, 725 F.2d at 1359-60. Indeed, even *amici* supporting petitioner agree that a variable standard of proof, keyed to whether the examiner had “considered” prior art, would be unworkable. *See* Google Br. 30-32.

**After the trial**, TheftCo requested that the PTO reexamine InventCo’s solar panel patent. During the reexamination process, hundreds of prior art patents and printed publications were considered by a panel of three expert examiners under the preponderance standard. The examiner concluded that the patent was largely valid, but that its scope was ill-defined. InventCo amended its claim to address the issue, and

its intellectual property right remains intact.

Reexamination serves a crucial purpose in the patent system: it establishes a forum where experts can reconsider controversial patent decisions on the basis of the best evidence and can narrow invalid claims when appropriate. *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601-02 (Fed. Cir.) (describing the legislative history and purpose of reexamination statute), *modified, aff'd in part, and rev'd in part*, 771 F.2d 480 (1985).

Congress enacted Public Law 96-517, codifying procedures for administrative reexamination of issued patents, as part of the Patent Act of 1980. It is codified at 35 U.S.C. §§ 301-307. The bill's proponents foresaw three principal benefits:

First, the new procedure could settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases. Second, the procedure would allow courts to refer patent validity questions to the expertise of the Patent Office. . . . Senator Bayh said that reexamination would be “an aid” to the trial court “in making an informed decision on the patent's validity”. Third, reexamination would reinforce “investor confidence in the certainty of patent rights” by affording the PTO a broader opportunity to review “doubtful patents”.

*Patlex Corp.*, 758 F.2d at 602 (internal citations omitted).

Reexamination thus stands in stark contrast to patent litigation, where generalist judges and lay juries evaluate all manner of evidence relating to

patent claims, and a successful challenge results in the permanent invalidation of a challenged patent claim.

If this Court were to adopt petitioner's rule, allowing lay juries to apply the same preponderance standard that experts at the PTO apply during reexamination, infringement followed by an invalidity defense becomes a more attractive option, as it allows a challenger to introduce a broad array of evidence and then request that a panel of non-experts evaluate that evidence using a lower standard of proof.

Such a system would increase the costs of innovation and harm the nation's creative class. Litigation of patent validity issues is a disruptive, expensive, and blunt tool. The clear and convincing standard establishes the proper burden for a challenger to carry in such a forum.

**CONCLUSION**

For the foregoing reasons, the decision of the Federal Circuit should be affirmed.

Respectfully submitted,

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