

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 OF AN ASSOCIATION OF  
PRACTICING ENTITIES AS *AMICI CURIAE*  
IN SUPPORT OF RESPONDENTS**

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

ReadyLift Suspension, Inc., Alcohol Monitoring Systems, Inc., Kwik Tek, Inc., Pilot Automotive, Inc., Cruiser Accessories, Inc., Wyers Products Group, Inc., Parts on Demand, Inc., 308 Systems, Inc., Brain Basket, LLC, SoSound Solutions, LLC, SoftRay, Inc., Walker Manufacturing Company, Terra Moya Aqua, Inc., L&T Riser LLC, Try-Balance, LLC, Computrol, Inc., Emerson Analytics, LLC, Aspiration Innovation, Inc., EDM International, Inc., APJet, Inc., Wolf Robotics, LLC, Front Range Oil and Gas, LLC, POMOCO Limited Liability Company, Wellington Water Works, LLC, Wellington Operating Company, High Plains Well Service, LLC, Lateral Reservoir Stimulation, LLC, B&R Plastics, Inc., Hunt Control Systems, Inc., Keeton Industries, Inc., Tranex, Inc., JSTranex, LLC, JBS Brainex, LLC, Brainstorm, LLC, and Optimus Corporation are members of an Association of Practicing Entities and will hereinafter be referred to as such. This Association of Practicing Entities is a group of businesses of varying size that, in part, rest their strategic business initiatives upon patented innovations, and a stable, predictable patent system. The need to present clear and convincing evidence to divest a patent of its presumption of validity is an established, bedrock expectation upon which our modern patent system is based. Whether it is a decision to pursue patent protection, or to proceed with

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1. Pursuant to this Court's Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. In accordance with Supreme Court Rule 37.6, *amici curiae* state that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amici curiae* or their counsel.

a product despite receipt of a cease and desist letter, the Association's membership regularly makes business decisions on the basic notion that the infringer must produce more than a mere preponderance of evidence to avoid liability for patent infringement. Petitioner's request that the Supreme Court of the United States modify the burden of proof necessary to invalidate all patents, or just those prosecuted in the absence of art or argument later presented in litigation, will create a seismic shift in the fundamental notions that underline our patent system, and our economy. In simple form, a downward shift in the burden will produce a downward shift in the value of all patents issued today.

This group formed as a microcosm of the larger subset of patent holders in this country that pursue patents for traditional business purposes: the manufacture and sale of core products. Petitioner, and its supporters, suggest that the patent system is littered with invalid patents obtained by persons without a legitimate business motive. The cure proposed is worse than the disease, in the view of the Association. Strong patents remain an effective and legitimate means of protecting the Association's core business assets. The heightened burden of proof applicable to invalidity challenges was first adopted by this Court over 150 years ago and has been consistently applied by the Court of Appeals for the Federal Circuit since its inception. By no means, however, is this burden insurmountable. District Courts and juries, instructed to apply the clear and convincing evidence standard, regularly invalidate patents on the basis of new art or argument. Almost every invalidity challenge asserted today is premised upon art or argument that was not before the United States Patent and Trademark Office ("USPTO"). The Association is

concerned that modification of the burden to address these new arguments is an over-broad, non-specific solution, particularly in light of the availability of curative jury instructions, a claim for inequitable conduct or patent re-examination.

The clear and convincing evidence standard provides a level of certainty that is necessary for the Association's membership to make decisions regarding patent prosecution, litigation and licensing. The Association collectively invests millions of dollars into the research and development of the innovations claimed in the patents they ultimately secure through thoughtful and careful claims prosecution. Arguments of invalidity are addressed with care by their prosecuting attorneys with the goal of producing a valid patent that will withstand subsequent challenge. Public disclosure of their core assets is rewarded with a limited period of exclusivity. The knowledge that a patent will remain valid without clear and convincing evidence to the contrary is a major engine for innovation in this country. Strong patents compel new designs, innovations and advances. Patentees and challengers alike benefit from the heightened burden as both are incentivized to continue the innovative process in order to remain competitive in the market place.

*Amici Curiae* has elected to express its position in this matter as it is of the opinion that this Court should not add complexity, uncertainty and expense to the already complex problem of protecting intellectual property. The burden necessary to prove invalidity is a stable pillar of our patent system that has its roots in this Court's jurisprudence, sound economic policy and Congressional intent.

## SUMMARY OF ARGUMENT

*Amici Curiae* support Respondents' position that the quanta of proof necessary to invalidate a patent should remain unchanged. A strong and predictable patent system is necessary to promote innovation and economic growth. Congress created the Court of Appeals for the Federal Circuit in an effort to strengthen the patent system by injecting a much-needed level of uniformity and predictability. For nearly 30 years, all who sought to challenge a patent knew that they would have to produce clear and convincing evidence of invalidity to avoid liability for patent infringement. Hundreds of jury verdicts and untold thousands of licenses have been reached through the filter of this standard. All currently valid patents were issued after the Federal Circuit adopted the Supreme Court's long-held view that a heightened burden is essential to a strong presumption of validity.

For decades, inventors and businesses have relied upon a strong presumption of validity when making decisions to seek patent protection; to infringe or not; to enforce a patent; to bear the enormous expense of enforcement; to settle rather than pursue an invalidity challenge; to license the patented technology; or to invest in a re-design rather than license or infringe. Law firms have issued "right to use" opinions premised upon the notion that a patent is presumed valid – a presumption that will remain but for clear convincing evidence to the contrary. Royalty rates trend up when a patent's validity is strongly presumed and trend down when there is uncertainty as to its enforceability. Injecting a level of uncertainty into the standard applicable to a particular claim of invalidity, and premising that uncertainty upon the creativity of the lawyers engaged by the infringer to

find new art that was not considered by the USPTO, even if duplicative or immaterial, is precisely what our patent system does not need at this juncture.

Petitioner now seeks to destabilize the United States patent system by fundamentally altering a bedrock expectation. Petitioner requests that this Court remove the burden of proof from the realm of certainty, where it currently resides, and hand it to the district court's discretion after a hearing to determine whether the challenger's argument of invalidity was adequately vetted by the USPTO. Without any doubt, Petitioner's position will increase the cost of infringement litigation. Litigants would be forced into a hearing over what burden to apply based upon the prior art and arguments that were considered by the USPTO. It is uncertain from Petitioner's brief whether it would have the district court assess the materiality and/or duplicity of the new art or argument before determining if the burden of proof should be shifted downward. If the standard is driven by the USPTO's failure to list art later identified by an industrious challenger, without reference to materiality or duplicity, the cost of prosecuting patents will similarly increase. The inventor will be incentivized to flood the examiner with unnecessary, duplicative references in order to ensure the clear and convincing evidence standard will govern a later invalidity proceeding. Owners and assignees of currently issued patents will be prejudiced by the advent of a new standard for prosecution – a standard that did not exist at the time the patent was prosecuted – particularly for those practicing entities that intended to enforce their patents.

Petitioner's solution to unconsidered art or argument is unnecessary. Where prior art is withheld from the USPTO by an inventor, the patent may be rendered

unenforceable by application of the doctrine of inequitable conduct. Where prior art is omitted from the USPTO's consideration by oversight rather than improper conduct, Congress provides four types of reexamination to bring omitted art or argument to the USPTO's attention. Petitioner's solution would undermine these judicially and Congressionally created remedies.

Congress took up the mantle of a strong patent system in the mid-twentieth century by creating the Court of Appeals for the Federal Circuit and establishing a procedure to cure administrative defects in the patent process. These systems and methods for ensuring that weaker patent applications are weeded out should be utilized, not cast aside. Consistent with this assertion, this month, on March 9, 2011 the United States Senate passed the America Invents Act. By passing the America Invents Act, the Senate, which is presumed to know about this case, addressed the very matter at issue here by adding to the remedy of reexamination, rather than abolishing or weakening it. The Senate created two new methods of reexamination, leaving the prior methods intact, thus demonstrating its intent that the USPTO should address the problem of administrative error. By doing so, the Senate bolstered the public's ability to rely on the USPTO to approve patents only in appropriate cases and bolstered the public's ability to challenge improvidently issued patents.

The Founding Fathers planted the roots of a strong patent system in our very Constitution. For hundreds of years there has existed a compact between inventors and the otherwise monopoly-averse government by which inventors agree to advance the whole of human knowledge

and ingenuity by fully disclosing their ideas through the patent application process, and being rewarded for this disclosure by a grant of limited monopoly. This monopoly rewards the disclosure of innovation and compensates the innovator for the time and money required to develop useful products by precluding competition without compensation to the inventor. Strong patent protection is fundamental to innovation; without such protection business would have far less incentive to accept the risk of research and development. *Amici* joins Respondents' position as Petitioner's position will undermine one of the few stable, predictable features of patent law today.

**I. SMALL BUSINESS INNOVATORS RELY UPON A PREDICTABLE PATENT SYSTEM AND STRONG INTELLECTUAL PROPERTY PROTECTION**

**A. A Strong, Predicable Patent System that Encourages and Rewards Innovation is Part of This Nation's History and is Critical to its Future.**

A strong patent system that protects patent holders and spurs innovation is deeply embedded in our Country's history. Abraham Lincoln is quoted as saying that United States patent protection "added the fuel of interest to the fire of genius, in the discovery and production of new and useful things." A. Lincoln, *Second Lecture on Discoveries & Inventions* (February 11, 1859). The Patent and Copyright Clause of the Constitution provides that Congress shall have the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8.



Reflecting this intent to promote progress through innovation, Thomas Jefferson wrote in 1789 of his support for monopolies to “persons for their own productions in literature and their own inventions in the arts . . .” 5 *Writings of Thomas Jefferson*, 113 (Paul L. Ford Ed. 1985). Mr. Jefferson later wrote that “[nobody] wishes more than I do that ingenuity should receive a liberal encouragement.” Letter from Thomas Jefferson to Oliver Evans (May, 1807), *reprinted in 5 Writings of Thomas Jefferson* 75-76 (A. A. Lipscomb & A. E. Berg., Eds. 1903); *Cf. Diamond v. Chakrabarty*, 447 U.S. 303, 315, 100 S.Ct. 2204, 2211, 65 L.Ed.2d 144 (1980).

The Supreme Court later took up Mr. Jefferson’s call for encouragement in innovation when it stated: “Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must ‘promote the Progress of . . . useful Arts.’ This is the *standard* expressed by the Constitution, and it may not be ignored.” *Graham v. John Deere Co.*, 383 U.S. 1, 5-6, 86 S. Ct. 684, 687-88, 15 L.Ed. 2d 545 (1966) (emphasis in original). Promotion of innovation by protecting the innovator’s right to profit from his creativity is part of the fabric of our economy and that principle is no less important now than when the Constitution was drafted.

Innovators in today’s economy rely heavily upon a strong presumption of validity. “The lifeblood of essentially all companies today is their intellectual assets. In traditional manufacturing environments, the assets may be heavily focused around technological developments and know-how. . . . Woe to the company that fails to recognize and protect its assets.” Jeffrey

L. Brandt, *Turning Intellectual Assets into Business Assets*, in Bruce Berman, *From Ideas to Assets: Investing Wisely in Intellectual Property*, 66 (2002). The value of United States gross investment in intangibles has been estimated to be “at least a trillion dollars annually, covering investments in R&D, advertising and marketing, software, financial activities and creative activities of artists and entertainers.” Karen Patrick Jarboe, *Reporting Intangibles: A Hard Look at Improving Business Information in the U.S.* (Athena Alliance, Working Paper No. 1, April, 2005).

Protecting innovation is important not only to the patent holder who is trying to earn a return on his investment, but also to the investor who is considering whether to provide start-up capital to the small business. Without a strong and predictable patent system, inventors may lose the only real asset they would use to collateralize that start up capital. For decades, both sides to intellectual property investment have relied upon the strength of a patent conferred by the presumption of validity. This predictability and certainty is central to the trillion dollars in value created by intangible rights annually.

Unpredictable application of patent law, however, diminishes both the value of patents and the incentive to create that the right to monopolize one’s invention otherwise generates. Uncertainty in the law “has been shown to have potentially serious economic consequences in discouraging certain socially desirable, but risky, activities.” Jason Scott Johnston, *Uncertainty, Chaos and the Torts Process: An Economic Analysis of Legal Form*, 76 CORNELL L. REV. 341, 344 (1991). Uncertainty in patent law was a significant problem in the mid-twentieth

century, due in part to uneven application of legal principles in infringement cases, a problem Petitioner relies upon now to lower the burden long since established by this Court and the Court of Appeals for the Federal Circuit.

Petitioner proposes that this Court create several different burdens of proof from which the district court will be expected to select based upon the arguments presented to the USPTO and the subsequent arguments developed with the benefit of hindsight. Uncertainty will reign in such a system. The patent holder considering enforcement of patent rights, the inventor considering a new technology's value and a competitor seeking an opinion on validity all will be faced with uncertainty as to the strength of the presumption of validity. This uncertainty is unnecessary.

The Court of Appeals for the Federal Circuit was created to reduce uncertainty in patent litigation and restore the public's faith in patents issued by the USPTO. In 1972, Congress created the Commission on Revision of the Appellate System (hereinafter "the Hruska Commission") and empowered it to "study the structure and internal procedures of the Federal courts of appeal system" and to issue a report to Congress. *Pub. L. No. 92-489*, 86 Stat 807, amended by *Pub. L. No. 93-420*, 88 Stat. 1153. The Hruska Commission found that the then-current structure of the federal court system and the overcrowded Supreme Court docket caused inter-circuit conflicts and virtually no opportunity to provide national uniformity in many complex areas of the law. *Comm'n on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendation for Change*, 67 F.R.D. 195 (1975).

It specifically noted that, in the area of patent law, “the lack of definitive declaration of national law,” and the resultant forum shopping, was “particularly acute.” *Id.* at 220. Based on the results of a survey of patent attorneys, the Commission’s patent consultants concluded:

Our collective experience over the 20 years or so each of us has been active in the field led us to believe that the lack of uniformity in decisions on patent-related issues has been a widespread and continuing fact of life. This study merely confirms our judgment that it has been and continues to be a problem. The inevitable consequence of this fact is that patent owners and alleged infringers spend inordinate amounts of time, effort and money jockeying for a position in the right court for the right issues. . . .

Patentees now scramble to get into the 5th, 6th and 7th Circuits since the courts there are not too inhospitable to patents whereas infringers scramble to get anywhere but these circuits. Such forum shopping not only increases litigation costs inordinately and decreases one’s ability to advise clients, it demeans the entire judicial process and the patent system as well.

It is our view that the principal cause of circuit-to-circuit deviations in the patent field stems from a lack of guidance and monitoring by a single court whose judgments are nationally binding. . . . The Supreme Court is simply just too busy to perform anything even resembling

a monitoring function on patent-related issues.  
*Id.* at 370.

Ultimately, the Commission proposed that a generalized National Court of Appeals could correct the legal uncertainty created by inter-circuit conflicts and fill the void left by the Supreme Court's inaction in the "complex field" of patent law. *Id.* The Justice Department eventually modified its proposal to eliminate the CAFC's exclusive jurisdiction in tax and environmental cases.

In February 1979, President Carter appeared before Congress and announced his support for legislation to create the Court of Appeals for the Federal Circuit. *United States Court of Appeals for the Federal Circuit: A History 1982-1990*, at 5 (1991). In 1979, Congress responded to the Carter Administration's proposal and drafted legislation regarding the formation of the Federal Circuit. Senate Bills S. 677 and S. 678 proposed the creation of an additional court of appeals that would exercise exclusive jurisdiction over patent and trademark appeals. *The Judicial Improvement Act of 1979*, S. 677, 96th Cong. (1979); S. 678, 96th Cong. (1979).

After hearing extensive testimony on the subject, the Senate Subcommittee on Courts revised the draft bills and reintroduced the proposal in S. 1477, which was similar in most respects to S. 677 and S. 678, except that it removed exclusive jurisdiction over trademark appeals from the proposed new court. *Senate Bill 1477*, 96th Cong. (1979). Members of the House of Representatives introduced H.R. 3806, which also proposed the formation of the Federal Circuit. *Court of Appeals for the Federal Circuit, H.R. 3806*, 96th Cong. (1979). While the Senate

and House conference committee reached a compromise between S. 1477 and H.R. 3806, the compromise version ultimately was withdrawn because of a proposal to add an unrelated amendment to the bill. *History of CAFC*, supra, at 6.

Members of Congress again introduced bills into the Senate and House of Representatives to establish the Federal Circuit in 1980. The Senate Subcommittee on the Courts held extensive hearings on S. 21, which contained substantially the same provisions as S. 1477 from the previous year. *Senate Bill 21*, 97th Cong. (1981). Similarly, the House Subcommittee on the Courts held hearings on the House's counterpart to S. 21; H.R. 4482. *H.R. 4482*, 97th Cong. (1981). Interested parties presented virtually the same testimony and arguments at the hearings before both houses of Congress.

Testimony during the Senate and House hearings focused on the problems created by the differences between the various regional circuits' application of patent law, the risks of establishing a specialized court of appeals and, in particular, the extent to which a specialized patent court would have jurisdiction over non-patent issues, including antitrust issues. Supporters of the legislation observed that the inter-circuit conflicts greatly increased the expense of litigation because of the forum shopping that occurred. *E.g.*, *H.R. Rep. No. 97-312*, at 21-22 (1981).

Supporters of the proposed new Court of Appeals particularly noted the more fundamental concern that the lack of uniformity in the application of the patent laws impacted business planning. The problem these supporters identified is the same problem Petitioner's

proposal would re-create. Patent holders could not determine with any degree of certainty the extent of their legal rights in an invention because the scope of those rights depended, in large part, on geography. *Id.* In this regard, Former Secretary of Commerce Philip M. Klutznick testified that “[d]ecisions to file patent applications and to invest in commercializing inventions would be improved meaningfully as a result of the greater uniformity and reliability made possible.” *Id.*; *see also*, *History of the CAFC, supra*, at 11 By centralizing patent appeals, supporters believed that business planning would become easier “as more stable and predicable patent law is introduced.” *House Report, supra* note 30, at 23.

**B. Abandoning the Clear and Convincing Evidence Burden to Overcome a Patent’s Presumption of Validity Would Create Considerable Uncertainty by Abandoning Established Jurisprudence Created by This Court.**

Contrary to Petitioner’s implication, the Federal Circuit did not create the clear and convincing evidence standard out of whole cloth. In fact, the Federal Circuit’s use of the clear and convincing evidence standard is consistent with longstanding Supreme Court jurisprudence. As set forth in considerable detail in their briefs, *Amicus Curiae*, the American Intellectual Property Law Association and International Business Machines, Inc., demonstrate that the clear and convincing evidence standard is consistent with the standard by this Court to patent cases. *See, Brief of Amicus Curiae, American Intellectual Property Law Association in Support of Neither Party* at \*6-9 (citing, *inter alia*, *Cantrell v. Wallick*, 117 U.S. 689, 695 (1886)

(“Not only is the burden of proof to make good defense on the party setting it up, but it has been held that every reasonable doubt should be resolved against him.”); *Brief of Amicus Curiae International Business Machines in Support of Neither Party*, at \*9 (citing, *inter alia*, *Radio Corp of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1, 2 (1934) (“There is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence”). *Id.* The analysis and historical perspective outlined in the referenced briefs is both insightful and compelling and need not be reiterated on these pages.

As Petitioner points out, the Federal Circuit has consistently interpreted the statutory presumption of validity provided in 35 U.S.C. § 282 as requiring that a challenger prove invalidity by clear and convincing evidence. *See, eg., Am Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed Cir. 1984). The Federal Circuit has applied this standard consistently for over a quarter-century, also as pointed out by Petitioner at page two in their Petition for Writ of Certiorari. Relevant limiting instructions have been authorized by the Federal Circuit to address the circumstance wherein the challenger has legitimately identified art of argument that was not considered during prosecution.

All currently issued patents post-date the adoption of this standard and all businesses who have currently active patents relied upon this precedent when deciding to pursue patent protection. Petitioner cites numerous decisions by circuit courts prior to the creation of the Federal Circuit to show that the circuits applied disparate standards that were at times less than the clear and



convincing evidence standard. This argument underlines the problem Amici seeks to avoid. The cases relied upon by Petitioner show erratic and uncertain application of the burden of proof required to prove invalidity. As set forth above, the Federal Circuit's charter tasked it with providing certainty and predictability where none previously existed. Petitioner seeks to undermine the very purpose of the Federal Circuit, and without need to do so as discussed below.

By creating a new, separate burden of proof, or adopting a sliding scale for those cases where prior art was not before the USPTO prior to issuance of a patent, this Court would create a seismic shift in the economic exceptions of practicing patentees, adding another element of uncertainty and additional cost into litigation surrounding validity of patents. Trial Courts would first be required to determine whether prior art is relevant to the patent in suit. This would likely result in a separate hearing, which itself would be subject to interlocutory appeal as the outcome of a 'Microsoft hearing' would determine the strength of the presumption of validity. Just as litigation over claims construction has increased the cost, changing or lowering the value of the presumption of validity would further diminish the value of a practicing entity's intellectual property portfolio and make it more difficult to prevent infringement.

## **II. WEAKENING THE PRESUMPTION OF VALIDITY IS UNNECESSARY IN LIGHT OF EXISTING REMEDIES FOR PATENTS IN WHICH RELEVANT PRIOR ART WAS NOT BEFORE THE USPTO.**

As intimated above, change to the current standard of review is unnecessary because remedies exist to address the exact problem Petitioner raises in the instant case. First, where prior art allegedly should have been provided to the USPTO during examination, the infringer may assert a claim of inequitable conduct. Second, an alleged infringer discovers potentially invalidating art after issuance, the USPTO may be asked to engage in reexamination of the patent at issue. Both inequitable conduct and reexamination were created to support the presumption of validity by allowing a court and/or the USPTO to consider potentially invalidating art or arguments that the USPTO did not have before it at the time of examination. Each option is considered below, along with a history of each and their respective purposes.

### **A. The Doctrine of Inequitable Conduct Acts to Ensure All Reasonable Prior Art is Before the USPTO.**

Inequitable conduct is a judicially created defense to patent infringement having its origins in the equitable doctrine of unclean hands. *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006); *see also* Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 1329-1398 BERKELEY TECHNOLOGY LAW JOURNAL (Vol. 24:4 2006). The doctrine of inequitable conduct has its roots in a series of Supreme

Court cases in which this Court refused to enforce patent rights in instances where patent holders had engaged in fraud to obtain their patents. *See, Precision Mfg. Co. v. Auto Maint. Mach.*, 324 U.S. 806 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240 (1933).

Equitable conduct operates to ensure a strong presumption of validity is justified. The duty of candor requires a patent applicant to disclose “all information known [to the patent applicant] to be material to patentability.” 37 C.F.R. § 1.56 (2010). Where a patent holder “has been determined to have engaged in inequitable conduct with respect to one or more claims during prosecution of the patent, the entire patent is rendered unenforceable.” *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988). Additionally, the court may, in exceptional cases, “award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285; *Epcor Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002). Inequitable conduct supplements the significant incentives already built into the Patent Act for patent applicants, and the patent agents or attorneys assisting them, to supply all relevant prior art to the USPTO during the examination process.

Under modern doctrine, to prove that a patent is unenforceable due to inequitable conduct, a party must show that an inventor, an inventor’s attorney, or another person substantively involved with the application, with intent to mislead or deceive the USPTO, failed to disclose to the USPTO material, non-cumulative information known to that person to be material, or submitted materially false

information to the USPTO during prosecution. *Digital Control*, 437 F.3d at 1313; *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1330–31 (Fed. Cir. 2004); 37 C.F.R. § 1.56. If the Court determines that the threshold levels of both materiality and intent were achieved, then the Court must balance materiality and intent, “with a greater showing of one factor allowing a lesser showing of the other.” *Digital Control*, 437 F.3d at 1313; (citing *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 693 (Fed. Cir. 2001)).

The doctrine of inequitable conduct is an effective means of rendering patents unenforceable by means of an affirmative defense in litigation where material information regarding the patent application, including prior art, is withheld. *See, e.g., Hoffman-LaRoche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1369-72 (Fed. Cir. 2003) (upholding a district court determination of inequitable conduct based on inaccurate statements in the application and an office action response characterizing the prior art and comparing it to the claimed invention). Where an accused infringer can demonstrate that information material to the examination was withheld, and that the patent applicant or his or her representative had some level of intent to withhold greater than gross negligence, then the presumption of validity is mooted as the patent is unenforceable completely. This protects patent infringers against deception perpetrated on the USPTO, and strengthens the effect of the presumption of validity in cases where no inequitable conduct took place.

From the patentee’s perspective, there is protection from overuse of this doctrine by the *mens rea* requirement. Even with very sophisticated search methods, locating

all prior art may not be possible in some cases. In these cases, as with cases in which withheld information is not material, a court should not find inequitable conduct. *See., e.g., CFMT, Inc. v. Yieldup Int'l Corp.*, 349 F.3d 1333, 1341-43 (Fed. Cir. 2003) (reversing the district court finding of inequitable conduct stating that the undisclosed subject matter had low materiality and little basis to infer intent to deceive and that their response to the obviousness rejection at most overemphasized the benefits of the invention and did not rise to the level of misrepresentation); *CFMT, Inc. v. Yieldup Int'l Corp.*, 349 F.3d 1333, 1341-43 (Fed. Cir. 2003) (reversing the district court finding of inequitable conduct stating that the undisclosed subject matter had low materiality and little basis to infer intent to deceive and that their response to the obviousness rejection at most overemphasized the benefits of the invention and did not rise to the level of misrepresentation). There is an elegant balance created by this doctrine which protects both patent holder and alleged infringer in appropriate cases.

Under Petitioner's position, both the intent and the materiality analysis would be eliminated, exposing an otherwise valid patent to invalidity by virtue of a lower standard and a weakened presumption. This balancing of materiality and intent serves as precisely the kind of check on poorly or inadequately examined patents that Petitioner urges here without throwing the good in with the bad. Within the litigation context, therefore, a powerful mechanism exists that can and does serve to ensure that the deference afforded the USPTO, by requiring clear and convincing evidence to overcome the presumption of validity, is justified.

**B. Congressionally Authorized Reexamination Serves as an Established and Effective Tool to Present Overlooked Prior Art to the USPTO**

Congress has already addressed the concern that patents may be issued without a full consideration of the most compelling or relevant arguments of invalidity. The reexamination process was specifically created to provide a multitude of options for patentees and infringers alike to compel the USPTO to re-evaluate an issued patent in light of new or previously undiscovered art or arguments. This Court should defer to the Congressionally created mechanism for addressing Petitioner's policy concerns and re-affirm its long standing commitment to the heightened burden of proof necessary to invalidate a patent.

Like the doctrine of inequitable conduct, reexamination of patents provides a method by which accused infringers, or even competitors, may challenge the validity of a patent where potentially invalidating references were not before the USPTO when the patent was examined. Unlike the doctrine of inequitable conduct, however, reexamination was created by Congress, rather than the courts, as a potential curative mechanism for so-called bad patents. Existing patent reexamination provisions allow for "any party" to request reexamination:

Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinence and manner of applying such prior art to at least one claim

of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

35 U.S.C. 301. Thus, where material prior art was omitted from an examination, as Petitioner asserts in this case, the patent may be reconsidered and certain claims or even the entire patent invalidated due to prior art rendering it invalid. This administrative cure for a failure to consider prior art was in direct response to increasing judicial antipathy toward the presumption of validity that USPTO action is due.

Despite the basis for strong patent protections going back to our Constitution, a judicial disdain toward patents and the USPTO in particular developed in the twentieth century. In this regard, Justice Jackson famously stated:

It would not be difficult to cite many instances of patents that have been granted, improperly I think, and without adequate tests of invention by the USPTO. But I doubt the remedy for such USPTO passion for granting patents is an equally strong passion in this Court for striking them down so that the only patent that is valid is one which this Court has not been able to get its hands on.

*Jungerson v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting.) See also, *Merrcoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665-66 (1944) (a

patent is a grant of “special privilege” and referring to “the evils of an expansion of patent monopoly by private engagements” while all but eliminating the doctrine of contributory infringement.). This disparagement was due to courts becoming less and less persuaded that issued patents had received adequate consideration, including consideration of prior art.

This judicial attitude toward patents weakened the patent system by creating a distrust of the USPTO as more and more patents were struck down. This, in turn caused a perception that domestic patents were of limited value in terms of enforcing intellectual property rights. *See*, David Silverstein, *Patents, Science & Innovations: Historical Linkages and Implications for Global Technological Competitiveness*, 17 Rutgers Computer & Tech L.J. 261, 304 (1991). This judicial ambivalence led in turn to the erosion of the strong presumption of validity owed to USPTO decisions by statute, as discussed in early Supreme Court cases, *supra*. In *Radio Corp. of America v. Radio Engineering Laboratories*, 293 U.S. 1 (1934), this Court held that the presumption of validity could only be overcome by “convincing evidence of error”, and that it required “more than a dubious preponderance” of the evidence. *Id.*, at 7-8. Petitioner’s suggested judicial remedy will have the effect of moving away from this Court’s precedent, back toward the era of judicial disdain for the USPTO. This is unnecessary. Congress created reexamination to address Petitioner’s concern while preserving this Court’s deference to the USPTO in validity challenges – deference that is reflected in the heightened burden long ago adopted by this Court.



It was in this atmosphere of disdain that the cases cited by Petitioner arise. And it was in part a response to those cases, all decided prior to the creation of the Court of Appeals for the Federal Circuit, that Congress acted both to create the Federal Circuit for predictability in patent litigation and to effectuate reexamination. It bears repeating: Congress created reexamination to address the ‘problem’ Petitioner now requests this Court resolve through a shifting burden to prove invalidity – and Congress did so in a way that maintains the value of all patents while providing a mechanism to address new art or arguments in support of invalidity, if they arise.

Congress’ interest in reexamination, along with other patent reform, was by no means the first time the concept of reexamination or some other procedure was considered to evaluate weak patents. In 1888 this Court held that members of the public could sue in equity for the cancellation of a patent. *United States v. American Bell Tel. Co.*, 128 U.S. 315 (1888). The specific term “reexamination” was used in 1918 in connection with a proposal for administrative revocation proceedings. James H. Lightfoot, 1 J. PAT. OFF. SOC’Y 116, 127 (1918) (discussing “reexamination of allowed claims by a corps of examiners superior to primary examiners”).

The reform efforts centered on reexamination had several motivators. Among them was that the presumption of validity would be strengthened, and courts involved in patent litigation could have an assurance that all material prior art had been considered by the USPTO. *See*, Science Advisory Board, *Report of the Committee on the Relation of the Patent System to the Stimulation of New industries*, 18 J. PAT. OFF. SOC’Y 94, at 97 (1936)(“There is needed

a change in procedure which will aid the office in raising standards, and positively increase the presumption of validity.”)

Reexamination was raised in earnest before Congress in the mid-1960s. Patent reform legislation including reexamination provisions were introduced to Congress in 1967 and modified in subsequent years, tracking creation of the Federal Circuit. *See*, S. 1042, 90th Cong. (1967); S. 1246, 91st Cong. (1969) (providing a time-limited “reexamination” proceeding). In late 1970, the Carter administration presented reexamination as one of the “significant steps to improve the presumptive validity of issued patents.” *Patent reexamination; Hearings on S. 1679 Before the Senate Comm. on the Judiciary*, 96th Cong. 14 (1979).

Courts have likewise recognized that the reexamination process is intended to invigorate the presumption of validity. In *Patlex Corp. v. Mossinghoff*, the Federal Circuit observed that “Congress had an important public purpose in mind when it enacted the reexamination statute. The Statute was part of a larger effort to revive United States industry’s competitive vitality by restoring confidence in the validity of patents issued by the USPTO.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985). *See also In Re Creative Techs Corp.*, 83 F.3d 1394, 1396-96 (Fed. Cir. 1996) (citing *Patlex* regarding purpose of reexamination).

Petitioners and *Amici* in support of Petitioners will argue that the reexamination system is flawed, that it is time consuming and that it fails to provide an adequate remedy where uncertainty as to validity is resolved by

neither a jury nor the USPTO, and meanwhile decisions must be made as to continuing business with potentially infringing products. These and other arguments pertain to the timeliness of reexamination, not whether it is the remedy envisioned by Congress for the very problem Petitioner raises in this case. Indeed, Congress has once again taken up the matter of reexamination in its current patent reform bill, strengthening the reexamination process as a curative measure for weak or improvidently granted patents.

The Senate just passed the American Invents Act and included two additional processes for reexamination. In addition to ex-parte reexamination and inter-partes reexamination, the Senate seeks to create a post-grant review. Under this scenario, an alleged infringer may challenge claims in a patent within six months of being served with a complaint alleging infringement. Post-grant review would be conducted upon any ground for review that could be raised under paragraph (2) or (3) of 35 U.S.C. § 282(b), which includes all of the prior art and Section 112 defenses. This bill was passed by the Senate on March 10, 2011.

As demonstrated by the foregoing, Congress has addressed and continues to address the strength of the presumption of validity through the reexamination process. Respectfully, this Court should refrain from weakening the presumption of validity on the basis of a problem that has been addressed in a way that avoids the deleterious effects of Petitioner's proposed solution.

## CONCLUSION

The Association of Practicing Entities joins in the position of i4i that the standard of proof articulated by Congress in adopting the Section 282 of Title 35 was for a heightened burden to be imposed upon the challenger of a patent validity. The Supreme Court had established, in the 100 years prior to the adoption of the Patent Act, that the heightened burden could be defined as clear and cogent evidence, beyond a reasonable doubt, or more than a dubious preponderance. There can be no doubt that the Supreme Court, when addressing the quantum of proof necessary to invalidate an otherwise validly issued patent, has held that the burden be heightened above that which would normally apply in other civil actions. Congress, in requiring that the challenger “establish” invalidity before the presumption of validity would be lifted, echoed the Supreme Court’s view that the quantum of proof should be heavy but not insurmountable. This is consistent with the Federal Circuit’s view, as agreed by a number of the circuits, that a challenger that presents new evidence of invalidity that was not considered by the USPTO will more likely carry their burden than a challenger who rearticulates or reworks the arguments that were considered by the agent.

Respectfully submitted,

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