

No. 10-290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,

Petitioner,

v.

141 LIMITED PARTNERSHIP AND
INFRASTRUCTURE FOR INFORMATION INC.,

Respondents.

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

**BRIEF OF *AMICUS CURIAE*
INTELLECTUAL PROPERTY OWNERS
ASSOCIATION IN SUPPORT OF
RESPONDENTS**

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TABLE OF CONTENTS

	<i>Page</i>
TABLE OF CITED AUTHORITIES	iii
INTEREST OF <i>AMICUS CURIAE</i>	1
SUMMARY OF ARGUMENT.....	2
ARGUMENT.....	2
1. A SPLIT STANDARD FOR INVALIDITY WOULD UNNECESSARILY BURDEN THE PATENT SYSTEM	3
A. Lowering the Standard for Some Invalidity Challenges Would Adversely Impact the USPTO.....	4
B. A Split Standard for Validity Challenges Would Complicate the Work of Juries, Parties, and Courts in Patent Cases ..	5
2. THE WELL-SETTLED EXPECTATIONS OF THE INVENTING COMMUNITY INCLUDE A HIGH PRESUMPTION OF VALIDITY, AND CHANGING THE PRESUMPTION WOULD DESTROY THE LEGITIMATE EXPECTATIONS OF INVENTORS IN THEIR PROPERTY ...	7

Table of Contents

	<i>Page</i>
3. THE HIGH PRESUMPTION OF VALIDITY SHOULD REMAIN IN PLACE TO CONTINUE TO ENCOURAGE INVESTMENT IN PATENTS AND INNOVATION	8
CONCLUSION	11
APPENDIX — MEMBERS OF THE BOARD OF DIRECTORS OF THE INTELLECTUAL PROPERTY OWNERS ASSOCIATION.....	1a

TABLE OF CITED AUTHORITIES

	<i>Page</i>
CASES	
<i>Connell v. Sears, Roebuck & Co.</i> , 722 F.2d 1542 (Fed. Cir. 1983)	3
<i>Festo Corporation v.</i> <i>Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002)	7-8
<i>KSR International Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007)	3
<i>Lear Siegler, Inc. v. Aeroquip Corp.</i> , 733 F.2d 881 (Fed. Cir. 1984)	6
<i>Magnivision, Inc. v. Bonneau Co.</i> , 115 F.3d 956 (Fed. Cir. 1997)	3
<i>Radio Corp. of Am. v. Radio Eng'g Labs</i> , 293 U.S. 1 (1934).....	2
ARTICLES	
Joseph A. DiMasi <i>et al.</i> , <i>The price of innovation: new estimates of drug development costs</i> , 22 J. HEALTH ECON. 151, 180 (2003)	10
Stuart J.H. Graham <i>et al.</i> , <i>High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey</i> , 24 BERKELEY TECH. L.J. 1255 (2009)	9

Cited Authorities

	<i>Page</i>
Tim Kane, <i>The Importance of Startups in Job Creation and Job Destruction</i> , Kauffman Foundation Research Series: Firm Formation and Economic Growth, Ewing Marion Kauffman Foundation, 3 (2010)	9
London Economics, <i>Economic Study on Patent Backlogs and a System of Mutual Recognition: Final Report to the Intellectual Property Office</i> [of the United Kingdom] <i>xii</i> (2010)	5
<i>Manual of Patent Examining Procedure</i> (8th ed. rev. 8) (July 2010) § 1701.01.	6
Posting of Henry R. Nothhaft & David Kline to Harvard Business Review Blogs, <i>The Biggest Job Creator You Never Heard Of: The Patent Office</i> , http://blogs.hbr.org/cs/2010/05/the_biggest_job_creator_you_ne.html (May 6, 2010)	10
Patently-O, <i>Updated Statistics: Patent Application Pendency</i> , http://www.patentlyo.com/patent/2010/07/updated-statistics-patent-application-pendency.html (July 12, 2010)	4
Arti Rai <i>et al.</i> , <i>Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs</i> , A White Paper from the U.S. Department of Commerce, 1 (2010)	8

INTEREST OF *AMICUS CURIAE*

Intellectual Property Owners Association (IPO) submits this brief as *amicus curiae* pursuant to Rule 37 of this Court to address the appropriate level of proof necessary to invalidate a U.S. patent.¹

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in U.S. intellectual property rights. IPO's membership includes more than 200 companies and a total of over 11,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before Congress and the USPTO and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.²

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. Both parties in this case consented to the filing of *amicus* briefs in support of either party or neither party by letters submitted to this Court on December 7 and 8, 2010.

2. IPO procedures require approval of positions in briefs by a three-fourth majority of directors present and voting. Microsoft Corporation is a member of the IPO Board of Directors; however, it did not participate in the discussions regarding or vote on the decision to file this brief and did not participate in its preparation.

IPO submits this brief in support of Respondent i4i Limited Partnership and Infrastructure for Information, Inc. (“i4i”) because of the importance of the presumption of patent validity in triggering and protecting investment in innovation and the concomitant need for a uniform and high evidentiary standard to apply to invalidity challenges. IPO expressly declines, however, to take any position concerning the validity of the i4i patent in suit.

SUMMARY OF ARGUMENT

IPO believes that the current clear and convincing standard for invalidating a U.S. patent avoids adding unnecessary complications to the patent system, respects existing investments in technology made with the understanding that U.S. patents are entitled to a strong presumption of validity, and encourages investment in innovation. Therefore, IPO respectfully urges this Court to affirm the longstanding law that patent invalidity must be proved by clear and convincing evidence.

ARGUMENT

IPO believes that invalidating a U.S. patent in litigation should continue to require clear and convincing evidence, not a mere preponderance. IPO believes that the clear and convincing standard is fully consistent with 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 overthrown except by clear and cogent evidence”). Since its creation in 1982, the Court of Appeals for the Federal Circuit has consistently imposed a burden of proving patent invalidity by clear and

convincing evidence. *See, e.g., Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983). However, IPO will leave the detailed analysis of the law regarding the appropriate presumption to the parties. Instead, IPO will address the economic benefits of the clear and convincing standard as well as some of the harms that would occur were the standard to be lowered. In particular, IPO believes that in order to continue to spur investment in innovation and to protect the property rights of those who have already invested in research and development, this Court should maintain the clear and convincing standard for proving a patent invalid.

1. A SPLIT STANDARD FOR INVALIDITY WOULD UNNECESSARILY BURDEN THE PATENT SYSTEM

IPO is, of course, aware of this Court's dictum in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) that the rationale for the statutory presumption "seems much diminished" where an invalidity defense is based on evidence that the USPTO never considered. However, it is not only deference to the USPTO that drives the presumption of validity, but also the value of stability in the grant of patent rights, *see Magnivision, Inc. v. Bonneau Co.*, 115 F.3d 956, 958 (Fed. Cir. 1997), and that interest is agnostic to a particular reference having been considered during prosecution. Moreover, any lowering of the burden of proof with respect to prior art that was not "considered" by the USPTO will create a cumbersome hybrid standard for validity challenges that will have adverse consequences throughout the U.S. patent system.

A. Lowering the Standard for Some Invalidity Challenges Would Adversely Impact the USPTO

Changing the standard for some invalidity challenges would complicate the work of the USPTO in examining patent applications. In particular, if a higher burden of proof were applied to prior art before the USPTO examiner, this would inevitably encourage patent applicants to search for and “dump” every possible piece of prior art on the USPTO during prosecution, with little regard to its potential relevance, in an effort to avoid application of a lower standard of invalidity in later litigation. The resulting deluge of cited prior art would reduce the productivity of examiners, making it harder for examiners to identify the most relevant prior art, and would further exacerbate the PTO’s backlog and further slow the already lengthy patenting process.

The average pendency for issued patent applications is already around five years.³ By motivating applicants to disclose marginally relevant art to secure a stronger downstream litigation position, a hybrid invalidity standard would only serve to increase the workload of the USPTO and worsen pendency. It is important to note that the harms of increasing pendency go well beyond the USPTO: a study published in January 2010 concluded that “[a]n additional year of pendency at the Trilateral offices [the European Patent Office, the Japanese Patent Office

3. See Patently-O, *Updated Statistics: Patent Application Pendency*, <http://www.patentlyo.com/patent/2010/07/updated-statistics-patent-application-pendency.html> (July 12, 2010).

and the USPTO] is estimated to impose costs of £7.6 billion [~\$12.3B] per annum on the global economy.”⁴

B. A Split Standard for Validity Challenges Would Complicate the Work of Juries, Parties, and Courts in Patent Cases

A hybrid standard for validity challenges would increase the cost and complexity of patent litigation. Lowering the burden of proof for prior art that was not “considered” would force district court judges and juries to determine whether each piece of prior art relied upon by the accused infringer was “considered” by the USPTO or was duplicative of information that was already of record. Of course, litigants would also have to prepare and present arguments on this question of “consideration,” increasing the cost, time, and complexity of enforcing or defending a patent claim in court. The current clear and convincing standard avoids the need for this complicating, threshold determination.

Examiners at the USPTO are engineers and scientists who bring their personal experience and knowledge from academia and industry to their analyses of patent applications. An examiner typically specializes in a particular art unit, or area of technology, and thus also brings an awareness of and expertise in the current state of the art that is derived from his/her accumulated experience with his/her assigned art area to every examination. In addition, every examination includes

4. London Economics, *Economic Study on Patent Backlogs and a System of Mutual Recognition: Final Report to the Intellectual Property Office* [of the United Kingdom] xii (2010).

one or more new searches of the prior art, during which examiners will review many additional references that are considered, but not chosen for separate citation. Therefore, a reference that is not cited during prosecution and does not appear on the face of the patent may nonetheless be part of the examiner's background knowledge during examination and thus have been considered. *Cf. Lear Siegler, Inc. v. Aeroquip Corp.*, 733 F.2d 881, 885 (Fed. Cir. 1984) (“The failure to cite specific prior art is not conclusive proof that the art was not considered.”). Additionally, an examiner may deliberately choose not to cite a prior art reference that is merely cumulative of, or objectively less relevant than, other cited references. But it would be impossible for courts and litigants to look into the mind and background of the examiner to determine that such references were in fact considered,⁵ and it would be inappropriate to lessen the standard of proof for such references assuming that they were not.

Further, applying different standards of proof—a lower standard of proof for invalidity evidence that was not “considered” by the USPTO and a higher standard otherwise—would only make jury instructions and deliberations in patent litigation even more complex and confusing than they already are. For example, a reference cited in an anticipation rejection during prosecution could be combined with other, unconsidered, references in an obviousness argument at trial. The judge would

5. Indeed, USPTO policies severely circumscribe the ability to take testimony from examiners. *Manual of Patent Examining Procedure*, (8th ed. rev. 8) (July 2010) § 1701.01 (An examiner is not allowed to answer questions that “inquire into the manner in and extent to which the [examiner] considered or studied material in performing a quasi-judicial function.”).

then be forced to craft instructions to the jury that implemented a clear and convincing standard of proof for the obviousness position as to the “considered” reference and a preponderance of the evidence standard otherwise. Similarly, a party might present two different anticipation arguments at trial, one relying upon a considered reference and one relying upon an unconsidered reference. In that situation, the jury would need to determine whether anticipation had been clearly and convincingly proven as to the former and, distinctly, whether anticipation had been proven by a preponderance as to the latter. These effects would only be compounded in litigation involving multiple patents and multiple invalidity positions as to each patent.

2. THE WELL-SETTLED EXPECTATIONS OF THE INVENTING COMMUNITY INCLUDE A HIGH PRESUMPTION OF VALIDITY, AND CHANGING THE PRESUMPTION WOULD DESTROY THE LEGITIMATE EXPECTATIONS OF INVENTORS IN THEIR PROPERTY

Because the clear and convincing standard has been the law for decades, the inventing community has justifiably relied upon a high presumption of patent validity in determining to commit resources to obtaining and enforcing patents. The clear and convincing presumption of validity is an essential part of the bargain they made in disclosing their inventions to the world, rather than maintaining them as trade secrets. A lowering of that standard would unfairly rob patentees of the value of their investments.

As this Court explained in *Festo Corporation v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739,

(2002), “courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community. . . . Fundamental alterations in [settled law] risk destroying the legitimate expectations of inventors in their property.” Any weakening of the presumption of validity for the millions of U.S. patents currently in force will unfairly undermine the value of these property rights. Such an erosion of value would manifest itself in inventors eschewing the innovation-promoting disclosures of their inventions in patents, venture capitalists withholding funds that are crucial in bringing new inventions to market, licensees demanding lower royalty payments, and infringers becoming more brazen in entering the marketplace, based on an increased likelihood that a patent that is litigated would be held invalid.

3. THE HIGH PRESUMPTION OF VALIDITY SHOULD REMAIN IN PLACE TO CONTINUE TO ENCOURAGE INVESTMENT IN PATENTS AND INNOVATION

Innovation has been and continues to be the cornerstone of the post-World War II economy of the United States.⁶ Investment in innovation is critical for domestic job creation and economic growth, as well as for maintaining U.S. technological leadership internationally. The clear and convincing standard has provided a longstanding and important incentive for private investment in the development of patentable technologies. Private investment in innovation is spurred

6. Arti Rai et al., *Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs*, A White Paper from the U.S. Department of Commerce, 1 (2010).

when businesses like those among the IPO membership rely on the strength and presumed validity of patents in making informed product development, partnering, and licensing decisions. Any lowering of the presumed validity of U.S. patents would necessarily reduce the certainty and incentive that patents provide for future investments in research.

A weakening of the validity presumption would be especially harmful to small inventors and start-up companies by reducing their ability to attract the venture capital needed to fund their research activities. Just above three-fourths of executives at venture-capital-backed startups say that having patents is important to getting venture capital funding, according to the 2008 Berkeley Patent Survey, a national study of patents and entrepreneurship.⁷ Furthermore, startup firms are responsible for almost all the new jobs created in the United States since 1977, according to a study by the Kauffman Foundation.⁸

Pharmaceutical and biotechnology industries likewise rely upon strong patent protection to shepherd new products along the time-consuming and expensive road through clinical trials and regulatory approval to market. The research and development costs for bringing a single

7. Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 BERKELEY TECH. L.J. 1255, 1307 (2009).

8. Tim Kane, *The Importance of Startups in Job Creation and Job Destruction*, Kauffman Foundation Research Series: Firm Formation and Economic Growth, Ewing Marion Kauffman Foundation, 3 (2010).

drug to market are typically upwards of \$800M.⁹ These industries have flourished under the settled expectation that the patent protection underpinning their R&D efforts will not be revoked absent clear and convincing evidence, which gives companies and investors the comfort to engage in the costly exercise of funding new products.¹⁰

9. Joseph A. DiMasi et al., *The price of innovation: new estimates of drug development costs*, 22 J. HEALTH ECON. 151, 180 (2003).

10. Posting of Henry R. Nothhaft & David Kline to Harvard Business Review Blogs, *The Biggest Job Creator You Never Heard Of: The Patent Office*, http://blogs.hbr.org/cs/2010/05/the_biggest_job_creator_you_ne.html (May 6, 2010).

CONCLUSION

IPO urges this Court not to disrupt well-settled law and expectations in the inventing community and not to impose unnecessary, additional burdens on the courts and the USPTO. By maintaining the clear and convincing evidentiary standard for judicial challenges to patent validity, this Court will ensure the continuance of a strong U.S. patent system, a system that provides critical structural support for a major portion of the U.S. economy.

Respectfully Submitted,

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APPENDIX

**APPENDIX — MEMBERS OF THE BOARD
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1. IPO procedures require approval of positions in briefs by a three-fourths majority of directors present and voting.

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