

No. 10-0290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

14I LIMITED PARTNERSHIP, ET AL.,
Respondents.

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

BRIEF OF *AMICUS CURIAE* UNITY SEMICONDUCTOR
CORPORATION IN SUPPORT OF RESPONDENTS

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INTEREST OF THE *AMICUS CURIAE*

The *Amicus Curiae*, Unity Semiconductor Corporation (“Unity”), is a memory technology company headquartered in Silicon Valley. Unity has pioneered innovative non-volatile solid state memory designs. Unity’s emerging cross-point memory technology is designed to overcome the limitations of conventional memory technologies. In particular, Unity’s memory solutions are designed to replace NAND flash memory in a growing market for memory in electronic devices. As a representative Silicon Valley start-up company for over the last eight years, Unity has maintained and supported an active patent program to protect its innovations. Its patent portfolio has been, and continues to be, a key to its success.¹

¹ No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief, apart from the *Amicus Curiae* or its counsel. The written consent of all parties was granted in accordance with Supreme Court Rule 37.3(a).

QUESTION PRESENTED

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

SUMMARY OF THE ARGUMENT

1. This Court requires a heightened evidentiary standard to set aside or annul a patent, whether for land or an invention, responsive to allegations of fraud or mistake. Early land and patent grant cases considered by this Court are clear on this point. In *Maxwell Land-Grant Case*, this Court held that evidence to set aside, annul, or correct a written instrument for fraud or mistake must be clear, unequivocal, and convincing. This rule is affirmed in subsequent opinions of this Court. Attempting to annul a grant, a patent, or other solemn evidence of title that emanates from the government under the official seal of the United States cannot be done by a bare preponderance of evidence, which leaves the issue in doubt. The nature of a patent grant, the adherence to the various procedural requirements, as required by the law, and the immense importance and necessity of stable title in patent rights demand a clear, unequivocal, and convincing evidentiary standard. In *United States v. American Bell Telephone Company*, the Court affirmed the holding of *Maxwell*, and, in accordance with the rules laid down in respect to land patents, established the heightened standard of proof for a patent for an invention. Therefore, this Court requires that a patent for an invention may be set aside or annulled only by clear, unequivocal, and convincing evidence based on fraud or mistake. In the case at bar, alleged prior art is absent from the face of the Respondents' patent, thereby giving rise to Petitioner's allegation that an error exists as the prior art was

not examined. When there is an allegation of any mistake or error of omission with respect to a patent, that allegation must be proven by clear and convincing evidence, according to this Court's precedents, to set aside or annul or correct the patent.

2. The foundational presumption of validity codified in 35 U.S.C. § 282 has never been changed or altered by Congress. Congress' recent debates about patent reform demonstrate that Congress has only considered lowering the standard of proof to a preponderance of the evidence in situations where the presumption of validity does not apply. The Congressional record is filled with argument against lowering the standard and those arguments, as well as the absence of arguments to the contrary, indicate a strong belief on the part of Congress that the correct standard is the heightened clear and convincing standard. Most recently, the Senate passed the America Invents Act of 2011, which discusses a lower standard of proof only in the context of unpatentability during *inter partes* review and post-grant review proceedings, but does not suggest any changes to the language in section 282 to diminish or qualify the presumption of validity. The America Invents Act and its predecessor patent reform bills demonstrate the continued refusal by Congress to lower the standard for proving invalidity, underscoring Congress' long-held belief that "clear and convincing evidence" is the correct standard to apply in a patent invalidity challenge. Contrary to Petitioner's argument that Congressional silence is not an affirmation of the current standard, Congress has heard the cries for patent reform and rejected any notion of altering or changing the

presumption of validity or its correspondingly high standard of proof.

3. The patent system provides a level playing field among the large, established corporations and the small, start-up companies. The start-up companies that fuel the United States economy rely on a strong and stable patent system to survive and compete with the giants in their industries. Patent ownership provides necessary leverage for start-up companies to carve out the technological domains that are rightfully theirs, domains from which they would be pushed out summarily by their more established competitors given a marketplace free of secure patent rights. A significant reason for their ability to leverage patents to enter a market is the presumption of patent validity and the “clear and convincing” standard for proving invalidity. A lowering of the standard would inject instability into the system, signaling to the patent community that patents are not secure and deserve little respect. Not only does lowering the standard of proof take away an essential competitive foothold for smaller companies, but it also undercuts the efforts of the United States Patent and Trademark Office (USPTO) and Congress to improve examination and post-grant review procedures to more precisely address the problems facing the USPTO.

ARGUMENT

I. SUPREME COURT PRECEDENT REQUIRES NO LESS THAN CLEAR AND CONVINCING EVIDENCE TO SET ASIDE OR ANNUL A PATENT GRANT FOR FRAUD OR MISTAKE

A. A Proceeding to Divest a Patent Grant Emanating from the United States Government Requires More than a Bare Preponderance of Evidence.

This Court requires a heightened evidentiary standard to set aside or annul a patent, whether for land or an invention, for allegations of fraud or mistake. Early patent grant cases considered by this Court are clear on this point. In *Maxwell Land-Grant Case*, 121 U.S. 325 (1887) [hereinafter *Maxwell*], the United States government sought to cancel a patent that conveyed nearly two million acres of land in New Mexico and Colorado due to a mistake in a land survey granting an excess of over one-quarter million acres. An act of Congress validated the grant, and a final survey for the patent issued subsequently. *See id.* at 374. The government later alleged that the inclusion of excess acreage in an initial survey and the submission of the survey to the Commissioner of the General Land Office for the Territory of New Mexico was fraudulent. *See id.* at 378. The Court found no evidence of fraud. *Id.*

Significantly, the Court found that even for allegations of error or mistake, “clear,

unequivocal, and convincing” evidence was required to invalidate or correct the patent grant. *Id.* at 381. The final survey allegedly failed to identify exactly the metes and bounds to which the patentees were entitled. *Id.* at 376, 378 (“This is not only a strong indication that the northern boundary was not where it is claimed to be by counsel for [the United States government], but that it was somewhere else; . . .”). Regardless of the arguments pointing out the errors and mistakes, the Court deferred to the skilled finders of fact and declined to invalidate the final survey, and thus, declined to set aside the patent. *Id.* at 377.

With the “great importance of this case,” *id.* at 379, this Court set forth the following general principles to govern decisions as to the nature of testimony and other evidence necessary to set aside “a patent or other title derived directly from the government.” *Id.* This Court held:

We take the general doctrine to be, that when in a court of equity it is proposed to set aside, to annul or to correct a written instrument for fraud or *mistake* in the execution of the instrument itself, the testimony on which this is done must be *clear, unequivocal, and convincing, and that it cannot be done upon a bare preponderance of evidence which leaves the issue in doubt.*

Id. at 381 (emphasis added). This Court continued:

where the attempt is to annul the grants, the patents, and other solemn evidences of title emanating from the government of the United States under its official seal . . . the respect due to a patent, the presumptions that all the proceeding steps required by the law had been observed before its issue, the immense importance and necessity of the stability of titles dependent upon these official instruments, demand that the effort to set them aside, to annul them, or to correct mistakes in them should only be successful when the allegations on which this is attempted are clearly stated and fully sustained by proof.

Id. Therefore, when there is an allegation that there exists an error or mistake in the grant of a patent, such as a mistake in defining the boundaries to which the rights of the patent extend, testimony to set aside or annul such a patent must be by clear, unequivocal, and convincing evidence. A progeny of cases affirms the holding of *Maxwell*. See, e.g., *Colo. Coal and Iron Co. v. United States*, 123 U.S. 307, 316-17 (1887) (“It thus appears that the title . . . rests upon the strongest presumptions of fact which, although they may be rebutted, nevertheless can be overthrown only by full proofs to the contrary, clear, convincing, and unambiguous.”); *United States v. San Jacinto Tin Co.*, 125 U.S. 273, 299-

301 (1888); *United States v. Iron Silver Mining Co.*, 128 U.S. 673, 676-78 (1888); *United States v. Stinson*, 197 U.S. 200, 204 (1905) (citing *United States v. Am. Bell Tel. Co.*, 167 U.S. 224); *J. J. McCaskill Co. v. United States*, 216 U.S. 504, 509 (1910) (citing *United States v. Am. Bell Tel. Co.*, 167 U.S. 224).

In *United States v. American Bell Telephone Company*, 167 U.S. 224 (1897) [hereinafter *American Bell*], the Court adopted the holding of *Maxwell* to establish the heightened standard of proof required to set aside or annul a patent for an invention. *Id.* at 238-41 (“Such decisions² will naturally throw light upon the question here presented, . . .”). The Court affirmed the holding of *Maxwell*, stating “when in a court of equity it is proposed to set aside, to annul, or to correct a written instrument for fraud or *mistake* in the execution of the instrument itself, the testimony on which this is done must be *clear, unequivocal, and convincing*. . . .” *Id.* at 240-41 (emphasis added) (quoting *Maxwell* at 381). In *American Bell*, this Court required a patent challenger to “establish [the] fact[s] clearly” before a patent for an invention could be set aside due to a purported

² The Court examined a group of cases in which the government was a party in a suit alleging fraud. But these cases address issues of error and mistake, too. *See, e.g., San Jacinto Tin Co.*, at 299-301 (finding an error or mistake of location was not proven clearly and convincingly, and did not support a finding of fraud, stating “we are of the opinion that the most that can be reasonably said against the location is, that the record presents a fair case for an honest difference of opinion; that a plausible argument can honestly be made in support of either side of the proposition. An erroneous location is certainly not so obvious at [sic] to necessarily stamp it as a fraud.”).

fraud. *Id.* at 251. Justice Brewer paraphrased the holding of *Maxwell* in *American Bell*, and then extended the rule in *Maxwell* to patents for invention as follows:

a suit between *individuals* to set aside an instrument for fraud can only be sustained when the testimony in respect to the fraud is clear, unequivocal and convincing, and cannot be done upon a bare preponderance of evidence which leaves the issue in doubt; *And we may here again repeat that if this is true when the suit is to set aside a patent for land, which conveys for all time the title, a fortiori it must be true when the suit is one to set aside a patent for an invention which only grants a temporary right.*

Id. at 251 (emphasis added). Therefore, this Court held that a patent for an invention may be set aside or annulled by clear, unequivocal, and convincing evidence based on fraud or mistake “in accordance with the rules laid down in respect to land patents.” *Id.*

Notably, the Court did not ascribe a heightened standard of proof based on whether a fraud is alleged or a mistake is alleged. Rather, the heightened standard of “clear, unequivocal, and convincing” proof is required due to the nature of the interest at issue (*i.e.*, a grant of title emanating from the government) and the process by which a grant from the government is obtained.

Subsequent to *American Bell*, the Court in *Stinson* reiterated the rule of *Maxwell*³ to explain that a grant by the government requires a heavy burden to be set aside or annulled because:

First, the respect due to a patent; the presumption that all the preceding steps required by law have been observed before its issue; the immense importance and necessity of the stability of titles depending upon these official instruments demand that suits to set aside or annul them should be sustained only when the allegations on which this is attempted are clearly stated and fully sustained by proof.

³ It is the rule set forth in *Maxwell* that also is a cornerstone upon which this Court's precedents have set forth a heightened standard of proof necessary to "divest a naturalized person of his citizenship." *Fedorenko v. United States*, 449 U.S. 490, 505 (1981). The Court in *Johannessen v. United States*, 225 U.S. 227 (1912), stated that a certificate of naturalization, which confers certain rights of "political privileges" with citizenship as set forth by the laws of the United States, is "closely analogous" to the rights under a land patent and to the rights under a patent for an invention. *Id.* at 238; *see also Shneiderman v. United States*, 320 U.S. 118, 125 (1943) (relying on *Johannessen* to apply the rule set forth in *Maxwell* to establish a heightened standard for a challenger to revoke citizenship). By association, this Court announced that each of the three aforementioned rights is of a certain nature that once conferred, must not be revoked lightly. Thus, a heightened standard of proof (*i.e.*, clear, unequivocal, and convincing evidence) must apply when the grants of rights of citizenship, land patent and invention are assailed by allegations of mistake or fraud.

Stinson, 197 U.S. at 204. Proving fraud and mistake are similar in that both require a misrepresentation (*e.g.*, such as by error or mistake, or by omission). Fraud requires an additional element—the intent to deceive.⁴ This Court’s precedents under *Maxwell* show that it does not differentiate between fraud and mistake as to the application of a heightened standard.

Accordingly, a patent for an invention must be proven invalid by clear, unequivocal, and convincing evidence. A patent for an invention is examined through an examination process of the United States Patent and Trademark Office (USPTO), in accordance with the patent laws of the United States, and is “approved by the officers of the government whose duty it was to consider [the patent], and who evidently did consider [the patent] with great attention.” *Maxwell* at 377. An issued patent for an invention is an official instrument in which title is granted under seal of

⁴ Petitioner contends that the *ex parte* examination process provides incentives for patentees to withhold information from the United States Patent and Trademark Office. However, safeguards against such fraudulent behavior already exist. “Each individual associated with” a patent application filing must swear an oath to abide by the “duty of candor and good faith in dealing with the [USPTO], which includes a duty to disclose to the [USPTO] all information known to that individual to be material to patentability.” 37 C.F.R. § 1.56. Applicants are held accountable to this duty of candor by the legal defense of inequitable conduct. *See generally* 6 Donald S. Chisum, *Chisum on Patents* § 19.03 (2010) (discussing the law of inequitable conduct, a breach of the duty of candor). If an applicant indeed intentionally omits or mischaracterizes a prior art reference for the purpose of obtaining a patent, the applicant’s patent can be found invalid or unenforceable, and the applicant forced to pay the attorneys fees of the defending party.

the United States government. *See id.* According to the precedents of this Court, once rights in an invention are conferred, those rights must not be revoked lightly. Clear, unequivocal, and convincing evidence is required.

B. Art Not Considered by the United States Patent and Trademark Office Is an “Error” or a “Mistake” Requiring Testimony that Must Be Clear, Unequivocal, and Convincing to Set Aside or Annul a Patent.

The Court in *Maxwell* gave great deference to fact-finders charged with defining the metes and bounds of the patent, and to the survey, as an official written instrument, which is “evidence[] of title emanating from the government of the United States under official seal.” *Id. at 381.* The Court acknowledged the many allegations by the parties of mistakes in the survey as an official instrument. *Id. at 374-76.*

This Court declared that the final survey:

is as strong or stronger than that for any other survey which could be made, . . . [and] we are very clear that it is not the province of this court to set aside and declare null and void these surveys and patents approved by the officers of the government . . . , upon the mere possibility or a bare probability that some other survey would more accurately represent the terms of the grant.

Id. at 377; *see also id.* at 374-75. Likewise, a patent for an invention cannot be declared invalid by mere showing of a preponderance of the evidence that another examination might have produced a different result.

With respect to land grants, the Surveyor General and his officers had a difficult job to survey nearly 2,000,000 acres. They did not have the benefit of the Global Positioning System (“GPS”) and other modern surveying tools to accurately define the boundaries of the patent. Presumably on horse-back, the surveyors identified the boundaries of land covering approximately 3,125 square miles within a duration of approximately three months, and memorialized the metes and bounds in the final survey. *See id.* at 374. Ambiguous landmarks, such as “hills,” “mountains,” “rivers,” and other natural objects were used to define the scope of patent rights. *Id.*

Patent Examiners of the USPTO, as government officers, have duties and responsibilities akin to the surveyors in *Maxwell*; but a Patent Examiner has a more difficult job. As entrepreneurs rush into new frontiers of innovation, new discoveries are made and novel technologies are developed. The new frontiers cannot be defined by spatial dimensions. These new frontiers can be found in, for example, any of the following technological areas: semiconductors, electronics, electrical devices, computers, and software. As entrepreneurs race forward into new frontiers, the Patent Examiner must follow. The Patent Examiner must have significant technical

expertise in their field and is trained to follow the patent examination processes of the USPTO, survey the newest frontiers of innovation, and determine the metes and bounds of patent rights claimed by inventors. *See infra* Part III.C. Landmarks to determine claim scope can be ambiguous, and Patent Examiners do not have a tool that is equivalent to GPS to precisely and accurately identify the boundaries between patentable and unpatentable subject matter.

An inventor, however, upon investing significant resources and time in the patent grant procedure, which is conducted in accordance with the laws set forth by Congress, must be able to rely on the grant of a patent and its rights under seal of the United States government. If a mistake in the patenting process or on the face of a patent instrument is alleged, challenges to its validity must be accorded the heightened standard of proof, as required by this Court's precedents.

Consider the error in the survey in *Maxwell*, whereby the northern boundary between Colorado and the Territory of New Mexico was erroneous. *Id.* at 375-76. Without clear proof of the landmark defining the location of the northern boundary, this Court let stand the survey. *See id.* at 377. At present, a Patent Examiner surveys the technological landscape, and sifts through many pieces of art. A possibility exists that an Examiner might not consider a reference. In this case, the reference may not be examined by the USPTO. Thus, there may be an error or mistake in the examination process. Or, a patent infringer might allege error by the USPTO, regardless whether there is an actual error. In the case at

bar, Petitioner alleges an error either in the examination process or on the face of the patent, or both. Respondents have rights in an invention that has been patented, and these rights must not be revoked lightly. Petitioner's allegation of an error of omission must be proven by clear and convincing evidence, as required by this Court's precedents, to set aside or annul or correct the patent-in-suit.

II. CONGRESSIONAL DEBATES ABOUT PATENT REFORM DEMONSTRATE THAT THE CLEAR AND CONVINCING EVIDENCE STANDARD IS THE APPROPRIATE STANDARD OF PROOF IN VIEW OF SECTION 282'S PRESUMPTION OF VALIDITY

A. The Legislative History of Recent Patent Reform Bills Attests to Congress' Overarching Belief that the Standard of Proof Should Remain Heightened Where the Section 282 Presumption of Validity Applies.

Congress codified the presumption of validity in section 282 for the distinct purpose of strengthening the United States patent system and Congress has never changed that presumption. Given the monumental technological advances of the last few decades and the admitted need for patent reform to strengthen the patent system, every session of Congress since 2005 has considered major patent reform legislation, each to varying degrees of success and

with different proposed changes. The legislative history of these efforts shows that Congress primarily has considered reducing the standard of proof to a preponderance of the evidence only with regard to provisions where section 282's presumption of validity does not apply. Furthermore, Congress has rejected every proposal to lower the standard, even after careful consideration.

1. Congress Considered and Rejected Proposals to Lower the Standard for Proving Patent Invalidity.

Upon considering proposals to apply the preponderance of the evidence standard to patent validity challenges, the Congressional record is replete with arguments against lowering the current standard for proving patent invalidity in any context. One such example is with respect to proposed post-grant review proceedings. For the purpose of improving the patent system by increasing the quality of granted patents, every recent patent reform bill considered by Congress has included provisions regarding post-grant review proceedings to be heard by the USPTO. The Patent Reform Act of 2005 proposed post-grant review proceedings in which the party opposing the patent "shall have the burden to prove the invalidity of a claim by a preponderance of the evidence." H.R. 2795, 109th Cong., § 332 (2005). This proposal was not passed. One year later, the Patent Reform Act of 2006 suggested again the lower preponderance of the evidence standard of proof in post-grant review

proceedings, but clarified that “[t]he presumption of validity set forth in section 282 shall not apply in a challenge to any patent claim under this chapter.” S. 3818, 109th Cong., § 316 (2006) (referring to post-grant review proceedings). Similarly, the Patent Reform Act of 2007 again recommended these same two principles regarding post-grant review proceedings. H.R. 1908, 110th Cong., § 328 (2007). During statements in opposition to the Patent Reform Act of 2007, one Congressman explained the adverse effect the lower standard of proof would have on the patent community:

The new postgrant review lowers the bar of proving that a patent is invalid. Thus, we have actually changed the standard that has protected our inventors against aggressive and unjustified attacks by people challenging them

Currently, the patent challenger must prove a patent’s invalidity, prove that a patent is invalid by clear and convincing evidence. That is a quote, “by clear and convincing evidence.” They are going to change that to the “preponderance of evidence.” How will that affect the patent system? What we have here is an attempt to change that wording and change the standard in a way that weakens the foundation that a patent holder relies upon We

end up with a situation where investors are going to hesitate to get involved with any small inventors because we now have changed the basic rules that have protected the small inventors against unjustified attacks.

153 Cong. Rec. H10146, H10149 (2007) (statement of Rep. Rohrabacher). Not one Congressman argued against Representative Rohrabacher's statement that a challenger must prove a patent's invalidity "by clear and convincing evidence." More significantly, no Congressman argued that patent invalidity should only be proven by a preponderance of the evidence. In fact, Representative Rohrabacher's statement regarding the current heightened standard of proof went completely unchallenged. These strong statements on the Congressional record combined with the lack of contradictory statements are indications that Congress operates under the assumption that patent invalidity must be proven by clear and convincing evidence.

2. Congress Has Considered and Rejected Proposals to Lower the Standard for Proving Patent Invalidity Even in Certain Limited Circumstances.

In 2000, in response to growing concern over the patenting of Internet and business strategies and the quality of such patents, the House of Representatives considered the Business Method

Patent Improvement Act. H.R. 5364, 106th Cong. (2000). In introducing the act, the co-sponsoring Congressman explained:

the bill lowers the burden of proof for a challenge to a patent from “clear and convincing evidence” to “a preponderance of the evidence”—an appropriately lower standard where the difficulty of producing evidence is complicated by the traditions and practices of the industries.

146 Cong. Rec. E1659, E1660 (2000) (statement of Rep. Berman). The Business Method Patent Improvement Act would have lowered the standard of proof for the defense of invalidity in regards to business method patents only. The Congresspersons who drafted this act clearly operated under the assumption that parties seeking to prove business method patent invalidity must do so currently by clear and convincing evidence and that their proposed legislation, if passed, would lower that standard of proof. However, the Business Method Patent Improvement Act did not pass in the House of Representatives. This language in the Congressional record, and Congress’ choice not to adopt this proposed legislation, is indicative of two things: 1) Congress is capable of proposing a lower standard of proof when that is its intention; and 2) Congress consciously operates on the basis that the appropriate standard of proving invalidity is clear and convincing evidence. Notably, the Business Method Patent Improvement Act and all

of Congress' prior attempts to pass language lowering the standard for proving patent invalidity have failed to become law. This shows Congress' insistence not to alter the current clear and convincing standard of proof.

B. The America Invents Act of 2011 Provides for a Lower Standard of Proof in *Inter Partes* and Post-grant Review Proceedings, Proceedings in Which the Presumption of Validity Would Not Apply, But Leaves the Presumption Intact in Section 282.

The America Invents Act is a culmination of six years of patent reform efforts. Similar to past patent reform bills, the America Invents Act proposes post-grant review proceedings requiring the lowered preponderance of the evidence standard for challenging patents. S. 23, 112th Cong., § 326(e) (2011) (as passed by Senate, Mar. 8, 2011). The America Invents Act also would apply the lower standard of proof during *inter partes* review proceedings. S. 23, § 316(e). Unlike its legislative ancestors, the America Invents Act does not include any language in the *inter partes* or post-grant review sections regarding the presumption of validity with regard to those proceedings. Also unlike Congress' prior reform attempts, the *inter partes* and post-grant review proceeding provisions refer to proving "unpatentability," instead of "invalidity." S. 23, §§ 316(e), 326(e). Under the America Invents Act, the challenger must prove unpatentability by a preponderance of the evidence. "Unpatentability" and "invalidity" are two distinct concepts. If an

invention is unpatentable (*i.e.*, unable to be patented), it follows that the section 282 presumption of validity never applied to that invention. On the other hand, proving invalidity implies that validity must be disproved and, consequently, that the invention is presumed valid. This interpretation of the bill's language is consistent with Congress' prior attempts to reform patent law and provide a lower standard of proof only in certain limited circumstances in which the section 282 presumption of validity does not apply.

Furthermore, the America Invents Act does not propose any alteration to the language of section 282 to diminish or qualify the presumption of validity, or change the standard for proving invalidity. *See generally* S. 23. Congress' refusal to alter the heightened standard for proving invalidity further emphasizes Congress' belief that it is the correct standard. Over the last four sessions of Congress, the House of Representatives and the Senate have conducted countless hearings, negotiations, and investigations into possible changes that could be made to strengthen and maintain the status of the United States patent system. Congress is undoubtedly aware that this Court will review the standard of proof for invalidity. On March 8, 2011, in passing and referring to the House of Representatives the America Invents Act of 2011, the Senate signaled to the patent community and this Court that lowering the standard of proving invalidity is not the solution to the problems facing the patent system.

As discussed in more detail by other *Amici*, the Patent Act of 1952 codified the presumption of

validity, which had until that time been a rule made by the courts. In so doing, Congress did not act blindly. The “presumed valid” language of section 282 was challenged during a Congressional hearing in 1951 by the Department of Justice. *Patent Law Codification and Revision: Hearing Before Subcommittee 3 of the H. Committee on the Judiciary*, 82nd Cong. 97 (1951) (statement of T. Hayward Brown, Chief, Patent Litigation Unit, Claims Division, Department of Justice) (describing the presumption as “merely a qualified rule of evidence”). However, Congress chose to codify the presumption of validity in 35 U.S.C. Section 282, and now, Congress is choosing not to alter that language. Petitioner argues that Congressional silence cannot be used as evidence of Congressional intent. But in the face of years of Congressional patent reform debates and this Court’s concurrent review of an allegedly fractioned area of law, one can hardly conclude that Congress has been merely silent.

III. START-UP COMPANIES WHOSE INNOVATIONS FORM THE FOUNDATION OF THE UNITED STATES ECONOMY RELY ON THE “CLEAR AND CONVINCING” STANDARD

A. As the Backbone of Innovation, a Strong and Stable Patent System Is Crucial to the United States Economy.

At the heart of the United States patent system is the goal of promoting innovation.

Especially in today's global economy, maintaining the strength and stability of our patent system is crucial to the success of our start-up companies, and thus to our economy. Many of these companies are fueled by the value of their patent holdings, and successful patent licensing programs are a wellspring from which start-up companies form. These bright, young sources of innovation are the renewing foundation upon which the United States economy continues to grow, and their existence and livelihood are jeopardized by Petitioner's proposal to eliminate the heightened standard for proving invalidity.

In many fields, start-up company creation is heavily dependent on the patenting of technological innovations. *See, e.g.*, Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 43 (2011) [hereinafter "2011 FTC Report"], *available at* <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> ("Patenting may be common because start-ups view it as an important means of securing competitive advantage from their technologies."); Univ. of Calif., *UC Technology Transfer Annual Report 2009 11* (2009) [hereinafter "2009 UC Tech Transfer Report"], *available at* <http://www.ucop.edu/ott/genresources/documents/IASRptFY09.pdf> ("Start-ups based on UC technologies play an important role in California's economy,"). As the Federal Trade Commission explains in its most recent report on the role of patents in spurring innovation, start-ups rely on patents for a number of reasons:

Panelists representing start-ups explained that having patents was important to their ability to attract investment capital. Without a product, one of a start-up's most valuable assets may be its patent estate, and investors may view patents as important for recouping their investment, according to panelists. Investors may also view patents as a signal of technical merit and promise, or as a defensive measure supporting freedom to operate where the patents of competitors present a risk.

2011 FTC Report at 43-44 (citations omitted); *see also* 157 Cong. Rec. S1030, S1032 (2011) (referring to the current economy as “a world in which startup companies depend on patents to secure venture capital and other funding”); 2009 UC Tech Transfer Report at 11 (explaining how patent rights, including licenses, “can be significant in spurring formation of new start-up companies, with invention rights providing an asset that is highly attractive to venture capitalists and angel investors”). The value that investors attribute to the intellectual property (IP) held by start-ups is premised on the strength and stability of our patent system. As discussed in more detail below, that strength and stability will be threatened if the presumption of a patent's validity can be questioned by a preponderance of the evidence.

While it would seem that established technology companies have the same incentive to

maintain the strength of patents to protect their undoubtedly large patent portfolios, the truth is that the power of a patent evens the playing field between large corporations and smaller, younger, more agile start-up companies. As such, large corporations looking to cement their industry stronghold have incentive to quash the protection afforded by patents to their competitors' inventions. *See, e.g.*, 153 Cong. Rec. H10146, 10153 (2007) (statement of Rep. Kaptur) (discussing the motivation for large companies to reduce costs by “weaken[ing] U.S. patent protections” rather than “changing their obviously unfair and often illegal business practices”). As the Federal Trade Commission recently reported, “For some start-ups, one important feature of the patent system’s exclusive right is that it can allow a new entrant to obtain and maintain a competitive advantage in the market.” 2011 FTC Report at 44. Indeed, “the new entrant’s patents may be critical to its ability to survive and inject competition into a product market.” *Id.* Furthermore, the start-up company, in many cases, can innovate faster and better, which often means that their patent portfolios, although most likely smaller, may be stronger in terms of protecting the most cutting edge technologies. The budget constraints of a start-up company force them to adopt a much more selective, streamlined patent strategy.

Such is the case for the numerous emerging Silicon Valley success stories, such as Unity Semiconductor Corporation (“Unity”). Unity’s business model is premised on patent protection for its innovations. *See* Unity, Patent Portfolio (2011) <http://www.unitysemi.com/our-strategy->

patent.html (showing the growth of Unity’s patent portfolio over its eight year development history). Unity is one of many venture-backed companies for which venture funding is its lifeblood. This investment is premised on Unity’s research and development activities yielding valuable improvements, and further on the promise of adequate protections for those improvements by a strong patent system. Unity’s ability to protect its key technology through patents provides it with necessary leverage to operate in the ripe semiconductor industry amongst well-established global players, such as Intel, Samsung and Toshiba.⁵ Established semiconductor companies have the commercial advantage of being well-capitalized, and can afford to build wafer fabrication facilities (“fabs”) to manufacture semiconductor devices. These fabs can “cost at least two billion dollars to construct, and the construction of the most advanced facilities can cost in excess of four billion dollars.” Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* [hereinafter “2003 FTC Report”], Ch. 3 at 31 (2003), *available at* <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

⁵ The semiconductor industry reported over \$200 billion dollars in worldwide sales in 2009, and continues to grow at a rapid rate. *See* Semiconductor Industry Association, *Industry Fact Sheet*, http://www.sia-online.org/cs/industry_resources/industry_fact_sheet; Press Release, Semiconductor Industry Reports January Chip Sales Grew 14.0% Year over Year (Mar. 7, 2011), *available at* http://www.sia-online.org/cs/papers_publications/press_release_detail?press_release.id=1893.

These costs constitute a barrier to entry for smaller companies. The strength of Unity's patent properties is key to its ability to overcome this barrier and inject competition into the memory market. More specifically, Unity is able to leverage its intellectual property to attract opportunities for commercialization, including collaborative endeavors.

Unity's investment in its focused and robust patent portfolio is not unique among start-ups. *See* Rosemarie Ziedonis, *Startups as Sources of New Technologies . . . and Patents*, presented at FTC Hearing: The Evolving IP Marketplace, Slide 9 (May 4, 2009), *available at* <http://www.ftc.gov/bc/workshops/ipmarketplace/may4/docs/rziedonis.pdf> (showing a very large percentage of start-up companies in both the semiconductor and medical device industries hold patents "at exit or last round" stages and even more so "at IPO" stage). A patent portfolio protecting the key technology space rightfully occupied by a start-up company provides a foundation from which they can continue investing in research and pursue commercialization of their products. Thus patent rights are a vital asset to start-up companies.

B. Lowering the Standard for Proving Invalidity Will Engender Instability in the Patent System Without Much Effect on Case Outcomes.

A significant reason for the aforementioned faith in the strength and stability of patents is the knowledge that patents are presumed valid, and

that a validity challenge is evaluated against a heightened standard of proof. Lowering the standard of proving invalidity from the current “clear and convincing” standard to a mere “preponderance of the evidence” will greatly destabilize the patent community, and is likely to make very little difference in preventing the enforcement of questionable patents. As this Court has recognized, jurors may not fully appreciate the differences among differing standards of proof. *See, e.g., Addington v. Texas*, 441 U.S. 418, 424-25 (1979) (calling “efforts to analyze what lay jurors understand” regarding differences in standards of proof “largely an academic exercise”). As such, “changing the words of the evidentiary standard might make little difference in case outcomes.” Mark D. Janis, *Reforming Patent Validity Litigation: The “Dubious Preponderance,”* 19 Berkeley Tech. L. J. 923, 935 (2004).

However, the amount of instability this change in the standard of proof is likely to cause is great. A lowered standard for proving invalidity will embolden patent infringers to take their chances in court, rather than taking licenses to use the patented technology. Large corporations already exercise significant commercial advantages over smaller competitors. A lowered standard of invalidity will take unfairly away from start-ups one of the few key areas with which they can compete on an even playing field with the giants in their industry. *See supra* Part III.A.

Even if there is little actual difference in the outcomes of patent cases, or if only a few more questionable patents are found to be invalid than

would be under the current standard, the more poignant takeaway the patent community will glean from a decision by the Court to lower the standard is an overall lack of faith in our patent system. *See* 153 Cong. Rec. H10146, H10149 (2007) (statement of Rep. Rohrabacher) (discussing how changing to a preponderance standard “weakens the foundation that a patent holder relies upon”). The overarching message will be that patents are less secure, thus less valuable, and the USPTO is unable to competently perform its duty to examine patents. *See* Janis at 927 (“[T]he patent community may perceive a dramatic change in the overlying message. Thus, judges will reach the same result that they would have reached under the old standard, substituting the words of the new standard but the perception may be that patents are less secure and the patent system deserves less respect.”).

C. The United States Patent and Trademark Office’s Efforts to Issue Good Patents Should Be Supported, and Not Undermined.

Broadening the litigation safety net for catching questionable patents undermines the significant efforts that the USPTO and Congress have been exerting over the last decade to maintain a high standard for patent examination in the face of all of the difficulties highlighted by the Petitioner and its supporting *Amici*. As discussed above, “the overarching message that the presumption of validity sends is such a potent indicator of the overall state of the patent system that a proposal to alter it might provoke a visceral

reaction within the patent community that may undercut the credibility of” other, more effective, patent law reforms. Janis at 935 (stating further that “a change to a preponderance standard may simply inject ambiguity as to the governing message that the presumption of patent validity is intended to deliver”). Indeed, such patent law reforms expanding and improving review of patent applications and issued patents by the USPTO and the Board of Patent Appeals and Interferences are currently being acted upon by Congress. *See generally* S. 23 at §§ 311 *et seq.*, §§ 321 *et seq.*

It is well established that the USPTO is in a unique position to provide accurate and cost-effective analysis of patent validity. Examiners have technical backgrounds in the fields in which they are tasked with examining patents. *See, e.g.*, United States Patent and Trademark Office, Performance and Accountability Report Fiscal Year 2006 at 4, *available at* <http://www.uspto.gov/about/stratplan/ar/2006/2006annualreport.pdf>. Examiners also are extensively trained in examination practice. *Id.* More recently, the USPTO has made a commitment to recruit examiners with significant IP experience. United States Patent and Trademark Office, 2010-2015 Strategic Plan [hereinafter “USPTO 2010 Strategic Plan”], at 12 (2010), *available at* http://www.uspto.gov/about/stratplan/USPTO_2010-2015_Strategic_Plan.pdf.

Despite Petitioner’s attempt to paint the patent system as broken, reports show that the patent system works. *See* 2003 FTC Report, Exec. Summ. at 4 (concluding there was “much to praise in the current patent system”). The Court should

not lose sight of the larger percentage of patents issued by the USPTO that are not litigated because they deservedly have the respect of the competitors in the field. These patents are a source of start-up creation. *See supra* Part III.A. These patents are integral to start-up company strategy for growth, funding and commercialization. *Id.*

Given the USPTO's expertise in examining and reviewing patents, it is in the best position to execute improved procedures for evaluating questionable patents. No one denies that the USPTO is meeting unprecedented challenges and needs to adapt to the changing patent landscape. However, changing the standard for proving invalidity is not an appropriate solution to the problem. *See, e.g.*, Janis at 935 ("In targeting the presumption of validity for reform, perhaps the [2003] FTC Report chose unwisely."). Indeed, specifying the preponderance standard for determining patent validity is only one of many recommendations made to Congress in the 2003 FTC Report. 2003 FTC Report, Exec. Summ. 7-18 (making ten separate recommendations, including adequate funding for the USPTO and instituting post-grant review and opposition to patents). However, these recommendations were not meant to be implemented all together, as some "might work at cross-purposes." Janis at 939 (discussing how FTC Report's recommendation to lower standard to preponderance is at odds with its recommendation to create post-grant revocation system). Some of the FTC's recommendations encourage patent challengers to take matters to court, while others encourage them to resolve disputes through administrative avenues. *Id.* The

Senate’s most recent patent reform bill recognizes this and chooses to implement the recommendations that entrust the USPTO with handling the review of challenged patents, rather than encouraging more patent litigation with a change to the language of section 282. *See generally* S. 23, §§ 311 *et seq.*, §§ 321 *et seq.* (proposing an expansion of *inter partes* reexamination⁶ and the creation of a new post-grant review process in the USPTO instead of lowering the standard for proving invalidity). As noted by a member of Congress during debates on patent reform: “We face a historic economic challenge in the global economy. Now is the time for Congress to strengthen U.S. patent protections rather than weaken them.” 153 Cong. Rec. H10146, H10154 (2007) (statement of Rep. Kaptur). Thus, not only is Congress taking action, Congress is taking action that will further instill confidence in the USPTO and our patent system.

The USPTO is doing its part to improve the patent examination process. *See, e.g.*, United States Patent and Trademark Office, The 21st Century Strategic Plan (2003) [hereinafter “USPTO 21st Century Plan”] (superseded by later plans), *available at* http://www.uspto.gov/web/offices/com/strat21/stratplan_03feb2003.pdf; United States Patent and Trademark Office, 2007-2012 Strategic Plan [hereinafter “USPTO 2007 Strategic Plan”] (2007),

⁶ *Inter partes* reexamination was instituted by Congress in the American Inventors Protection Act of 1999. Pub. L. No. 106-113, § 4601, *et seq.* (1999), *available at* <http://www.gpo.gov/fdsys/pkg/PLAW-106publ113/pdf/PLAW-106publ113.pdf>. It is evidence of Congress’ ability to act on patent reform where it is beneficial to the patent system.

available *at*
<http://www.uspto.gov/web/offices/com/strat2007/stratplan2007-2012.pdf>; United States Patent and Trademark Office, 2010-2015 Strategic Plan [hereinafter “USPTO 2010 Strategic Plan”] (2010),
available *at*
http://www.uspto.gov/about/stratplan/USPTO_2010-2015_Strategic_Plan.pdf. It is implementing initiatives, such as improved training and searching, and it is doing so using global resources. *See* USPTO 2007 Strategic Plan at 16-17 (discussing objectives that include improved training and searching). More specifically, “[t]he strategic plan takes a global perspective by envisioning the patent and trademark systems of the future that American innovators would need to remain competitive around the world.” USPTO 21st Century Plan at 2; *see also* USPTO 2010 Strategic Plan at 5 (discussing goal of collaborating with foreign counterparts for “global patent classification, search results and work sharing”). A lowering of the standard for proving invalidity will undercut these measures by removing the deference owed to the USPTO for its expertise in examining patents. Rather, the Court should support these actions by the USPTO, and other actions being taken by Congress, to improve and strengthen our patent system by maintaining the heightened “clear and convincing evidence” standard for proving an issued patent invalid.

CONCLUSION

Based on the foregoing reasons, this *Amicus Curiae* respectfully requests that the Court order the judgment of the court of appeals affirmed.

Very respectfully,

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