

In The  
Supreme Court of the United States

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MICROSOFT CORPORATION, PETITIONER,

v.

141 LIMITED PARTNERSHIP, ET AL.

—◆—  
*ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT*

—◆—  
**BRIEF OF APPLE INC. AS AMICUS  
CURIAE SUPPORTING PETITIONER**

—◆—  
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## **QUESTION PRESENTED**

Whether clear and convincing evidence is required to prove the invalidity of a patent when the invalidity challenge is based on prior art that was not before the Patent Office when it granted the patent.

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## **BRIEF OF APPLE INC. AS AMICUS CURIAE SUPPORTING PETITIONER**

Apple Inc. respectfully submits this brief as amicus curiae in support of petitioner.<sup>1</sup>

### **INTEREST OF AMICUS CURIAE**

Apple Inc. designs, develops, and sells consumer electronics including personal computers, portable media players, and mobile communication devices, as well as related software and services. Since its beginning in 1976, Apple has repeatedly set the standard for high quality personal electronics and is well known for its innovative and groundbreaking products. Apple has protected its substantial research, development, and design work with thousands of U.S. patents.

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<sup>1</sup> Pursuant to Rule 37.2(a), the parties' counsel of record were notified ten days prior to the due date of the intention to file this brief. Copies of letters consenting to the filing of this brief by the parties have been filed with the Clerk of the Court. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of the brief. No person other than amicus curiae or its counsel made a monetary contribution to the preparation or submission of this brief.

Like many leading technology corporations, Apple has been a defendant in patent litigation. Since 2004, Apple has faced over 56 patent suits from non-practicing entities, more than any other company in the United States.<sup>2</sup> As both patent holder and defendant in patent litigation, Apple has a paramount interest in a balanced and coherent system of patent law.

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<sup>2</sup> PatentFreedom LLC, *Ranking of Operating Companies by Number of NPE Lawsuits* (Jan. 2010), <https://www.patentfreedom.com/research.html>.

## SUMMARY OF ARGUMENT

The U.S. patent system is tilting out of balance. Like many other corporations, Apple is encountering the enormous costs of dealing with poor quality patents. Entities with no business other than acquiring and asserting patents are increasingly using the uncertainties of civil litigation as a primary bargaining chip. At the same time, legitimate innovations continue to be protected by strong patents. A proper balance between upholding valid patents and invalidating obvious or anticipated patents is essential to Apple's business and to the functioning of the patent system as a whole.

The Federal Circuit's overbroad requirement that patent invalidity be proven by "clear and convincing" evidence, even when the challenge is based on prior art never considered by the U.S. Patent and Trademark Office ("Patent Office" or "PTO"), contributes to the current imbalance in the U.S. patent system. The clear and convincing standard shields a growing number of poor quality patents from the truth-seeking function of our adversarial system. This heightened burden should not be required when the invalidity challenge is based on prior art never considered by the Patent Office.

A. The Federal Circuit has long implemented the statutory presumption of validity by requiring that a party establish invalidity of a patent by clear and convincing evidence. This heightened standard of proof is not required by statute, and the Federal

Circuit has enforced this standard without regard to whether the challenge is based on prior art considered by the Patent Office.

Imposition of this heightened standard of proof is not warranted when the prior art was not before the Patent Office. This Court suggested as much in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). The Court observed that the rationale behind the heightened evidentiary standard—that the Patent Office’s decision is owed deference—is greatly diminished when the prior art at issue was not before the Patent Office. *Id.* at 426. This insight was shared by many of the regional courts of appeals when, before the creation of the Federal Circuit, they were regularly adjudicating patent disputes. Those courts recognized that when the evidence was not before the Patent Office, the defendant’s burden should be less than the clear and convincing evidentiary standard.

That rule would also be consistent with the general principle of providing no deference to an agency on a matter on which the agency has not passed judgment.

Using the preponderance of the evidence standard for invalidity challenges when the prior art was not before the Patent Office will improve the quality of the Nation’s intellectual property. It will encourage applicants to disclose relevant prior art, thereby ensuring that the Patent Office confers patents only on novel, innovative inventions.

B. The clear and convincing evidence requirement significantly impacts patent litigation. When an invalidity challenge is based on prior art that was not before the Patent Office, the clear and convincing evidence standard often results in the rejection of meritorious invalidity challenges. The standard of proof has a compelling effect on judges and juries. Recognizing this, lawyers for patent-infringement plaintiffs routinely emphasize the standard in arguments to juries.

Jury research and anecdotal evidence show that many citizens are already reluctant to invalidate patents. Lay jurors' natural inclination to defer to the Patent Office works in tandem with the clear and convincing evidence standard, making it difficult to invalidate poor quality patents even when challenges are based on prior art never considered by the Patent Office. Recent cases involving prior art that was not before the Patent Office illustrate that the clear and convincing evidence standard is too high a barrier to patent invalidation in that circumstance.

C. Additional examples demonstrate the critical importance of the standard of proof. In these cases, the jury found under the clear and convincing evidence standard that the patent was not invalid. Later, however, the Patent Office in a reexamination proceeding rejected the patent based on the same prior art that was before the jury. Moreover, in amicus's experience, even after the Patent Office has issued such a rejection, district courts often continue

to require clear and convincing evidence to prove invalidity.

## ARGUMENT

### **CLEAR AND CONVINCING EVIDENCE SHOULD NOT BE REQUIRED TO PROVE A PATENT'S INVALIDITY BASED ON PRIOR ART THAT WAS NOT BEFORE THE PATENT OFFICE**

Section 282 of Title 35 of the U.S. Code provides that “[a] patent shall be presumed valid.” The statute further provides 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.

As the holder of thousands of patents, amicus fully appreciates the importance of the statutory presumption of patent validity. On the other hand, as a leading technology corporation, amicus is at times accused of patent infringement—often on patents that never should have issued. Amicus is thus keenly aware that a properly functioning patent system must permit accused infringers to successfully challenge poor quality patents. The statutory presumption of validity should not be so rigid that invalid patents cannot be set aside. Rather, the statutory presumption must be implemented to strike the proper balance between the rights of patent holders and the abilities of others to innovate without the deadweight of invalid patents.

The Federal Circuit's blanket rule applying the clear and convincing standard to all invalidity challenges strikes the wrong balance. When an invalidity challenge is based on prior art that was not before the Patent Office, clear and convincing evidence should not be required. This Court should grant the petition and reject that heightened standard in this circumstance.

**A. The Clear And Convincing Evidence Standard Is Not Warranted When The Prior Art Was Not Before The Patent Office**

1. As the petition explains (Pet. 2), the Federal Circuit has long implemented the presumption of validity by requiring that a party establish invalidity of a patent by clear and convincing evidence. *See, e.g., American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir.), cert. denied, 469 U.S. 821 (1984). The Federal Circuit has required that standard of proof across the board for all invalidity challenges, without regard to whether the challenge is based on prior art that was not before the Patent Office. *See z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354 (Fed. Cir. 2007) (upholding district court's refusal to instruct jury that burden is diminished when prior art was not considered by the PTO), cert. dismissed, 553 U.S. 1028 (2008); *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1050 (Fed. Cir.) ("The burden of proof is not reduced when prior art is presented to the court which was not



considered by the PTO.”), cert. denied, 488 U.S. 825 (1988).

Imposition of that heightened standard of proof is not required by statute and is not warranted when the prior art was not before the Patent Office when it issued the patent. Indeed, this Court recognized this in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). There, the Court observed that the “rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim—seems much diminished” when the pertinent prior art was not disclosed to the PTO during prosecution. *Id.* at 426.

This view was shared by many of the regional courts of appeals when they were regularly applying the statutory presumption—from its enactment in the Patent Act of 1952 until the creation of the Federal Circuit in 1982. As then-Judge Stevens explained, “[t]he basis for the requirement that invalidity be established by clear and convincing evidence is largely, if not wholly, dissipated when pertinent prior art is shown not to have been considered by the Patent Office.” *Chicago Rawhide Mfg. Co. v. Crane Packing Co.*, 523 F.2d 452, 458 & n.14 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976); see also *Penn Int’l Indus., Inc. v. New World Mfg., Inc.*, 691 F.2d 1297, 1300-1301 (9th Cir. 1982) (“The basis for the presumption—that the Patent Office has compared the claim of the patent with the prior art and used its expertise to determine validity—can no longer exist when substantial evidence of prior art not considered

by the Patent Office is placed in evidence at trial.”). For that reason, many of those courts recognized that when the evidence was not before the Patent Office, the evidentiary burden was “less than the burden embodied in the ‘clear and convincing’ standard.” *Futorian Mfg. Corp. v. Dual Mfg. & Eng’g, Inc.*, 528 F.2d 941, 943 (1st Cir. 1976).

Yet, as the petition explains (Pet. 16-18), and the United States has recognized, the Federal Circuit has instead “taken [a] different approach[] to the question whether an alleged infringer must establish invalidity by ‘clear and convincing evidence’ when that infringer has produced pertinent prior art that the patent applicant did not place before the PTO.” Br. for United States as Amicus Curiae Supporting Petitioner at 27 n.13, *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (No. 04-1350) (comparing *American Hoist & Derrick Co.*, 725 F.2d at 1360, with *Chicago Rawhide*, 523 F.2d at 458 & n.14). This divergence of views warrants this Court’s review.

Moreover, the precedent of the regional circuits is consistent with the general principle that an agency is not entitled to judicial deference when it did not grapple with the question at issue. *Cf. Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (extent of deference depends in part on “thoroughness” of agency’s consideration); *SEC v. Chenery Corp.*, 318 U.S. 80, 95 (1943) (“an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained”). That is the situation

when the Patent Office did not have the prior art before it: the Patent Office made no judgment about that prior art to which a factfinder could or should defer. Thus, as commentators have recognized, “there is no rationale for imposing the deferential clear and convincing evidentiary standard” in that circumstance. Charles E. Phipps, *The Presumption of Administrative Correctness: The Proper Basis for Clear and Convincing Evidence Standard*, 10 FED. CIR. B.J. 143, 152 (2000-2001); see also Clarence J. Fleming, *Should the Clear & Convincing Evidence Standard for Rebutting the Presumption of Validity Apply When the Challenger Raises a Substantial New Question of Patentability?*, 80 J. PAT. & TRADEMARK OFF. SOC’Y 146, 147 (1998) (“Surely, there can be no presumption of administrative correctness with respect to prior art \* \* \* which was completely unknown to the PTO during the examination process.”).

2. Using the preponderance of the evidence standard for invalidity challenges when the prior art was not before the Patent Office will improve the quality of the Nation’s intellectual property. Because a patent grants an exclusive right to make, use, and sell the invention, the public has a strong interest in ensuring that only truly innovative inventions are patented. See *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). As one federal judge has observed, one of the foremost problems of our current patent system is that “too many invalid and weak patents get through the [Patent Office], which are then lorded over competitors

and competitive products—without advancing any worthwhile interest. This is an unwelcome clog on commerce.” William Alsup, *Memo to Congress: A District Judge’s Proposal for Patent Reform: Revisiting the Clear and Convincing Standard and Calibrating Deference to the Strength of the Examination*, 24 BERKELEY TECH. L.J. 1647, 1647 (2009).

Allowing the presumption of validity to be more easily overcome when the pertinent prior art was not before the Patent Office will encourage applicants to disclose relevant prior art. Such a rule “would incentivize patent applicants to search out the prior art, to explain it to the examiner, and to call attention to the most difficult questions of invalidity, all with a view toward overcoming the references and obtaining a stronger prosecution record for litigation.” *Id.* at 1651; see also Lee Hollaar & John Knight, *Unclear and Unconvincing: How a Misunderstanding Led to the Heightened Evidentiary Requirement in Patent Litigation* 18 (May 20, 2007) (unpublished manuscript) (on file with University of Utah, School of Computing), available at <http://digital-law-online.info/papers/jk/unclear.htm>. Increased disclosure would help to ensure that the Patent Office confers patents on only novel, innovative inventions. Alsup, *supra*, at 1651.

3. A preponderance of the evidence standard for proving invalidity when the prior art was not before the Patent Office also strikes the right “balance between the interest in motivating innovation and enlightenment by rewarding invention with patent

protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other.” *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998) (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989)). This Court repeatedly has recognized a federal policy favoring “full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Accordingly, there is a strong public interest in having the validity of patents tested and in ridding the economy of invalid patents. *See Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100 (1993) (noting “the importance to the public at large of resolving questions of patent validity”).

**B. When The Invalidity Challenge Is Based On Prior Art That Was Not Before The Patent Office, The Clear And Convincing Evidence Standard Short-Circuits The Inquiry And Protects Poor Quality Patents From Being Appropriately Tested**

When an invalidity challenge is based on prior art that was not before the Patent Office, the clear and convincing evidence standard often causes juries to reach the wrong decision. That effect is illustrated by recent cases, discussed below.

1. The standard of proof has a compelling effect on both juries and judges. The standard is one of the key instructions that jurors grasp and take seriously. *See Federal Trade Comm’n, To Promote Innovation:*

*The Proper Balance of Competition and Patent Law and Policy* (“FTC Report”), ch. 5 at 27 (Oct. 2003), <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>; *Edited & Excerpted Transcript of the Symposium on Ideas into Action: Implementing Reform of the Patent System* (“FTC Symposium”), 19 BERKELEY TECH. L.J. 1053, 1110 (2004) (statement of Edward Reines). Lawyers for patent-infringement plaintiffs recognize this, and they emphasize the standard when arguing to jurors. In the experience of amicus, the clear and convincing evidence standard nearly always plays a prominent role in opening statements and closing arguments to juries. For example, in the first case discussed below, the plaintiff’s lawyer repeatedly mentioned the clear and convincing evidence hurdle and implored the jury to hold Apple to that high standard.

In addition, the practical experience of those litigating patents, including amicus, demonstrates that the standard makes a difference in cases involving weak patents. Jury research and anecdotal evidence show that many citizens are already reluctant to invalidate patents. Jurors believe that when the government acts, it is probably right. See Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 392 (2000) (finding that juries are more likely than judges in bench trials to reject invalidity challenges and reasoning that the difference is due to juries’ greater deference to the Patent Office).

That is especially so in jurisdictions where patent plaintiffs frequently choose to sue. A recent study of mock juries in the Eastern District of Texas found that jurors are more resistant to invalidating patents than in other venues. *See* Julie Blackman et al., *East Texas Jurors and Patent Litigation*, 22 JURY EXPERT 5, 10-11 (Mar. 2010). Some jurors refuse to believe that they have the power to invalidate a patent, despite repeated instructions to the contrary, because they view the patents as akin to federal laws. *Id.* at 10. Many others believe the Patent Office would not have “gotten it wrong,” and in some instances view the invalidity defense as a “cheap trick.” *Id.* at 11; *see also* *FTC Symposium, supra*, at 1110 (statement of Lynn Pasahow) (noting that it is especially difficult to get an invalidity verdict in the Eastern District of Texas and the District of Delaware because there “the jurors almost always validate patents because they have this underlying glee in the correctness of government action”).

Indeed, one of the jurors in petitioner’s case made exactly this point in an interview after the jury rendered its verdict: “I really felt like with experts in the patent office \* \* \* they knew what they were doing. I suppose I really have a lot of confidence in the U.S. patent office.” Joe Mullin, *Patent Litigation Weekly: So What Do E.D. Texas Jurors Really Think?* IP Law & Business, Jan. 11, 2010, [http://thepriorart.typepad.com/the\\_prior\\_art/2010/01/jurors-from-i4i-v-microsoft.html](http://thepriorart.typepad.com/the_prior_art/2010/01/jurors-from-i4i-v-microsoft.html).

The natural inclination of lay jurors to defer to the expertise of the examiner and the Patent Office works in tandem with the clear and convincing evidence standard. As a number of prominent patent litigators have discussed, that combination makes it enormously difficult to persuade a jury to go against the decision of the Patent Office, *even when the Patent Office never considered the prior art used to challenge the patent*. See, e.g., *FTC Report*, ch. 5 at 27 n.190 (combination of the presumption of validity and clear and convincing evidence standard signals to the jury that “unless we find something devastating[ly] effective against it, we’re going to affirm it” (citation omitted)); *ibid.* (jurors “see the seal on the patent, they hear clear and convincing evidence, and their likelihood of going for the defendant is much slighter than it is for the patentee” (citation omitted)).

2. Recent cases, discussed below, illustrate that when the relevant prior art was not before the Patent Office, the clear and convincing evidence standard is too high a barrier to patent invalidation. In amicus’s experience, these cases are not isolated examples. As of October 2009, amicus Apple was a defendant in close to fifty suits for patent infringement. In the overwhelming majority of those cases, Apple asserts a defense of invalidity based on prior art that was not before the Patent Office when the patent issued. And, as petitioner’s case and the following examples and those in Part C demonstrate, amicus is not alone:



**a. *OPTi Inc. v. Apple Inc.***

In *OPTi Inc. v. Apple Inc.*, No. 2:07-CV-21, 2009 U.S. Dist. LEXIS 112537 (E.D. Tex. Dec. 3, 2009), appeal docketed, No. 2010-1129 (Fed. Cir. Dec. 18, 2009), plaintiff OPTi sued Apple in the Eastern District of Texas for infringement of OPTi's patent.

The district court granted summary judgment of infringement to OPTi, and the case went to trial on, inter alia, invalidity. The invalidity question concerned whether OPTi's patent was anticipated in light of another patent application that had been filed with the Patent Office nine months prior to OPTi's patent application. That prior application had disclosed all the elements of the claims of OPTi's patent-in-suit as the district court construed them. And it was uncontested that if the earlier-filed application were prior art, each of the claims of OPTi's patent was anticipated.

The only questions for the jury on invalidity, therefore, were of historical fact: (1) whether OPTi actually conceived the invention before the filing of the prior patent application and exercised reasonable diligence until it reduced the invention to practice; and (2) even if OPTi could establish an invention prior to the other inventor's patent filing, whether the other inventor was entitled to an even earlier date. These prior art-related questions were not before the Patent Office when it granted OPTi's patent. Thus, requiring clear and convincing evidence to overcome the presumption of validity was unwarranted.

Apple expressly requested a jury instruction that the invalidity issue need be proved by only a preponderance of the evidence in that case. The district court rejected that instruction. The lawyer for OPTi then seized on the clear and convincing standard in arguments to the jury. He argued that as to the invalidity question, Apple has to “tip[] the scales” not “a little bit” but “a lot,” and that the jury has to “hold them to that standard.” Indeed, in voir dire, the lawyer set up the dichotomy between what OPTi needed to prove on infringement and what Apple needed to prove for invalidity by using a ruler illustration. As to OPTi’s burden, he stated: “[W]ith the preponderance of the evidence standard, which OPTi has to prove to you on damages, \* \* \* we’ve got to get just past the 6-inch mark in order to meet our burden of proof.” As to Apple’s burden for proving invalidity, he stated: “[B]ecause the patents are presumed to be valid, [counsel for Apple] are going to [have to] get out here somewhere around 8 or 9 inches. It’s a bigger burden. We[’ve] just got to tip the scales; they[’ve] got to meet a bigger burden.”

The plaintiff’s benefit from the clear and convincing evidence standard was unquestionable. In the dispute over which applicant invented first, there was evidence that both OPTi and the prior patent applicant had faced technical issues. At trial, OPTi pointed out issues with the prior applicant’s efforts to reduce the invention to practice, arguing that the prior applicant’s invention date should be limited to the prior patent filing. But when it came to OPTi’s

own problems at reducing the invention to practice, OPTi was able to point to Apple's burden to establish OPTi's problems by clear and convincing evidence. This onerous burden allowed OPTi to convince the jury that it was entitled to an earlier invention date, even though OPTi presented no evidence that it built a product that met all of the claim elements, as the law requires.

The jury found for OPTi and awarded \$19 million in damages. The district court denied Apple's motions for judgment as a matter of law and for a new trial on the invalidity of OPTi's patent, concluding that a reasonable jury could have found that Apple had not proved by clear and convincing evidence that OPTi's patent was anticipated by the prior patent application. *Id.* at \*12-14.

The case is now pending on appeal to the Federal Circuit, where Apple contends, inter alia, that the trial court erred in giving a clear and convincing evidence instruction and that Apple is therefore entitled to a new trial.

**b. *Uniloc USA, Inc. v. Microsoft Corp.***

*Uniloc USA, Inc. v. Microsoft Corp.*, 640 F. Supp. 2d 150 (D.R.I. 2009), appeal docketed, No. 2010-1326 (Fed. Cir. Apr. 21, 2010), is another case in which a different result could have obtained had the standard for proving invalidity when the prior art was not before the Patent Office been a preponderance of the evidence rather than clear and convincing evidence.

The Uniloc plaintiffs sued Microsoft for alleged infringement of Uniloc's patent. In addition to denying infringement, Microsoft asserted that Uniloc's patent was both anticipated and obvious in light of prior art that had not been before the Patent Office when it issued Uniloc's patent. *Id.* at 180-182. The jury rejected Microsoft's challenge to the patent's validity, found that Microsoft had infringed, and awarded \$388 million in damages—at that time the fifth largest patent verdict in history. *Id.* at 155, 185.

Microsoft moved for judgment as a matter of law and for a new trial on the issues of anticipation and obviousness. The district court denied Microsoft's motion for judgment as a matter of law, but it repeatedly remarked that the question was exceptionally close, suggesting that it turned on the heightened evidentiary standard. As to anticipation, the court stated: "And while the call is close it cannot be said Microsoft proved by clear and convincing evidence that Hellman teaches each limitation of Claim 19." *Id.* at 181. The court went on to state that "[t]he jury had *just enough* to resolve this question in Uniloc's favor." *Ibid.* (emphasis added). The court suggested that "were this Court acting as fact-finder," it would have reached a different result from the jury. *Ibid.* As to obviousness, the district court stated: "While not far from hitting the mark, Microsoft cannot satisfy the 'exacting' JMOL standard on obviousness given its high burden." *Id.* at 182.

The district court ultimately set aside the jury's verdict of infringement, granting Microsoft judgment

of non-infringement as a matter of law and, in the alternative, a new trial. *Id.* at 185. Uniloc has appealed, and Microsoft has cross-appealed. But pending appeal, Uniloc's weak patent remains in place. And Uniloc is using it in "a massive campaign of infringement claims" against 73 defendants. David Bario, *Uniloc's Patent Campaign Marches On*, Patent Litigation Weekly, Sept. 25, 2010, available at <http://tinyurl.com/Bario-Uniloc> (subscription required).

### **C. The Critical Role Of The Standard Of Proof Is Demonstrated By Cases In Which The Patent Office On Reexamination Reached The Opposite Conclusion From The Jury**

In yet other cases, discussed below, the jury rejected invalidity challenges based on prior art that was not before the Patent Office when the patent was issued. Nevertheless, the Patent Office reexamined the patent and rejected it based on the very same prior art.

Reexamination proceedings commence when a person files a request for reexamination of an issued patent on the basis of prior art, 35 U.S.C. § 302, and the Patent Office determines that the prior art cited raises a "substantial new question of patentability," *id.* §§ 303(a), 304. The standard of proof in a reexamination proceeding is proof by a preponderance of the evidence, not clear and convincing evidence. *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985). Thus,

these examples demonstrate that the critical difference in the two proceedings—the standard of proof—caused invalidity challenges that should have prevailed to instead be rejected.

Moreover, in amicus’s experience, district courts often continue to apply the clear and convincing evidence standard even *after* the Patent Office has issued such a rejection (although the proceedings were not sufficiently final to negate the infringement action because the administrative and judicial appeals had not been exhausted, *see* 35 U.S.C. § 307(a)). The irony is that courts impose that heightened standard out of deference to the Patent Office’s initial decision, even though the Patent Office has revisited that decision.

**a. *SRI International Inc. v. Internet Security Systems, Inc.***

The jury in *SRI International Inc. v. Internet Security Systems, Inc.*, 647 F. Supp. 2d 323 (D. Del. 2009), appeal docketed, No. 2009-1562 (Fed. Cir. Sept. 11, 2009), rejected the defendant’s defense of invalidity based on prior art that was not before the Patent Office. But the Patent Office in a reexamination proceeding with a lower evidentiary standard rejected the claims based on the same prior art, demonstrating that the clear and convincing evidence standard likely made the difference on the issue of validity in the district court.

The defendants in *SRI* had argued that because the newly raised prior art created a substantial new question of validity, the jury should have been instructed with a lower standard of proof than clear and convincing evidence. *Id.* at 356. The district court rejected that instruction. *Ibid.*

After the jury trial, the Patent Office issued the preliminary results of a reexamination of the patent-in-suit and declared all of the claims of that patent invalid as obvious, based on the same prior art relied on at trial for the invalidity defense.

Defendants argued in their motion for judgment as a matter of law and for a new trial that the trial court's clear and convincing evidence instruction was improper. The court denied the defendants' motions for post-trial relief, stating that to allow a lower standard of proof, it would have to "ignore a patent's presumption of validity." *Ibid.* But that is not so: had the district court instructed the jury with a preponderance of the evidence instruction for proving invalidity, it would still have given force to the presumption by placing the burden of persuasion on the defendants.

#### **b. *In re Swanson***

*In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008), is another case in which the Patent Office declared a patent invalid in a reexamination proceeding, while a jury had rejected the invalidity challenge under the clear and convincing evidence standard.

In a previous patent infringement case, *Abbott Laboratories v. Syntron Bioresearch, Inc.*, No. 98-CV-2359, 2001 U.S. Dist. LEXIS 25125 (S.D. Cal. Oct. 12, 2001), the district court entered judgment on a jury verdict that the patent-in-suit had not been proved invalid by clear and convincing evidence. On appeal, the Federal Circuit affirmed. *Abbott Labs. v. Syntron Bioresearch, Inc.*, 334 F.3d 1343 (Fed. Cir. 2003).

After that appeal, the defendant in the infringement action filed a request with the Patent Office for reexamination of the patent, raising the same arguments that were raised in the district court invalidity challenge. *Swanson*, 540 F.2d at 1373. The Patent Office granted the request, concluding that there was a substantial new question of patentability. Upon reexamination, the Patent Office rejected several claims of the patent as anticipated and/or obvious. *Id.* at 1373-1374.

On appeal from the reexamination, the Federal Circuit rejected the patentee's argument that the Patent Office should have been bound by the district court's prior ruling rejecting the invalidity challenge. The Federal Circuit based its decision on the different burdens of proof imposed in a reexamination hearing versus in the district court. *Id.* at 1378.

Those different outcomes are the important point here: they vividly illustrate how the clear and convincing standard can wrongfully cause rejection of well-founded invalidity challenges based on prior art that was not before the Patent Office.



**c. *Presidio Components, Inc. v. American Technical Ceramics Corp.***

As with the prior examples, the jury in *Presidio Components Inc. v. American Technical Ceramics Corp.*, No. 08-CV-335, 2010 U.S. Dist. LEXIS 36127 (S.D. Cal. Apr. 13, 2010), appeal docketed, No. 2010-1355 (Fed. Cir. May 17, 2010), reached the opposite conclusion from the Patent Office in a later reexamination based on the same new prior art. *See id.* at \*37-39.

After the jury rejected the defendant's invalidity challenge to the patent-in-suit, the defendant moved for judgment as a matter of law, which the district court denied. *See id.* at \*20-37. In so doing, the court numerous times referred to the clear and convincing evidence standard. The court did so in describing both the standard that the defendant must meet as well as in determining that a jury could have found that the defendant did not meet its burden. The district court also refused to be influenced by the fact that the Patent Office had, in a reexamination proceeding based on the same prior art, made a non-final determination that the asserted claims were invalid. *See id.* at \*37-39.

**d. *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.***

In *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, No. 04-CV-1371, 2007 U.S. Dist. LEXIS 99232 (D. Del. Sept. 20, 2007), the

defendant in an infringement action raised a defense of invalidity based on prior art that was not before the Patent Office when the patent-in-suit issued.

The defendant requested a jury instruction lowering the standard of proof below clear and convincing or at least instructing the jury that where the prior art at issue was not before the Patent Office, the presumption of validity is more easily overcome. *Id.* at \*2-4. The district court, however, rejected that instruction, but it stated that it would permit the defendant to “make an argument to the jury that, on the facts of this case, the prior art was not disclosed, and therefore, the presumption of validity is more easily overcome.” *Id.* at \*3-4.

Despite that ruling, the plaintiff argued to the jury that the defendant’s argument about the weakened presumption was “wrong”: “That’s wrong. You’re not going to see a jury instruction on that, because that’s not correct. [The defendant] tried to tell you that any way. You’re going to get an instruction that there is a presumption, and that the burden of proving invalidity is by clear and convincing evidence.”

The jury found for the plaintiff on infringement and invalidity. The defendant argued in its motion for judgment as a matter of law that, in light of *KSR*, the jury should have been instructed that the presumption of validity was weakened since the prior art at issue had not been before the Patent Office. The district court denied that motion but granted the

defendant post-trial relief on other grounds, and the case is still ongoing.

*Power Integrations* illustrates the deficiency in the Federal Circuit's suggestion that the clear and convincing standard still applies but that "a party may more easily meet this clear and convincing evidence burden when the references at issue were not before the examiner." *z4 Techs.*, 507 F.3d at 1354 (emphasis omitted). Although this proposition has appeared in several Federal Circuit opinions, jurors are still instructed that the standard of proof is clear and convincing evidence. *See ibid.* Following those instructions, lay juries often erroneously reject invalidity challenges that the Patent Office thereafter accepts when it confronts the issue for the first time on reexamination.

These cases demonstrate that the overbroad application of the clear and convincing burden has a very real effect on patent litigation. The Federal Circuit's current rule short-circuits the validity inquiry and protects poor quality patents from the adversarial process.

**CONCLUSION**

For the foregoing reasons and those in the petition for a writ of certiorari, the petition should be granted.

Respectfully submitted,

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