

No. 10–290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

14I LIMITED PARTNERSHIP and
INFRASTRUCTURES FOR INFORMATION INC.,
Respondents.

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

**BRIEF OF *AMICUS CURIAE* INTEL CORPORATION
IN SUPPORT OF MICROSOFT CORPORATION'S
PETITION FOR CERTIORARI**

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STATEMENT OF INTEREST*

Intel is a world leader in designing and manufacturing computer, communication, and other electronic components. With nearly 17,000 U.S. patents, it has one of the nation's largest patent portfolios and is among the top 10 recipients of U.S. patents each year. As such, it is a strong supporter of the patent system. On the other hand, Intel also is a frequent target of patent infringement lawsuits, many involving patent claims of highly questionable validity. The latter concern motivates Intel to submit this brief.

SUMMARY OF ARGUMENT

The United States Patent and Trademark Office (PTO) is responsible for determining whether an applicant for a patent is entitled to receive one. *See* 35 U.S.C. § 2(a). Given the PTO's technical expertise and the presumption of administrative regularity, some courts have deferred to the PTO's determinations regarding patentability and required clear and convincing evidence before invalidating a patent. The question in this case is whether invalidity must be proven by clear and convincing evidence even when a challenger has raised an invalidity argument that the PTO did not consider when granting the patent.

That question is extremely important because it arises in the vast majority of patent litigations. The PTO has an inherently difficult job because fields

* No party or counsel for a party authored or contributed monetarily to the preparation or submission of any portion of this brief. Counsel of record for all parties received notice of Intel's intention to file this brief more than 10 days before it was due, and all parties have consented to its filing.

such as electronics and biotechnology are complex and evolve rapidly. To make matters worse, the PTO is chronically understaffed and underfunded. Because examiners must address many issues with limited time and resources, they often do not unearth and consider the most relevant prior art. That is especially so when the prior art is not a U.S. patent (the art most readily searchable), but instead is an industry or academic publication, a public use, or, as in this case, a product offered for sale. The result is a thicket of invalid patents that stifles competition and impedes further innovation.

Section 282 of the Patent Act of 1952, 35 U.S.C. § 282, provides that patents shall be presumed valid and that challengers bear the burden of establishing that the claims are invalid. But the statute does not specify the *evidentiary* standard (“clear and convincing” evidence or just a “preponderance” of the evidence), much less indicate the effect of the PTO’s failure to consider a particular validity issue. This Court’s decisions both before and after 1952 have not definitively decided the issue, either.

Shortly after its creation, the Federal Circuit held that (a) the challenger always bears the burden of proving invalidity by “clear and convincing” evidence, but (b) the challenger can more easily carry that burden when the PTO has not considered an issue because no deference is due to a determination that the PTO never made. *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1358–60 (Fed. Cir. 1984). Since then, the Federal Circuit has consistently required “clear and convincing” evidence of invalidity in all cases. Indeed, to avoid any dilution of that standard, it has discouraged trial judges from

instructing that the burden is easier to carry when validity is challenged on grounds never considered by the PTO. *See, e.g., z4 Technologies, Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354 (Fed. Cir. 2007).

Three years ago, this Court pointedly observed that the presumption of administrative correctness that underlies both the statutory presumption of validity and the judicially imposed “clear and convincing” standard “seems much diminished” when the PTO has not considered the art or argument at issue. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). Despite *KSR*’s suggestion that a heightened standard of proof may not be warranted for invalidity arguments not considered by the PTO, the Federal Circuit has declined to reconsider the standard in such situations. In most trials today, the presiding judge instructs the jury that the challenger must prove invalidity by “clear and convincing” evidence, but tells the jury nothing about how to assess the PTO’s failure to consider issues and prior art. Jurors are left adrift, and patentees remain free to argue that the jury should defer to the wisdom of the expert agency even when the agency never applied any expertise to the critical facts at hand.

This issue is too important to remain unresolved, and this case is an excellent vehicle for the Court to resolve it. Intel accordingly urges the Court to grant Microsoft’s petition for certiorari. On the merits, the Court should hold that an elevated evidentiary standard requiring “clear and convincing” evidence normally is not warranted when the PTO did not consider an invalidity defense presented at trial.

ARGUMENT**A. The Evidentiary Standard for Proving Invalidity in Patent Litigation Is a Matter of Great Practical Importance**

Patents are supposed to “promote the Progress of ... [the] useful Arts.” U.S. CONST. art. I, § 8, cl. 8. Invalid patents, however, “stifle, rather than promote, th[at] progress” by preventing competition and impeding further innovation. *KSR*, 550 U.S. at 427. As this Court has emphasized, “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 663–64 (1969). Indeed, the line between valid and invalid patents is the difference between public good and public harm, and the importance of distinguishing between valid and invalid patents has only grown in today’s complex and technology-driven economy.

Although the PTO tries valiantly to determine which patent claims are valid and which are not, it is far from perfect. To begin with, the job is hard: technology in areas such as electronics and medicine is quite advanced and often obscure. Moreover, the PTO has limited resources and an inexperienced workforce. The flood of hundreds of thousands of patent applications each year leaves it perpetually burdened with a multi-year backlog. *See* U.S. Patent and Trademark Office, USPTO PERFORMANCE AND ACCOUNTABILITY REPORT (2009) (“PTO Report”) at 113, 115. Examiners have little time to search the prior art and thoroughly examine each application, and the difficult conditions result in high employee

turnover. *See, e.g., id.* at 31 (“The Patent organization must address the dual challenges of heavy workloads and a shift of applications from traditional arts to more complex technologies[.]”), 34 (“[F]unding shortfalls have adversely impacted hiring patent examiners and organizational support for the patent process, the ability to retain employees, provision of adequate resources and tools for employees to do their jobs[.]”); U.S. Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (2003) (“FTC Report”) ch. 5 at 5 (examiners have just 8 to 25 hours to “read and understand the application, search for prior art, evaluate patentability, communicate with the applicant, work out necessary revisions, and reach and write up conclusions”).

The patent examination process also is hampered because it is *ex parte* (except for rare interferences and *inter partes* reexaminations). Applicants have duties of candor and disclosure under 37 C.F.R. § 1.56, but they are not required to search the prior art. The examiner must perform the search himself or herself, without any help and with severe time constraints. *See* FTC Report ch. 5 at 28 (detailing the “failings of *ex parte* examination”). Thus, although examiners typically search issued U.S. patents, they inevitably miss important academic papers, articles in industry journals, foreign patents, and foreign-language publications. Moreover, many examiners have little or no industry background, and litigation-style discovery is not available. As such, examiners are unlikely to know about products that were on sale or in public use before the critical date under 35 U.S.C. § 102(b). Examiners likewise often lack all the facts they need to determine whether a claimed

invention was obvious in light of the full panoply of prior art.

The result is that many patents issue that should not, which has caused many to decry the “thickets” of questionable patents that retard innovation and allow patentees to exact unwarranted tolls. *See, e.g.*, Christopher A. Cotropia, *The Folly of Early Filing in Patent Law*, 61 HASTINGS L.J. 65, 105–06 (2009); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 STAN. L. REV. 45, 48 (2007) (“[S]trategic applicants continue to apply for undeserved patents knowing that there is a good chance that the PTO will err[.]”).

Because of the imperfections in the patent examination system, the evidentiary standard for proving invalidity in patent litigation is crucial. Invalidity is a defense in almost every litigation, and accused infringers almost always cite prior art or grounds of invalidity that the PTO did not consider. In some cases the evidence is so strong or weak that the evidentiary standard does not matter, but in many others the outcome does turn on whether invalidity must be proven by “clear and convincing” evidence or just a “preponderance” of the evidence. *See, e.g.*, *Intel Corp. v. U.S. Int’l Trade Comm’n*, 946 F.2d 821, 830 (Fed. Cir. 1991) (although the ALJ found it “likely” that Intel offered products for sale before the critical date, the evidence was not “clear and convincing”). The evidentiary standard is especially key in cases involving complex technology and testimony from dueling experts, cases in which jurors must consider the subtleties of obviousness rather than outright anticipation, and (as here) cases where a product that was formerly on sale or in public use is no

longer available and its composition or method of operation must be inferred.

Simply put, the stakes in patent litigation are high, and the standard of proof is often critical.

B. Neither Congress Nor This Court Has Definitively Resolved When a Heightened Evidentiary Standard of Proof Is Warranted

Section 282 of the Patent Act of 1952 makes clear that patents are presumed valid and that the accused infringer accordingly bears the burden of proving invalidity as an affirmative defense:

A patent shall be presumed valid. ...
The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

35 U.S.C. § 282.

Section 282 does not, however, specify whether the challenger must carry its burden by “clear and convincing” evidence rather than a “preponderance” of the evidence. *Cf.* 35 U.S.C. § 273(b)(4) (1999 amendment requiring a particular noninfringement defense to be proven “by clear and convincing evidence”). By itself, “[t]his silence is inconsistent with the view that Congress intended to require a special, heightened standard of proof.” *Grogan v. Garner*, 498 U.S. 279, 286 (1991).¹

¹ The mere fact that invalidity is an affirmative defense to infringement does not suggest that it must be proven by “clear and convincing” evidence. Congress often places burdens on parties without raising the evidentiary standard beyond a

The legislative history of section 282 at most suggests an intent to codify the presumption of validity recognized in earlier judicial decisions, not an intent to mandate a heightened evidentiary standard. *See, e.g.*, S. Rep. No. 82–1979, at 8 (1952) (“Section 282 introduces a declaration of the presumption of validity of a patent, which is now a statement made by courts in decisions, but has had no expression in the statute.”); H.R. Rep. No. 82–1923, at 10 (1952) (identical statement); *id.* at 29 (reviser’s note stating that “[t]he first paragraph declares the existing presumption of validity of patents”). Notably, an early draft of the statute would have imposed a “burden of establishing invalidity by convincing proof.” *See* H.R. Comm. on the Judiciary, 81st Cong., *Proposed Revision and Amendment of the Patent Laws: Preliminary Draft with Notes* 68 (Comm. Print. 1950) (draft section 79). But section 282 as finally adopted omitted any requirement of “clear” or “convincing” evidence.

Moreover, the case law that existed before the 1952 Act was far from clear. In several 19th century cases, this Court imposed a heavy burden on accused infringers who tried to establish invalidity based on suspect evidence such as uncorroborated oral testimony of biased witnesses—at times even implying a requirement of proof “beyond a reasonable doubt.” *See, e.g., The Barbed Wire Patent*, 143 U.S. 275, 284–85 (1892) *Cantrell v. Wallick*, 117 U.S. 689, 695–96

“preponderance” of the evidence. For example, statutes of limitations are affirmative defenses, yet they do not require proof by “clear and convincing” evidence. Likewise, Title VII of the Civil Rights Act requires defendants to establish “business necessity” in disparate impact cases, *see* 42 U.S.C. § 2000e–2(k), yet only a “preponderance” of the evidence is required.

(1886); *Coffin v. Ogden*, 85 U.S. 120, 124 (1873). Early in the 20th century, the Court indicated that “convincing evidence of error” was required to overcome the presumption of validity when the PTO had specifically considered and rejected a rival’s claim to priority. *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 7 (1934). In so doing, however, the Court recognized that the “verbal variances” in its earlier cases “were not defining a standard in terms of scientific accuracy or literal precision, but were offering counsel and suggestion to guide the course of judgment.” *Id.* at 8 (summarizing those cases as requiring “more than a dubious preponderance”); see also *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937) (citing same line of cases and indicating that the challenger’s “burden is a heavy one”).

On the other hand, between the late 1930s and 1952 this Court struck down numerous patents without discussing any heightened standard for proving invalidity. See, e.g., *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147 (1950); *Gen. Elec. Co. v. Jewel Incandescent Lamp Co.*, 326 U.S. 242 (1945); *Sinclair & Carroll Co. v. Interchem. Corp.*, 325 U.S. 327 (1945). This Court’s failure to indicate any presumption of validity or heightened standard of proof in the decade before the 1952 Act, combined with its readiness to invalidate patents issued by the Patent Office, led many lower courts of that era to doubt the continued vitality of any presumption of validity, much less a heightened standard for proving invalidity. See H.F. Hamann, Note, *The New Patent Act and the Presumption of Validity*, 21 GEO. WASH. L. REV. 575, 578–80 (1953) (citing numerous cases). As Giles Rich, a co-author of the 1952 Act and later a Federal Circuit judge, observed,

“in 1952 the case law was far from consistent—even contradictory—about the presumption and, absent statutory restraint, judges were free to express their individual views about it.” *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984).

This Court also has not provided any definitive guidance about the standard for proving invalidity since the 1952 Act codified the basic presumption of validity. As before, this Court has invalidated patents on several occasions without noting any special, heightened standard of proof. *See, e.g., Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976); *Anderson’s-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969); *Graham v. John Deere Co.*, 383 U.S. 1 (1966). Three Terms ago in *KSR*, the Court again held a patent invalid for obviousness without reciting a standard of proof, but it declined to decide whether or how the patentee’s failure to disclose the key reference to the PTO may have affected the statutory presumption of validity. 550 U.S. at 426. Nevertheless, the Court “th[ought] it appropriate to note that the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished here.” *Id.*

**C. The Federal Circuit Steadfastly
Requires “Clear and Convincing”
Evidence of Invalidity Regardless of
What Evidence the PTO Considered**

Shortly after its creation, the Federal Circuit adopted the view of its predecessor, the Court of Customs and Patent Appeals (CCPA), that facts showing invalidity must be established by “clear and convinc-

ing” evidence regardless of whether the PTO previously considered those facts. *See, e.g., D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147 (Fed. Cir. 1983); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983). In so doing, the Federal Circuit did not address the opposing views of other circuits. *See* Pet. 15–18 (describing the conflicting views of other circuits). In 1984, the Federal Circuit reaffirmed its view that “clear and convincing” evidence is always required to show invalidity, but it continued to recognize (as both the CCPA and other circuits had) that invalidity is easier to prove when the challenger relies on art not considered by the PTO and, correspondingly, more difficult to prove when the challenger relies on art that the PTO did consider. *American Hoist*, 725 F.2d at 1359–60.²

The Federal Circuit continues to require “clear and convincing” evidence of invalidity in all cases, regardless of what evidence the PTO actually considered. Indeed, despite originally suggesting that a challenger can more easily carry its burden when it relies on evidence not before the PTO, the Federal Circuit has since discouraged trial courts from instructing juries on that point. *See Norian v. Stryker Corp.*, 363 F.3d 1321, 1328 (Fed. Cir. 2004) (improper to instruct that the jury “may consider the proceed-

² The early Federal Circuit decisions relied heavily on *Solder Removal Co. v. Int’l Trade Comm’n*, 582 F.2d 628 (CCPA 1978). In that case, the CCPA held that although the statutory presumption of validity is never “destroyed,” a challenger’s “burden of persuasion may be more easily carried by evidence consisting of more pertinent prior art than that considered by the examiner.” *Id.* at 632–33 (going on to hold, at 634–38, that the challengers had carried their burden of proving invalidity by pointing to previously unconsidered prior art).

ings before the examiner and the extent to which and the manner in which the prior art was considered by or before the examiner”). More recently, the Federal Circuit affirmed a district court’s refusal to give a jury instruction that a challenger’s

burden is more easily carried when the references on which the assertion is based were not directly considered by the examiner during the prosecution.

z4 Technologies, Inc. v. Microsoft Corp., 507 F.3d 1340, 1354 (Fed. Cir. 2007). Such an instruction, the court said, would likely confuse jurors into thinking that the standard of proof was less than “clear and convincing” evidence. *Id.* at 1354–55.

This Court’s opinion in *KSR* gave the Federal Circuit a golden opportunity to revisit its jurisprudence. Regrettably, the Federal Circuit has declined to do so. *See* Pet. App. 23a (decision in this case adhering to prior view that *KSR* “did not change the burden of proving invalidity by clear and convincing evidence”). The law is now settled and will not change unless this Court grants certiorari.

**D. Courts Should Not Impose a
“Clear and Convincing” Standard
of Proof When the PTO Did Not
Consider the Invalidity Evidence
Raised in the Litigation**

On the merits, Intel submits that a heightened “clear and convincing” evidentiary standard should not be imposed where, as here, the PTO never considered the invalidity ground alleged in the litigation.

To begin with, the default standard of proof in civil litigation is by a “preponderance” of the evidence as that standard “results in a roughly equal allocation of the risk of error between litigants.” *Grogan*, 498 U.S. at 286. The “preponderance” standard applies unless Congress specifies otherwise or “particularly important individual interests or rights are at stake.” *Id.* (“clear and convincing” proof not required to establish fraud preventing discharge of a debt in bankruptcy); *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389–90 (1983) (“preponderance” standard for securities fraud actions).

Patent rights are indeed valuable economic rights, but they differ in nature from the rare, fundamental interests that this Court has previously found to warrant a “clear and convincing” standard of proof even though the governing statute does not expressly call for one. *See, e.g., Santosky v. Kramer*, 455 U.S. 745, 769–70 (1982) (termination of parental rights); *Addington v. Texas*, 441 U.S. 418, 423 (1979) (civil commitment); *Woodby v. Immigration & Naturalization Service*, 385 U.S. 276, 285–86 (1966) (deportation); *Chaunt v. United States*, 364 U.S. 350, 353 (1960) (denaturalization); *cf. California ex rel. Cooper v. Mitchell Bros.’ Santa Ana Theater*, 454 U.S. 90, 92–93 (1981) (“The purpose of a standard of proof is ‘to instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication.’”).

Instead, the traditional rationale for requiring proof of invalidity by “clear and convincing” evidence is the presumption of administrative regularity: the assumption that the PTO considered all the relevant

evidence and applied its expertise to reach the correct conclusion. *See, e.g., Morgan v. Daniels*, 153 U.S. 120, 124–25 (1894) (convincing evidence required to overturn the Patent Office’s priority-of-invention determination because “[t]he one charged with the administration of the patent system had finished its investigations and made its determination with respect to th[at] question”); *American Hoist*, 725 F.2d at 1359 (noting “the deference that is due to a qualified government agency presumed to have properly done its job”). The deferential “substantial evidence” standard of review that applies when the Federal Circuit reviews PTO decisions under the Administrative Procedure Act likewise presumes that the PTO applied its expertise to the relevant evidence.

But even if “clear and convincing” evidence should be required when the PTO *has* considered an issue, such a requirement is unwarranted where the PTO did *not* consider the issue. Neither this Court’s cases nor principles of administrative law require deference to findings that an agency has not made regarding issues that it has not considered. Indeed, this Court recognized in *KSR* that there is no reason for judges and jurors to defer to an analysis that the PTO never made in the first place. *See* 550 U.S. at 426 (“the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” when the PTO did not consider the invalidity argument raised in litigation). Section 282 requires challengers to bear the burden of proving invalidity in such cases, but there

is no reason in law or logic to require them to do so by “clear and convincing” evidence.³

CONCLUSION

Microsoft’s petition for a writ of certiorari should be granted.

Respectfully submitted,

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³ A heightened evidentiary standard may be appropriate for other reasons in some cases. As noted above, this Court historically was skeptical of efforts to invalidate patents based on uncorroborated and often self-interested oral testimony. *See, e.g., The Barbed Wire Patent*, 143 U.S. at 284–85. But regardless of whether “clear and convincing” evidence is required then, there is no reason to impose that standard where, as here, the challenger’s invalidity case is grounded in contemporaneous documents rather than hazy recollections. Although the source code for the S4 product that was on sale before the critical date no longer exists, Microsoft pointed to contemporaneous written statements by a named inventor that the on-sale product embodied the claimed invention. *See* Pet. 6–8 (also citing the S4 user guide and oral testimony for corroboration). Ironically, it was *idi* that was forced to resort to oral testimony, to disavow the documentary evidence, and to claim that the statements there were an “exaggeration” and a “lie.” Pet. 8.