

No. 10-290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

i4i LIMITED PARTNERSHIP AND
INFRASTRUCTURES FOR INFORMATION INC.,
Respondents.

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

BRIEF FOR RESPONDENTS

DONALD R. DUNNER
DON R. BURLEY
ERIK PUKNYS
KARA F. STOLL
JASON W. MELVIN
FINNEGAN, HENDERSON,
FARABOW, GARRETT &
DUNNER, L.L.P.
901 New York Avenue N.W.
Washington, D.C. 20001
(202) 408-4000

SETH P. WAXMAN
Counsel of Record
PAUL R.Q. WOLFSON
DANIEL S. VOLCHOK
FRANCESCO VALENTINI
ARTHUR COVIELLO
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Avenue N.W.
Washington, D.C. 20006
(202) 663-6000
seth.waxman@wilmerhale.com

(Additional counsel listed on inside cover)

DOUGLAS A. CAWLEY
JEFFREY A. CARTER
T. GORDON WHITE
McKool Smith P.C.
300 Crescent Court
Suite 1500
Dallas, Texas 75201
(214) 978-4000

ROBERT GREENE STERNE
STERNE, KESSLER, GOLDSTEIN
& FOX PLLC
1100 New York Avenue N.W.
Washington, D.C. 20005
(202) 371-2600

RULE 29.6 STATEMENT

Respondents i4i Limited Partnership and Infrastructures for Information Inc. (collectively i4i) have no parent company and no publicly held corporation owns 10 percent or more of either respondent's stock.

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BRIEF FOR RESPONDENTS

INTRODUCTION

For over 150 years, this Court and others have consistently held that the presumption of patent validity imposes a heightened standard to prove invalidity. “Even for the purpose of a controversy with strangers,” Justice Cardozo explained for a unanimous Court in one case, “there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.” *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 2 (1934) (hereafter *RCA*). The Court’s holdings on this point, moreover, are uniform: This Court has *never* held or even stated in dicta that the presumption can ever be overcome by “a dubious preponderance” of the evidence. *Id.* at 8.

The same is true of the Federal Circuit, which Congress created specifically to “strengthen the United States patent system.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). From its earliest days, that court has consistently held—relying on this Court’s precedent—that the standard to prove invalidity under 35 U.S.C. §282 is always clear and convincing evidence. *See, e.g., American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984) (Rich, J.) (citing *RCA*). Before the Federal Circuit’s creation, the vast majority of regional circuits took the same view. *See infra* p.52 & n.18. Indeed, by 1970 two circuits had labeled the clear-and-convincing standard “elementary patent law.” *Mercantile Nat’l Bank v. Quest, Inc.*, 431 F.2d 261, 264 (7th Cir. 1970); *King-Seeley Thermos Co. v. Refrigerated Dispensers, Inc.*, 354 F.2d 533, 536 (10th Cir. 1965) (each citing *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168 (1937)).

Microsoft thus asks this Court to depart from settled precedent to effect a radical change in patent law—an area in which stability and predictability are paramount. In fact, Microsoft seeks a more extreme change than it advocated at the petition stage. Then, Microsoft argued that the standard of proof should be a preponderance when relevant prior art was not considered by the Patent and Trademark Office. Microsoft presented *that* issue as warranting review by pointing to dictum in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), and pre-1982 regional-circuit decisions, all of which purportedly conflicted with Federal Circuit precedent. Now, Microsoft argues primarily for an across-the-board preponderance standard. That rule, however, finds no support in *KSR*, any other decision of this Court, or virtually any case from the circuits (before or after 1982). Furthermore, this argument has

been waived because it was not pressed or passed on below. *See, e.g., United States v. United Foods, Inc.*, 533 U.S. 405, 416-417 (2001) (declining to consider an “argument ... ‘not raised or addressed’ in the Court of Appeals,” even though it fell within the ambit of the broadly worded question presented).

The reason for Microsoft’s switch is apparent: As several of Microsoft’s own amici recognize, a hybrid standard of proof is indefensible. It is completely unmoored from the text of §282. It conflicts with this Court’s jurisprudence, which “never has approved case-by-case determination of the proper standard of proof for a given proceeding.” *Santosky v. Kramer*, 455 U.S. 745, 757 (1982) (emphasis omitted). And it would cause jury confusion about how to apply multiple standards of proof on a single issue (perhaps even a single piece of prior art) and generate wasteful collateral litigation about, for example, which evidence patent examiners considered. Federal Circuit precedent, by contrast, avoids all these problems—and accords with this Court’s observation in *KSR*—by applying a single standard of proof but allowing it to be satisfied more easily with evidence the PTO never considered. *See, e.g., American Hoist*, 725 F.2d at 1359-1360. That approach is also substantively identical to pre-1982 regional-circuit decisions holding the presumption “weakened” by such evidence.

The universal-preponderance standard to which Microsoft has shifted is no better than a hybrid standard. It contradicts every holding of this Court regarding the standard to prove invalidity—and hence also contradicts §282, which codified those uniform holdings. It would also marginalize the PTO, draining that agency’s expert determinations regarding patentability of virtually any significance. And like the hybrid stan-

dard, it would harm the public: The clear-and-convincing standard promotes strong, stable patent rights, thereby encouraging innovation and the disclosure of inventions that the public enjoys. A weakening or abandonment of that standard would undermine patent rights and thus discourage innovation—in derogation of “the policy of stimulating innovation that underlies the entire patent system.” *Dawson Chem. Co. v. Rohm & Hass Co.*, 448 U.S. 176, 221 (1980). At the same time, in light of the extant reexamination process, such a change would do little to promote competition, and would guarantee the perpetuation of any problems with the patent-examination process, about which Microsoft and its amici complain at length.

The Federal Circuit’s judgment should be affirmed.

STATEMENT

1. i4i holds U.S. Patent No. 5,787,449, which discloses “an improved method for editing [computer] documents.” Pet. App. 5a. i4i’s invention was “an improvement over prior technology in several respects,” *id.* at 6a, solving various structural problems that had plagued the use of metacodes, *see* J.A. 81a-83a—problems Microsoft had long been unable to surmount, *see* C.A.J.A. 7592 (Bill Gates stating that, in terms of the relevant functionality, customers “just can’t get what they want out of Word”).

Since obtaining the ’449 patent, i4i has actively shared the fruits of its invention with the public—including licensing over 20,000 copies of its software to the PTO, *see* C.A.J.A. 885-886; *see also* Pet. App. 4a (“i4i has developed several software products that practice the invention.”). This case thus does not involve a “non-practicing entity,” nor does it present an

occasion to address perceived concerns about lawsuits by such entities.

2. i4i sued Microsoft for willful infringement in 2007. Pet. App. 6a. The lawsuit was impelled by Microsoft’s efforts “to move competitors’ ... products to obsolescence.” Pet. App. 159a. As the district court observed, “Microsoft had knowledge of the patent and ... willfully chose to render [i4i’s products] obsolete while simply ignoring the patent.” *Id.* These efforts—which amply supported the jury’s willfulness finding—largely succeeded as to i4i. *See id.* at 52a.

Part of Microsoft’s invalidity defense was that the patent was anticipated, under 35 U.S.C. §102(b), by a product known as SEMI S⁴. Pet. App. 15a. Microsoft repeatedly notes (Br. 3, 6-7) that the S⁴ source code was discarded before i4i filed this action. Microsoft fails to explain that this occurred “years before this litigation began,” Pet. App. 20a, and was done “in the normal course of business,” J.A. 135a; *see also* Pet. App. 182a (S⁴ “was a one-time project ... completed ... nine years before Microsoft contends that i4i could have first filed suit.”).¹ After trial, the district court rejected Microsoft’s contention that it “suffered evidentiary prejudice because of the loss of the ... source code.” Pet. App. 182a. The court also rejected Microsoft’s claim that i4i had engaged in inequitable conduct by not listing S⁴ in its patent application. *See id.* at 183a-188a.

At the close of the evidence, Microsoft requested an instruction that the standard to prove invalidity is a preponderance for prior art that the PTO never “re-

¹ SEMI, the customer for whom the code was written, also discarded it. J.A. 204a.

view[ed].” Pet. Br. 6. Microsoft did not request an instruction that the standard is always a preponderance. Nor did it request an instruction that the clear-and-convincing standard can be satisfied more easily with prior art the PTO never considered—even though the Federal Circuit, consistent with this Court’s observation in *KSR*, has so held repeatedly, for decades. *See infra* p.46.

“[T]he jury found for i4i on every issue,” Pet. App. 160a, and the district court rejected Microsoft’s post-trial motions—which never urged a universal-preponderance standard to prove invalidity. On appeal, Microsoft similarly did not urge a universal-preponderance standard, arguing only that the standard should be a preponderance with prior art the PTO never considered. *See* Pet. C.A. Br. 45-46. The Federal Circuit rejected that argument and unanimously affirmed. *See* Pet. App. 4a, 23a.

3. Since this lawsuit began, Microsoft has twice asked the PTO to reexamine the validity of the ’449 patent. *See* 35 U.S.C. §302. In the first reexamination, the PTO confirmed the validity of i4i’s patent claims. *See* Qualters, *Supreme Court Is Microsoft’s Last Resort*, National L.J. (May 13, 2010). A week before petitioning for certiorari, Microsoft again requested reexamination. Although the PTO grants over 90 percent of reexamination requests,² it denied Microsoft’s request, finding that no “substantial new question of patentabil-

² *See Ex Parte* Reexamination Filing Data—December 31, 2010, http://www.uspto.gov/patents/stats/EP_quarterly_report_Dec_2010.pdf.

ity” had been raised under 35 U.S.C. §303(a).³ Microsoft’s request for reconsideration of that finding remains pending.

SUMMARY OF ARGUMENT

A. Prior to enactment of §282 in 1952, this Court held time and again that the presumption of validity imposed a heightened standard to prove invalidity—including in cases involving a prior-use defense like Microsoft’s. This Court presumes that Congress intended §282 to be interpreted consistent with those holdings. The text and legislative history of §282 demonstrate that this was indeed Congress’s intent.

Microsoft’s contrary arguments lack merit. Section 282 is not “silent” regarding the standard of proof; it uses language that had a settled meaning in this Court’s precedent—namely a clear-and-convincing standard. Even if §282 were silent, that would not change the backdrop of this Court’s uniform decisions or the presumption that Congress intended §282 to be construed consistent with them. Those decisions, moreover, are not limited to narrow situations, as Microsoft argues. Nor were the decisions undermined by “silence” as to the standard of proof in some 1940s validity cases, or by lower-court cases that erroneously departed from this Court’s relevant precedent. Indeed, this Court has unanimously rejected a very similar ar-

³ The substantial-new-question requirement was adopted because “Congress recognized ... the potential for abuse [of reexamination], whereby unwarranted reexaminations can harass the patentee and waste the patent life.” *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1397 (Fed. Cir. 1996).

gument concerning the obviousness precedent codified by the 1952 Patent Act.

Other statutory-interpretation arguments advanced by Microsoft and its amici also fail. Microsoft's suggestion that the presumption in §282 addresses only the burden of production cannot be reconciled with Congress's clear intent to codify this Court's pre-1952 precedent, which treated the presumption as pertaining to the burden of persuasion. The express clear-and-convincing standard in 35 U.S.C. §273(b) was adopted 47 years after §282, and hence offers no insight into §282's meaning. And there is ample reason to have a lower standard of proof to rebut the presumption of validity for copyrights and trademarks than for patents, including material differences between the relevant statutory provisions.

B. Contrary to Microsoft's suggestion, this Court has often approved a clear-and-convincing standard for civil cases that do not implicate liberty interests—particularly cases, like this one, where stability is particularly important or where a challenge is made to a government-issued written instrument. And several important interests warrant a clear-and-convincing standard to prove invalidity. First, that standard furthers the constitutionally-based public interest in promoting innovation and the disclosure of inventions. It does so by minimizing erroneous invalidations of patents by lay juries, which cause enormous disruption and destabilize patent rights. A clear-and-convincing standard also preserves a meaningful role for the PTO, consistent with Congress's delegation to that agency of primary authority over patentability. A preponderance standard, by contrast, would discourage innovation and marginalize the PTO. It would render the initial-examination process largely meaningless. And it would

eviscerate the reexamination process that Congress specifically created as an alternative to litigation—an alternative that is cheaper, more transparent, and conducted by experts, and one in which patent claims can be narrowed if appropriate rather than entirely destroyed.

Microsoft and its amici offer no persuasive policy rationale for incurring these various harms. They rely principally on competition, but whereas the harm to innovation caused by an erroneous jury invalidation is irreversible, any harm to competition from an erroneous finding of non-invalidity can be corrected, either by another jury or by the PTO in reexamination. Accounting for this imbalance is precisely the role of a heightened standard of proof. Nor do any of the other policy arguments offered, several of which are scarcely even related to the invalidity standard, justify a radical change to long-settled law, a change that would encourage infringing activity and serve primarily to shift money from innovators to infringers.

The hybrid standard of proof Microsoft proposes would be also unprecedented. This Court has never approved standards of proof that vary from case to case depending on the specific evidence presented. Instead, the jury takes the characteristics of the evidence into account in deciding whether that evidence meets the (unchanging) standard. That is the approach long taken by the Federal Circuit, which applies a single standard of proof but allows it to be met more easily with prior art the PTO never considered. This approach is consistent with traditional trial practice—courts routinely instruct juries regarding particular types of evidence, such as testimony from cooperating witnesses—and with *KSR*. Finally, Microsoft’s hybrid standard would have undesirable consequences in and out of the court-

room. It would create enormous confusion, for example, as juries attempted to apply two standards to a single issue. And it would burden already-strained patent examiners by inducing applicants to flood examiners with enormous amounts of largely irrelevant prior art.

C. For 28 years, the Federal Circuit has consistently interpreted §282 as imposing a clear-and-convincing standard. Under this Court's precedent, Congress's failure to disturb that longstanding interpretation strongly suggests approval of it. That suggestion is especially compelling here, because Congress has both reacted to *other* Federal Circuit rulings and been active in patent legislation during this period. In particular, Congress has responded to concerns about the clear-and-convincing standard by leaving the standard alone and instead making other changes, principally authorizing reexamination.

Microsoft's own acquiescence argument—that Congress's 1965 reenactment of §282 endorsed regional-circuit decisions holding the presumption of validity “weakened” with unconsidered prior art—does not support reversal. Those holdings are substantively identical to longstanding Federal Circuit precedent holding the clear-and-convincing standard more easily met with unconsidered prior art. Any congressional endorsement of the “weakening” cases, therefore, supports affirmance here. Moreover, the 1965 reenactment undermines Microsoft's argument for a universal-preponderance standard, an argument that in any event is waived because it was neither pressed nor passed upon below. By 1965, every circuit to address the issue had held that the default standard of proof under §282 was *not* a preponderance. In reenacting

that section without change, Congress codified those holdings.

The Federal Circuit's settled interpretation of §282 has created reasonable expectations among inventors, investors, and others, an expectation that patents will not be invalidated by lay juries absent clear and convincing evidence. If those expectations are to be disrupted now, causing enormous upheaval, it should be by Congress rather than the courts.

D. Administrative-law principles do not help Microsoft. Microsoft argues primarily about how the Administrative Procedure Act would apply in infringement actions. Yet it acknowledges that the APA does *not* apply in such actions. Microsoft also wrongly argues as though administrative deference exists only in APA actions, or is based on what evidence was considered in a specific case, rather than on respect for Congress's delegation of authority to the agency to decide the relevant issue. Moreover, Microsoft's extended attack on the PTO's factfinding procedures never mentions reexamination, even though that is a critical part of those procedures. Finally, Microsoft ignores the fundamental administrative-law principle of maximizing agency rather than judicial decisionmaking on issues delegated to the agency by Congress. That principle, which normally requires courts to remand when agencies fail to consider relevant factors, is given effect in this context by encouraging resort to reexamination—a function served by the clear-and-convincing standard.

ARGUMENT**CLEAR AND CONVINCING EVIDENCE IS REQUIRED
TO INVALIDATE A PATENT IN LITIGATION****A. In Enacting §282, Congress Codified This
Court’s Precedent Adopting A Clear-And-
Convincing Standard To Prove Invalidity**

Before 1952, this Court held in case after case that the common-law presumption of patent validity imposed a heightened standard of proof on challengers in litigation—and specifically held in *RCA* that the burden was “clear and cogent evidence,” 293 U.S. at 2. Congress’s enactment of 35 U.S.C. §282 in 1952 codified these uniform holdings.

**1. By 1952, this Court had made clear that
the presumption of validity could only be
overcome with clear and convincing evi-
dence**

In the 75 years before enactment of §282, this Court repeatedly and consistently held that the presumption of patent validity imposed a heightened standard to prove invalidity. Justice Cardozo’s opinion for a unanimous Court in *RCA* cited several such holdings, *see* 293 U.S. at 7-8, and although it acknowledged that they had used varied phrasing to describe the heightened standard, it stressed that “[t]hrough all the verbal variances, ... there runs this common core of thought and truth, that one otherwise an infringer who assails the validity of a patent ... *bears a heavy burden of persuasion*, and fails unless his evidence has more than a dubious preponderance,” *id.* at 8 (emphasis added). Synthesizing these decisions, the Court stated categorically that “there is a presumption of validity, a pre-

sumption not to be overthrown except by clear and cogent evidence.” *Id.* at 2.

Most of this Court’s decisions applying a heightened invalidity standard involved allegations like Microsoft’s, *i.e.*, a prior-use claim that the Patent Office apparently never considered. These include *Coffin v. Ogden*, 85 U.S. 120, 124 (1874); *The Corn-Planter Patent*, 90 U.S. 181, 227 (1874); *Cantrell v. Wallick*, 117 U.S. 689, 695-696 (1886); *The Barbed Wire Patent*, 143 U.S. 275, 284, 292 (1892); *Deering v. Winona Harvester Works*, 155 U.S. 286, 300-301 (1894); *Adamson v. Gilliland*, 242 U.S. 350, 353 (1917); *Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U.S. 45, 60 (1923), and *Smith v. Hall*, 301 U.S. 216 (1937)—where the Court referred categorically to the “heavy burden of persuasion which rests upon one who seeks to negative novelty in a patent by showing prior use,” *id.* at 233 (citing *RCA* “and cases cited”); *see also Mumm*, 301 U.S. at 171.

Nothing in these cases indicates that the Patent Office had considered the prior-use evidence, or that the standard of proof would be lower if it had not done so. Indeed, *RCA* suggested the opposite, stating that “[i]f [the common core of thought] is true where the assailant launches his attack with evidence different, at least in form, from any theretofore produced in opposition to the patent, it is so a bit more clearly where the evidence is even verbally the same.” 293 U.S. at 8. *RCA* thus indicated that a heightened standard is appropriate even with evidence the Patent Office never considered.

In sum, this Court’s decisions recognizing a heightened standard of persuasion to overcome the presumption of patent validity are numerous and uniform.

When Congress codified the presumption in 1952, this Court had clearly established that the presumption imposed a clear-and-convincing standard to prove invalidity, including with allegations of prior use.

2. Section 282 codified this Court's precedent

This Court has repeatedly held it to be “not only appropriate but also realistic to presume that Congress was thoroughly familiar with [our] precedents ... and that it expect[s] its enactment[s] to be interpreted in conformity with them.” *North Star Steel Co. v. Thomas*, 515 U.S. 29, 34 (1995) (ellipsis and alterations in original); *accord, e.g., Merck & Co. v. Reynolds*, 130 S. Ct. 1784, 1795 (2010) (citing cases). Application of this settled canon is warranted here.

The Reviser's Note to §282, and both the House and Senate reports accompanying the legislation, make clear that §282 codified the common-law presumption. Each states that “[t]he first paragraph [of §282] declares the *existing* presumption of validity.” H.R. Rep. No. 82-1923, at 29 (1952) (emphasis added); *accord* S. Rep. No. 82-1979, at 2422 (1952); Reviser's Note to §282 (1952). The reports also state that although the “principal purpose” of the 1952 Act was codification, there were some substantive changes—and that each change would be specified in the report's appendix. H.R. Rep. No. 82-1923, at 5; S. Rep. No. 82-1979, at 2397. The appendix nowhere mentions §282, confirming that §282 was not intended to effect any change to this Court's jurisprudence regarding the presumption. *See, e.g., Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.*, 443 F.2d 867, 871 n.4 (2d Cir. 1971).

That conclusion is consistent with this Court’s decisions on other matters addressed by the 1952 Act. For example, legislative history similar to §282’s led this Court to conclude that 35 U.S.C. §103 was “intended to codify” rather than “sweep away” existing obviousness precedent. *Graham v. John Deere Co.*, 383 U.S. 1, 3, 16 (1966); *see also id.* at 16-17 & n.8. Likewise, in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341-342 & n.8 (1961), the Court relied on comparable legislative history in concluding that 35 U.S.C. §271 “left intact” direct- and contributory-infringement precedent.⁴

A second, closely-related, line of cases confirms Congress’s intent to codify the clear-and-convincing standard. “It is a well-established rule ... that where Congress uses terms that have accumulated settled meaning under ... common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.” *Neder v. United States*, 527 U.S. 1, 21 (1999) (internal quotation marks omitted); *see also, e.g., Standard Oil Co. v. United States*, 221 U.S. 1, 59 (1911). As explained, by 1952 this Court had made clear that the common-law presumption of validity imposed a clear-and-convincing standard of proof. Congress’s use of these terms in §282 means the Court “must infer, unless the statute otherwise dictates, that Congress mean[t] to incorporate” that standard. *Neder*, 527 U.S.

⁴ Only in *Dawson Chemical* did this Court decline to conclude that the 1952 Act codified existing precedent. There, however, “the relevant legislative materials abundantly demonstrate[d] an intent ... to change the law.” 448 U.S. at 203.

at 21. Nothing about §282, or the 1952 Act in general, “dictates” a contrary conclusion.

3. Microsoft’s arguments regarding codification are meritless

a. This case does not involve congressional “silence”

Microsoft contends (Br. 8, 19) that Congress could have included a clear-and-convincing standard in §282 expressly, and that the Court should not infer such a standard from “silence.” But the fact that Congress did not explicitly prescribe a clear-and-convincing standard in §282 is not dispositive. Congress also did not explicitly prescribe a preponderance standard—as it has in over 125 statutes. *See* App.; *compare* Internet Retailers’ Br. App. (citing 111 statutes specifying a clear-and-convincing standard). What is dispositive is the background against which §282 was enacted, for Congress used terms that had a settled meaning in this Court’s precedent. Section 282, in other words, is simply not “silent.” Nor is its legislative history, which expressly states that §282 declared the “existing” presumption of validity.

Moreover, Microsoft’s “silence” argument would eviscerate the codification canon, which is premised on the reality that “Congress cannot be expected to specifically address each issue of statutory construction which may arise,” *Albernaz v. United States*, 450 U.S. 333, 341 (1981); *see also id.* (dismissing a silence argument like Microsoft’s as “read[ing] much into nothing”). *Every* time that canon is applied, the relevant statute does not explicitly dictate the proposed interpretation, but the Court finds it appropriate to adopt that interpretation in light of prior decisions. *See Clackamas*

Gastroenterology Assocs., P.C. v. Wells, 538 U.S. 440, 447 (2003).

These points demonstrate why this case is unlike *Grogan v. Garner*, 498 U.S. 279 (1991). In *Grogan* there was no line of precedent from this Court that Congress could have intended to codify. Furthermore, the Court there adopted a preponderance standard only after finding that neither the relevant statute nor the legislative history spoke to the standard of proof. *See id.* at 286.

Microsoft also suggests that Congress deliberately omitted a clear-and-convincing standard from §282. Microsoft relies on what it labels “[a]n earlier draft” of §282 (Br. 19), which explicitly referred to a burden of “convincing proof,” H.R. Judiciary Comm., 81st Cong., *Proposed Revision and Amendment of the Patent Laws* 68 (Comm. Print 1950) (hereafter *Committee Print*). Even when considering actual bills introduced in Congress, however, this Court has held that such “mute intermediate legislative maneuvers’ are not reliable indicators of congressional intent.” *Mead Corp. v. Tilley*, 490 U.S. 714, 723 (1989). In particular, elimination of language from a bill “gives rise to the equally plausible inference” that Congress recognized that the language “was simply redundant.” *Aaron v. SEC*, 446 U.S. 680, 699 (1980). That inference certainly applies here.

Microsoft, moreover, does not even rely on an actual bill. It relies instead on a committee print—from a different Congress than the one that adopted §282. And the print explicitly states that it was “not intended to represent” the views of even the subcommittee that issued it. *Committee Print* III. It was simply a mechanism for soliciting public comment. *Id.* It sup-

plies no insight as to a subsequent Congress's intent regarding §282.

b. This Court's pre-1952 holdings were not limited to cases involving previously litigated issues or exclusively oral evidence of invalidity

Microsoft contends that §282 could not have codified a clear-and-convincing standard because by 1952 this Court's decisions had not settled that the presumption of validity always imposed such a standard. In particular, Microsoft seeks to pigeon-hole this Court's numerous pre-1952 presumption decisions to cover only two narrow situations: cases where the invalidity evidence was oral testimony alone, and priority disputes previously litigated *inter partes* before the PTO. That is untenable.

i. Although some early presumption cases highlighted the shortcomings of oral testimony, this Court's later categorical statements in *RCA* and *Smith v. Hall*, *see supra* pp.12-13, confirm that the common-law presumption's clear-and-convincing standard was not limited to such testimony. Nor would such a limitation make sense. Oral testimony is no less reliable in patent cases than in others where a preponderance standard applies. The reason for the heightened standard is thus not the type of evidence presented but the importance of the relevant interests. *See Addington v. Texas*, 441 U.S. 418, 423-425 (1979). As explained below, *see infra* pp.32-35, patent validity implicates several important interests, particularly the promotion of innovation, which would be discouraged by the frequent erroneous invalidations that would occur if lay juries determined often-technical validity issues by a preponderance standard. In short, although oral testimony alone

might not *constitute* clear and convincing evidence, the fact that a case turns on oral testimony does not justify altering the standard of proof. *See Santosky*, 455 U.S. at 757.

Furthermore, this Court has applied the heightened standard even when the invalidity evidence was not exclusively oral. In *Smith*, for example, the evidence included the defendant's book, his own patent application, a related brief, and a journal article. *See* 301 U.S. at 223-225, 228-230, 232. Without a hint of Microsoft's oral-only limitation, the Court unanimously deemed these documents "convincing evidence" that "support[ed] the heavy burden of persuasion" to prove prior use. *Id.* at 232, 233; *see also id.* at 227 (labeling documents "cogent evidence to determine the [invention's] nature and date"), 221-222 ("crucial issue[]" is whether "there is ... convincing proof" of prior use).

Microsoft (Br. 26-27) tries to explain away *Smith* by characterizing it as a case about "corroboration" of oral testimony. That is no distinction at all: The references in *Smith* to corroboration do not change the fact that the Court applied the clear-and-convincing standard to documentary evidence supporting a prior-use claim. This was the "existing presumption" that Congress codified. Reviser's Note to §282. And it applies equally here, where Microsoft, just like the defendant in *Smith*, offered documentary evidence in support of (*i.e.*, allegedly "corroborating") its own oral testimony regarding invalidity. *See* Pet. Br. 4-6.

Smith is not the only case in which this Court (unanimously) applied the heightened invalidity burden to documentary evidence. In *Adamson*, the Court, per Justice Holmes, "requir[ed] the defendant to prove his case beyond a reasonable doubt" even though the evi-

dence included “a dray ticket relied upon as fixing th[e] date” of the prior use. 242 U.S. at 353. Moreover, several of this Court’s decisions applying a heightened burden cited *Washburn v. Gould*, 29 F.Cas. 312 (C.C.D. Mass. 1844) (No. 17,214), generally regarded as the first reported case applying such a burden. *See Cantrell*, 117 U.S. at 696; *RCA*, 293 U.S. at 7. And in *Washburn*, Justice Story instructed the jury to apply the reasonable-doubt standard in considering both the testimonial evidence of invalidity and “the patent granted to Samuel Bentham.” 29 F.Cas. at 317; *see also id.* at 319-321. The very genesis of the heightened burden, then, is a case involving both documentary and oral evidence (and one containing no mention of “corroboration”).

ii. Equally unavailing is Microsoft’s attempt to limit *RCA*’s holding to issues previously litigated *inter partes* before the PTO. The Court’s opinion gives no hint that the clear-and-convincing standard was applicable only in those circumstances. To the contrary, the Court made clear that the standard applies even when “strangers” are involved or when no “hearing of all the rival claimants” has occurred. *See* 293 U.S. at 2 (presumption “not to be overthrown except by clear and cogent evidence,” even with “a controversy between strangers”), 7 (“A patent regularly issued, and even more obviously ... issued after a hearing of all the rival claimants, is ... valid until ... convincing evidence of error” is presented.), 8 (presumption prevails, even “against strangers,” absent “clear and satisfactory” evidence). Furthermore, many of the presumption cases *RCA* cited in discussing the standard, *see id.* at 7-8, did not involve priority issues. Similarly, *Smith*, which was not about priority but rather was a case just

like this one, cited *RCA* “and cases cited” regarding the heightened standard. 301 U.S. at 233.

iii. Microsoft notes (Br. 31) that in the 1940s this Court decided some validity cases without referring to a heightened standard of proof. The lack of reference to a heightened standard, however, does not mean no such standard existed. It likely means that the standard was irrelevant to the issues presented, either because the standard could not affect the outcome or because the invalidity question posed was a legal one, to which the burden of proof does not apply. (Obviousness, for example—which was at issue in many of this Court’s 1940s validity cases—is ultimately a question of law. *See KSR*, 550 U.S. at 427.) Indeed, in one case from this period, the Court expressly noted that it was not addressing factual matters. *See Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 153-154 (1950). And even Microsoft cites at least one case that did allude to the heightened burden, finding anticipation because the evidence “afford[ed] convincing proof.” *Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1, 34 (1943). What Microsoft notably does *not* cite is any case from this Court (from any period) holding or even stating in dicta that the burden to prove invalidity is ever a preponderance—because there is no such case.

Furthermore, Microsoft’s argument rests on the premise that cases omitting express reference to the heightened standard silently overruled decades of precedent uniformly holding that standard to apply. This Court has rejected that premise, instructing that its cases are not to be deemed overruled by implication, even if later precedent does, unlike here, call them into question. *See Agostini v. Felton*, 521 U.S. 203, 237 (1997).

Many lower courts recognized these points, which is why—contrary to Microsoft’s portrayal—they continued, in the years leading up to the adoption of §282, to invoke *RCA* and *Smith* as establishing a heightened standard to prove invalidity. See *Charles Peckat Mfg. Co. v. Jacobs*, 178 F.2d 794, 801 (7th Cir. 1949); *Insul-Wool Insulation Corp. v. Home Insulation, Inc.*, 176 F.2d 502, 504-505 (10th Cir. 1949); *Murdock v. Murdock*, 176 F.2d 434, 437 (4th Cir. 1949); *Lever Bros. v. Proctor & Gamble Mfg. Co.*, 139 F.2d 633, 640 (4th Cir. 1943); *Williams Mfg. Co. v. United Shoe Mach. Corp.*, 121 F.2d 273, 277 (6th Cir. 1941), *aff’d*, 316 U.S. 364 (1942); *Wisconsin Alumni Research Found. v. George A. Breon & Co.*, 85 F.2d 166, 167 (8th Cir. 1936). Notably, several of those decisions involved documentary evidence of invalidity, and none involved a previously-decided priority dispute (or relied on notions of “corroboration”).

In short, by 1952 this Court had not disturbed its clear holdings that the “presumption [is] not to be overturned except by clear and cogent evidence,” *RCA*, 293 U.S. at 2, and that this standard applies even where, as here, the challenger’s evidence is both documentary and oral, see *Smith*, 301 U.S. at 232-233. Those were the holdings §282 codified.

c. Microsoft’s reliance on pre-1952 lower-court cases is misplaced

Microsoft also argues (Br. 24-25, 31-32) that the clear-and-convincing standard was unsettled in 1952 because some lower courts (mostly district courts) discarded the presumption in the mistaken belief that this Court’s views had changed. As just explained, however, before 1952 many circuits properly followed this Court’s presumption precedent. In any event, the clar-

ity of that precedent cannot be impeached by lower-court decisions that improperly deviated from it. Indeed, in *Graham* this Court rejected an argument much like Microsoft's, but pertaining to obviousness. In that area too, "some writers and lower courts" before 1952 had read this Court's precedent as becoming less favorable to patentees. *Graham*, 383 U.S. at 15 n.7. The Court rejected that reading, stating that "[t]he standard has remained invariable in this Court," and that that standard—*i.e.*, this Court's precedent, unaffected by lower-court decisions—was what Congress had codified. *Id.* at 19; *see also Lyon v. Bausch & Lomb Optical Co.*, 224 F.2d 530, 536-537 (2d Cir. 1957) (Hand, J.) (reaching the same conclusion).

Shifting to its request for a hybrid standard, Microsoft contends (Br. 33-36) that before 1952 this Court had not expressly held whether the clear-and-convincing standard was altered when a defendant relied on prior art the Patent Office never considered, and further contends that some lower courts had held that such art did affect the presumption. As noted, however, *RCA* indicated otherwise. *See* 293 U.S. at 8, *quoted supra* p.13. Moreover, the oral testimony at issue in many of this Court's pre-1952 validity cases was unlikely to have been considered by the Patent Office. Yet nothing in those cases points to a consequent lowering of the burden.

In any event, the pre-1952 lower-court decisions Microsoft cites (Br. 33-34) do not support its argument that the clear-and-convincing standard did not apply to unconsidered prior art. Most of those cases referred to the presumption being "weakened" with such prior art. But a "weakening" of the presumption does not mean the standard of proof is lowered. It means instead exactly what the Federal Circuit has long held to be true:

the clear-and-convincing standard is more easily satisfied with unconsidered prior art. *See infra* p.46. Cases Microsoft itself cites confirm this. *See Western Auto Supply Co. v. American-National Co.*, 114 F.2d 711, 713 (6th Cir. 1940) (presumption “more easily overcome” with unconsidered prior art); *O’Leary v. Liggett Drug Co.*, 150 F.2d 656, 664 (6th Cir. 1945).⁵ As for pre-1952 cases indicating that the presumption is “destroyed” with unconsidered prior art, they conflict with this Court’s categorical statement in *RCA* that “there is a presumption of validity.” 293 U.S. at 2 (emphasis added).

In sum, Microsoft’s efforts to avoid application of the longstanding codification canon lack merit. *RCA* and *Smith* established that the standard to prove invalidity is clear and convincing evidence, and nothing in subsequent cases abandoned or created any exception to these holdings. They thus set forth the “existing presumption” that Congress codified in §282. *See supra* p.14.

⁵ Post-1952 decisions were frequently to the same effect: They held the presumption “weakened” with unconsidered prior art but also referred *only* to a heightened standard of proof, demonstrating that any “weakening” did not lower that standard but rather made it easier to meet. *See, e.g., Escoa Fintube Corp. v. Tranter, Inc.*, 631 F.2d 682, 691-692 (10th Cir. 1980); *Ludlow Corp. v. Textile Rubber & Chem. Co., Inc.*, 636 F.2d 1057, 1059 (5th Cir. 1981).

4. Other statutory-interpretation arguments raised by Microsoft and its amici are without merit

a. The presumption of validity in §282 does not merely impose a burden of production

Microsoft contends (Br. 20-21) that i4i's reading of §282 renders the second sentence (of the original version) superfluous. Microsoft further asserts that the proper reading of §282 is that the first sentence allocates only the burden of production to the challenger, while the second sentence allocates the burden of persuasion (implicitly including a preponderance standard). These arguments fail.

The two sentences of §282 must be read together, not separately. As the Reviser's Note and two house reports explained, *see supra* p.14, it was "the first paragraph," *i.e.*, the first two sentences jointly, that declared the "existing presumption of validity" (emphasis added). That is consistent with other statutory provisions that use a similar structure to create a presumption pertaining to the burden of persuasion. Some of those provisions, after stating the presumption, explicitly refer to the standard of persuasion as a preponderance; others adopt a clear-and-convincing standard. *See* 28 U.S.C. §2254(e)(1) (state courts' factual determinations "shall be presumed ... correct," subject to rebuttal "by clear and convincing evidence"); 8 U.S.C. §1324a(a)(6)(C); 15 U.S.C. §78dd-1(e)(1) (preponderance standard); 22 U.S.C. §6082(a)(2); 26 U.S.C. §280G(b)(2)(C); 29 U.S.C. §1399(c)(1)(D) (preponderance); 49 U.S.C. §1(5)(b) (1976). But *none* suggests that the "presumption" allocates only the burden of production. The structure of §282 thus reflects the manner in

which Congress frequently creates statutory presumptions that pertain to the burden of persuasion.

Moreover, when the 82nd Congress wanted to speak exclusively to the burden of production, it did not use the term “presumption.” In a statute enacted just three days before the Patent Act, Congress twice used the phrase “burden of proceeding with the introduction of evidence” to allocate only the burden of production. *See* Communications Act Amendments, Pub. L. No. 82-554, §§7, 10, 66 Stat. 711, 715-717 (1952); *see also Director, Office of Workers’ Comp. Programs v. Greenwich Collieries*, 512 U.S. 267, 276 (1994) (discussing this language).

Finally, as explained the legislative history of §282 states that Congress was declaring the “existing” presumption of validity. *See supra* p.14. Before 1952, this Court treated the common-law presumption as pertaining to the burden of *persuasion*. *See, e.g., RCA*, 293 U.S. at 8. Nor is that use of the term “presumption” unusual. *See In re G-I Holdings, Inc.*, 385 F.3d 313, 319-320 (3d Cir. 2004) (Alito, J.) (noting that the Third Circuit had used “presumption” “as a synonym for the clear and convincing burden of persuasion,” not the burden of production). The presumption in §282 is thus not, as Microsoft implies (Br. 19), a presumption within the meaning of Federal Rule of Evidence 301 (which was enacted 23 years after §282). *See* 21B Wright & Miller, *Federal Practice & Procedure* §5123.1 (2d ed. 2005).

Microsoft asserts, however (Br. 21), that this Court “appear[ed]” to endorse this burden-of-production argument in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). That is wrong. The language Microsoft quotes simply

states that infringement defendants must both “overcome the presumption,” *i.e.*, prove invalidity, and defend against the infringement “claims.” *Id.* at 335. Moreover, the Court in *Blonder-Tongue* explained that §282 makes “patentees ... heavily favored” in regard to validity challenges. *Id.* It is unlikely the Court would have thought patentees “heavily favored” merely because their opponents have the burden of production and a wafer-thin disadvantage as to the burden of persuasion.

b. Section 282’s purpose supports i4i’s position

Microsoft also errs in suggesting (Br. 23-25) that the purpose of §282 was simply to repudiate district court decisions that had erroneously questioned the presumption of validity. Microsoft’s lone supporting authority (Br. 23-24) is a snippet from a speech by Judge Rich. As “a principal author of the” Patent Act, Judge Rich is certainly “an unusually persuasive source as to the meaning of the relevant statutory language.” *Carcieri v. Salazar*, 129 S. Ct. 1058, 1065 n.5 (2009). Hence, the Court should give great weight to his conclusion that §282 always imposes a clear-and-convincing burden. *See American Hoist*, 725 F.2d at 1359-1360. Nothing in the excerpt from Judge Rich’s speech, however, suggests that it reflects a view that Congress’s *only* goal was to address a few district judges’ erroneous observations (often in dicta). To the contrary, in an opinion Judge Rich joined, the Federal Circuit later explained—citing the other principal author of the Patent Act—that “[t]he purpose of the [statutory] presumption of validity ... is to contribute stability to the grant of patent rights.” *Magnivision, Inc. v. Bonneau Co.*, 115 F.3d 956, 958 (Fed. Cir. 1997). As elaborated be-

low, the clear-and-convincing standard advances that purpose by minimizing erroneous invalidations by lay juries, which harm the public by destabilizing patent rights and thereby reducing innovation.

c. Section 273(b) is irrelevant

Several amici cite the express clear-and-convincing standard in 35 U.S.C. §273(b) as evidence that §282 does not impose that standard. This argument rests on the interpretive canon that “[w]here Congress includes particular language in one [statutory] section ... but omits it in another ..., it is generally presumed that Congress acts intentionally ... in the disparate inclusion or exclusion.” *Russello v. United States*, 464 U.S. 16, 23 (1983). But that canon applies only when the two sections were passed simultaneously. Compare *Bates v. United States*, 522 U.S. 23, 29 (1997) (applying canon to provisions “enacted at the same time”), with *Gomez-Perez v. Potter*, 553 U.S. 474, 486 (2008) (rejecting “[n]egative implications raised by disparate provisions” where the provisions “were not considered or enacted together”). As common sense suggests, it does not apply when the sections were enacted almost 50 years apart.

That is particularly true where, as here, the disparity is easily explained. To create a clear-and-convincing standard in §273, Congress could not rely on cases holding the presumption of validity to impose that standard, because a successful §273 defense does not invalidate the patent. See 35 U.S.C. §273(b)(9). And infringement defenses that do not implicate validity do not always involve a heightened standard of proof. See, e.g., *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1045 (Fed. Cir. 1992) (en banc). Amici’s §273-§282 comparison thus “fails to acknowledge the differences

between” these two provisions. *Midlantic Nat’l Bank v. New Jersey Dep’t of Env’tl. Prot.*, 474 U.S. 494, 504 (1986).⁶

d. Analogies to trademark and copyright law are unpersuasive

Finally, Microsoft cites (Br. 23) lower-court cases holding that the standard to rebut the presumption of validity for copyrights and trademarks is a preponderance. Even assuming those holdings are correct, there is ample reason for a different standard with patents than with copyrights and trademarks.

Section 282 differs materially from its copyright and trademark counterparts. They provide that copyright or trademark registration is merely “prima facie evidence” of validity. 15 U.S.C. §§1057(b), 1115(a) (trademarks); 17 U.S.C. §410(c) (copyrights). That phrase refers to the burden of production. *See, e.g., KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 604 (9th Cir. 2005); *In re Capital Cities/ABC, Inc.*, 918 F.2d 140, 142 n.2 (11th Cir. 1990). Congress’s purpose in creating the trademark and copyright presumptions was thus demonstrably more limited than with §282, which codified this Court’s consistent precedent that a patent’s validity may be overturned only by clear and convincing evidence—precedent that has no analogue in this Court’s copy-

⁶ EFF (Br. 26) points to *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). But *Bilski* discussed a different canon, namely that one statutory provision should not be interpreted to render another superfluous. *See id.* at 3228-3229. Applying *that* canon even where two provisions were not enacted simultaneously makes sense, because a later Congress presumably does not silently nullify an existing provision. But that is entirely different from this situation.

right or trademark jurisprudence. Copyrights and trademarks, moreover, are each governed by what is essentially a registration regime, and subject to nowhere near as searching an evaluation as patent applications. See H.R. Rep. No. 94-1476, at 157 (1976); S. Rep. No. 94-473, at 139 (1975); 1 *Gilson on Trademarks* §4.04 (Dec. 2010).⁷

B. The Clear-And-Convincing Standard Is Common In Civil Litigation And Is Warranted Here By Important Public Interests

Even if it were not otherwise clear that §282 codified this Court’s clear-and-convincing standard, the Federal Circuit correctly interpreted §282 as imposing that standard. It is not unusual for Congress and the courts to prescribe a clear-and-convincing standard in civil cases. Although that standard requires special justification, such justification is manifestly present here. A clear-and-convincing standard to prove invalidity fosters strong, stable patent rights, thus benefiting the public by promoting innovation. It also ensures that the PTO retains its congressionally-assigned role in the patent system—not only in initial examinations but also in the reexamination process that Congress has fashioned as an important, indeed preferred, alternative to litigation of many validity issues.

⁷ Notably, however, after five years of use, a registered trademark becomes “incontestable.” 15 U.S.C. §§1065, 1115(b). This is another example—like the clear-and-convincing standard—of Congress’s recognition of the importance of minimizing uncertainty about the validity of intellectual property rights.

1. The clear-and-convincing standard “is no stranger to the civil law”

Microsoft contends (Br. 14-16) that there is a near (if not actual) rule that the standard of proof for issues in civil cases is a preponderance, unless certain liberty interests are at stake. That is incorrect.

This Court has repeatedly adopted a clear-and-convincing standard for issues in civil cases that do not implicate liberty interests—often for reasons applicable here, such as promoting stable property rights or protecting against a too-ready overturning of decisions previously made. For example, based partly on the public’s interest “in increasing the stability of property rights,” this Court held that a State’s request to divert interstate water must be supported by clear and convincing evidence. *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984). The Court has also repeatedly required “clear evidence” to rebut the presumption of regularity in the conduct of public officials. *United States v. Armstrong*, 517 U.S. 456, 464 (1996) (citing *United States v. Chemical Found., Inc.*, 272 U.S. 1, 14-15 (1926)). And it has imposed a clear-and-convincing standard for various challenges to written documents, particularly documents that are issued by the government and confer property interests. See *Philippine Sugar Estates Dev. Co. v. Philippine Islands*, 247 U.S. 385, 391 (1918) (mutual-mistake challenge to a contract), cited in *RCA*, 293 U.S. at 8; *Insurance Co. v. Nelson*, 103 U.S. 544, 548 (1881) (signed mortgage or deed); *United States v. Maxwell Land-Grant Co.*, 121 U.S. 325, 381 (1887) (“mistake in the execution” of a government-issued land patent). A heightened standard with government documents, the Court explained in one case, is “demand[ed]” by “the respect due to a patent, the presumptions that all the preceding steps required by the

law had been observed before its issue, [and] the immense importance and necessity of the stability of titles dependent upon these official instruments.” *Maxwell*, 121 U.S. at 381.

Lower courts have followed this Court’s lead. For example, they have required clear and convincing evidence to rebut the presumptions that: certified mail was delivered, *FDIC v. Schaffer*, 731 F.2d 1134, 1137 (4th Cir. 1984); a union has majority support, *Adams & Westlake, Ltd. v. NLRB*, 814 F.2d 1161, 1167-1168 (7th Cir. 1987); a shipowner whose vessel was involved in an accident while violating a safety statute or regulation is at fault, *MacDonald v. Kahikolu, Ltd.*, 581 F.3d 970, 973 (9th Cir. 2009); placement of property in a constructive trust for a child-in-law constitutes a gift, *Bogart v. Somer*, 762 S.W.2d 577, 577 (Tex. 1988) (per curiam); and a person in-state while under indictment by another state is a fugitive, *Moncrief v. Anderson*, 342 F.2d 902, 904 (D.C. Cir. 1964) (per curiam). Congress, meanwhile, frequently imposes a clear-and-convincing standard in civil cases that do not implicate liberty interests. *See* Internet Retailers’ Br. App.

Thus, Microsoft errs in depicting a nigh-irrebuttable presumption that a preponderance standard applies in ordinary civil cases. As this Court has observed—citing examples that did not involve liberty interests—the clear-and-convincing standard “is no stranger to the civil law.” *Woodby v. INS*, 385 U.S. 276, 285 & n.18 (1966).

2. The clear-and-convincing standard promotes strong, stable patent rights

a. The clear-and-convincing standard promotes durable, stable patent rights, thereby furthering “the

policy of stimulating innovation that underlies the entire patent system,” *Dawson Chem.*, 448 U.S. at 221.

The public interest in promoting innovation is so important that it has express constitutional grounding, *see* U.S. Const. art. I, §8, cl. 8, grounding that makes clear that “[t]he founders well understood the causal connection between patents and national prosperity, economic growth, and technological progress,” Michel, *Leading Citizens*, 20 Fed. Cir. B.J. 265, 266 (2010). As this Court has elaborated, “[t]he productive effort ... fostered [by patents] will have a positive effect on society through the introduction of new products and processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974). Thus, although Microsoft repeatedly invokes the specter of monopolies (Br. 16, 17, 24), this Court has explained that “a patent is not, accurately speaking, a monopoly,” because “a monopoly takes something from the people. An inventor deprives the public of nothing which it enjoyed before his discovery, but gives something of value to the community by adding to the sum of human knowledge.” *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933). In short, contrary to Microsoft’s claim that patent disputes involve only “private economic interests” (Br. 16), patents implicate a strong—constitutionally-based—public interest in promoting innovation to enhance quality of life and economic growth. *See* H.R. Rep. No. 97-312, at 23 (1981) (“Patents have served as a stimulus to the innovative process. This can have important positive ramifications for the nation’s economy.”); S. Rep. No. 97-275, at 6 (1981) (similar). Indeed, patents’ “primary object”

is to “benefit ... the public.” *Kendall v. Winsor*, 62 U.S. 322, 328 (1859).

Patents cannot promote innovation, however, if their benefits are ephemeral. Patents encourage innovation via a “carefully crafted bargain,” whereby those who disclose patentable inventions enjoy a period of exclusivity. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151 (1989); accord AIPLA Br. 14-20. But that exclusivity benefit is lost when a patent is invalidated. The inventor is denied recovery of the often-substantial resources he invested in the processes of innovation and commercialization. Investors who provided the essential financing for these processes are likewise harmed, as are those (*e.g.*, licensees) who entered into business arrangements or otherwise made business decisions premised on the patent’s validity.

These various disruptions are unobjectionable when the patent is truly invalid. But lowering the standard of proof would increase the frequency with which these disruptions occurred *erroneously*. The result would be greater uncertainty, *i.e.*, reduced “stability of property rights,” *Colorado*, 467 U.S. at 316, which in turn discourages both innovation itself and the financial backing needed to bring the benefits of inventions to the public. See, *e.g.*, Jaffe & Lerner, *Innovation and Its Discontents*, 1 *Capitalism & Soc’y*, Issue 3, Art. 3, at 22 (2006) (“Uncertainty is the enemy of investment ... [E]liminating the presumption of validity is [thus] a potentially dangerous change in terms of ... innovation.”).

Uncertainty also hinders innovation indirectly: Reducing innovators’ incentive to disclose deprives the public of building blocks for follow-on innovation. See Devlin, *The Misunderstood Function of Disclosure in Patent Law*, 23 *Harv. J.L. & Tech.* 401, 407 (2010). And

uncertainty increases transaction costs associated with licensing patented technology, slowing or blocking companies' ability to bring innovative products to market. See Golden, *Construing Patent Claims According to Their "Interpretive Community,"* 21 Harv. J.L. & Tech. 321, 323 (2008). All this explains why this Court long ago drew a connection between rewarding innovation and the heightened standard to prove invalidity. See *Barbed Wire*, 143 U.S. at 292 (“[T]he doubts we entertain [regarding validity] ... should be resolved in favor of the patentee” because “it was [he], beyond question, who first published this device ... and gave it to the public.”); see also *Manufacturing Research Corp. v. Graybar Electric Co.*, 679 F.2d 1355, 1360 n.12 (11th Cir. 1982) (“underpinning of the ... higher standard of proof” is “the public interest in supporting invention”).

Some amici seek to minimize the harm to innovation by arguing that only weak patents would be affected by a change to the clear-and-convincing standard. In fact, lowering the standard would increase *all* patents' exposure to invalidation. Such a change would thus devalue all patents, weakening the incentive to innovate and disclose across the board—to the public's detriment.

b. Against the public interest in promoting innovation, Microsoft and its amici rely largely on the interest in competition, which is supposedly being hindered by improperly-issued patents that cannot be invalidated because of the clear-and-convincing standard. But lowering the standard of proof would conversely result in *properly*-issued patents being incorrectly invalidated. And although both competition and innovation are important societal interests, the consequences of incorrect outcomes favor placing the risk of error more heavily on those who seek to invalidate patents.

The harm to competition that results from erroneous jury findings of non-invalidity can usually be corrected. Even after a jury determines that a patent is not invalid, the PTO's experts can, as discussed below, reexamine the patent (applying a preponderance standard). And other challengers can have it invalidated in litigation. In contrast, a final jury finding of invalidity is irreversible. The patentee is collaterally estopped from asserting validity in subsequent litigation, and the PTO cannot reinstate the patent. Validity, then, is an issue as to which the public harm from an erroneous jury verdict is much more severe in one direction than the other. Addressing that imbalance is the quintessential function of a heightened standard of proof. See *Addington*, 441 U.S. at 423.

Microsoft may complain that later correction of an erroneous finding of non-invalidity does not help a defendant who has already paid damages. But because reexamination is designed to move faster than litigation, see *infra* n.8, a defendant who (unlike Microsoft) requests reexamination soon after litigation commences is unlikely to be in that situation, even if the district court opts not to stay the litigation.⁸ In any event, even a later invalidation eliminates any future competitive harm that the invalid patent caused.

⁸ Google (Br. 28) appears to dispute this in bemoaning the duration of reexamination. But it conspicuously says nothing about the pertinent point, which is the duration compared to litigation. Reexamination is designed to be faster. Compare 35 U.S.C. §§305, 314(c) (reexamination must be conducted with “special dispatch”), and H.R. Rep. No. 96-1307, pt. 1, at 4 (1980) (hereafter *House Reexamination Report*) (predicting that reexamination would require “a fraction of the time” of litigation), with *Internet Retailers* Br. 22 (noting protracted nature of patent litigation).

The other policy rationales for a preponderance standard advanced by amici are equally unpersuasive. Some amici argue that the clear-and-convincing standard exacerbates jurors' supposed reluctance to second-guess the PTO. This suggestion of reluctance is difficult to square with the fact that patents are invalidated roughly *half the time* in litigation. See CTIA Br. 8 & nn.5-6. Some amici may prefer the days when invalidation occurred closer to two-thirds of the time, but such a system of weak patents would, as discussed, harm the public and the economy by discouraging innovation. Indeed, it was partly the existence of such an unbalanced system—created largely by courts' acceptance of the same arguments Microsoft and its amici advance here—that impelled Congress to create the Federal Circuit.

Amici also raise arguments that have little connection to the standard to prove invalidity. Most prominently, many amici discuss lawsuits or threatened lawsuits by non-practicing entities (which i4i is not, *see supra* pp.4-5). If these are a problem, however, they should be addressed directly. They should not lead the Court to reduce *all* inventors' incentive to innovate and disclose, thereby hurting the public. Similarly, if the PTO lacks adequate resources for examinations, the answer is for Congress to provide them—or, as Congress has done, to create a reexamination process in which PTO experts can adequately address validity challenges later, under a preponderance standard. It does not warrant the upsetting of settled expectations

and devaluation of all patents that would follow from a change to the standard of proof.⁹

Finally, some amici suggest that changing the standard of proof would reduce patent litigation by dissuading patentees from filing suit and encouraging those who do file to settle. But it is impossible to conclude that changing the standard of proof would affect the overall number of patent lawsuits. For every lawsuit that was settled or not filed because of a lower standard, a different one would likely be filed or not settle because defendants would be encouraged to infringe and then to go to trial, with the hope of prevailing on a validity challenge under a preponderance standard. The ultimate outcome would thus not be to reduce litigation but simply to shift money from innovators to infringers. No amicus explains why achieving that result justifies a change to long-settled law.

3. The clear-and-convincing standard preserves the function of the PTO in both initial examinations and reexaminations

The preponderance standard advocated by Microsoft would also largely marginalize the PTO, the agency charged by Congress with making validity determinations. Congress has assigned the PTO two essential tasks in the patent system: evaluating patent applications and reexamining issued patents. Both functions would fade into insignificance if the standard in litigation were reduced as Microsoft proposes.

⁹ Such a change would also virtually guarantee that the funding and other problems Microsoft and amici flag with the initial-examination process will never be addressed.

a. A preponderance standard in litigation would effectively convert the PTO's initial-examination process into a registration system. Lay juries would give no weight to the expert agency's decision that a patent met the statutory criteria—a situation even Microsoft's amici label “passing strange” (Apple Br. 3). The process would become a mere practice round for litigation. That is not the system Congress created, and it contradicts this Court's observation that “the primary responsibility for sifting out unpatentable material lies in the Patent Office.” *Graham*, 383 U.S. at 18.

The clear-and-convincing standard, by contrast, properly incorporates deference to the PTO. *See, e.g., Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 499 (1877) (“[T]he defendant must overcome the presumption ... arising from the decision of the Commissioner of Patents.”). This deference, however, does not depend on what evidence the agency considered in a particular case. It rests instead on the fact that Congress has selected the PTO to resolve patentability questions. *See Agawam Co. v. Jordan*, 74 U.S. 583, 597 (1869) (Patent Office's “decision in granting the patent is presumed ... correct” because “that office[] is empowered to decide upon the merits of the application”); *Western Electric Co. v. Piezo Tech., Inc.*, 860 F.2d 428, 433 (Fed. Cir. 1988) (“[I]t is not the particular examiner's expertise that gives the decisions presumptive correctness but the authority duly vested in him by his appointment.”). Deference rests, in other words, on the presumption of administrative correctness. *See Applied Materials, Inc. v. Advanced Semiconductor Materials Am., Inc.*, 98 F.3d 1563, 1569 (Fed. Cir. 1996). As noted, this Court has repeatedly required “clear evidence” to overcome that presumption. *Armstrong*, 517 U.S. at 464.

b. The clear-and-convincing standard also furthers Congress’s objective of having validity challenges resolved through reexamination. Reexamination is a process whereby the PTO reconsiders a patent’s validity in light of evidence or arguments not previously considered. Reexamination can be requested by “[a]ny person at any time,” 35 U.S.C. §302, and can be either *ex parte* or (for patents applied for after November 1999) *inter partes*, *id.* §311. In reexamination, no presumption of validity attaches and the standard of proof is simply a preponderance. See *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (citing *In re Etter*, 756 F.2d 852, 856-858 (Fed. Cir. 1985) (en banc)).

Congress has therefore provided a way for parties to challenge validity without bearing the clear-and-convincing burden imposed by §282. The lower burden in reexamination—together with the fact that reexamination is designed to be faster and less expensive than litigation—encourages recourse to reexamination, consistent with Congress’s purpose of fostering “efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation.” *House Reexamination Report* 4. In addition—and importantly—in reexamination invalid claims can be narrowed, if appropriate, so as to retain protection for an invention’s genuinely novel portions, rather than (as is required in litigation) destroying the claims entirely. Such destruction inflicts far greater disruption, and hence has a greater chilling effect on innovation. Finally, reexamination allows validity determinations, which frequently involve complex subject matter, to be made by experts at the PTO (in written opinions) rather than lay juries (through opaque verdicts). That is consistent with both Congress’s preference, *see id.*, and, again, this Court’s ob-

servation that “the primary responsibility for sifting out unpatentable material lies in the Patent Office,” *Graham*, 383 U.S. at 18.¹⁰

To be sure, reexamination is not identical to litigation. For example, reexamination is not currently available for prior-use allegations. But there is no reason why the two paths must be identical, and Congress was obviously aware of the differences when it authorized reexamination without changing the standard of proof in litigation. Moreover, Congress has frequently revisited the scope of reexamination proceedings. *See, e.g.*, Patent and Trademark Office Authorization Act, Pub. L. No. 107-273, tit. III, subtit. A, §§13105-13106, 116 Stat. 1758, 1900-1901 (2002) (expanding reexamination’s scope and authorizing third-party appeals). Indeed, legislation currently pending would establish a “post-grant review” process in which any validity challenge available under §282 could be addressed by the PTO, under a preponderance standard. *See* S. 23, 112th Cong., §5(d) (2011).

¹⁰ Cisco attacks (Br. 14-17) the disparate invalidity standards for litigation and reexamination by citing 35 U.S.C. §317(b), which prohibits a defendant who has lost an invalidity challenge in court from initiating an *inter partes* reexamination of the same patent based on arguments that were or could have been made in the litigation. But the reason for that limited restriction is evident: Patentees need protection from harassment through serial validity challenges. *See supra* n.3. Because defendants can initiate reexamination immediately after litigation commences (or even before), there is nothing inequitable about precluding those who opt *not* to do so from raising previously-available arguments much later. This is particularly true given that §317(b) does not foreclose *ex parte* reexamination.

The failure of Microsoft and many amici to address reexamination is striking, because reexamination answers so many of their arguments. In particular, it answers their extended criticisms of the PTO's initial-examination process. Microsoft and amici argue at length that deficiencies in that process cause the improper issuance of many patents, and that the clear-and-convincing standard prevents defendants from invalidating those patents, thus subjecting them to threats, unjust settlements, skewed licensing agreements, and so on. But neither Microsoft nor any amicus explains why the availability of reexamination, under a preponderance standard, does not answer their concerns.¹¹

Some amici note that in reexamination many claims are narrowed or canceled. Amici use this to argue that the initial-examination process needs improving. But the more important point revealed by these data is that the PTO's processes *overall, i.e.*, examination and reexamination together, are working well. Just as Congress intended in creating reexamination, the PTO is correcting mistakes by narrowing or invalidating improperly-granted claims, thus eliminating any harm to competition. Again, no amicus explains why this state of affairs—including, as noted, successful validity challenges half of the time in litigation—warrants a change to the standard of proof that would harm the public by discouraging innovation.

¹¹ Microsoft and many amici instead portray litigation as a critical forum for addressing validity. But all of Microsoft's supporting authorities (Br. 17-18) pre-date reexamination.

4. Microsoft's proposed hybrid standard is unprecedented, unworkable, and unnecessary

Microsoft suggests—now as an alternative—that the preponderance standard should be employed at least when a challenger relies on prior art that was not considered by the PTO in the initial examination. Such a hybrid standard runs counter to fundamental principles of American jurisprudence and would wreak havoc on the patent system, both inside and outside the courtroom. It is also unnecessary, as longstanding Federal Circuit precedent already allows juries to account for a defendant's reliance on unconsidered prior art.

a. Microsoft's hybrid standard would be unprecedented. Microsoft proposes that the standard of proof in a case depend on the characteristics of the evidence presented. But “this Court never has approved case-by-case determination of the proper standard of proof for a given proceeding.” *Santosky*, 455 U.S. at 757 (emphasis omitted). To the contrary, “the standard of proof necessarily must be calibrated in advance.” *Id.* That is because standards are determined by the interests that the issue implicates. *See Addington*, 441 U.S. at 423-425. The characteristics of the evidence in any particular case go instead to the *weight* that evidence receives in determining whether the standard has been met. Those characteristics, however, do not change the standard itself. Otherwise every other heightened standard, *e.g.*, for willful infringement, could presumably also be lowered depending on the evidence adduced.

By contrast, Federal Circuit precedent, which recognizes that the clear-and-convincing standard is more easily satisfied with unconsidered prior art, *see infra*

p.46, is consistent with conventional judicial treatment of the weight and reliability of evidence. Judges commonly instruct juries regarding factors they may consider in deciding how much weight to give evidence, such as whether a witness's testimony contradicts her prior statements. *See, e.g.*, Third Circuit Model Civil Jury Instructions 1.7 (2010). Similarly, judges routinely instruct juries that they may consider the fact that a witness is a drug addict or a child, *see, e.g.*, *United States v. Yarbough*, 55 F.3d 280, 283-284 (7th Cir. 1995); *United States v. Butler*, 56 F.3d 941, 945 (8th Cir. 1995), or has been given immunity for prosecution, *see, e.g.*, *United States v. Sullivan*, 455 F.3d 248, 258-259 (4th Cir. 2006). And judges instruct juries regarding the need for careful evaluation of summaries or charts admitted under Federal Rule of Evidence 1006. *See, e.g.*, *United States v. Richardson*, 233 F.3d 1285, 1293-1294 (11th Cir. 2000). That certain prior art was not considered by the PTO is similarly a factor a jury may be instructed to consider in evaluating an invalidity challenge. *See* IBM Br. 31-37 (suggesting possible instructions). But that does not justify changing the standard by which such evidence is evaluated.¹²

¹² Studies indicate that juries indeed account for unconsidered prior art. *See* Allison & Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 231 (1998) (statistical analysis supports the “received wisdom ... that it is much easier to invalidate a patent on the basis of ‘uncited’ prior art”); *see also id.* at 234 n.90 (citing similar studies). Here, Microsoft gave the jury every opportunity to do so, offering both testimony and argument that the PTO had not (at that time) considered the prior art underlying Microsoft's invalidity defense. *See* J.A. 184a, 199a, 203a-204a.

b. Microsoft's hybrid standard would—as some of Microsoft's own amici recognize—create numerous practical problems. *See* Google Br. 30-32; *see also* IBM Br. 18-22. For example, how would a factfinder determine what art the PTO considered? The absence of references from a file wrapper does not mean they were not considered. *See, e.g., Hobbs v. Atomic Energy Comm'n*, 451 F.2d 849, 863-864 (5th Cir. 1971) (Wisdom, J.); *Anderson Co. v. Sears, Roebuck & Co.*, 265 F.2d 755, 761 (7th Cir. 1959) (citing cases). Would parties be allowed to engage in collateral litigation over that issue? Who would bear the burden to prove whether a reference had been considered, and by what standard? What does it even mean to be “considered”? And if jurors divided equally about this precedent fact, what standard of proof would they apply for invalidity?

Also, what if an unconsidered reference was merely cumulative with those that were considered? Courts have long treated such references as not affecting the presumption. *See, e.g., Solder Removal Co. v. U.S. Int'l Trade Comm'n*, 582 F.2d 628, 633 n.9 (C.C.P.A. 1978) (citing cases). And what standard would apply if an invalidity challenge was based on a combination of references, most of which were considered by the PTO but one of which was not? Or if a reference supported both an unconsidered obviousness challenge and a considered anticipation challenge? The prospects for jury confusion are enormous.

Certainly a hybrid standard would further burden already-overtaxed patent examiners. Rather than simply citing the most relevant prior art, examiners would feel obliged to cite every reference considered, no matter how marginally relevant. Inventors would similarly feel compelled to deluge examiners with extensive lists of cumulative or marginally relevant references, so as

to ensure application of the heightened standard in any litigation. The result would be a costlier and lengthier application process—exacerbating an already serious, longstanding problem.¹³ The supposed flaws in the examination process that underlie much of Microsoft’s argument, in other words, would only be worsened by Microsoft’s proposal.

c. A hybrid standard—with the myriad attendant problems—is also unnecessary. Federal Circuit precedent already takes account of the PTO’s failure to consider a reference relied on by a validity challenger.

Throughout its existence, the Federal Circuit has held that the clear-and-convincing standard may be more easily satisfied with references the PTO did not consider. *See, e.g., Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983); *SSIH Equip. S.A. v. U.S. Int’l Trade Comm’n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (five-judge panel); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1355-1356 (Fed. Cir. 2000); *Jervis B. Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388, 1392 n.4 (Fed. Cir. 1984) (citing cases). As explained, *see supra* pp.43-44, this “more-easily-satisfied” holding is consistent with how courts have long approached various other types of evidence, such as summary charts or an immunized witness’s testimony. As with such other evidence, prior art that the PTO never considered does not change the standard of proof. Instead, the jury can give more or less weight to the evidence because of its particular characteristic.

¹³ *See* A 1000 Page IDS?, <http://ipwatchdog.com/2011/02/16/a-1000-page-ids-whats-at-stake-in-microsoft-v-i4i-case/id=15312>.

For the same reason, the more-easily-satisfied holding is entirely consistent with *KSR*, which suggested the need to account for unconsidered prior art, but did *not* refer to the standard of proof. *See* 550 U.S. at 426. Federal Circuit precedent accounts for unconsidered prior art, but properly does not disturb the standard of proof. The more-easily-satisfied holding is also, as discussed, equivalent to regional-circuit decisions declaring the presumption “weakened” with unconsidered prior art. *See supra* pp.23-24 & n.5. A jury instruction under either approach will have the same effect on the jury.

Microsoft denies any such equivalence, *see* Cert. Reply 3, but it notably does not specify *how* the two are different. It simply—and without authority—dismisses the Federal Circuit’s more-easily-satisfied holding as “an observation about presumed litigation realities.” *Id.* The Federal Circuit, however, has referred to its more-easily-satisfied holding as a “rule.” *Giora George Angres, Ltd. v. Tinny Beauty & Figure, Inc.*, 1997 WL 355479, at *3 (Fed. Cir. June 26, 1997) (unpublished). Even if Microsoft’s characterization were correct, moreover, it could as easily be applied to the “weakening” cases—again underscoring the equivalence.

As *i4i* has noted (Opp. 7-8 n.4), one Federal Circuit panel found no abuse of discretion in a trial judge’s refusal to instruct the jury on the more-easily-satisfied holding. *See z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354-1355 (Fed. Cir. 2007). *z4* does not, however, “categorically preclude[]” judges from issuing such instructions. Cert. Reply 4. Because *z4* merely found no abuse of discretion, a judge who gave the instruction could similarly be upheld on appeal. Indeed, the Federal Circuit *has* upheld the giving of an instruction con-

veying essentially this point. *See Mendenhall v. Cedar-rapids, Inc.*, 5 F.3d 1557, 1563-1564 (Fed. Cir. 1993).

In any event, if *z4* erred on this point, that error can be corrected directly—when preserved. Both here and in *z4*, however, Microsoft ensured that no such correction could occur, by not presenting the issue in seeking rehearing en banc or certiorari. Here, moreover, Microsoft did not even request a more-easily-satisfied instruction, plainly waiving the issue. There is no basis to excuse that waiver, nor any basis to hold that §282 has one interpretation rather than another because of a possible error on a distinct issue by one Federal Circuit panel.

C. The Federal Circuit’s Longstanding Construction Of §282 Confirms The Clear-And-Convincing Standard

1. The Federal Circuit’s interpretation has applied nationwide for 28 years, without disapproval by Congress

Congress created the Federal Circuit in 1982 to “strengthen the United States patent system [so] as to foster technological growth and industrial innovation.” *Markman*, 517 U.S. at 390 (quoting H.R. Rep. No. 97-312, at 20). The court interpreted §282 soon thereafter, concluding—partly on the strength of *RCA*—that §282 always imposes a clear-and-convincing standard of proof. *See, e.g., SSIH*, 718 F.2d at 375; *American Hoist*, 725 F.2d at 1359-1360. The court has consistently adhered to that interpretation for 28 years, without any reaction from Congress.

As this Court has repeatedly held, such prolonged congressional inaction following lower-court decisions strongly suggests that the decisions are correct. *See*

Monessen Sw. Ry. Co. v. Morgan, 486 U.S. 330, 338 (1988); *Gulf Oil Corp. v. Copp Paving Co.*, 419 U.S. 186, 200-201 (1974). This Court has even found congressional acquiescence with one circuit decision, where the circuit had particular prominence in formulating rules for the pertinent area of law—as is true of the Federal Circuit. See *Blau v. Lehman*, 368 U.S. 403, 412-413 (1962).¹⁴

Congress, moreover, has repeatedly reacted to Federal Circuit holdings with which it disagrees. For example, “[i]n 2002 Congress amended § 303(a) to ... ‘overturn[] the holding of *In re Portola Packaging Inc.*, a 1997 Federal [Circuit] decision ... that reaches beyond the text of the Patent Act.’” *Swanson*, 540 F.3d at 1375 (quoting H.R. Rep. No 107-120, at 2 (2001)); see also *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 632 (1999) (describing another example); *Bilski*, 130 S. Ct. at 3250 (Stevens, J., concurring in the judgment) (same). Here, by contrast, for over a quarter-century there has been no congressional effort to change the Federal Circuit’s interpretation of §282—confirming its correctness.

Two related facts reinforce this conclusion. First, Congress has held hearings at which it was urged to lower the invalidity standard to a preponderance. See

¹⁴ *Microsoft* (Br. 37) cites cases holding the acquiescence canon inapplicable. But those holdings rested on the fact that the relevant statutory text was clear. See *Jones v. Liberty Glass Co.*, 332 U.S. 524, 534 (1947); *Solid Waste Agency v. U.S. Army Corps of Eng’rs*, 531 U.S. 159, 169 n.5 (2001); accord *Milner v. Department of Navy*, 2011 WL 767699, *8 (Mar. 7, 2011) (“clear statutory language”). Nothing in §282 imposes a preponderance standard, clearly or otherwise.

American Innovation at Risk, Hearing Before the House Judiciary Committee's Courts, Internet, and Intellectual Property Subcommittee 36, 48-49, 110th Cong. (2007) (statement of Daniel Ravicher); *Perspective on Patents*, Hearing Before the Senate Judiciary Committee's Intellectual Property Subcommittee 161-162, 109th Cong. (2005) (statement of Joel Poppen). Congress has thus heard criticisms of the clear-and-convincing standard, yet left that standard alone.

Microsoft (Br. 38) expresses doubt that these hearings show congressional awareness of the standard-of-proof issue. But this Court *presumes* Congress's awareness of judicial precedent; the hearings simply demonstrate that there is no basis to discard that presumption here.¹⁵ Furthermore, it is simply not credible to contend that Congress is ignorant of this issue. The Federal Circuit's nationally-applicable holding has been in place for decades, Congress has been active in this field during that time (as elaborated below), this issue arises in virtually every infringement case, and—as the amicus briefs filed here make clear—the standard of proof is enormously important to numerous large and well-organized entities that regularly make their concerns known in Congress.¹⁶

¹⁵ In any event, this Court has repeatedly found congressional awareness based on a single subcommittee hearing. See *CBS, Inc. v. FCC*, 453 U.S. 367, 383-384 (1981); *United States v. Rutherford*, 442 U.S. 544, 554 n.10 (1979). And in *Blau*, the Court found awareness (of one regional-circuit decision) based on brief references buried deep inside 250-page SEC reports that addressed multiple topics. See 368 U.S. at 412-413 & n.13.

¹⁶ Microsoft itself cites a 1960 PTO report as evidence of congressional awareness (Br. 39), but never explains why one report to a subcommittee provides more notice than testimony at two

Second, Congress has been active in patent legislation in recent decades, repeatedly amending the Patent Act, including §282 itself, *see, e.g.*, Pub. L. No. 104-41, §2, 109 Stat. 351, 352 (1995). Of particular importance, Congress has, as discussed, authorized PTO reexamination, under a preponderance standard. This is thus quite far from mere congressional acquiescence. Congress has adopted measures to address Microsoft’s and amici’s concerns about the clear-and-convincing standard—and the patent-examination process—while leaving that standard unchanged. This constitutes compelling evidence of congressional approval of the Federal Circuit’s interpretation of §282. *See Ankenbrandt v. Richards*, 504 U.S. 689, 700-701 (1992); *Square D Co. v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409, 424 (1986); *Andrus v. Allard*, 444 U.S. 51, 57 (1979).

2. Microsoft’s own acquiescence argument fails

Microsoft argues (Br. 38) that, if anything, Congress’s 1965 reenactment of the first paragraph of §282 codified the regional circuits’ view that the presumption of validity is “weakened” with unconsidered prior art. But if there was a 1965 consensus on this point (11 of the 12 cases Microsoft cites as evidence (Br. 34-36) were decided *after* 1965), that does not help Microsoft. As explained, the Federal Circuit’s more-easily-satisfied holding is equivalent to cases declaring the presumption “weakened” with unconsidered prior art. *See supra* pp.23-24 & n.5. Hence, if Congress codified

subcommittee hearings. (The report’s assertion that unconsidered prior art altered the clear-and-convincing standard is mistaken—hence the report’s failure to cite any authority. It would be years before a very few circuit cases embraced that position.)

the “weakening” cases in 1965, that supports affirmative here.¹⁷

There was, however, one relevant point on which the regional circuits unquestionably *were* in agreement in 1965: Absent unconsidered prior art, §282 imposes a heightened standard of proof. All ten regional circuits that had addressed the issue had so held.¹⁸ Thus, even if Congress had codified nothing in originally enacting §282, by reenacting it in 1965 without specifying a preponderance standard, Congress ratified the circuits’ uniform rejection of Microsoft’s argument that a preponderance standard applies in all cases. *See Forest*

¹⁷ The few cases that declared that the standard of proof ever changed were decided long after 1965. *See* Pet. 16-17.

¹⁸ *See Atlas v. Eastern Air Lines, Inc.*, 311 F.2d 156, 160 (1st Cir. 1962); *Anderson Co. v. Trico Prods. Corp.*, 267 F.2d 700, 702-703 (2d Cir. 1959) (op. on reh’g); *Rooted Hair, Inc. v. Ideal Toy Corp.*, 329 F.2d 761, 765 (2d Cir. 1964); *Inglett & Co. v. Baugh & Sons Co.*, 261 F.2d 402, 405 (4th Cir. 1958); *Fairchild v. Poe*, 259 F.2d 329, 331 (5th Cir. 1958); *United Parts Mfg. Co. v. Lee Motor Prods., Inc.*, 266 F.2d 20, 24 (6th Cir. 1959); *Copease Mfg. Co. v. American Photocopy Equip. Co.*, 298 F.2d 772, 777 (7th Cir. 1961); *Steffan v. Weber Heating & Sheet Metal Co.*, 237 F.2d 601, 602 (8th Cir. 1956), *explained by Clark Equip. Co. v. Keller*, 570 F.2d 778, 795 & n.17 (8th Cir. 1978); *Hayes Spray Gun Co. v. E.C. Brown Co.*, 291 F.2d 319, 322 (9th Cir. 1961); *Oliver United Filters, Inc. v. Silver*, 206 F.2d 658, 664 (10th Cir. 1953); *Haloro, Inc. v. Owens-Corning Fibreglas Corp.*, 266 F.2d 918, 919 (D.C. Cir. 1959) (per curiam).

Two Second Circuit panels embraced a preponderance standard before 1965, *see Gross v. JFD Mfg. Co.*, 314 F.2d 196, 198 (2d Cir. 1963); *Lorenz v. F.W. Woolworth Co.*, 305 F.2d 102, 105-106 (2d Cir. 1962), but they were preceded and post-dated by the contrary decisions cited above, and hence did not represent Second Circuit law in 1965.

Grove Sch. Dist. v. T.A., 129 S. Ct. 2484, 2492 (2009). In any event, that argument is waived because Microsoft did not press it in the district court or the Federal Circuit, and neither court addressed it. *See, e.g., United Foods*, 533 U.S. at 416-417, *quoted supra* p.3.¹⁹

3. The settled expectations that have arisen from the Federal Circuit's longstanding holding mean that any changes should come from Congress

There is a second respect in which the longstanding nature of the Federal Circuit's interpretation of §282 strongly counsels against any judicial alteration of it. This Court has repeatedly emphasized the paramount importance of settled patent-law expectations, and the resulting imperative that courts leave it to Congress to make changes to any settled aspects of patent law. In *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002), the Court reiterated its earlier exposition in this regard:

Courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.... The responsibility for changing [settled law] rests with Congress. Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property.... "To change so substantially the rules of the game now could very well subvert the various balances the PTO

¹⁹ Had Microsoft pressed its universal-preponderance argument at the petition stage, it could have flagged this waiver then. *See City of Springfield v. Kibbe*, 480 U.S. 257, 260 (1987) (per curiam).

sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision.”

Id. at 739 (citations omitted) (quoting *Warner-Jenkinson Co. v. Hilton-Davis Chem. Co.*, 520 U.S. 17, 32 n.6 (1997)); *see also Bilski*, 130 S. Ct. at 3225 (reaffirming admittedly-atextual “exceptions to § 101’s broad patent-eligibility principles,” partly because they “have defined the [statute’s] reach ... as a matter of statutory *stare decisis* going back 150 years”); *cf. Jones v. Harris Assocs. L.P.*, 130 S. Ct. 1418, 1430 (2010) (endorsing one circuit’s statutory interpretation partly because “it has provided a workable standard for nearly three decades”).

These principles apply here. For decades, innovators have been assured that in exchange for devoting substantial resources to the process of innovation and then disclosing their inventions to the public, their patents would be protected from invalidation in litigation unless there was more than “a dubious preponderance” of evidence. *RCA*, 293 U.S. at 8. Millions of inventions have been disclosed on that assurance. Similarly, billions of dollars have been invested in innovation on the assurance that absent clear and convincing evidence, any patents those investments yielded would not be invalidated by a lay jury, denying any return on those investments. Companies have likewise licensed patents, or otherwise entered into commercial relationships with patentees, on the assurance that the intellectual-property rights they purchased would not be readily nullified in litigation based on a lay jury’s determination (subject to narrow appellate review). It would be an enormous and unwarranted disruption of these reasonable expectations, as well as a departure from principles of *stare decisis*, for the courts to reverse course

now. If such change is to come, it should be from Congress—which is institutionally better able to evaluate and mitigate the far-reaching deleterious impact of a change to the standard of proof. *See* *Roberta Morris* Br. 36.

The point is not (Pet. Br. 39-40) that innovators, investors, and others expect patents will never be invalidated absent clear and convincing evidence. As noted, in reexamination a preponderance standard applies. But reexaminations are conducted by experts, and subject to de novo review by other experts (at the Board of Patent Appeals and Interferences). And as discussed, in reexamination invalid claims can be narrowed, rather than entirely destroyed, so as to preserve their truly novel aspects. The settled expectation that has arisen, in other words, is that the clear-and-convincing standard would protect patents from erroneous wholesale invalidation at trial by lay juries (instructed by generalist judges and subject to narrow review). That expectation should not be disturbed by the courts.

D. Microsoft’s Administrative-Law Arguments Lack Merit

Microsoft argues finally (Br. 40-54) that administrative-law principles support its position. That is incorrect. Microsoft’s administrative-law discussion suffers from several fundamental flaws.

First, Microsoft asserts (Br. 40) that administrative deference provides the only “conceivable” basis for a clear-and-convincing standard, other than §282 itself. As explained, however, other important interests independently warrant that standard. *See supra* pp.32-42. Hence, even if no administrative-law basis for the clear-

and-convincing standard existed, that would not demonstrate that such a standard is unwarranted.

Second, Microsoft argues as though administrative deference is defined entirely by the APA, and hence consists only of the narrow standards of review normally applied in APA actions. That is wrong. Courts routinely defer to agencies outside APA actions. For example, agencies' interpretations of their regulations receive deference even when not challenged directly. *See, e.g., Auer v. Robbins*, 519 U.S. 452, 461 (1997). Such deference is granted to respect Congress's determination that agencies, rather than courts, should fill gaps in their regulations. *See Martin v. Occupational Safety & Health Review Comm'n*, 499 U.S. 144, 151 (1991).

Similarly here, deference to the PTO is not grounded in the APA. That is clear from the fact that this Court invoked such deference before the APA's enactment. *See, e.g., Agawam*, 74 U.S. at 597. Deference instead rests, as discussed, on the presumption of administrative correctness, which in turn rests on Congress's delegation of authority to the PTO to determine validity questions.

Third, Microsoft's discussion (Br. 44-51) largely concerns how the APA would apply to infringement lawsuits. But as Microsoft acknowledges (Br. 41-43), the APA does *not* apply to such lawsuits. Microsoft's discussion is thus largely unnecessary—save to besmirch the PTO. While *i4i* will not burden the Court with a point-by-point rebuttal, *i4i* feels constrained to briefly address Microsoft's unfair charge (Br. 46-47) that PTO examiners are biased in favor of applicants. Even though Congress has commanded that a patent applicant "shall be entitled to a patent unless" one of

several conditions is met, 35 U.S.C. §102, the PTO initially rejects most patent applications, *see* IBM Br. 11-12; ultimately rejects more than it approves;²⁰ and requires some change to over 85 percent of the claims it approves, Lemley, *Examining Patent Examination*, 2010 Stanford Tech. L. Rev. 2, ¶¶11-12.²¹ That does not bespeak a biased process. This Court should decline Microsoft's blithe invitation to condemn a federal agency as biased.

Fourth, Microsoft conflates standards of proof with standards of review, and specifically equates de novo APA review with a preponderance standard of proof. No such equivalence exists; standards of proof and standards of review are different. *See Concrete Pipe & Prods., Inc. v. Construction Laborers' Pension Trust*, 508 U.S. 602, 621-626 (1993). Hence, the fact that an infringement action involves a “de novo” invalidity decision—meaning the evidentiary record is not limited to what the PTO considered—says nothing about what standard of proof applies.

Fifth, Microsoft argues that under the APA, de novo judicial review of PTO examination decisions would be appropriate. But with one exception not relevant here, such review is permissible only when “the agency factfinding procedures are inadequate.” *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971). This Court has *never* found that test

²⁰ *See* U.S. PTO Performance & Accountability Report, Fiscal Year 2010, at 13, <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

²¹ <http://stlr.stanford.edu/pdf/lemley-sampat-examining-patent.pdf>.

met. Lower courts have been similarly stingy. *See Sierra Club v. Peterson*, 185 F.3d 349, 368 (5th Cir. 1999) (Since *Overton Park*, “*de novo* review of agency adjudications has virtually ceased to exist.”).²² None of the post-*Overton Park* cases Microsoft cites conducted *de novo* review or otherwise changed the applicable standard. They instead gave less deference *while applying the usual standard*. That is what the Federal Circuit’s more-easily-satisfied approach does.

Sixth, and relatedly, Microsoft’s inadequate-procedures discussion addresses only the PTO’s initial-examination process. But the proper framework is examination *and* reexamination, because reexamination is a key part of the PTO’s validity-factfinding procedures. And as noted, reexamination disposes of most of Microsoft’s (and amici’s) inadequate-procedures arguments.

Finally, Microsoft argues (Br. 51-54) that no APA deference is due when agencies fail to consider the relevant factors. That is incorrect. Courts still defer in that situation—by remanding so that the agency can re-address the issue itself. *See Florida Power & Light Co. v. Lorion*, 470 U.S. 729, 744 (1985). Microsoft asserts (Br. 45) that remand is impossible in this context. But although an infringement lawsuit cannot be sent to the PTO, many validity issues can—via reexamination. And as discussed, the clear-and-convincing standard encourages resort to reexamination. Thus, if APA principles are to be invoked here, they support affirmance because the clear-and-convincing standard furthers the fundamental administrative-law principle of

²² *De novo* review is still available when provided by another statute, such as 35 U.S.C. §145, which Microsoft cites (Br. 53).

maximizing agency rather than judicial decisionmaking on issues delegated to the agency by Congress. *See, e.g., INS v. Orlando Ventura*, 537 U.S. 12, 16-17 (2002) (per curiam).

CONCLUSION

The judgment of the court of appeals should be affirmed.²³

Respectfully submitted.

DONALD R. DUNNER

DON R. BURLEY

ERIK PUKNYS

KARA F. STOLL

JASON W. MELVIN

FINNEGAN, HENDERSON,

FARABOW, GARRETT &

DUNNER, L.L.P.

901 New York Avenue N.W.

Washington, D.C. 20001

(202) 408-4000

SETH P. WAXMAN

Counsel of Record

PAUL R.Q. WOLFSON

DANIEL S. VOLCHOK

FRANCESCO VALENTINI

ARTHUR COVIELLO

WILMER CUTLER PICKERING

HALE AND DORR LLP

1875 Pennsylvania Avenue N.W.

Washington, D.C. 20006

(202) 663-6000

seth.waxman@wilmerhale.com

²³ While Microsoft is wrong that reversal here would require a new trial beyond invalidity (Br. 55 n.4), that issue is not within the scope of the question presented. *See Yee v. City of Escondido*, 503 U.S. 519, 535 (1992) (issues outside the scope are addressed “only in the most exceptional cases”).

DOUGLAS A. CAWLEY
JEFFREY A. CARTER
T. GORDON WHITE
MCKOOL SMITH P.C.
300 Crescent Court
Suite 1500
Dallas, Texas 75201
(214) 978-4000

ROBERT GREENE STERNE
STERNE, KESSLER, GOLDSTEIN
& FOX PLLC
1100 New York Avenue N.W.
Washington, D.C. 20005
(202) 371-2600

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APPENDIX

**U.S. CODE PROVISIONS EXPRESSLY
PRESCRIBING A PREPONDERANCE STANDARD**

- 2 U.S.C. §1606(a)
- 5 U.S.C. §3328(b)
- 5 U.S.C. §3330a(c)(1)(B)
- 5 U.S.C. §7118(a)(7), (a)(8)
- 5 U.S.C. §7701(c)(1)(B)
- 7 U.S.C. §499a(b)(9)
- 7 U.S.C. §518d(j)(3)
- 8 U.S.C. §1160(a)(3)(B)(i)
- 8 U.S.C. §1186a(b)(2), (c)(3)(D)
- 8 U.S.C. §1186b(b)(2), (c)(3)(D)
- 8 U.S.C. §1252(e)(2)(C), (e)(4)(B)
- 8 U.S.C. §1288(c)(1), (c)(4)(C)(i), (c)(4)(C)(ii)
- 8 U.S.C. §1324a(e)(3)(C)
- 8 U.S.C. §1324b(g)(2)(A), (g)(3)
- 8 U.S.C. §1324c(d)(2)(C)
- 8 U.S.C. §1481(b)
- 8 U.S.C. §1534(g)
- 10 U.S.C. §920(t)(16)

2a

11 U.S.C. §362(n)(1)(D), (n)(2)(B)(i)

11 U.S.C. §707(c)(3)

11 U.S.C. §1121(e)(3)(A)

11 U.S.C. §1308(b)(2)

12 U.S.C. §1464(v)(4)

12 U.S.C. §1467a(r)(1)

12 U.S.C. §1731a

12 U.S.C. §1833a(f)

12 U.S.C. §2607(d)(3)

12 U.S.C. §4010(c)(1)

15 U.S.C. §78dd-1(e)(1)

15 U.S.C. §78dd-2(f)(1)

15 U.S.C. §714p

15 U.S.C. §1640(c)

15 U.S.C. §1641(d)(1)

15 U.S.C. §1681d(c)

15 U.S.C. §1681g(e)(10)

15 U.S.C. §1681m(c)

15 U.S.C. §1692k(c)

15 U.S.C. §1693h(b)

15 U.S.C. §1693m(c)

15 U.S.C. §2620(b)(4)(B)

15 U.S.C. §3608(b)

15 U.S.C. §6603(g)(4)

15 U.S.C. §6605(d)(1)(A)(iii)

16 U.S.C. §824j-1(e)

16 U.S.C. §1540(a)(3)

18 U.S.C. §176(b)

18 U.S.C. §216(b)

18 U.S.C. §229A(b)(1)

18 U.S.C. §373(b)

18 U.S.C. §845(c)

18 U.S.C. §981(k)(4)(B)(ii)(II)

18 U.S.C. §983(c)(1), (c)(2), (d)(1), (g)(3)

18 U.S.C. §1029(g)(2)

18 U.S.C. §1034(a)

18 U.S.C. §1512(e)

18 U.S.C. §1514(b)(1)

18 U.S.C. §1963(l)(6)

18 U.S.C. §2243(c)(1), (c)(2)

18 U.S.C. §2285(e)(1)

18 U.S.C. §2320(c)

18 U.S.C. §2423(g)

18 U.S.C. §3161(h)(8)

18 U.S.C. §3292(a)(1)

18 U.S.C. §3333(b)(1)

18 U.S.C. §3432

18 U.S.C. §3583(e)(3)

18 U.S.C. §3593(c)

18 U.S.C. §3664(e)

18 U.S.C. §4241(d), (e)

18 U.S.C. §4243(d)

18 U.S.C. §4244(d)

18 U.S.C. §4245(d)

18 U.S.C. §4246(e)

18 U.S.C. §4248(e)

19 U.S.C. §1308(c)(6)

19 U.S.C. §1499(c)(5)(C)

19 U.S.C. §1644a(b)(4)

19 U.S.C. §3332(l)(2)

20 U.S.C. §80q-9(b), (c), (d)

20 U.S.C. §80q-9a(b)

20 U.S.C. §1415(i)(2)(C)(iii)

20 U.S.C. §1439(a)(1)

21 U.S.C. §851(c)(2)

21 U.S.C. §853(d), (n)(6)

21 U.S.C. §1604(d)

22 U.S.C. §4116(g), (h)

22 U.S.C. §6761(a)(2)(C)

22 U.S.C. §8142(a)(2)(C)

25 U.S.C. §3001(3)(B)

25 U.S.C. §3002(a)(2)(C)(2)

25 U.S.C. §3005(a)(4)

26 U.S.C. §533(a)

26 U.S.C. §672(c)

26 U.S.C. §692(c)(2)(A)

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26 U.S.C. §3304(a)(14)(C)

26 U.S.C. §6663(b)

27 U.S.C. §122a(d)(1)

29 U.S.C. §160(c)

29 U.S.C. §482(e)

29 U.S.C. §655(d)

29 U.S.C. §722(c)(5)(J)(ii)(III)

29 U.S.C. §1389(d)

29 U.S.C. §1399(c)(1)(D)

29 U.S.C. §1401(a)(3)(A), (a)(3)(B), (e)(2)(A)(ii)

31 U.S.C. §3731(d)

31 U.S.C. §3803(f)

33 U.S.C. §1319(c)(3)(B)(ii)

33 U.S.C. §2703(a), (a)(3), (d)(1)(B), (d)(3)

36 U.S.C. §220528(e)

42 U.S.C. §239a(c)(2)

42 U.S.C. §300aa-13(a)(1)(A), (a)(1)(B), (b)(2)

42 U.S.C. §300aa-14(b)(3)(B)

42 U.S.C. §1320c-5(b)(5)

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42 U.S.C. §1396r-5(b)(2)(D)

42 U.S.C. §1766(d)(5)(D)(ii)(III)(cc)

42 U.S.C. §6295(o)(4)

42 U.S.C. §6297(d)(1)(B), (d)(3), (d)(4), (d)(5)(B), (d)(6)

42 U.S.C. §6928(f)(3)

42 U.S.C. §7413(c)(5)(C)

42 U.S.C. §9601(35)(A), (40)

42 U.S.C. §9606(b)(2)(C)

42 U.S.C. §9607(b), (b)(3), (q)(1)(B)

42 U.S.C. §9627(c), (d)(1), (e)

42 U.S.C. §11112(a)

42 U.S.C. §11603(e)(1), (e)(2)(B)

42 U.S.C. §13981(e)(1)

46 U.S.C. §4311(b)(3)

47 U.S.C. §546(e)(2)(B)

49 U.S.C. §41108(c)(2)

50 App. U.S.C. §462(g)(2)