

No. 10-290

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IN THE  
**Supreme Court of the United States**

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MICROSOFT CORPORATION,

*Petitioner;*

v.

I4I LIMITED PARTNERSHIP, ET AL.,

*Respondents.*

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

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**BRIEF *AMICI CURIAE* OF 36 LAW,  
BUSINESS, AND ECONOMICS  
PROFESSORS IN SUPPORT  
OF *CERTIORARI***

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**STATEMENT OF INTEREST  
OF THE *AMICI CURIAE***

Amici are professors at law, economics, and business schools who specialize in intellectual property law throughout the United States. Amici have no personal stake in the outcome of this case,<sup>1</sup> but have an interest in seeing that the patent laws develop in a way that promotes rather than retards innovation. A complete list of amici is included in Appendix A.

**ARGUMENT**

The United States Patent and Trademark Office (PTO) is tasked with the job of reading patent applications and determining which ones qualify for patent protection. It is a herculean task, and the PTO pursues it subject to enormous informational and budgetary constraints. Nonetheless, under current Federal Circuit precedent, courts must give great deference to the PTO's decisions regarding patent validity, overturning them only if the defendant can prove invalidity by clear and convincing evidence. That is a mistake. Deference to previous decisions is appropriate in instances where those previous decisions have a high likelihood of being accurate. But the initial

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1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amici curiae*, or their counsel, made a monetary contribution intended to fund its preparation or submission. The parties have been given appropriate notice and have consented to the filing of this brief. Such consents are on file with the Court.



process of patent review today is, unavoidably, often an inaccurate signal. Put bluntly, PTO review is not always reliable and is unlikely to become so.

Before the creation of the Federal Circuit in 1982, all regional circuits recognized the limitations of evaluation by the PTO in one important situation: where the PTO had not had an opportunity to review the evidence in question at all. But for nearly thirty years, the Federal Circuit has required proof of invalidity by clear and convincing evidence even when, as in this case, the evidence in question was never before the PTO.

In *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), this Court took the unusual step of raising the issue of appropriate deference in its opinion even though it was not briefed in that case. The Court “th[ought] it appropriate to note that the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here” because the PTO did not have the relevant evidence before it. *Id.* at 426.

Notwithstanding that clear signal, the Federal Circuit has steadfastly hewed to the uniform rule it created, even in circumstances in which that rule makes no sense. This Court should grant the petition for certiorari to do what the Federal Circuit will not – apply a legal standard for the presumption of validity that reflects the realities of the modern patent system.

## I. The PTO Is Subject to Significant Constraints

The rationale for the statutory presumption of validity in 35 U.S.C. § 282 is that the PTO, an expert agency, has reviewed the invention and found it patentable. That is a reasonable rule. But the strength of the presumption should logically depend on the depth and quality of the review the PTO actually gave to an application.

In fact, the PTO review process is far from perfect. One problem is resources. The PTO received more than 450,000 new applications in 2009, [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm), and it has a backlog of more than a million pending applications. To evaluate an application, an examiner not only has to read the frequently voluminous documentation submitted by the applicant, but also must use computerized databases and other available sources to learn about the state of the art. The examiner obviously also has to interact with the applicant's lawyers and document any decisions ultimately made. Strikingly, examiners are asked to do all of this in what turns out to be an average of between sixteen and seventeen hours; and those hours are spread over what is often a three- to five-year period. See John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. ILL. L. REV. 305, 314; Kristen Osenga, *Entrance Ramps, Tolls, and Express Lanes—Proposals for Decreasing Traffic Congestion in the Patent Office*, 33 FLA. ST. U. L. REV. 119, 130 (2005). Given these numbers, it is hardly a surprise that bad patents routinely slip

through.<sup>2</sup> To accurately evaluate the merits of all of those purported inventions would cost billions of dollars. Add to that the administrative costs of both interacting with all of the relevant lawyers and documenting the entire process, and the required budget would make patent application fees prohibitively expensive. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495 (2001).

Information is a second significant impediment to PTO review. Because there is no obligation for a patent applicant to search for relevant prior art before filing an application,<sup>3</sup> the burden of finding the most relevant information falls quite heavily on the patent examiner. Overwhelmingly, time-constrained examiners search for that prior art in the ranks of other issued U.S. patents. They rarely pay attention to foreign patents, or to non-patent prior art in the form of scientific journal articles or products in the marketplace, even though those may well be the most relevant sources of art. Christopher A. Cotropia et al., *Do Applicant Patent Citations Matter? Implications for the Presumption of Validity*, Stanford Public Law and Legal Theory Working Paper, available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1656568](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1656568). Worse, when applicants do submit non-patent prior art, examiners overwhelmingly ignore it, checking a box on a form to indicate that they received it but not

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2. Indeed, nearly half of issued patents litigated to judgment are ultimately held invalid. See John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185 (1998).

3. Many applicants do not submit any prior art at all with their applications.

citing or discussing it in their substantive evaluation of the patent. *Id.*

Another limitation on the extent and quality of PTO review is the fact that early patent review is not—and as a practical matter cannot be—adversarial. Rivals have little opportunity to participate even voluntarily in the patent prosecution process. Patent applications are evaluated early in the life of a claimed technology, and thus at the time of patent review there is typically no publicly available information about matters such as how well the technology has been received by experts in the field, or whether consumers have deemed the technology to represent in some way an advance over existing alternatives. Worse, patent examiners cannot solicit these sorts of credible outsider opinions, because patent evaluation is at least in part a confidential conversation between applicant and examiner, designed to keep an applicant’s work secret in the early stages in case the patent application is ultimately denied.<sup>4</sup> And no one can know what a patent covers until it issues, so even companies that were aware of an application might not think it applied to them.

Adversarial processes tend to produce good evaluative information. The court system, for instance, works in large part because in every case there are opposing parties arguing for different outcomes, and thus all the judge and jury need do is evaluate the alternatives rather than identify arguments and

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4. Indeed, the patent statute goes so far as to prevent third parties who do become aware of a patent from filing a protest or any form of opposition to the patent during the patent prosecution process. 35 U.S.C. § 122(c).

weaknesses themselves. Patent review does not benefit from this sort of competitive dynamic, however. Instead, the only parties that participate in the initial process of patent review are the applicant, the applicant's attorneys, and the examiner. And no matter how good the examiner, no examiner will ever know as much or be as motivated as a true market rival.

We do not raise these imperfections in order to denigrate the PTO. That agency does a good job given the conditions it faces. But it necessarily does an imperfect job. Examiners may not pay sufficient attention to information in front of them, simply because they don't have the time to do so.<sup>5</sup> And in many cases, including this one, important information will never be presented to the PTO for consideration at all.

## **II. The Presumption of Validity Should Reflect the Reality of the Patent Prosecution Process**

Before the Federal Circuit was created in 1982 to unify patent cases, the regional circuits understood that the strength given the presumption of validity should depend on the examination the PTO had actually performed. Where the PTO did not actually pass on an issue, the regional circuits either reduced the presumption or found it to have been defeated. *See, e.g.*,

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5. Indeed, it is worth noting that when the PTO itself considers the validity of the patents it has already issued, in both reissue and reexamination proceedings, it ignores the presumption of validity and reconsiders the patent without any deference to the first determination. *See* 35 U.S.C. §§ 251 (reissue applications treated the same as original applications for patent), 305 (ex parte reexamination), 314(a) (inter partes reexamination) (2000).

*Mfg. Res. Corp. v. Graybar Elec. Co.*, 679 F.2d 1355 (11th Cir. 1982) (adopting the rule that only “considered art” was subject to the clear and convincing evidence presumption); *NDM Corp. v. Hayes Prods., Inc.*, 641 F.2d 1274 (9th Cir. 1981) (same); *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 341 (7th Cir. 1979) (same); *Baumstimler v. Rankin*, 677 F.2d 1061, 1066 (5<sup>th</sup> Cir. 1982) (“the bases for the presumption of validity . . . no longer exist” when the PTO has not considered a particular validity issue).

The Federal Circuit, however, quickly replaced the flexible, context-specific presumption of validity with a rigid clear and convincing evidence standard that applied without regard to whether circumstances justified such a strong presumption. *See Connell v. Sears, Roebuck & Co.*, 772 F.2d 1542 (Fed. Cir. 1983); *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1367 (Fed. Cir. 2000); *Kahn v. Gen. Motors Corp.*, 135 F.3d 1472, 1480 (Fed. Cir. 1998) (“The presentation of evidence that was not before the examiner does not change the presumption of validity . . .”).<sup>6</sup> And it has held to that view even after this Court pointed out its unreasonableness in *KSR*, with panel opinions refusing to follow *KSR* rather than Federal Circuit precedent and the court repeatedly refusing to rehear the question en banc.

This Court has repeatedly emphasized the importance of discretionary standards rather than

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6. For a discussion of how the Federal Circuit changed the rules, see Don Martens & Guy Perry, *Re-examining the Clear and Convincing Standard of Proof*, IPL NEWSL., Summer 1999, at 16.

bright-line rules in patent law. It reversed the Federal Circuit in *Festo* for adopting an absolute bar to the application of the doctrine of equivalents, *Festo Corp v. Shoketzu Kinzoku Kogyo Kabushiki Co. Ltd.*, 535 U.S. 722, 738 (2002); in *eBay* for adopting a rule that patentees were automatically entitled to injunctive relief, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006); in *MedImmune* for setting an exclusive test for declaratory judgment jurisdiction, *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007); in *Quanta* for concluding that method patents could never be exhausted, *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), and in *KSR* for relying exclusively on a single test for proving obviousness, *KSR Int'l. Co. v. Teleflex Inc.*, 550 U.S. 398, 401-2 (2007). Most recently, this Court rejected the Federal Circuit's bright-line "machine or transformation" test for patentable subject matter, saying that "it was not intended to be an exhaustive or exclusive test." *Bilski v. Kappos*, 561 U.S. \_\_, \_\_ (June 28, 2010).

In adopting a rigid clear and convincing evidence standard for proving invalidity that applies even when the reason for the presumption of validity is absent, the Federal Circuit has once again substituted a bright-line rule of its own devising for the flexible standard this Court's precedents require. It has adhered to that test despite academic criticism<sup>7</sup> and even in the face of a clear

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7. See, e.g., Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 319 (2007); B.D. Daniel, *Heightened Standards of Proof in Patent Infringement Litigation: A Critique*, 36 AIPLA Q.J. 369, 412 (2008); Alan

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suggestion from this Court to the contrary. This Court should grant the petition for certiorari in order to restore the proper, context-sensitive presumption of validity.

### CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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