

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

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MICROSOFT CORPORATION,

*Petitioner,*

*v.*

14I LIMITED PARTNERSHIP AND  
INFRASTRUCTURES FOR INFORMATION INC.,

*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 OF ACUSHNET COMPANY,  
GENERAL MOTORS LLC, PREGIS CORPORATION,  
AND SAP AMERICA, INC. AS AMICI CURIAE  
SUPPORTING PETITIONER**

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## QUESTION PRESENTED

Section 282 of the Patent Act provides in part: “The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: . . . (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.” 35 U.S.C. § 282. Section 282 also provides that “[a] patent shall be presumed valid” and that “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” Although the text of § 282 does not specify any elevated burden of proof for proponents of invalidity defenses, the Federal Circuit has held that a defense of patent invalidity can never be sustained unless all of its factual predicates are proved to a high degree of probability, by “clear and convincing evidence.” The question presented is:

Whether the Federal Circuit has erred in holding that a defense of patent invalidity under 35 U.S.C. § 282 can never be sustained unless all of its factual predicates are proved by clear and convincing evidence.

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## INTEREST OF AMICI CURIAE

Acushnet Company manufactures and markets Titleist® golf balls and other market leading golf-related products. General Motors LLC is part of the General Motors Company, one of the world's largest and most innovative automakers. Pregis Corporation manufactures and markets diverse packaging solutions including market leading food, medical, foam, and air-filled packaging products for business and industry. SAP America, Inc. is a leading technology company focused on developing innovative software and computer-based business solutions. Amici are owners of significant patent portfolios and, at times, are defendants in patent infringement actions. As direct participants in the United States patent system, Amici are vitally interested in the authority of courts to review agency actions of the United States Patent and Trademark Office ("PTO") and to correct errors that are inevitable in the United States system of *ex parte* examination of patent applications.<sup>1</sup>

## REASONS FOR GRANTING THE PETITION

This case raises a question of broad and general importance: Whether a heightened burden of proof always applies to the factual predicates of a defense of patent "invalidity" under 35 U.S.C. § 282. The answer to this question affects virtually every civil action in which patent invalidity is asserted as a defense to a claim for alleged patent infringement. It is a matter of concern to every company and member of the public affected by the grant of a United States patent.

For the past twenty-seven years, the Federal Circuit has held that the statutory language, "[a] pa-

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<sup>1</sup> No counsel for any party authored this brief in whole or in part. No party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have been given appropriate notice and have consented to the filing of this brief. Such consents are being lodged herewith.

tent shall be presumed valid” and “[e]ach claim of a patent . . . shall be presumed valid independently of the validity of other claims,” 35 U.S.C. § 282, purportedly operates to preclude federal courts from sustaining invalidity defenses to claims for alleged patent infringement, except in cases where all factual predicates of a patent invalidity defense are proved to a high degree of probability, by “clear and convincing evidence.” *Cf. Colorado v. New Mexico*, 467 U.S. 310, 316 (1984) (defining “clear and convincing evidence” as evidence that “place[s] in the ultimate factfinder an abiding conviction that the truth of [a litigant’s] factual contentions are ‘highly probable.’”) (quoting C. McCormick, *Law of Evidence* § 320 at 679 (1954)).

The Federal Circuit’s interpretation of § 282 stands in direct conflict with this Court’s precedents, multiple regional Circuit precedents, applicable provisions of the Patent Act, and first principles of administrative law. A national study on reform of the patent system has identified the Federal Circuit’s interpretation of § 282 as ripe for reform. Academic commentators have also criticized the Federal Circuit’s interpretation of § 282 and have argued that “preponderance of the evidence,” not “clear and convincing evidence,” is generally the correct burden of proof applicable to patent invalidity defenses.

From earliest times, invalidity defenses in infringement proceedings have provided an important mechanism by which courts review the results of *ex parte* examination of patent applications by the PTO. United States patent applications are examined under circumstances in which the PTO has limited access to information and limited fact-finding abilities. Indeed, the PTO is forbidden from allowing third parties any administrative process to oppose the grant of a patent, and without an applicant’s consent, examiners are forbidden from communicating with anyone other than the applicant concerning a pending application. See 35 U.S.C. § 122(c) (foreclosing any administrative opposition procedure);

USPTO, *Manual of Patent Examining Procedure* § 1134 (Rev. 5 August 2006) (forbidding examiners from communicating with third parties).

Judicial review of PTO decisions to issue patents performs the same important functions that judicial review serves in other areas of administrative law: It protects the rights of parties adversely affected by erroneous agency action and helps to ensure that statutory policies are carried out in a fair and rational manner. Where, as in this case, an agency's action is challenged on grounds that the agency never even considered or passed upon, imposing a clear and convincing evidence standard to protect non-existent agency fact finding violates fundamental principles governing judicial review of administrative agency action.

In this particular case, the Federal Circuit's interpretation of § 282 significantly and inappropriately disadvantaged the Petitioner in its effort to establish facts relevant to whether the asserted patent claims were invalid under 35 U.S.C. § 102(b). The question of what burden of proof § 282 imposes on the proponent of an invalidity defense was expressly raised by Petitioner in both lower courts and is properly presented by the Petition. Amici are directly and adversely affected by the rule of decision that was applied in this case, and respectfully urge that the Petition be granted.

**I. THE FEDERAL CIRCUIT'S RULE UNDULY BURDENS INVALIDITY DEFENSES WHICH ARE ESSENTIAL TO IMPLEMENTING THE POLICIES OF THE PATENT ACT.**

The Constitution authorizes Congress “[t]o promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.” U.S. Const. art. I, § 8, cl. 8. Pursuant to this grant of authority, Congress has enacted the Patent Act, 35 U.S.C. §§ 1-376.

“From their inception, the federal patent laws have embodied a careful balance between the need to

promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

35 U.S.C. § 282 provides an important mechanism by which the “careful balance” embodied in the Patent Act’s provisions is effectuated. “It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-64 (1969) (quoting *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892)). See also *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964) (quoting *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 329 (1859)).

In holding that a defense of patent invalidity can never be sustained unless all of its factual predicates are proved to a high degree of probability, by “clear and convincing evidence,” the Federal Circuit has taken an extreme position that unduly skews the patent system in favor of claimants under issued patents.

As set forth below, the Federal Circuit’s blanket rule is not supported (i) by the statutory text, (ii) by principles of administrative law, or (iii) by the prior circumstances in which this Court has suggested a heightened standard of proof may be appropriate in patent cases.

#### **A. The Text of § 282 Does Not Support the Federal Circuit’s Rule.**

35 U.S.C. § 282 states that “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” The statute is silent, however, with respect to the substance of the “burden” that it imposes.

Analysis of the statutory language in § 282 in this case should begin with a well-established canon

of statutory construction: “Because the preponderance-of-the-evidence standard results in a roughly equal allocation of the risk of error between litigants, we presume that this standard is applicable in civil actions between private litigants unless ‘particularly important individual interests or rights are at stake.’” *Grogan v. Garner*, 498 U.S. 279, 286 (1991) (quoting *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389-90 (1983)). Because of this canon, statutory “silence” has been viewed by this Court as “inconsistent with the view that Congress intended to require a special, heightened standard of proof.” *Grogan*, 498 U.S. at 286.

A second, equally well-established canon of statutory construction leads to the same conclusion. In sharp contrast with 35 U.S.C. § 282, a different section of the Patent Act, 35 U.S.C. § 273, establishes a special defense to claims for alleged infringement of patents for “method[s] of doing or conducting business,” 35 U.S.C. § 273(a)(3), and as to that special defense only, provides: “A person asserting the defense *under this section* shall have the burden of establishing the defense by *clear and convincing evidence*.” 35 U.S.C. § 273(b)(4) (emphasis added).

The specification of a “clear and convincing evidence” burden of proof in 35 U.S.C. § 273, and the absence of any such specification in 35 U.S.C. § 282, brings this case within the principle that: “where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” *KP Permanent Make-Up Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)).

The remaining text of § 282 is fully consistent with the “burden” prescribed by the statute being proof of facts relevant to invalidity by a “preponderance-of-the-evidence.” The language, “[a] patent shall be presumed valid,” 35 U.S.C. § 282, codified

the long-standing principle that an issued patent constitutes “*prima facie* evidence that the patentee was the first inventor” of the subject matter disclosed and claimed in the patent. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 498 (1877). *Accord Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 538 (1871) (issued letters patent “afford a *prima facie* presumption” that applicant was “original and first inventor” of claimed subject matter).

But in common with patent statutes dating back more than 200 years, § 282 provides that persons accused of infringement are fully entitled to contest the validity of any patent asserted against them.<sup>2</sup> Section 282 addresses the subject of what a proponent of an invalidity defense must do and imposes *disclosure* obligations on proponents of invalidity defenses, so that a patentee can be prepared to cross-examine “any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit,” 35 U.S.C. § 282(4), and to rebut arguments that are based on “any publication to be relied upon as anticipation of the patent in suit or . . . as showing the state of the art.” *Id.*

Section 282 is thus designed to facilitate, not to disfavor, judicial review of the results of *ex parte* examination of patent applications. Persons accused of patent infringement often are the only ones with sufficient economic incentive to make a thorough investigation of the validity of claims made in an issued patent. Robust judicial review of patent claim validity under 35 U.S.C. § 282 is an integral and essential component of the Patent Act’s provisions for ensuring compliance with statutory conditions for paten-

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<sup>2</sup> Broad authority to review the validity of claims made in issued patents has been included in every patent statute that has been enacted since 1790. See Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 208; Act of July 4, 1836, ch. 357, § 15, 5 Stat. 117, 123; Act of Feb. 21, 1793, ch. 11, § 10 1 Stat. 318, 323; Act of April 10, 1790, ch. 7, §§ 5-6, 1 Stat. 109, 111.

tability following *ex parte* examination of applications.

### **B. Principles of Administrative Law Do Not Support the Federal Circuit's Rule.**

Deference to a decision of an expert administrative agency may provide a reason for a court to impose a heightened burden of proof on a party seeking to invalidate the agency's action. Yet one bedrock principle of administrative law is that all administrative actions – including fact finding in adjudications – are “subject to the requirement of reasoned decisionmaking.” *Allentown Mack Sales & Serv., Inc. v. NLRB*, 522 U.S. 359, 374 (1998). Reasoned decisionmaking requires, at a minimum, that the agency “must bring its expertise to bear on the question.” *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 54 (1983).

Where an agency has not engaged in reasoned decisionmaking, a necessary predicate for judicial deference to administrative action is absent. Indeed, under the Administrative Procedure Act, “de novo” review is the appropriate standard for reviewing agency actions “where there are inadequate factfinding procedures in an adjudicatory proceeding, or where judicial proceedings are brought to enforce certain administrative actions.” *Camp v. Pitts*, 411 U.S. 138, 141-42 (1973) (interpreting 5 U.S.C. § 706(2)(F)).

In patent infringement proceedings, it is extremely common for a defense of patent invalidity to be predicated on evidence that was never presented to the PTO during the prosecution of an asserted patent – as admittedly occurred here. In such circumstances, imposing a heightened burden of proof to protect non-existent agency fact finding violates fundamental principles governing judicial review of administrative action.

The structure of the Patent Act does not warrant the sharp departure from administrative law principles that the Federal Circuit's blanket “clear and



convincing evidence” rule represents. To the contrary, the structure of the Patent Act underscores appropriateness of applying administrative law principles to the exercise of judicial review authority under 35 U.S.C. § 282.

Under the Patent Act, any natural person who believes that he or she has made an invention may file a written application for patent that includes a “specification” as prescribed by 35 U.S.C. § 112, a “drawing” as prescribed by 35 U.S.C. § 113, and “an oath by the applicant” as prescribed by 35 U.S.C. § 115. See 35 U.S.C. § 111 (specifying the required contents of patent applications). The required “oath” is that the applicant “*believes* himself [or herself] to be the original and first inventor of” the invention. 35 U.S.C. § 115 (emphasis added). The word “believes” is important; for under current PTO practice, a patent applicant is not required to undertake any search of prior art or to make any affirmative demonstration of a claimed invention’s patentability in the first instance. To support a claim of right to a patent, an applicant’s subjective belief in his or her “inventor” status is sufficient.

Examination of patent applications is conducted *ex parte* and, to a large degree, in secrecy. Prior to November 29, 2000, 35 U.S.C. § 122 required that all United States patent applications be kept in confidence unless and until a patent was issued. Large numbers of currently subsisting United States patents were applied for prior to November 29, 2000, and were examined in total secrecy. Effective November 29, 2000, 35 U.S.C. § 122 was amended to require that certain United States patent applications be published after eighteen (18) months of pendency.<sup>3</sup> Even with this amendment, substantial numbers of United States patent applications remain completely secret unless and until a patent issues.

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<sup>3</sup> See American Inventor’s Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501, 1501A-561 to -563, § 4502; *id.* at 1501A-566 to -567, § 4508.

Moreover, except in cases of “interference” where two applicants claim the same invention, all United States patent applications continued to be examined *ex parte*, without any opportunity for pre-grant opposition, and “without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

Patent applications are examined for compliance with “the conditions and requirements of this title.” 35 U.S.C. § 101. A number of the statutory conditions for patentability involve factual inquiries that the PTO is ill-equipped to make in the context of an *ex parte* proceeding. For example, whether subject matter claimed in a patent application is properly deemed “non-obvious subject matter,” 35 U.S.C. § 103, depends in part on the content of “prior art” (*id.*) that may take the form of methods, products, or materials that were “in public use or on sale in this country, more than one year prior to the date of the application for patent.” 35 U.S.C. § 102(b). *Cf. KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 409 (2007) (prior art to asserted patent included 1994 Chevrolet pickup truck fixed pedal system). Such information may not be recorded in printed publications or any other form that is readily searchable or accessible to the PTO. “In many fields it may be that there is little discussion of obvious techniques or combinations, and it often may be the case that market demand, rather than scientific literature, will drive design trends.” *Id.* at 419. In this very case, the validity of the Respondents’ patent depended importantly on a factual issue that the PTO never considered, namely, whether Respondents’ corporate predecessor had commercially exploited the claimed invention more than one year prior to the filing of the application that matured as the patent-in-suit. *Cf. Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 68-69 (1998) (“Pfaff’s ‘377 patent is invalid because the invention had been on sale for more than one year in this country before he filed his patent application.”).

Similarly, whether an applicant is the “original and first inventor” of claimed subject matter, 35 U.S.C. § 115, depends in part on whether, “before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it.” 35 U.S.C. § 102(g)(2). This inquiry, in turn, depends on “the respective dates of conception and reduction to practice of the invention” and “the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.” *Id.* These types of inquiries are rarely made in *ex parte* examination of patent applications, and often turn on documentary evidence that is not available outside the context of litigation. See, e.g., *Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1, 32-36 (1943) (invalidating patent claims based on prior invention of the subject matter described by asserted claims, as shown by contents of non-public documents); *DeForest Radio Co. v. Gen. Elec. Co.*, 283 U.S. 664, 685-86 (1931) (invalidating patent claims based on prior invention and commercial use of subject matter described by asserted claims).

Even under ideal conditions, *ex parte* examination of patent applications has significant limitations that can produce erroneous decisions with a fair degree of frequency. In *KSR*, the Court was confronted with a case in which the PTO had allowed a claim that described a position-adjustable accelerator pedal having “a fixed pivot point,” 550 U.S. at 411, even though that exact feature was disclosed in a prior art patent (“Asano”). The applicant had not cited the Asano reference during prosecution of his application for patent, and the PTO had failed to locate the Asano reference during its examination of the application. The result was an important information deficiency: “the PTO did not have before it an adjustable pedal with a fixed pivot point.” *Id.* at 411-412. In reversing the Federal Circuit and sustaining the defendant-petitioner’s invalidity defense under 35 U.S.C. §§ 103(a) and 282(2), the Court stated in *KSR*:

We need not reach the question whether the failure to disclose Asano during the prosecution of Engelgau voids the presumption of validity given to issued patents, for claim 4 is obvious despite the presumption. We nevertheless think it appropriate to note that the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here.

550 U.S. at 426.

As is illustrated by decisions like *KSR*, *ex parte* examination of patent applications can, at best, yield only provisional and tentative conclusions with regard to the validity of an applicant’s claims,<sup>4</sup> and cannot yield results that are binding on persons who have no opportunity to participate in the examination process. The text of the Patent Act reflects these fundamental realities. 35 U.S.C. § 131 provides that the Director of the PTO “shall cause an examination to be made of the application and the alleged new invention; and if on such examination it *appears* on such examination that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor” (emphasis added).

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<sup>4</sup> Various studies suggest that in recent years, patent applications have received an average of 25 or fewer hours of examination time. See U.S. Federal Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, ch. 5, at 5 (2003) (giving estimates ranging from eight to twenty-five hours); Adam B. Jaffe & Josh Lerner, *Innovation and Its Discontents* 12-13 (2004) (“Examiners of financial patents, for example, often had as little as a dozen hours to assess whether a patent application was truly novel”); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 *Stan. L. Rev.* 45, 53 & nn. 21-22 (2007) (“an average of between sixteen and seventeen hours . . . spread over what is often a three-to four-year period”); Mark A. Lemley, Essay, *Rational Ignorance at the Patent Office*, 95 *Nw. U. L. Rev.* 1495, 1500 (2001) (average of eighteen hours over 2-3 years).

Where, as in this case, an issued patent is challenged on grounds that the PTO never considered prior to making its decision to issue the patent, administrative law principles support *de novo* review, not deference to non-existent agency fact finding. The blanket “clear and convincing evidence” rule applied below is contrary to basic principles of administrative law.

**C. Prior Judicially Recognized Exceptions Do Not Support the Federal Circuit’s Rule.**

This Court’s patent precedents recognize two situations in which the proponent of an invalidity defense may be subject to more than the standard preponderance-of-the-evidence burden of proof. Neither of these exceptions is applicable here.

First, where a party to an adversarial PTO proceeding has litigated and lost a claim of right to a patent, this Court has held that the PTO’s decision is entitled to respect in the absence of “convincing evidence of error.” *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 7 (1934). *See also Morgan v. Daniels*, 153 U.S. 120, 125 (1894). This exception to the normal rules of civil litigation is entirely consistent with principles of administrative law under which courts do grant weight where an agency has engaged in reasoned decisionmaking. That exception has no application to a case such as this one, where the Petitioner had no opportunity to participate in the *ex parte* examination of the Respondents’ asserted patent, the PTO admittedly never considered the invalidity issue that Petitioner raised in the trial court (*i.e.*, whether Respondents’ corporate predecessor commercially exploited the claimed invention of the asserted patent more than one (1) year prior to the filing of the application for that patent), and the PTO received no evidence and made no findings concerning that factual issue.

Second, the Court has articulated a special rule of evidence in cases where a defense of invalidity is

grounded in “oral testimony . . . in the absence of models, drawings or kindred evidence . . .” *T.H. Symington Co. v. Nat’l Malleable Castings Co.*, 250 U.S. 383, 386 (1919). Such evidence has been held “open to grave suspicion; particularly if the testimony be taken after a lapse of years from the time of the alleged invention.” *Id.* This special rule for oral testimony also has no application to the defense of invalidity raised by Petitioner here, which is grounded in dated documentary evidence and an actual commercial product that admittedly was sold by the Respondents themselves. *Cf. Pfaff*, 525 U.S. at 68-69 (invalidating patent based on invention being “on sale” more than one year before application for patent was filed).

The Court’s different treatment of invalidity defenses based on oral, as distinguished from documentary, evidence is well-illustrated by *The Barbed Wire Patent*, 143 U.S. 275 (1892). In that case, the Court first considered whether the claimed subject matter constituted a patentable invention in view of prior art patents disclosing pre-existing forms of barbed wire. *Id.* at 277-84. On that branch of the case, the Court considered the skill level in the art and other factual matters without mentioning any elevated burden of proof. The Court then proceeded to consider whether the asserted claims were rendered invalid by oral testimony that purported to describe barbed wire fencing that purportedly antedated the plaintiff’s claimed invention. It was only in the context of this second branch of the case, involving uncorroborated oral testimony concerning allegedly pre-existing subject matter, that the Court held that “every reasonable doubt should be resolved against” such evidence. *Id.* at 285 (quoting *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120, 124 (1874)). *See also Cantrell v. Wallick*, 117 U.S. 689, 696 (1886) (applying the heightened burden where “proof of prior use in this case depends on the testimony of [two witnesses]” and “[t]he contrivance to which the testimony of these witnesses refers is not produced, nor any model of it”).

## II. THE FEDERAL CIRCUIT'S RULE CONFLICTS WITH THIS COURT'S PRECEDENTS AND REGIONAL CIRCUIT PRECEDENTS.

The decision below is one of literally hundreds in which the Federal Circuit has applied the following, judicially-devised rules of law: “*Because a patent is presumed to be valid, the evidentiary burden to show facts supporting a conclusion of invalidity is one of clear and convincing evidence.*” *Auto. Techs. Int'l, Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1281 (Fed. Cir. 2007) (emphasis added). “The presumption is *never* annihilated, destroyed, or even weakened, *regardless of what facts are of record.*” *ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1574-75 (Fed. Cir. 1984) (second emphasis added).

The above-quoted rules of decision do not purport to be grounded in any precedents of this Court, and conflict with applicable precedents of this Court. In providing that issued patents are “presumed valid,” 35 U.S.C. § 282, the statute does not distinguish PTO grant decisions from any other agency action: *all* actions of Government agencies are “presumed” to be “valid” as a legal matter.<sup>5</sup> The presumed legality or validity of Government agency actions is simply extraneous to the question of what substantive evidentiary burden governs the determination of disputed factual issues in civil litigation between private parties.

Further, to say that a patent or patent claim is “valid” is to state a bare legal conclusion. *See Lear*, 395 U.S. at 670 (“A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office”); *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (“the ultimate question of patent validity is one of law”). To say that a patent or patent claim is

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<sup>5</sup> *See, e.g., Citizens to Pres. Overton Park v. Volpe*, 401 U.S. 402, 415 (1971) (“Certainly, the Secretary’s decision is entitled to a presumption of regularity.”); *Hynes v. Grimes Packing Co.*, 337 U.S. 86, 101 (1949) (“An administrative order is presumptively valid.”).

“valid” is to say nothing about the reasoning that may have led to that conclusion of law, the real or imagined facts on which the conclusion may have been based, or the nature or the character of the evidence, if any, that may have been thought to support a PTO decision to allow an applicant’s claim.

In numerous cases, this Court has sustained invalidity defenses to claims for alleged patent infringement without reference to “clear and convincing evidence” or any other elevated burden of proof. *See, e.g., KSR*, 550 U.S. at 407-09 (describing factual predicates of invalidity holding);<sup>6</sup> *Pfaff*, 525 U.S. at 58-59 & n.3 (1998) (describing factual predicates of invalidity holding); *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 275-78, 280-81 & n.4 (1976) (describing factual predicates of invalidity holding); *Anderson’s-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 57-61 & n.1 (1969) (describing factual predicates of invalidity holding); *Graham*, 383 U.S. at 21-26 & nn. 11-13 (describing factual predicates of invalidity holding); *Calmar, Inc. v. Cook Chem. Co.*, 383 U.S. 1, 27-29, 30-36 (1966) (describing factual predicates of invalidity holding). The rule of decision applied below stands in conflict with the above and numerous other precedents of this Court.

The decision below also stands in sharp conflict with regional circuit precedent. The Second and Sixth Circuits both hold that in the “usual” patent case, where a defense of invalidity rests on documentary or physical evidence, “a preponderance of evidence is sufficient to establish invalidity.” *Dickstein v. Seventy Corp.*, 522 F.2d 1294, 1297 (6th Cir.

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<sup>6</sup> “In ruling on a motion for summary judgment, the judge must view the evidence presented through the prism of the substantive evidentiary burden.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986). Thus, although *KSR* was decided in the context of a motion for summary judgment, the Court’s decision necessarily took account of the “substantive evidentiary burden” that applied to the defendant/petitioner’s defense of invalidity in that case.



1975); accord *Rains v. Niaqua, Inc.*, 406 F.2d 275, 278 (2d Cir. 1969) (“in the usual case a preponderance of the evidence determines the issue.”). The contrary position of the Federal Circuit traces to dicta in a 1983 Federal Circuit panel decision that gave no reasoning and cited no authority whatsoever. See *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983).

Further, as Petitioner has noted, Federal Circuit precedent conflicts with regional circuit precedent holding that the presumed validity of a PTO decision to issue a patent is diminished where, as in this case, information material to patentability is not considered by the agency – as this Court stated in *KSR*. 550 U.S. at 426 (“the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here”). This is nothing more than a straightforward application of administrative law principles: where an agency has failed to consider evidence that is relevant to a legal conclusion (such as patent claim “validity”), there is no reason to defer to its (non-existent or uninformed) judgment on the matter. See *Motor Vehicle Mfrs.*, 463 U.S. at 43 (“[n]ormally, an agency rule would be arbitrary and capricious if the agency has . . . entirely failed to consider an important aspect of the problem . . .”).

### III. GOVERNMENT AND ACADEMIC COMMENTATORS HAVE CRITICIZED THE FEDERAL CIRCUIT’S RULE.

In October 2003, the Federal Trade Commission (FTC) released a comprehensive study of the U.S. patent system. See Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (Oct. 2003) (hereinafter, “FTC Report”). The FTC is one of the nation’s chief enforcers of federal competition policy, and the FTC Report has its genesis in a series of hearings, undertaken jointly by the FTC and the U.S. Department of Justice, with the goal of “understand[ing] better the current relationship between competition

and patent law and policy.” FTC Report, ch. 1, at 2. The FTC study further confirms the importance and ripeness of this Court’s review of the Federal Circuit’s blanket imposition of a “clear and convincing evidence” burden of proof to all predicates of any invalidity defense presented by way of any type of evidence. See FTC Report ch. 5, at 28 (“there is no persuasive reason why the level of that burden should be clear and convincing evidence”).

Academic commentators have also severely criticized the blanket, “clear and convincing evidence” burden of proof that Federal Circuit precedent imposes on *all* proponents of invalidity defenses, in *all* cases, no matter what the facts and no matter what the PTO did or did not consider or find during the prosecution of an asserted patent. See, e.g., Kristen Dietly, Note, *Lightening the Load: Whether the Burden of Proof for Overcoming a Patent’s Presumption of Validity Should Be Lowered*, 78 Fordham L. Rev. 2615 (2010); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 Stan. L. Rev. 45 (2008).

The rule of decision applied below purports to strip courts of traditional authority to determine validity questions and, in so doing, undermines the vital back-stop that § 282 provides against errors that can and often do occur in the United States *ex parte* patent examination process. The Federal Circuit’s categorical rule inappropriately discriminates against, and shifts risk of error to, persons who had no opportunity to participate in the examination of an application that matures into a patent.

#### **IV. THIS CASE IS AN APPROPRIATE VEHICLE FOR RESOLVING THE QUESTION PRESENTED.**

The PTO in this case admittedly never received evidence concerning, or made findings concerning, whether Respondents’ predecessor made public use of the claimed invention more than one year prior to

the filing date of Respondents' patent. In the lower courts Petitioner expressly raised the question of what burden of proof applied to its defense of invalidity under 35 U.S.C. § 102(b).

The question of what burden 35 U.S.C. § 282 does, and does not, impose on the proponent of an invalidity defense, was important to the outcome of this case, as it is in any case where an invalidity defense is asserted to a claim for alleged patent infringement. There is no procedural obstacle to the Court determining the question presented.

The question presented also fits comfortably within the categories of patent questions on which this Court has previously granted certiorari since the creation of the Federal Circuit. This case, like many prior cases in which the Court has granted certiorari, involves the institutional relationships and allocation of power among the various actors in the patents system. The issue is more a matter of administration and is therefore one on which a generalist court has at least as much expertise as a specialized court. See John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 S. Ct. Rev. 273, 302-303 (2003).

**CONCLUSION**

The petition for a writ of certiorari should be granted.

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