

In the Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

**14I LIMITED PARTNERSHIP AND
INFRASTRUCTURES FOR INFORMATION, INC.,**
Respondents.

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

**BRIEF FOR YAHOO!, INC. AS
AMICUS CURIAE SUPPORTING PETITIONER**

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**STATEMENT OF INTEREST
OF *AMICUS CURIAE***

Yahoo!, Inc. (“Yahoo!”) respectfully submits this brief in support of the petition of Microsoft Corporation.¹ Yahoo! is a high-technology leader, owning and operating one of the most frequently visited websites on the Internet. Yahoo! attracts hundreds of millions of users every month through its innovative technology and engaging content and services, including Internet search capabilities, email, and instant messaging. In conjunction with these services, Yahoo! offers extensive advertising and marketing opportunities to advertisers of all types and sizes. Yahoo!’s research and development investments have led to key patents protecting the technology at the heart of Yahoo!’s business. Accordingly, Yahoo! recognizes first-hand the importance of patents and a healthy patent system.

At the same time, Yahoo!’s various products and services are increasingly the targets of infringement assertions by others. At the beginning of 2007, Yahoo! was a defendant in four patent infringement suits. By mid-2009, however, Yahoo! was defending over 30 infringement suits. Most of the increase was due to suits brought by so-called

¹ Yahoo! provided counsel of record with notice of its intent to file this brief more than ten days prior to the due date, as required by Supreme Court Rule 37.2(a). Both Petitioner and Respondents have filed written consents to the filing of *amicus curiae* briefs. In accordance with Supreme Court Rule 37.6, Yahoo! states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than Yahoo! or its counsel.

Non-Practicing Entities (“NPEs”)—companies that acquire patents not to practice the inventions claimed in them but to assert the patents in hopes of using the expense and uncertainties of litigation (particularly in jury cases) to obtain a “windfall” on their investment.

Based on Yahoo!’s balance of interests—as both owner of valuable patent rights and as the frequent target of infringement suits—Yahoo! respectfully provides its views on the critically important issue before this Court, *i.e.*, the proper evidentiary standard for proving disputed facts underlying an asserted invalidity defense. Yahoo! hopes that the views expressed in this brief will assist the Court in deciding whether to address and resolve the important question presented by the petition.

SUMMARY OF THE ARGUMENT

Soon after the Federal Circuit was created, that court, in an effort to promote “the goal of uniformity,” pronounced a rule that a defendant could overcome a patent’s presumption of validity only by “clear and convincing” evidence. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548, 1549 (Fed. Cir. 1983) (*dicta*). It rejected the contrary views of the regional circuits and decreed that that heightened evidentiary standard applied even where the art or other evidence had not been considered by the Patent and Trademark Office (“PTO”) in allowing the patent to issue. *Id.*; see also *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d, 1350, 1359-60 (Fed. Cir. 1984). In the quarter century

since those early decisions, that rule had remained unchanged.

In 2007, however, this Court cast doubt on the basis for that rule, noting that “the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” when the evidence of invalidity asserted during litigation had not been considered by the PTO. *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398, 426 (2007). Nevertheless, the Court determined that it was unnecessary to decide that question for that case.

The Court now has the ideal opportunity to address the question it left unanswered in *KSR* and resolve the uncertainty concerning what standard of proof ought to apply to evidence of patent invalidity, especially where the evidence was not considered by the PTO.

In announcing its rule requiring a heightened evidentiary burden to prove invalidity, the Federal Circuit disregarded the plain terms of the patent statute. The statute simply creates a “presumption” of validity, and it provides that the party challenging validity has the “burden of establishing invalidity.” 35 U.S.C. § 282. Congress did not provide for a heightened standard of proof. By insisting on a heightened evidentiary burden, the Federal Circuit has disregarded this Court’s precedent—as well as its own precedent—that where a statute is silent as to the standard of proof, a heightened standard should not apply. Indeed, given this Court’s statements regarding the public policies that are

implicated by the assertion of patents, the correct evidentiary burden ought to be the “preponderance-of-the-evidence” standard applicable in most civil litigation.

There is no justification for the Federal Circuit’s rule that all facts regarding patent invalidity issues must be proven by clear and convincing evidence, especially where the PTO has not considered the issues. As a practical matter, the PTO’s ability to uncover prior art is limited, especially when the art relates to public uses and sales. Thus, the PTO will rarely have exercised its “expertise” regarding all the prior art discoverable in litigation. Indeed, the PTO’s own examination guidelines recognize that many validity issues are never considered when it examines a patent application. There is simply no reason to defer to the PTO’s “expertise” in every case where a patent has issued.

This Court should therefore grant the petition for a writ of certiorari to address this issue of considerable importance to all patent cases.

ARGUMENT**I. THIS COURT SHOULD GRANT THE PETITION TO REVIEW WHETHER THE FEDERAL CIRCUIT’S HEIGHTENED BURDEN OF PROOF ON PATENT INVALIDITY ISSUES CONFLICTS WITH THE PATENT STATUTE AND THIS COURT’S PRECEDENT**

For over a quarter century, the Federal Circuit has required accused infringers challenging the validity of patents to prove invalidity defenses by “clear and convincing evidence.”² The Federal Circuit applies the “clear and convincing” burden on all invalidity issues, regardless of whether the PTO had previously considered the disputed evidence or invalidity issue. That heightened evidentiary burden has no basis in the statute. Furthermore, the “clear and convincing” burden that the Federal Circuit requires is inconsistent with this Court’s precedent concerning the appropriate evidentiary burden in non-patent civil cases.

² While some cases apply the “clear and convincing” standard of proof to disputed factual issues (*see, e.g., Oakley, Inc. v. Sunglass Hut Intern.*, 316 F.3d 1331, 1339 (Fed. Cir. 2003) (“the evidentiary burden to show facts supporting a conclusion of invalidity is clear and convincing”)), other cases state that the “clear and convincing” standard applies to the ultimate invalidity conclusion, even when it is a legal conclusion, such as obviousness. *See, e.g., Kahn v. General Motors Corp.*, 135 F.3d 1472, 1480 (Fed. Cir. 1998) (“it is GM’s burden to prove by clear and convincing evidence that the claimed invention would have been obvious in view of the prior art”).

A. The Patent Statute Is Silent Regarding The Standard Of Proof For Invalidity Issues

The relevant section of the patent statute provides:

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

35 U.S.C. § 282. On its face, Section 282 is simply a procedural mechanism to place the burden of initially going forward with evidence, and the burden of proof on factual disputes regarding that evidence, on persons challenging validity.³

That procedural mechanism of Section 282 is consistent with the other provisions of the patent statute. Under Section 102, “[a] person shall be entitled to a patent *unless*” one of the novelty provisions is shown to apply such that the claimed invention is not “new.” 35 U.S.C. § 102 (emphasis added). Because a patent applicant does not have the burden to show he is entitled to a patent in the first instance, Section 282 ensures that the patentee does not have that burden once the patent issues.

³ The “presumption” of validity in the first sentence means that the person challenging validity has the burden of going forward with evidence on invalidity issues, as without such evidence, the “presumption” requires that any alleged invalidity defenses will fail. Once evidence is presented, the second part of Section 282 places the burden of persuasion on the party challenging validity.

Nevertheless, while the statute allocates the *burden* of proof, it is silent regarding what *level* of proof meets that burden.

B. The Federal Circuit’s “Clear And Convincing” Standard Is Inconsistent With The Rule That Where A Statute Is Silent As To A Heightened Standard Of Proof, The Heightened Standard Should Not Apply

In requiring “clear and convincing” proof of facts bearing on patent invalidity, the Federal Circuit’s rule conflicts with this Court’s teaching that a heightened evidentiary standard should not apply where a statute does not prescribe the heightened standard. For example, in *Grogan v. Garner*, 498 U.S. 279 (1991), this Court considered whether creditors must prove by “clear and convincing” evidence an exception to the bankruptcy discharge under 11 U.S.C. § 523(a). The Court reversed the Eighth Circuit’s application of the heightened standard, holding that because the statute was silent on the evidentiary burden, the ordinary “preponderance-of-the-evidence” standard applied:

The language of § 523 does not prescribe the standard of proof for the discharge exceptions. The legislative history of § 523 and its predecessor ... is also silent. This silence is inconsistent with the view that Congress intended to require a special, heightened standard of proof.

498 U.S. at 286.

The Court has reached similar conclusions regarding the applicable standard of proof in other non-patent civil cases. See *Desert Palace, Inc. v. Costa*, 539 U.S. 90, 99 (2003) (“Title VII’s silence with respect to the type of evidence required in mixed-motive cases also suggests that we should not depart from the ‘conventional rul[e] of civil litigation [that] generally appl[ies] in Title VII cases.’ That rule requires a plaintiff to prove his case ‘by a preponderance of the evidence,’ using ‘direct or circumstantial evidence.’”) (citations omitted); *Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989) (“Only rarely have we required clear and convincing proof where the action defended against seeks only conventional relief.”); *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389-390 (1983) (preponderance-of-the-evidence standard applies to proof of fraud in actions under the 1934 Securities Exchange Act).

Indeed, the Federal Circuit’s heightened burden for proving patent invalidity is inconsistent with its own “burden of proof” precedent involving other, non-patent areas of law within its jurisdiction. For example, in *Thomas v. Nicholson*, 423 F.3d 1279, 1283-84 (Fed. Cir. 2005), the Federal Circuit addressed the evidentiary standard in a veterans’ benefits case to prove willful misconduct to rebut the statutory presumption of service connection in 38 U.S.C. § 105(a). The court rejected the “clear and convincing” standard and applied the “preponderance of evidence” standard, explaining,

It is true that Congress has established specific, heightened evidentiary

standards for other determinations in veterans cases in 38 U.S.C. §§ 1111 and 1154(b). In those sections, Congress provided that certain decisions adverse to claimants must meet the heightened thresholds of either “clear and unmistakable evidence” or “clear and convincing evidence.” Notably, however, Congress did not similarly do so for determinations under § 105(a), supporting the assertion that Congress did not intend for a higher standard to apply here.

423 F.3d at 1284; *see also St. Paul Fire & Marine Ins. Co. v. United States*, 6 F.3d 763, 768 (Fed. Cir. 1993) (“in the absence of direction from Congress on this issue, we conclude that the higher ‘clear and convincing’ burden of persuasion is inappropriate for post-importation challenge of Customs’ rulings and [the statute] requires St. Paul to overcome the presumption of correctness accorded Customs’ decisions ... by a preponderance of the evidence.”).

The patent statute is silent regarding what level of proof is required for patent validity challenges. This Court’s precedent strongly suggests a heightened “clear and convincing” standard should not apply. Furthermore, the patent statute shows that Congress knows how to set the standard of proof when it wants to do so. Section 273(b) of the patent statute creates a defense to infringement of certain business method patents for persons who had already practiced the method more than one year prior to the filing date of the patent. 35 U.S.C.

§ 273(b). Congress set a “clear and convincing” burden to prove the defense. 35 U.S.C. § 273(b)(4). Thus, when Congress wants to provide for a “clear and convincing” evidentiary standard for patent issues, it does so expressly. Section 282 does not contain a heightened evidentiary standard, and the Federal Circuit has erred by reading one into the statute.

C. The “Preponderance” Standard Should Apply To Resolving Disputed Factual Issues Regarding Patent Invalidity

This Court’s precedent is also instructive on why the “preponderance-of-the-evidence” standard should apply to proof of factual issues concerning patent invalidity. As this Court in *Grogan* explained,

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.”

498 U.S. at 286 (*quoting Herman*, 459 U.S. at 389-390 (1983)).

Here, as in most patent cases in district court, i4i Limited Partnership, the patent owner, and Microsoft Corporation, the accused infringer, are private parties. Under *Grogan*, the “presumption”

should be that the preponderance-of-the-evidence standard applies. To the extent that there are any “particularly important individual interests or rights ... at stake,” this Court’s precedent shows that the more important interests favor challenges to a patent’s validity and enforceability, not enabling the patent owner to extract a royalty on an invalid patent that survives merely because of the heightened evidentiary burden assigned to invalidity issues. *Cf. Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (“Surely the equities of the [patent] licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality part of the public domain.”).

This Court’s patent decisions recognize the public interest at stake when patent rights are asserted. *See Precision Inst. Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 815 (1945) (“The possession and assertion of patent rights are issues of great moment to the public.”) (quotations omitted). The more important public interest involved is ensuring that only valid and enforceable patents are upheld and that the patent owner’s ability to exclude others and recover monetary damages is limited to the valid scope of the patent grant. *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665-666 (1944); *see also Precision Inst.*, 324 U.S. at 815 (“The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.”); *Kendall v. Winsor*, 21 How.

322, 329, 16 L.Ed. 165 (1859) (“Considerations of individual emolument can never be permitted to operate to the injury of these [public interests].”).

This Court in *Lear*, 395 U.S. 653 (1969), specifically recognized the public interest implicated in patent validity challenges. Overturning the rule that licensees were estopped from challenging the validity of the licensed patents, this Court reasoned that if litigation over patent validity is restricted, “the public may continually be required to pay tribute to would-be monopolists without need or justification.” *Id.* at 670.

Those public interests support why it is vitally important for this Court to resolve the evidentiary standard that applies to the determination of factual issues regarding patent invalidity. The public interest involved is “permitting full and free competition in the use of ideas which are in reality part of the public domain” (*Lear*), not the “individual emolument” (*Kendall*) of inventors, assignees, or companies merely purchasing patents. Whatever “particularly important individual interests or rights are at stake,” the more important public interests favor persons challenging the validity of patents so that the public is not “required to pay tribute” to owners of patents that are invalid, but perhaps not “clearly and convincingly” so. As in other civil litigation, the “preponderance-of-the-evidence” standard should be applied to give effect to those public interests.

D. This Court’s Patent Precedent Does Not Require A Heightened Evidentiary Burden In Cases Such As This One

Only a few of this Court’s prior cases even address the standard of proof regarding patent validity. Rather than setting out a general rule applicable to all invalidity issues that is different from the general rule applicable in other types of cases, the Court’s older patent cases address the burden applicable to only particular types of evidence—oral testimony of prior invention, and evidence of prior invention already ruled on by the Patent Office in an *inter partes* interference proceeding.

For example, in *Washburn & Moen Mfg. Co. v. Beat ‘em all Barbed Wire Co.*, 143 U.S. 275, 284 (1892), this Court “required that the proof shall be clear, satisfactory and beyond a reasonable doubt.” The invalidity evidence at issue, however, was only uncorroborated “oral testimony” that someone had allegedly made the invention some 25 years before trial of the infringement action. 143 U.S. at 284, 289. The Court applied the heightened standard of proof to that particular form of evidence because of the “unsatisfactory character of such testimony, arising from the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling them would have them recollect them, aside from the temptation to actual perjury.” *Id.* Those same considerations are inapplicable to the vast majority of validity disputes in the usual patent case, where the proof of invalidity consists of prior publications, patents, and

documentation regarding prior public uses, sales, and the like.

Similarly, in *Eibel Process Co. v. Minn. & Ont. Paper Co.*, 261 U.S. 45, 60 (1923), this Court referred to “a rule that evidence to prove prior discovery must be clear and satisfactory.” Nevertheless, as in *Washburn*, the only evidence of such invalidity was oral testimony of prior invention, and as in *Washburn*, this Court applied the heightened standard to that uncorroborated evidence because of “[t]he temptation to remember in such cases and the ease with which honest witnesses can convince themselves after many years [ten or fifteen years, according to the Court] of having had a conception at the basis of a valuable patent.” *Id.* at 59, 60.

In *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 8 (1934), this Court stated that “one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.” As in *Washburn* and *Eibel*, the asserted invalidity was the alleged prior invention by another. In *Radio Corp.*, moreover, the Patent Office had already conducted an *inter partes* interference proceeding on the identical prior invention allegations and had resolved the priority issues in favor of the patent owner. Thus, this Court’s statements regarding “convincing evidence” were made concerning a dispute that had already been conclusively determined by the Patent Office, and the accused infringer was simply trying to re-argue the same priority issues. *Id.*

The Federal Circuit cited this Court's opinion in *Radio Corp.* in its early decision to apply the "clear and convincing" standard to any factual issue regarding patent invalidity, regardless of whether the same factual issues or evidence had been addressed by the PTO. *See American Hoist*, 725 F.2d at 1359-60. To the extent that this Court's earlier cases could be read as requiring the "clear and convincing" standard of proof beyond the specific factual disputes at issue in those cases, any such reading has been called into question by *KSR*, 550 U.S. 398.

In *KSR*, this Court's unanimous opinion deemed it "appropriate to note that the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished" when the evidence of invalidity asserted during litigation had not been considered by the PTO during prosecution of the patent. *Id.* at 426. That observation strongly suggests that *Radio Corp.* should have been limited to its specific facts and that the Federal Circuit wrongly invoked this Court's precedent in requiring "clear and convincing" proof of all disputed facts concerning patent invalidity, even when the PTO had not already considered the same evidence. At a minimum, the uncertainty created by this Court's "burden of proof" observation in *KSR* can only be clarified by this Court, and thus should be settled by granting Microsoft's petition.

II. THERE IS NO JUSTIFICATION FOR APPLYING A HEIGHTENED EVIDENTIARY STANDARD TO DISPUTED FACTUAL ISSUES THAT THE PATENT OFFICE DID NOT CONSIDER DURING PROSECUTION

Many invalidity challenges during litigation involve factual issues that were never considered by the PTO during prosecution of the patent application, whether as a practical matter or under the PTO's express examination procedures. In those circumstances, where the PTO does not consider the factual issues relating to invalidity, there is no justification for a heightened "clear and convincing" standard of proof.

A. Public Use/On-Sale Bar Issues

Yahoo!'s engineers and scientists have achieved numerous patentable inventions, and Yahoo! has prosecuted many patent applications before the PTO, resulting in over 600 issued patents. Based on that experience, Yahoo! points out that the vast majority of prior art references cited by the PTO examiners during prosecution consists of prior patents and printed publications. The PTO examiners rarely rely on prior public uses or prior sales.

The PTO's Manual of Patent Examination Procedure ("MPEP") verifies that. Public use and "on-sale" bar issues under 35 U.S.C. § 102(a) or 35 U.S.C. § 102(b) are considered by the PTO only if the patent applicant raises these issues, or there is something within the "personal knowledge" of the

examiner. According to the MPEP, “[a]n applicant may make an admission, or submit evidence of sale of the invention or knowledge of the invention by others, or the examiner may have personal knowledge that the invention was sold by applicant or known by others in this country.” MPEP § 706.02(c) (8th Ed., Rev. 8 (July 2010)).

Under those examination procedures, if the applicant does not make an admission or submit evidence of prior public uses or sales, then any prior public uses or sales will be considered only if they happen to be within the “personal knowledge” of the particular examiner assigned to the application. Yet, as demonstrated by the Federal Circuit’s decision in this case, that court’s precedent requires accused infringers to prove invalidating public uses or sales by “clear and convincing” evidence in every case, including the vast majority of instances where the PTO never considered any public use/on-sale bar issues. Indeed, as shown by Microsoft’s petition, the “clear and convincing” burden is applied even when the relevant evidence is entirely within the control of the patent owner.

Yahoo! had first-hand experience with these types of issues in a recent case, *Bright Response LLC v. Google, Inc. et al.*, No. 2:07-CV-371(CE) (E.D. Tex.). Bright Response, a Non-Practicing Entity had acquired the patent in suit and asserted it against Yahoo!, Google, and others, seeking a percentage of Yahoo!’s and Google’s advertising revenues as royalty damages. During discovery, the defendants discovered numerous documents and elicited admissions in depositions showing that the alleged

invention was embodied in a product that was publicly used more than one year before the application filing date. None of those documents or testimony had been considered by the PTO before it allowed the patent to issue. Nevertheless, the trial court instructed the jury that it could find the patents invalid only if Yahoo! and Google could prove the prior public use by “clear and convincing” evidence. During trial the patent owner repeatedly invoked the heightened “clear and convincing” standard of proof to argue that Yahoo!’s newly discovered documents and deposition testimony (never considered by the PTO) could not invalidate the patent. While the jury ultimately found the patent invalid, the *Bright Response* case aptly illustrates how patent owners attempt to defend patents of dubious validity by relying on the heightened “clear and convincing” standard, even where the PTO had no opportunity to consider the underlying factual evidence before allowing the patent to issue.

B. Best Mode Issues

The patent statute separately requires the patent specification to “set forth the best mode contemplated by the inventor of carrying out his invention.” 35 U.S.C. § 112, ¶ 1. “The best mode requirement ... is intended to ensure that a patent applicant plays ‘fair and square’ with the patent system. It is a requirement that the *quid pro quo* of the patent grant be satisfied. One must not receive the right to exclude others unless at the time of filing he has provided an adequate disclosure of the best mode known to him of carrying out his invention.”

Amgen, Inc. v. Chugai Pharm. Co., 927 F.2d 1200, 1209-10 (Fed. Cir. 1991).

Even though disclosure of the best mode is the “*quid pro quo*” for receiving the patent, the PTO’s procedures expressly provide that the PTO will not determine whether the best mode is in fact disclosed in the patent specification. Those procedures instruct that “[t]he examiner should assume that the best mode is disclosed in the application, unless evidence is presented that is inconsistent with that assumption. It is extremely rare that a best mode rejection properly would be made in *ex parte* prosecution.” MPEP § 2165.03.

The PTO’s examination guidelines recognize that best mode issues almost always will be raised for the first time in litigation or other *inter partes* proceedings. “The information that is necessary to form the basis for a rejection based on the failure to set forth the best mode is rarely accessible to the examiner, but is generally uncovered during discovery procedures in interference, litigation, or other *inter partes* proceedings.” *Id.*

Even though the PTO routinely “assumes” the statutory best mode requirement has been met, and acknowledges that best mode issues are better addressed in the first instance in litigation, the Federal Circuit’s precedent still requires a patent challenger to prove by clear and convincing evidence that the patent applicant has not met this statutory “*quid pro quo*” for obtaining the patent. See *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 962 (Fed. Cir.

2001) (affirming grant of summary judgment of no best mode violation).

C. Issues Involving The Patentee's Alleged Earlier Date Of Invention

The PTO examination guidelines instruct examiners to cite the best available art. MPEP § 706.02. Often the best art is a document dating more than one year before the application filing date. Such prior art, if it discloses the invention, constitutes an absolute “bar” to the patent. *See* 35 U.S.C. § 102(b). On the other hand, if a document is dated less than one year before the filing date of the application, it constitutes “prior” art only if it is dated before the “invention” of what is claimed in the application. *See* 35 U.S.C. § 102(a). Thus, if the examiner cites a document dated less than one year before the application filing date, the applicant can demonstrate that the document is not prior art by providing a sworn declaration setting forth facts showing an actual date of “invention” before the filing date and before the date of the cited document. *See* MPEP § 715; 37 C.F.R. § 1.131.

If the PTO examiner does not cite any documents dated less than one year before the application filing date, there is no need for the applicant to submit any evidence of a pre-filing “invention date” to the examiner, and the examiner will never consider it. *See* MPEP § 706.02(I) (“the most pertinent reference” need not be cited if it “seems likely to be antedated by a 37 C.F.R. § 1.131 affidavit or declaration”). If, however, an accused infringer subsequently discovers new documents

during litigation, the same statutory provisions apply; namely, the document will be treated as “prior art” only if it predates the patentee’s actual date of “invention,” and not just the application filing date.

While the Federal Circuit places the burden on the patentee to come forward with evidence as to an earlier date of invention, the Federal Circuit holds that the accused infringer bears the ultimate burden of persuasion—by clear and convincing evidence—on all factual issues relating to invalidity, including proving by clear and convincing evidence that the patentee did not have the earlier invention date. The court explained that rule in *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1578 (Fed. Cir. 1996):

With all of the evidence from both sides before the jury, Bard must persuade the jury by clear and convincing evidence that its version of the facts is true. In other words, Bard must persuade the jury that Dr. Mahurkar did not invent prior to publication of the catalog ... If Bard fails to meet this burden, the catalog is not prior art under section 102(a).

See also Gamma-Metrics, Inc. v. Scantech, Ltd., 52 U.S.P.Q.2d (BNA) 1579, 1584, 1998 U.S. Dist. LEXIS 22188 (S.D. Cal. 1998) (“although Gamma-Metrics may have the burden of production to bring forth some evidence of a date of invention prior to that of the patent filing, ... Defendants must disprove any evidence Gamma-Metrics produces of an earlier date of invention by clear and convincing evidence.”).

Under the Federal Circuit’s evidentiary standard, an accused infringer citing newly-discovered art from before the filing date of the patent application must prove a negative—that the patent owner did *not* have a date of invention before the reference. Moreover, the accused infringer must prove that negative by clear and convincing evidence, even though all the evidence concerning the earlier invention date is from the patentee and even though such invention date issues may never have been considered by the PTO. There is no justification for a “clear and convincing” evidentiary burden in those circumstances.

III. THIS IS THE IDEAL CASE TO RESOLVE THE IMPORTANT QUESTION RAISED BY THIS COURT IN *KSR* REGARDING PRIOR ART AND FACTUAL ISSUES NOT CONSIDERED BY THE PTO

More than twenty-five years ago, in *American Hoist*, 725 F.2d 1350, Judge Rich explained the Federal Circuit’s rule that accused infringers had the burden to prove all facts regarding patent invalidity by clear and convincing evidence. His opinion was based in part on his position that the statutory presumption was enacted “for the benefit of those cynical judges who now say the presumption is the other way around.” *Id.* at 1359.

Since that time, the Federal Circuit’s rule imposing a heightened standard of proof has remained unaltered. The Federal Circuit, however, never explained in *American Hoist* why the “clear and convincing” standard applies to factual issues

not considered by the PTO. Indeed, it recognized that there is “no reason to defer to the PTO” in that circumstance, *American Hoist*, 725 F.2d at 1359 (emphasis omitted), but it never explained why the heightened standard still applied when the PTO had no opportunity to exercise its “expertise.” Instead, it simply declared that the unconsidered evidence may “carry more weight and go further toward sustaining the attacker’s unchanging burden.” *Id.* at 1360.

The Federal Circuit has never recognized that this Court’s older cases discussing a heightened evidentiary burden standard were concerned with the quality of the evidence at issue in particular circumstances—oral testimony alleging a prior invention and prior invention evidence already ruled on by the PTO—not with whether such a heightened standard should apply to all disputed fact issues relating to invalidity. The Federal Circuit has also never considered the effect of this Court’s precedent showing the public interest lies in permitting parties to freely challenge the validity of patents. And, in the years since *American Hoist*, the Federal Circuit has never explained how the statutory presumption of validity, supposedly enacted to rebut the contrary views of “cynical judges” on the other regional circuit courts, could be transformed into a basis for holding that the presumption of validity can only be overcome by “clear and convincing” evidence, even where the prior art and evidence was not considered by the PTO. *Compare* the regional circuit cases cited in Microsoft Petition at 16-18.

This Court’s opinion in *KSR* confirms that the time has come to address those aspects of the

“burden of proof” issue the Federal Circuit ignored in *American Hoist* and in the quarter century since that decision. As the Court recognized in *KSR*, “the rationale underlying the presumption” seems “diminished” when the evidence of invalidity was not considered by the PTO. *KSR*, 550 U.S. at 426.

This Court raised the question presented by Microsoft’s petition in *KSR*, but determined that the question did not need to be answered in that case. The Court now has the ideal opportunity to answer that question and to clarify the uncertainty that its opinion in *KSR* has created. Microsoft’s petition presents that important issue in the clear context of a single invalidity defense—the sale of the patented product more than one year before the filing date of the application—and the evidence bearing on that factual issue was undisputedly never considered by the PTO when it decided to allow i4i’s patent.

Moreover, multiple similar suits in which Yahoo! is named as the patent infringement defendant illustrate the serious problems that the Federal Circuit’s “clear and convincing” evidentiary burden has created. NPEs buy patents and seek only to “monetize” them through licensing and litigation. They make no attempt to bring new products utilizing the patented inventions to the market but operate merely to sue manufacturers that have allegedly done so. Given the Federal Circuit’s heightened evidentiary standard of proof on facts pertaining to invalidity, the odds in litigation are unfairly stacked in their favor. Not only are they allowed to prove infringement by a mere “preponderance” of the evidence, but they can also

more easily convince juries to uphold the validity of the purchased patents by emphasizing the “clear and convincing” standard that the Federal Circuit has imposed on defendants.

Yahoo!’s experience in cases involving NPEs shows that the disparate burdens of proof encourage more litigation and discourage settlement. When Yahoo! considers asserting its own patents against its competitors, it does so recognizing that those competitors may have their own patents to assert against Yahoo!. The relative burdens of proof are thus equalized, and because both sides are likely to have patents and accused products at issue, a business resolution is more likely.

NPEs, however, have no similar considerations, because they have no products that could potentially be accused of infringement, and their business model includes the cost of litigation as a given expense. With the Federal Circuit’s heightened burden of proof on invalidity issues, they face little risk that juries might invalidate their patents. Given that they must prove infringement by only a preponderance of the evidence, while their infringement targets must prove invalidity by clear and convincing evidence, it has been Yahoo!’s experience that NPEs are quite willing to “roll the dice” and hope for a windfall jury verdict.

The realities of patent litigation require a more level playing field that restores a balance to the burdens of proof in patent litigation. This Court’s precedent recognizes that heightened standards of proof should be imposed in civil litigation only where

there are “particularly important individual interests or rights ... at stake.” *See supra*, at 10. Whatever a patent owner may claim as an important interest in asserting its patent, this Court’s precedent recognizes a greater important interest in “permitting full and free competition” and in enabling invalidity challenges so that the public need not “continually be required to pay tribute to would-be monopolists without need or justification.” *See supra*, at 11-12. Given those interests, there is no reason for disparate burdens of proof, especially with respect to evidence of invalidity that was never considered by the PTO.

CONCLUSION

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

Respectfully submitted.

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SEPTEMBER 29, 2010

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