

No. 10-290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

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

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

**BRIEF OF EMC CORPORATION AS *AMICUS
CURIAE* IN SUPPORT OF PETITIONER**

PAUL T. DACIER
Counsel of Record
KRISHNENDU GUPTA
WILLIAM R. CLARK
PHILLIP W. CITROEN
JOSEPH D'ANGELO
JASON A. REYES
GERALD P. KAZANJIAN
ROBERT K. PERKINS
SCOTT A. OUELLETTE
DEEPIKA BHAYANA
EMC CORPORATION
176 South Street
Hopkinton, MA 01748
508-293-7257
paul.t.dacier@emc.com

Attorneys for Amicus Curiae

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES	iii
STATEMENT OF INTEREST	1
SUMMARY OF ARGUMENT.....	2
ARGUMENT	5
I. A HEIGHTENED EVIDENTIARY STANDARD FRUSTRATES THE CONSTITUTIONAL MANDATE OF PROMOTING THE PROGRESS OF THE USEFUL ARTS	5
II. THE PROPER EVIDENTIARY STANDARD FOR PROVING PATENT INVALIDITY IS THE PREPONDERANCE-OF-THE-EVIDENCE STANDARD	10
A. SECTION 282 OF THE PATENT ACT DOES NOT REQUIRE A HEIGHTENED STANDARD OF PROOF.....	11
B. TO ALIGN PATENT LAW WITH OTHER AREAS OF THE LAW, THE PREPONDERANCE-OF-THE-EVIDENCE STANDARD SHOULD APPLY TO QUESTIONS OF INVALIDITY.....	14
III. AT A MINIMUM, THE PREPONDERANCE-OF-THE-EVIDENCE STANDARD SHOULD CONTROL WHERE AN INVALIDITY DEFENSE RESTS ON EVIDENCE THAT THE USPTO NEVER CONSIDERED.....	17

A. THIS COURT IN <i>KSR</i> , THE FEDERAL CIRCUIT IN <i>AMERICAN HOIST</i> , AND THE COURTS OF APPEALS BEFORE THE FORMATION OF THE FEDERAL CIRCUIT, ALL STATED THAT THERE SHOULD BE A LOWER STANDARD OF REVIEW TO INVALIDATE A PATENT BASED ON PRIOR ART NOT CONSIDERED BY THE USPTO	18
B. THE REEXAMINATION PROCESS IS NOT ALWAYS A VIABLE ALTERNATIVE FOR CHALLENGING THE VALIDITY OF A PATENT.....	20
C. ADMINISTRATIVE LAW SUPPORTS A FINDING THAT ART NOT CONSIDERED BY THE USPTO SHOULD BE CONSIDERED USING A PREPONDERANCE-OF-THE-EVIDENCE STANDARD	21
CONCLUSION.....	23

TABLE OF AUTHORITIES

Page(s)

CASES

<i>Addington v. Texas</i> , 441 U.S. 418 (1979).....	14
<i>Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.</i> , 725 F.2d 1350 (Fed. Cir. 1984).....	17, 19
<i>BarTex Research, LLC v. FedEx Corp.</i> , 611 F. Supp. 2d 647 (E.D. Tex. 2009).....	20
<i>Baumstimler v. Rankin</i> , 677 F.2d 1061 (5th Cir. 1982).....	18
<i>Bonito Boats, Inc. v. Thunder Craft Boats, Inc.</i> , 489 U.S. 141 (1989).....	5
<i>Camp v. Pitts</i> , 411 U.S. 138 (1973).....	22
<i>Cellectis S.A. v. Precision Biosciences, Inc.</i> , No. 5:08-CV-00119-H, 2010 WL 3430854 (E.D.N.C. Aug. 31, 2010)	20
<i>Cerveceria Centroamericana, S.A. v.</i> <i>Cerveceria India, Inc.</i> , 892 F.2d 1021 (Fed. Cir. 1989).....	15
<i>Chaunt v. United States</i> , 364 U.S. 350 (1960).....	14

TABLE OF AUTHORITIES

Page(s)

<i>Cont'l Can Co. v. Old Dominion Box Co.</i> , 393 F.2d 321 (2d Cir. 1968)	18
<i>Dan Robbins & Assocs., Inc. v. Questor Corp.</i> , 599 F.2d 1009 (C.C.P.A. 1979)	15
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006).....	13, 14, 16
<i>In re Etter</i> , 756 F.2d 852 (Fed. Cir. 1985).....	16
<i>Futorian Mfg. Corp. v. Dual Mfg. & Eng'g, Inc.</i> , 528 F.2d 941 (1st Cir. 1976)	18
<i>Grogan v. Garner</i> , 498 U.S. 279 (1991).....	10, 11, 15
<i>Henry Mfg. Co. v. Commercial Filters Corp.</i> , 489 F.2d 1008 (7th Cir. 1972).....	19
<i>Jaybee Mfg. Corp. v. Ajax Hardware Mfg. Corp.</i> , 287 F.2d 228 (9th Cir. 1961).....	19
<i>KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.</i> , 543 U.S. 111 (2004).....	13
<i>KSR International Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007).....	4, 14, 18, 19

TABLE OF AUTHORITIES

	Page(s)
<i>Lamie v. United States Tr.</i> , 540 U.S. 526 (2004).....	12
<i>Marston v. J. C. Penney Co.</i> , 353 F.2d 976 (4th Cir. 1965).....	18
<i>Mfg. Research Corp. v. Graybar Elec. Co.</i> , 679 F.2d 1355 (11th Cir. 1982).....	18
<i>Motor Vehicle Mfrs. Ass'n v.</i> <i>State Farm Mut. Auto. Ins. Co.</i> , 463 U.S. 29 (1983).....	17, 23
<i>Norian Corp. v. Stryker Corp.</i> , 363 F.3d 1321 (Fed. Cir. 2004).....	19
<i>In re Oetiker</i> , 977 F.2d 1443 (Fed. Cir. 1992).....	11
<i>Plastic Container Corp. v.</i> <i>Cont'l Plastics of Okla., Inc.</i> , 708 F.2d 1554 (10th Cir. 1983).....	19
<i>Preformed Line Prods. Co. v. Fanner Mfg. Co.</i> , 328 F.2d 265 (6th Cir. 1964).....	18
<i>Ralston Purina Co. v. Gen. Foods Corp.</i> , 442 F.2d 389 (8th Cir. 1971).....	19
<i>Russello v. United States</i> , 464 U.S. 16 (1983).....	13

TABLE OF AUTHORITIES

	Page(s)
<i>Santosky v. Kramer</i> , 455 U.S. 745 (1982).....	14
<i>Seymour v. Osborne</i> , 78 U.S. (11 Wall.) 516 (1870).....	11
<i>Skidmore v. Swift & Co.</i> , 323 U.S. 134 (1944).....	17
<i>Turzillo v. P & Z Mergentime</i> , 532 F.2d 1393 (D.C. Cir. 1976).....	19
<i>U.S. Expansion Bolt Co. v. Jordan Indus., Inc.</i> , 488 F.2d 566 (3d Cir. 1973)	18
<i>W. Fla. Seafood, Inc. v. Jet Rests., Inc.</i> , 31 F.3d 1122 (Fed. Cir. 1994).....	15
<i>Woodby v. Immigration & Naturalization Serv.</i> , 385 U.S. 276 (1966).....	14
<i>WordCheck Tech, LLC. v.</i> <i>Alt-N Technologies, Ltd. et al.</i> , No. 6:10-cv-00457-LED (E.D. Tex.).....	7

CONSTITUTION

U.S. Const. art. I, § 8, cl. 8.....	2, 5
-------------------------------------	------

TABLE OF AUTHORITIES**Page(s)****STATUTES**

Lanham Act	
15 U.S.C. § 1057(b)	15
Patent Act, 35 U.S.C. § 1 et seq.....	10
35 U.S.C. § 102(b)	17, 20
35 U.S.C. § 103.....	14
35 U.S.C. § 273(b)(4).....	13
35 U.S.C. § 282.....	11, 12, 13
35 U.S.C. § 283.....	14

LEGISLATIVE HISTORY

H.R. Rep. No. 82-1923 (1952)	12
S. Rep. No. 82-1979 (1952).....	12

OTHER

Manual of Patent Examining Procedure	
§ 716.01(d).....	11, 16
Nat'l Research Council of the Nat'l Acads., A Patent System for the 21st Century (Stephen A. Merrill et al. eds., 2004), http://www.nap.edu/html/ patentsystem/0309089107.pdf	7

TABLE OF AUTHORITIES

	Page(s)
PricewaterhouseCoopers, 2010 Patent Litigation Study (2010), http://www.pwc.com/us/en/forensic-services/publications/assets/2010-patent-litigation-study.pdf	6
U.S. Fed. Trade Comm'n, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (2003), http://www.ftc.gov/os/2003/10/innovationrpt.pdf	9

**BRIEF OF EMC CORPORATION AS *AMICUS
CURIAE* IN SUPPORT OF PETITIONER**

EMC Corporation (“EMC”) respectfully submits this brief as *amicus curiae* in support of petitioner Microsoft Corporation (“Microsoft”).¹

STATEMENT OF INTEREST

EMC’s primary business is developing, making, and selling a wide variety of extremely complex hardware and software data storage products that are used to store today’s exploding volume of digital information. EMC employs more than 49,000 people worldwide and had sales of \$17 billion in 2010.

Like any successful company in the high-technology and computer-related fields, EMC depends on the development and introduction of new products with innovative technology. Accordingly, EMC invests heavily in innovation. In fact, since 1999, EMC has invested \$29 billion in new technology through internal development and strategic acquisitions. EMC has a strong interest in protecting this innovative technology. Therefore, EMC has a robust patent filing program. Currently, EMC owns approximately 2,500 United States patents and has approximately 2,000 patents pending.

¹ Pursuant to Rule 37.6, *amicus curiae* certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. Both parties have filed with the Clerk of the Court letters granting blanket consent to the filing of *amicus* briefs.

In view of its extensive investment in innovation and its many product offerings, EMC favors a strong patent system. However, the Federal Circuit’s clear-and-convincing-evidence standard for proving patent invalidity in court is not the right way to provide a strong patent system. In fact, this arbitrarily heightened standard for proving invalidity unfairly biases patent litigation in favor of plaintiffs and encourages the assertion of overly broad patents that never should have issued. The net effect is that the patent system is now being exploited in ways contrary to the underlying constitutional purpose of the United States patent system.

EMC joins Microsoft in urging this Court to reject the Federal Circuit’s clear-and-convincing-evidence standard because Microsoft’s position is compelled by the law and aligns with strong public policy considerations.

SUMMARY OF ARGUMENT

The Federal Circuit’s application of the clear-and-convincing-evidence standard for proving patent invalidity in court is misguided and should be overturned in favor of the preponderance-of-the-evidence standard.

The Federal Circuit’s requirement that patent invalidity be established by a heightened standard is now inhibiting rather than promoting the constitutional purpose of the United States patent system. Instead of “[promoting] the Progress of . . . useful Arts,” U.S. Const. art. I, § 8, cl. 8, the Federal Circuit’s heightened standard has helped create and sustain an industry in which entities search for, buy,

and assert overly broad patents in an attempt to coerce settlements. The clear-and-convincing-evidence standard presents defendants with an often insurmountable burden to invalidate an asserted patent making it much easier for non-practicing entities to coerce defendants into predictable and less costly settlement agreements. As a result, successful and innovative companies that ultimately provide an overall economic benefit to society have seen an avalanche of infringement suits brought against them. Ironically, in defending or settling expensive infringement suits, these companies are forced to divert corporate resources away from creating jobs, investing in innovation, introducing new products, and generally promoting “the Progress of . . . useful Arts.”

The Federal Circuit’s application of a heightened standard is also irreconcilable with the text of the United States Patent Act. A plain reading of the statute does not compel or justify the reading in of a particular standard of proof for establishing patent invalidity. Indeed, it is the province of Congress, and not the courts, to promulgate a standard of proof. Because Congress has not specified a standard for evaluating claims of invalidity under the Patent Act, the default preponderance-of-the-evidence standard should apply. Additionally, this approach would aid in harmonizing patent law with other areas of the law.

At a minimum, the preponderance-of-the-evidence standard should control where a patent invalidity defense rests on prior art that the U.S. Patent and Trademark Office (“USPTO”) never consid-

ered during the patent examination process. The Federal Circuit's application of a heightened standard to unconsidered prior art is in direct conflict with this Court's recognition that "the rationale underlying the presumption that the PTO, in its expertise, has approved the claim seems much diminished" when such evidence of invalidity asserted during litigation had not been considered by the USPTO. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). Nevertheless, the Federal Circuit continues to apply the rigid clear-and-convincing-evidence standard in circumstances where prior art not considered by the USPTO is offered in court to prove patent invalidity.

Moreover, in circumstances where prior art that the USPTO did not consider is presented at trial, application of the clear-and-convincing-evidence standard lends undue deference to the USPTO. Administrative law dictates that deference is given to an agency's determination based on the evidence it considered when making its determination. Accordingly, when prior art not considered by the USPTO is presented at trial, the USPTO should not be given deference in the form of the clear-and-convincing evidence standard; instead, a lower, preponderance-of-the-evidence standard should apply.

The ability to have the validity of a patent reexamined at the USPTO using a preponderance-of-the-evidence standard also does not support the Federal Circuit's application of a higher standard. Reexamination by the USPTO frequently does not offer a meaningful opportunity to challenge the validity of patents. Courts are given discretion as to whether

or not to stay litigation to allow a patent to be reexamined. Further, the USPTO only considers prior art in the form of patents and printed publications while courts may consider all forms of prior art. Thus, as a matter of consistency, it makes sense to apply the preponderance-of-the-evidence standard at trial, as is done during a reexamination.

Holding that the preponderance-of-the-evidence standard applies to questions of patent validity will serve to better balance the legal playing field and will supply the public with a strong patent system. Therefore, this Court should find in favor of Microsoft.

ARGUMENT

I. A Heightened Evidentiary Standard Frustrates the Constitutional Mandate of Promoting the Progress of the Useful Arts.

The purpose of the United States patent system is “[t]o promote the Progress of . . . useful Arts.” U.S. Const. art. I, § 8, cl. 8. This purpose is accomplished by way of “a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology . . . in return for the exclusive right to practice the invention for a period of years.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989). Ironically, as described below, the Federal Circuit’s clear-and-convincing-evidence standard for proving patent invalidity harms successful companies that promote the progress of the useful arts by innovating and bringing new products and services to the market. Thus, to return to fulfilling the underlying purpose

of the patent system, courts should apply a lower, preponderance-of-the-evidence standard instead.

Non-Practicing Entities (NPEs) do not innovate, and they are the ones that benefit most from the Federal Circuit's heightened standard. As the name implies, one characteristic of all NPEs is that even though they own or control patents, they do not practice the inventions of those patents. In fact, NPEs generally do not make or sell anything, or provide any services. Typically, their only business assets are the patents they buy, and their only source of income is payments they receive from settlements of lawsuits they originate. *See* U.S. Fed. Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Ch. 2 at 31 (2003), <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (noting that NPEs may be "patent assertion firms that buy patents from other companies (particularly bankrupt ones) not to practice but to assert against others").

In the last several years, NPEs have flourished and now dominate high-tech patent litigation in this country. *See* PricewaterhouseCoopers, *2010 Patent Litigation Study*, at 5 (2010), <http://www.pwc.com/us/en/forensic-services/publications/assets/2010-patent-litigation-study.pdf> (highlighting that NPEs obtain damage awards that average triple those for practicing entities since 2001 and that NPEs have about a two-thirds win rate at trial). NPEs often file suits against a large number of defendants in plaintiff-friendly jurisdictions that provide liberal discovery, are unlikely to grant summary judgment and

are fast to trial.² Most importantly, NPEs are able to place maximum pressure on defendants by asserting questionably broad patents with little fear that a defendant will be able to invalidate the patent due to the Federal Circuit's requirement that patent invalidity be proven by clear and convincing evidence.

Leveraging this unlevel playing field, NPEs are effectively using questionable patents to subvert the purpose of the patent system:

Poor patents could encourage more charges of infringement and litigation, raising transaction costs. . . . The proliferation of low-quality patents in a technology complicates and raises the cost of licensing or avoiding infringement. . . . The uncertainty about the validity of previously issued patents may deter investment in innovation and/or distort its direction.

Nat'l Research Council of the Nat'l Acads., *A Patent System for the 21st Century*, at 95 (Stephen A. Merrill et al. eds., 2004), <http://www.nap.edu/html/patentsystem/0309089107.pdf>. Thus, there is a valid concern that NPEs and the wrongly issued patents they assert are stifling innovation by, for example, deterring market entry and follow-on innovation, and diverting corporate resources away from investing in innovation and job creation and toward defending against expensive lawsuits filed by NPEs.

² For example, EMC is one of sixty-four defendants in *WordCheck Tech, LLC. v. Alt-N Technologies, Ltd. et al.*, No. 6:10-cv-00457-LED (E.D. Tex.).

For example, in the last two years, EMC has been sued for patent infringement nine times; all of these suits were filed by NPEs. However, the issue for companies like EMC is often greater than suits that directly accuse manufacturers of patent infringement because NPEs now tend to sue customers, such as financial institutions and retailers, rather than the manufacturers of the accused technologies. These customers, in turn, look to the manufacturers for indemnity. For example, during the same period, EMC has received twenty-eight notices seeking indemnity for patent suits brought against its customers; all of these suits against customers also were filed by NPEs.

In a patent infringement lawsuit, a defendant has two primary defenses: (1) that the defendant's products do not infringe and (2) that the patent is invalid because its claimed invention was previously invented (i.e., invalidating prior art exists). These two defenses are interrelated. If the patent claims are narrow in scope, it is generally more difficult to find invalidating prior art, but easier to show there is no infringement. Conversely, if the patent claims are very broad in scope, it is generally more difficult to show that there is no infringement, but it is easier to find invalidating prior art.

When NPEs search for patents to buy, they naturally look for patents that have very broad claims that arguably can be asserted against a range of highly successful and profitable companies. As noted above, these are also the very patents that are most likely to be invalid because of the breadth of their claims. However, when the Federal Circuit's

clear-and-convincing-evidence standard is required for proving invalidity, it is very difficult for a defendant to prove its case. Thus, a defendant is placed in a very difficult and unfair position. A defendant is often left with only two options: deal with costly and disruptive discovery and uncertainty and spend millions of dollars in an attempt to meet the heightened standard for proving patent invalidity at trial, or settle the case early for an amount substantially less than the cost to defend thereby achieving business certainty in the outcome (at least until the next NPE comes along). Under this scenario, most companies choose to settle without challenging the asserted patent's validity, and NPEs are therefore able to collect settlement payments from a large number of defendants. Also, because these questionable patents are rarely challenged, the NPEs, now financially reinforced, remain free to target the next group of defendants. It is no wonder that NPEs now dominate patent litigation. It is a very profitable business.

NPEs argue that they foster innovation by providing a market for patents that benefits individual inventors. However, that benefit is far outweighed by infringement suits brought by NPEs asserting invalid patents. Rather, a truly strong patent system only provides a market for patents that are valid, thereby benefiting not only individual inventors but also job-creating businesses. The current system, with its arbitrarily high standard of proof for invalidity, provides NPEs with an unfair market that enables them to harm highly successful and innovative technology companies. The billions of dollars that these companies pay each year to NPEs, or to

defend against lawsuits brought by NPEs, could otherwise go to creating jobs, investing in innovation and introducing new products that not only “promote the Progress of useful Arts,” but also benefit society as a whole. Public policy clearly aligns with using a preponderance of evidence standard for invalidating a patent in court.

II. The Proper Evidentiary Standard for Proving Patent Invalidity Is the Preponderance-of-the-Evidence Standard.

Instead of applying the well-established preponderance-of-the-evidence standard, the Federal Circuit today improperly requires accused infringers to prove patent invalidity by clear and convincing evidence despite an apparent lack of support for such a heightened standard in the Patent Act, 35 U.S.C. § 1 et seq., and in defiance of the clear intent of Congress as stated in the text of the statute. Furthermore, the Federal Circuit’s application of the clear-and-convincing-evidence standard is inconsistent with this Court’s precedent and comparable laws and regulations. This Court has noted that where civil suits, such as patent suits, are concerned, and Congress has not stated otherwise, ordinary principles of law should apply. *See, e.g., Grogan v. Garner*, 498 U.S. 279, 286 (1991) (noting that in civil suits, unless Congress expressly requires a higher standard or certain important liberty interests are at stake, the party that bears the burden of proof may overcome that burden with a preponderance of the evidence). In civil suits, and hence in patent suits, ordinary principles dictate that a party may satisfy

its burden of proof with a preponderance of the evidence – nothing more. *See, e.g., id.*

A. Section 282 of the Patent Act Does Not Require A Heightened Standard of Proof.

The Patent Act states 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.” 35 U.S.C. § 282. A plain reading of this section reveals that Congress codified a burden of proof but remained silent as to a standard of proof. Thus, the default preponderance-of-the-evidence standard should apply when determining whether the burden of proof has been overcome. *See, e.g., Grogan*, 498 U.S. at 286.

The presumption found in section 282 codified the long-standing principle that an issued patent should be afforded “a *prima facie* presumption” that the applicant was the “original and first inventor” of the claimed subject matter. *Accord Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 538 (1870). The presumption ensures that a patentee is not required to prove patent entitlement following issuance of a patent in light of the fact that an applicant is not responsible for proving entitlement during the patent prosecution process. *See, e.g., In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992) (highlighting that the PTO “bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability”); Manual of Patent Examining Procedure § 716.01(d) (“MPEP”) (“The ultimate

determination of patentability must be based on consideration of the entire record, by a preponderance of evidence, with due consideration to the persuasiveness of any arguments and any secondary evidence.”). Beyond establishing a burden of proof, the text of section 282 does not support the reading in of any further or heightened requirements; nor does the statute’s legislative history. *See, e.g.*, S. Rep. No. 82-1979, at 9 (1952) (stating that “[s]ection 282 introduces a declaration of the presumption of validity of a patent”); H.R. Rep. No. 82-1923, at 10 (1952) (noting that the statute affirms the presumption); *id.* at 29 (stating that the statute “declares the existing presumption of validity of patents”).

Furthermore, when interpreting a statute, the plain and ordinary meaning of the text should prevail. *See, e.g., Lamie v. United States Tr.*, 540 U.S. 526, 534 (2004) (explaining that “when the statute’s language is plain, the sole function of the courts . . . is to enforce it according to its terms” (internal quotation marks and citation omitted)). The plain meaning of a statute is preferred as it best represents the intent of Congress and it helps ensure that courts avoid making policy choices. *See id.* at 536 (“We should prefer the plain meaning since that approach respects the words of Congress.”); *id.* at 538 (“unwillingness to soften the import of Congress’ chosen words . . . results from ‘deference to the supremacy of the Legislature, as well as recognition that Congressmen typically vote on the language of a bill.” (citation omitted)). Here, the intent of Congress is clearly expressed in the language of § 282. The statute only specifies the party that has the

burden of proof in establishing patent invalidity; it does not state that the standard of proof is clear and convincing evidence. Indeed, if Congress intended to require a heightened standard of proof, it could have expressed its intent by including the necessary language in the relevant section of the statute. Thus, it is noteworthy that Congress decided not to include such language in the statute.

Significantly, Congress has imposed a clear-and-convincing evidentiary burden elsewhere in the Patent Act. In regards to prior uses of business methods, 35 U.S.C. § 273(b)(4) states, “[a] person asserting the defense under this section shall have the burden of establishing the defense by clear and convincing evidence.” The fact that Congress included the clear-and-convincing evidentiary burden in one section of the Patent Act, but excluded it from the section of the Patent Act that is pertinent here (§ 282), provides strong evidence that Congress did not intend to require a heightened evidentiary burden of proof for proving invalidity. *See KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004) (noting that “[w]here 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” (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983))).

This Court has recently followed the plain-meaning approach to statutory interpretation in cases dealing with other sections of the Patent Act. In *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388

(2006), this Court focused on the plain meaning of 35 U.S.C. § 283 to hold that injunctions “may” issue “in accordance with the principles of equity.” *Id.* at 392. In *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 407 (2007), this Court rejected the Federal Circuit’s reading of a heightened standard into 35 U.S.C. § 103. This Court should hold similarly here, because the Federal Circuit has incorrectly interpreted a clear statute and “[n]othing in the Patent Act indicates that Congress intended . . . a departure” from traditional principles. *eBay*, 547 U.S. at 391-92.

B. To Align Patent Law with Other Areas of the Law, the Preponderance-of-the-Evidence Standard Should Apply to Questions of Invalidity.

Patent rights are certainly valuable, but patent rights are not fundamental interests that justify a divergence from traditional principles. *See, e.g., Santosky v. Kramer*, 455 U.S. 745, 769-70 (1982) (noting that parental rights is a fundamental interest); *Addington v. Texas*, 441 U.S. 418, 423 (1979) (stating that civil commitment is a fundamental interest); *Woodby v. Immigration & Naturalization Serv.*, 385 U.S. 276, 285-86 (1966) (noting that deportation concerns a fundamental interest); *Chaunt v. United States*, 364 U.S. 350, 353 (1960) (noting that denaturalization concerns a fundamental interest). This Court has stated that where no such “particularly important individual interests or rights are at stake” and where Congress has not specified otherwise, the preponderance-of-the-evidence standard

applies. *Grogan*, 498 U.S. at 286 (internal quotation marks and citation omitted). Thus, applying a heightened standard of proof to invalidity issues is incongruent to this Court’s precedent.

Trademark law, which recognizes a variety of intellectual property rights, offers a comparable example of an economic right for which a heightened standard is unwarranted. Section 7(b) of the Lanham Act provides that “[a] certificate of registration of a mark . . . shall be prima facie evidence of the validity of the registered mark” Like its Patent Act counterpart, section 7(b) of the Lanham Act provides a presumption of validity but is silent as to a standard of proof that must be satisfied to cancel a trademark registration. Accordingly, consistent with this Court’s decision in *Grogan*, the Federal Circuit and its predecessor have held on numerous occasions that a party seeking cancellation of a trademark registration must rebut the presumption of validity by a preponderance of the evidence. *See, e.g., W. Fla. Seafood v. Jet Rests.*, 31 F.3d 1122, 1125 (Fed. Cir. 1994); *Dan Robbins & Assocs., Inc. v. Questor Corp.*, 599 F.2d 1009, 1013-14 (C.C.P.A. 1979). Moreover, this burden is the same regardless of the ground for cancellation being asserted by the party. *See, e.g., Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1023 (Fed. Cir. 1989) (stating that in a cancellation for abandonment, “as for any other ground,” the preponderance of the evidence burden applies). However, where patent invalidity is concerned, the Federal Circuit unjustifiably departs from the traditional principles that this Court and the Federal Circuit itself have historically

followed. Yet, as in *eBay*, “[n]othing in the Patent Act indicates that Congress intended such a departure.” *eBay*, 547 U.S. at 391-92. Therefore, consistent with traditional principles, the clear-and-convincing-evidence standard should be rejected in favor of the preponderance-of-the-evidence standard, which is ordinarily applied when rights such as those provided by the Patent Act are concerned.

Additionally, the Federal Circuit’s application of a heightened standard is inconsistent with the preponderance-of-the-evidence standard applied during reexamination proceedings at the USPTO. Reexamination is a process whereby a third party or inventor can have an issued patent examined again by the USPTO to determine whether the patent should have issued. In most cases, a third party initiates a reexamination with the purpose of invalidating the patent. To have a patent reexamined, an interested party must submit prior art in the form of patents or printed publications that raises a “substantial new question of patentability.” MPEP § 2216. When a substantial new question of patentability has been shown, the USPTO reexamines the patent applying the preponderance-of-the-evidence standard – not the Federal Circuit’s clear-and-convincing-evidence standard. *See In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985). Due to these inconsistent standards, a patent validity determination can turn on where an invalidity assertion is brought (i.e., in court or in the USPTO through reexamination) even if the same evidence is presented.

Hence, to better align patent law applied by courts with other areas of the law, courts should ap-

ply the preponderance-of-the-evidence standard when making invalidity determinations.

III. At a Minimum, the Preponderance-of-the-Evidence Standard Should Control Where an Invalidity Defense Rests on Evidence that the USPTO Never Considered.

At a minimum, this Court should rule that prior art evidence not considered by the USPTO during its examination (“unconsidered prior art”) should be reviewed based on a lower, preponderance-of-the-evidence standard at trial. Courts at all levels of appeal have stated that there should be a lower standard of review for invalidating a patent based on unconsidered prior art. In general, these courts reasoned that if the USPTO did not consider the prior art, there was no ruling for which the USPTO could be given deference. *See, e.g., Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984). This line of reasoning aligns patent law with other areas of law because no deference is given to an administrative proceeding for evidence not considered during the proceeding. *See, e.g., Motor Vehicle Mfrs. Ass’n. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42-44 (1983); *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944).

Further, certain types of prior art are not usually available to the USPTO and, thus, this art is almost never considered by the USPTO during the patent examination process. For example, “A person shall be entitled to a patent unless . . . the invention was . . . in public use or on sale” 35 U.S.C. § 102(b). However, the USPTO has no practical way of learning about public use or sales activities. (Generally,

the USPTO’s examination will consider only prior patents and printed publications.) Therefore, at a minimum, unconsidered prior art that is presented for patent invalidity in litigation should be reviewed using a preponderance-of-the-evidence standard.

A. This Court in *KSR*, the Federal Circuit in *American Hoist*, and the Courts of Appeals Before the Formation of the Federal Circuit, All Stated That There Should Be a Lower Standard of Review to Invalidate a Patent Based on Prior Art Not Considered by the USPTO.

In *KSR*, this Court stated 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 USPTO. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). Further, before the formation of the Federal Circuit, courts of appeals stated that a lesser standard was applicable to prior art previously not presented. See, e.g., *Futorian Mfg. Corp. v. Dual Mfg. & Eng’g, Inc.*, 528 F.2d 941, 943 (1st Cir. 1976); *Baumstimler v. Rankin*, 677 F.2d 1061, 1066 (5th Cir. 1982); *Mfg. Research Corp. v. Graybar Elec. Co.*, 679 F.2d 1355, 1360-61, 1364 (11th Cir. 1982); *U.S. Expansion Bolt Co. v. Jordan Indus., Inc.*, 488 F.2d 566, 569 (3d Cir. 1973); *Preformed Line Prods. Co. v. Fanner Mfg. Co.*, 328 F.2d 265, 271 (6th Cir. 1964); *Cont’l Can Co. v. Old Dominion Box Co.*, 393 F.2d 321, 326 n.8 (2d Cir. 1968) (“substantially weakened”); *Marston v. J. C. Penney Co.*, 353 F.2d 976,

982 (4th Cir. 1965) (“weakened or destroyed”); *Ralston Purina Co. v. Gen. Foods Corp.*, 442 F.2d 389, 390 (8th Cir. 1971) (“weakened, if not completely destroyed”); *Jaybee Mfg. Corp. v. Ajax Hardware Mfg. Corp.*, 287 F.2d 228, 229 (9th Cir. 1961) (“largely dissipated”); *Turzillo v. P & Z Mergentime*, 532 F.2d 1393, 1399 (D.C. Cir. 1976) (diminished to the point that it “does not apply”); *Henry Mfg. Co. v. Commercial Filters Corp.*, 489 F.2d 1008, 1013 (7th Cir. 1972) (“does not exist”); *Plastic Container Corp. v. Cont’l Plastics of Okla., Inc.*, 708 F.2d 1554, 1558 (10th Cir. 1983) (“vanishes”). In general, the courts of appeals have reasoned that if prior art has not been considered by the USPTO, the presumption of patent validity is weakened and no heightened standard should apply. In *American Hoist & Derrick*, the Federal Circuit agreed with this reasoning, stating that it is easier to prove invalidity with unconsidered prior art. 725 F.2d at 1360. However, the Federal Circuit gave no guidance to courts as to how to apply this easier standard of proof. See, e.g., *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1328 (Fed. Cir. 2004). Thus, to provide better guidance, this Court should follow its suggestion in *KSR* and rule that no deference should be given to the USPTO for prior art not considered by the USPTO by applying a preponderance-of-the-evidence standard to unconsidered prior art.

B. The Reexamination Process Is Not Always a Viable Alternative for Challenging the Validity of a Patent.

Theoretically, the reexamination process represents an alternative method to invalidate patents by leveraging the USPTO's expertise and using its preponderance-of-the-evidence standard. In reality, however, reexamination is not a panacea to invalidate incorrectly issued patents and is not always a viable alternative to litigation. In particular, the reexamination process is limited to patents and publications and does not take into account other prior art. For example, in a reexamination proceeding, the USPTO is not permitted to consider evidence that would otherwise bar a patent from issuing under 35 U.S.C. § 102, such as evidence that a product embodying the patented material was sold or used publicly one year before the patent application was filed, or showing that the inventors were not the first to invent the patented material. Consequently, there should clearly be no deference to the USPTO for this type of unconsidered prior art in litigation.

Also, trial courts are given discretion as to whether to stay litigation in light of a concurrent or impending reexamination proceeding. *Compare BarTex Research, LLC v. FedEx Corp.*, 611 F. Supp. 2d 647, 654 (E.D. Tex. 2009) (denying a stay), *with Collectis S.A. v. Precision Biosciences, Inc.*, No. 5:08-CV-00119-H, 2010 WL 3430854, at *7 (E.D.N.C. Aug. 31, 2010) (granting a stay). This inability to stay litigation automatically can frustrate the purpose of the reexamination process by creating simul-

taneous redundant processes where an administrative agency and court examine the same question with different standards of proof. Thus, a court applying the clear-and-convincing standard may reach a different outcome as to the validity of a patent than the USPTO. As a result, the inconsistent standards can result in a type of forum shopping, where litigants seek a forum that will not stay proceeding for a re-examination.

To rectify these problems, a preponderance-of-the-evidence standard should be applied by the courts when considering new art presented at the first time in litigation as is done by the USPTO during a reexamination proceeding.

C. Administrative Law Supports a Finding That Unconsidered Prior Art Should Be Reviewed Using a Preponderance-of-the-Evidence Standard.

According to the standard principles of administrative law, no deference should be given to the USPTO in regards to unconsidered prior art. Indeed, this Court has suggested that the amount of deference due to an agency decision generally correlates with the evidence considered and the thoroughness of that decision. *See Motor Vehicle Mfrs. Ass'n. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42-44 (1983); *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944). Accordingly, deference is given to an agency's determination based on the evidence it actually considered when making its determination. The "reviewing court should not attempt itself to

make up for such deficiencies . . . [and should] not supply a reasoned basis for the agency's action that the agency itself has not given." *See State Farm*, 463 U.S. at 42-44 (internal quotation marks and citation omitted). If the evidence was not considered, review of the administrative agency's decision should be de novo. *See, e.g., Camp v. Pitts*, 411 U.S. 138, 141-42 (1973) (noting that 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"). Thus, a review of a USPTO examination that did not consider all pertinent prior art should not give deference to the USPTO as to that unconsidered prior art, and a lower, preponderance-of-the-evidence standard should apply.

CONCLUSION

For the foregoing reasons, this Court should rule that the proper evidentiary standard for proving patent invalidity is the preponderance-of-the-evidence standard, and in any event, this standard should be applied for unconsidered prior art.

Respectfully submitted,

PAUL T. DACIER
Counsel of Record
KRISHNENDU GUPTA
WILLIAM R. CLARK
PHILLIP W. CITROEN
JOSEPH D'ANGELO
JASON A. REYES
GERALD P. KAZANJIAN
ROBERT K. PERKINS
SCOTT A. OUELLETTE
DEEPIKA BHAYANA
EMC CORPORATION
176 South Street
Hopkinton, MA 01748
508-293-7257
paul.t.dacier@emc.com

Attorneys for Amicus Curiae

February 1, 2011