

No. 10-290

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

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MICROSOFT CORPORATION,

*Petitioner,*

v.

14I LIMITED PARTNERSHIP AND  
INFRASTRUCTURE FOR INFORMATION, INC.,

*Respondents.*

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

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**BRIEF OF THE  
HERCULES OPEN-SOURCE PROJECT  
AS AMICUS CURIAE  
IN SUPPORT OF PETITIONER**

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## INTEREST OF AMICUS CURIAE<sup>1</sup>

The Patent Act of 1952, as amended, 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.” 35 U.S.C. § 282 (2010). Since 1984, the Federal Circuit has interpreted the statutory presumption of validity to require that a person challenging the validity of a patent prove invalidity by “clear and convincing” evidence. *See, e.g., Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984). The question presented is whether the Federal Circuit’s extra-statutory “clear and convincing” requirement is correct.

The resolution of this question is of significant concern to amicus curiae the Hercules Open-Source Project. The Hercules Open-Source Project is made up of a loosely connected group of experienced mainframe software programmers who developed an open-source software product that emulates mainframe computer hardware. This “hardware emulator,” called Hercules, enables developers and hobbyists to run otherwise incompatible mainframe operating systems on commonly available Intel-based computer hardware. By providing a low-cost platform for developing and testing mainframe software, Hercules democratizes innovation in mainframe

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<sup>1</sup> Counsel of record for both parties filed consents to the filing of amicus curiae briefs. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than amicus curiae or its counsel made a monetary contribution to its preparation or submission.

markets and promotes dynamic competition.

Hercules was first developed in 1999 as a tool for hobbyists and for teaching and practicing mainframe skills. Over the years, the emulator's capability has grown. Last year, several members of the group formed a private company to offer a commercial package based on Hercules, much as Red Hat offers a commercial implementation of Linux.

Individual developers, such as those who make up the Hercules Open-Source Project, are especially vulnerable to litigation threats from better-funded patent holders. A recent empirical study of patents litigated between 2000 and 2007 showed that software developers are by far the most frequent targets of infringement attacks. See John R. Allison, Mark A. Lemley, & Josh Walker, *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 U. PA. L. REV. 18 (2009) ("Nearly three-fourths of the most-litigated patents are software patents, compared with just over one-fourth of the once-litigated patents.")<sup>2</sup> An important defense against frivolous litigation threats is the ability to challenge invalid patents. Hindering challenges to patents stifles innovation in software markets from individual programmers and entrepreneurs.

For example, the increasing proliferation of soft-

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<sup>2</sup> According to the study, which compared heavily litigated patents against once-litigated patents, non-practicing entities—the so-called “patent trolls”—filed more than 80 percent of the most-litigated-patent suits, but only 16 percent of the once-litigated suits. See John R. Allison, Mark A. Lemley, & Josh Walker, *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 U. PA. L. REV. 18, 32 (2009).

ware patents has led to the growth of “patent thickets” in the software industry. See Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, 1 INNOVATION POLICY AND ECON. 119 (2001). Large corporations with extensive patent portfolios have effectively agreed to ignore each others’ patents through broad cross-licensing agreements covering all of their patents. *Id.* at 129-30. Although these agreements may protect the parties, the agreements also push the burden of challenging invalid patents downstream to those who can least afford to do so: small businesses and entrepreneurs who lack the patent portfolios to enter into cross-licensing agreements.

The systematic tilt in favor of patent owners weighs especially heavily in the mainframe industry due to the special difficulty of locating prior art. Amicus curiae Electronic Frontier Foundation explains that lost source code is a problem in all software markets. See Electronic Frontier Foundation Pet. Br., at 8-12. This same problem is endemic among mainframe applications. Many of these applications were custom-written years or decades ago, extensively modified—often on the fly—to add functionality or fix bugs, and left with changes undocumented as their programmers retired or passed away. See, e.g., Dale Vecchio, *Impact of Generational IT Skill Shift on Legacy Applications* (Gartner Research No. G00146492, Mar. 14, 2007). Identifying prior art in mainframe software is more difficult than in other industries, and a standard for proving patent validity that effectively requires locating prior art source code is of special concern to members of the Hercules Open-Source Project.

### SUMMARY OF ARGUMENT

Today's patent system is like a tricycle with three broken wheels. In a sound system that reflects the "careful balance" envisioned by this Court and Congress, a patent would ordinarily issue only for novel, useful and nonobvious inventions; a jury would objectively resolve disputed factual issues relevant to validity; and either the jury or judge would consider whether the patent office correctly applied the relevant law to the relevant facts in deciding to issue a patent. The unfortunate modern-day reality is just the opposite. A patent issues without serious study; the jury is tilted in favor of the patent owner; and the "clear and convincing" standard makes it far too difficult to establish that the patent office erred.

For instance, in one recent case in East Texas, counsel for the patent holder compared the issued patent to the Constitution and Declaration of Independence, emphasized the "clear and convincing evidence" standard and argued that absent "trust" in the patent office the United States would "end up like India and Egypt where people don't invent things." Transcript of Record at 116, 127, *DataTreasury Corp. v. Wells Fargo & Co.*, No. 2:06-cv-72 (E.D. Tex. Mar. 25, 2010). Predictably, the jury awarded the patent owner a massive award. Two district court judges with extensive patent law experience have publicly decried the damage that the "clear and convincing evidence" standard has done to fairness in the patent system.

**ARGUMENT**

The Patent Clause of the Constitution vests Congress with authority “[t]o promote the Progress of Science and useful Arts by securing for limited Time to \* \* \* Inventors the exclusive Right to their \* \* \* Discoveries.” U.S. Const. art. 1, § 8, cl. 8. Congress has implemented the Patent Clause through statutory enactments, commonly known as the Patent Acts (*see, e.g.*, Act of Apr. 10, 1790, ch. 7, 1 Stat. 109), that have set out the conditions for securing a patent and that strike “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).

The Federal Circuit’s “clear and convincing” standard is upsetting this careful balance, tilting the playing field against true innovators and thereby undermining our competitive economy. As petitioner and several amici curiae explain, nothing in the statutory phrase “presumed valid” indicates a Congressional decision to impose a heightened “clear and convincing” standard. *See, e.g.*, Pet. Br., at 18-25. The ordinary civil “preponderance of the evidence” burden should apply. *Id.* But even if the statute could be construed to permit a heightened burden, the last decade’s experience with the “clear and convincing” standard demonstrates that the standard is unwise.

## I. THE PATENT SYSTEM IS EASILY EXPLOITED BY THOSE WHO HAVE INVENTED NOTHING

This Court recently stated:

[The Information] Age puts the possibility of innovation in the hands of more people and raises new difficulties for the patent law. With ever more people trying to innovate and thus seeking patent protections for their inventions, the patent law faces a **great challenge in striking the balance** between protecting inventors and not granting monopolies over procedures that others would discover by independent, creative application of general principles.

*Bilski v. Kappos*, 130 S. Ct. 3218 (2010) (emphasis added). As discussed below, the ease with which patents are obtained and the ease with which jurors are then swayed are critical reasons why the current patent system is failing to meet the “great challenge” of striking the proper balance necessary to promote innovation.

### A. Patents Are Too Easy To Obtain

Sections 101 through 103 of Title 35 provide, as a general matter, that “patentability is dependent upon three explicit conditions: novelty and utility as articulated and defined in § 101 and § 102, and non-obviousness \* \* \* , as set out in § 103.” *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966).

Last September, a bipartisan group of twenty-five Senators wrote a letter to Senate Majority Leader Harry Reid urging him to schedule a vote on the bi-



partisan “Patent Reform Act” bill. They urged that the increased funding and systemic improvements introduced in the bill would “improv[e] the clarity and quality of patents and provid[e] greater confidence in their validity and enforceability.” Letter from twenty-five Senators to Senate Majority Leader Harry Reid (September 15, 2010), *available at* <http://judiciary.senate.gov/resources/documents/111Documents.cfm>.

As the letter reflects, the reality of the patent application process is not in serious dispute. Patent examiners are hampered, and have been for many years, by an extraordinary gap between the number of applications filed and the number of examiners available to review them. In 2003, the Federal Trade Commission issued a comprehensive report addressing current patent law and policy issues and offering recommendations. FEDERAL TRADE COMMISSION, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003) (“FTC Report”). The FTC noted that applications had doubled for the prior twelve years and were increasing about 10 percent a year. *Id.* at Chapter 5, p. 4. At the time, the corps of 3,000 examiners had to deal with a thousand new applications arriving each day. *Id.* As a result, the report stated, the *most* an examiner reported spending on the entire review process of a patent application was about 25 hours; usually, the examiner spent less time. *Id.* at Chapter 5, p. 5. The report then noted that one of its panelists had concluded that in 2000—taking into account application continuations—the PTO granted 98 percent of applications. *Id.*, citing the testimony provided by Cecil Quillen.

The report also commented, however, that a recent PTO report estimated the rate was closer to 75 percent. *Id.* at Chapter 5, p. 6. Based on its extensive information collection and thorough analysis, the report “strongly recommend[ed] that the PTO receive funds sufficient to enable it to ensure quality patent review.” *Id.* at Executive Summary, p. 13.

Since the issuance of the FTC report, the ranks of patent examiners have expanded. The gap between need and resources has not been closed, however, because the number of patent applications has shot up. While in 1990 174,711 applications were filed, and in 2000 311,807 applications were filed, during the fiscal year for 2010 a mountainous 509,367 patent applications were filed. *USPTO Performance and Accountability Report—Fiscal Year 2010*, at 126 tbl. 2 (2010), available at <http://www.uspto.gov/about/stratplan/ar/2010/USPOFY2010PAR.pdf>. It is not surprising that there is a backlog of over a *million* patent applications awaiting final decisions. *Id.* at 127 tbl.3.

Inventors and patent litigants are not alone in bemoaning the combination of inadequate resources and soaring demand that cripples the effectiveness of the PTO. In an address last year to patent examiners, the Honorable Paul R. Michel, former Chief Judge of the Federal Circuit, targeted the crisis. See Hon. Paul R. Michel, *Fellow Citizens: Be on Guard*, 92 J. PAT. & TRADEMARK OFF. SOC’Y 135 (2010). Chief Judge Michel called for Congress to authorize a one-time infusion of public money “to overcome its disfunction.” *Id.* at 137. He observed that the PTO “needs thousands of additional examiners, salary increases to retain experience examiners, new comput-

er systems and space to house an expanded work force. . . . And [the infusion of funding] is needed soon. Deferral will have corrosive consequences that cannot be undone.” *Id.*

Recently, PTO data regarding the fate of patent applications have become publicly available for the first time. Initial analysis of this data suggests that about 75 percent of patent applications eventually result in a patent. *See* Mark Lemley and Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 EMORY L.J. 101, 102 (2008). The rejection rate, however, is under 20 percent, as many applications are abandoned. *See id.* at 115.

An important but often unmentioned fact is that patent examiners must present a prima facie case that claims are *not* patentable in order to deny an application. *See* R. Polk Wagner, *Understanding Patent-Quality Mechanisms*, 157 U. PA. L. REV. 2135 (2009) (discussing substantive and structural incentives that skew the patent review process toward granting instead of rejecting applications). Amicus Verizon aptly explains that placing this burden on the examiner creates a “non-denial” process in which the default is to grant the application, instead of a process in which the default would be to deny the application. *See* Verizon Pet. Br., at 10.

Reexamination statistics also indicate that the Patent Office is issuing patents too easily. Of the patents that were reexamined by the PTO through an *inter partes* examination, in which the examiners benefited from the input of a third party, 92 percent of patents are either cancelled or require amendment of claims before the patent will reissue. *See*

PTO, Quarterly Review: *Inter Partes* Reexamination Filing Data Review, available at [http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_June\\_30\\_2010.pdf](http://www.uspto.gov/patents/IP_quarterly_report_June_30_2010.pdf). In *ex parte* reexaminations, only about 25 percent succeed in having all of their claims confirmed. See PTO, Quarterly Review: *Ex Parte* Reexamination Filing Data Review, available at [http://www.uspto.gov/patents/EP\\_quarterly\\_report\\_June\\_30\\_2010.pdf](http://www.uspto.gov/patents/EP_quarterly_report_June_30_2010.pdf); see also Raeanne Young, PATENTS AND THE PUBLIC DOMAIN: IMPROVING PATENT QUALITY UPON REEXAMINATION 8-12, Electronic Frontier Foundation report (2008) (analyzing data on reexaminations from 1999 to 2007 and reaching similar percentages), available at <http://www.eff.org/wp/patents-and-public-domain>.

Needless to say, this Court is in no position to address the funding problems of the PTO or the regulatory scheme under which the patent examiners operate. But this real world context provides a key to understanding the adverse consequences inflicted upon the system by the Federal Circuit's clear and convincing standard.

### **B. Jurors Favor Patent Owners**

With an unwarranted patent in hand, the patent owner will often bring suit before a jury. Although this Court has held that claim construction is a question of law, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996), juries have retained their historical role as factfinders in resolving infringement and invalidity questions. See, e.g., *Markman*, 517 U.S. at 384; *Kinetic Concepts, Inc. v. Blue Sky Medical Group, Inc.*, 554 F.3d 1010, 1019 (Fed. Cir. 2009) (citing *Graham*, 383 U.S. at 17-18),

*cert. denied sub nom. Medela AG and Medela, Inc. v. Kinetic Concepts, Inc.*, 130 S. Ct. 624 (2009).

The embossed gold seal and red ribbon of the PTO, affixed to the front cover of the patent, signals to the jury that the patent embodies the official judgment of the United States government. *See* 35 U.S.C. § 152 (2010) (“Patents shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office[.]”); United States Patent and Trademark Office, Frequently Asked Questions, <http://www.uspto.gov/patents/publications/odmfaq.jsp> (“The patent grant . . . is bound in an attractive cover and includes a gold seal and red ribbon on the cover.”). The mere fact of owning the patent gives the owner a huge advantage in front of the jury. We know this based on three different types of evidence.

**First**, there is the rhetoric of lawyers representing patent owners. In May 2010, an experienced patent attorney stood before a jury in Marshall, Texas, and proclaimed in his closing statement:

[Patent examiners] are paid by the United States of America. And they are paid by the United States of America to help protect and make America strong by protecting American inventors and protecting American invention. Remember what [the Defendants’ expert, who has since stated that he was misquoted] told you would happen if we disregarded intellectual property rights? That we’d end up like India and Egypt where people don’t invent things. Instead, they go around talking about

ways they hate America and ways they want to fly airplanes into our buildings.

**Trust the Patent Office, folks.**

Transcript of Record at 116:9-21, *DataTreasury*, No. 2:06-cv-72 (emphasis added).<sup>3</sup> The attorney continued:

Now, [defendant's counsel], he said to you this is just a piece of paper. **That's the seal of the United States Patent & Trademark Office. That means something.** I wonder if [he] thinks that the Declaration of Independence is just a piece of paper. And I wonder if he just thinks that the United States Constitution is just a piece of paper. There are boys in Iraq and Afghanistan that are dying for that piece of paper. It's not a piece of paper. It's what the piece of paper represents. This represents the disinterested, the unbiased evaluation of four experts who have evaluated the Ballard technology. And they have told you that this invention is real; it's new; it's novel; and it needs to be protected.

**Trust the Patent Office, folks. Trust the Patent Office.**

*Id.* at 127:8-25 (emphasis added).

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<sup>3</sup> This language led to national coverage of the closing arguments in the legal press and complaints about the choice of words. See Joe Mullin, *Patent Litigation Weekly: DataTreasury Lawyer on the Defensive Over Trial Comments*, CORPORATE COUNSEL (May 3, 2010) [http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202457516213&Patent\\_Litigation\\_Weekly\\_DataTreasury\\_Lawyer\\_on\\_the\\_Defensive\\_Over\\_Trial\\_Comments](http://www.law.com/jsp/cc/PubArticleCC.jsp?id=1202457516213&Patent_Litigation_Weekly_DataTreasury_Lawyer_on_the_Defensive_Over_Trial_Comments).

Regardless of whether such rhetoric should be permitted, the attorney's closing spoke to what is widely understood as jurors' strong deference to decisions made by government officials. One trial consultant suggests to plaintiffs' attorneys, "instead of simply enlarging page three of a U.S. patent document to show key language to the jury, superimpose page three over a background of the impressively-engraved patent cover, so the official gold seal and ribbon show clearly from behind your critical page of text." Neal Rosenau, Presentation, *Avoid Mistakes: 10 Common Misconceptions About Preparing Demonstrative Exhibits*, Legal Images website, <http://www.legalimages.com/info.html>. Another longtime jury consultant in the Eastern District of Texas urges plaintiffs' lawyers to "[s]how jurors your patent as often as you can, ribbon, seal and all."<sup>4</sup> Julie Blackman, Ellen Brickman and Corinne Brenner, *East Texas Jurors and Patent Litigation*, 22 JURY EXPERT 5, 13 (2010).

The same East Texas jury consultant described mock jurors' reactions to attempts by defendants to present invalidity defenses to patent infringement:

"It's valid. I don't think we should even argue that point. If the Patent Office gave it to them, it's there. You can't challenge what the Patent Office does."

"Once they get it, it validates. Once it's validated, that's the law. That's what a patent is—a

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<sup>4</sup> The Eastern District of Texas has been described as a "haven for patent pirates." Sam Williams, *A Haven for Patent Pirates*, Technology Review (Feb. 3, 2006), <http://www.technologyreview.com/communications/16280/page1?a=f>.

law.”

“It’s obvious but not invalid . . . I can’t just say I think he has a good patent and then say, ‘Throw it out.’”

*Id.* at 10.<sup>5</sup>

**Second**, the favoritism of juries is shown by the numerous cases where juries have found patents valid, only to have the patents later *invalidated* by the same PTO that supplied the persuasive gold seal and red ribbon. For example, in October of 2009, a Nebraska jury affirmed the validity of three patents owned by Streck, Inc. These patents covered hematology instruments that Streck claimed were infringed by the defendant, Research & Diagnostic Systems, Inc. (“R&D”). R&D argued that the patents were invalid as anticipated; the jury concluded that R&D had not proven by clear and convincing evidence that one of its own scientists had first invented the patented technology. *See* Special Interrogatories Form, *Streck Labs. Inc. v. Research & Diagnostic Sys. Inc.*, 8:06-cv-00458 (D. Neb. October 28, 2009), ECF No. 315. The district court had already granted summary judgment to Streck a month earlier on the issue of infringement, and so the jury awarded Streck a percentage of R&D’s infringing

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<sup>5</sup> In the *DataTreasury* case, plaintiff’s attorney ridiculed the statutory invalidity defenses as defendant “excuses.” Transcript of Record at 61:16-24, *DataTreasury Corp. v. Wells Fargo & Co.*, No. 2:06-cv-72 (E.D. Tex. Mar. 25, 2010) (“Why do you make 20 excuses if you have one hour? . . . They had multiple witnesses tell [the patent-holder] to his face, that this patent is entitled to no respect. That’s not the way the Patent Office thinks.”).



profits. But within a week of the jury verdict, the PTO issued a decision in a priority proceeding initiated by R&D concluding that R&D's scientist had indeed invented the patented technology first and therefore, Streck's claims were invalid. *See* Findings of Fact and Conclusions of Law, *Streck Labs. Inc. v. Research & Diagnostic Systems Inc.*, 8:09-cv-00410 (D. Neb. Sept. 30, 2010), ECF No. 47, at 28.<sup>6</sup>

Similarly, in *Abbott Laboratories, Inc. v. Syntron Bioresearch, Inc.*, a jury found that the claims in a patented pregnancy test were not invalid, although it also concluded the patent was not infringed. *Abbott Labs. v. Syntron Bioresearch, Inc.*, 334 F.3d 1343, 1348-49 (Fed. Cir. 2003). The Federal Circuit affirmed the validity finding, but reversed regarding infringement. *Id.* at 1346. The alleged infringer then filed a request for reexamination with the PTO, and upon reexamination (under the name *In re Swanson*), the patent examiner concluded the claims were invalid. *See In re Swanson*, 540 F.3d 1368, 1373 (Fed. Cir. 2008). The Patent Board affirmed this decision. *See id.* at 1373-74. The patent owner then appealed to the Federal Circuit, which affirmed the PTO decision. *Id.* at 1382.

**Third**, as has been discussed by amicus curiae Apple, Inc., empirical evidence shows that invalidity challenges fare worse in front of juries than judges.

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<sup>6</sup> Nevertheless, the district court *reversed* the patent board decision to invalidate the patents. *See* Findings of Fact and Conclusions of Law, *Streck Labs. Inc. v. Research & Diagnostic Systems Inc.*, 8:09-cv-00410 (D. Neb. Sept. 30, 2010), ECF No. 47. R&D appealed the district court reversal of the patent board decision, and the appeal is currently pending before the Federal Circuit.

Apple Pet. Br., 12-15. In a 2000 study, then professor Kimberly Moore, who is now a judge on the Federal Circuit, found that jurors invalidated patents in only 29 percent of trials studied, compared to 36 percent in bench trials—a figure that did not include judicial rulings on validity in dispositive motions. See Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 392 (2000) (“The import of this tendency is obvious: infringers need to put forth their best case of invalidity prior to trial, because if the case makes it to trial before either adjudicator, the patentee holds a significant advantage in challenges to the patent.”); see also John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185 (1998) (finding that judges invalidated patents in 43 percent of trials studied, while juries invalidated in only 33 percent).

Although jurors serve as fact finders in most patents cases, other types of fact finders may also overly defer to the patent grant. The International Trade Commission (“ITC”), an increasingly active forum for patent disputes, has also upheld the validity of patents that the Patent Office later found invalid. See, e.g., *Certain Digital Television Products and Certain Products Containing Same and Methods of Using Same*, U.S.I.T.C. Inv. No. 337-TA-617, initial determination at 65 (December 16, 2008) (public version) (finding Funai’s claims valid) and Office Action in Reexamination 90/010,075 (March 11, 2009) (examiner finds Funai’s claims invalid for second time); *Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same*, U.S.I.T.C. Inv. No. 337-TA-605, opinion at 58 (June

3, 2009) (public version) (finding Tessera’s claims valid) and Action Closing Prosecution in Reexamination Nos. 90/008,403 and 95/000,227, PTO (February 19, 2008) (examiners find Tessera’s claims invalid for second time). Courts also have affirmed validity of patents that were later invalidated by the PTO. *See, e.g., In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007), *cert. denied, Translogic Tech., Inc. v. Dudas*, 129 S. Ct. 43 (2008).

## II. THE “CLEAR AND CONVINCING EVIDENCE” STANDARD IS CONTRIBUTING TO EXPLOITATION OF THE PATENT SYSTEM

Although a lax patent issuance process and sympathetic juries are throwing the patent system out of balance, a third factor is magnifying the problem. Jurors are regularly instructed on the “clear and convincing evidence” standard and its equivalents—and skilled plaintiffs’ lawyers wield these instructions to great effect. Prominent district court judges recognize the problem.

In the *DataTreasury* case quoted above, the district court instructed the jury, “[a] patent issued by the United States Patent Office is presumed to be valid, although this presumption can be rebutted. In order to rebut this presumption, the Defendants must establish by **clear and convincing evidence** that the asserted claims are not valid.” *See* Transcript of Record at 31:3-9, *DataTreasury* (E.D. Tex. Mar. 25, 2010) (No. 2:06-cv-72) (emphasis added). Following the court’s instructions, counsel for the patentee, DataTreasury, restated the instructions:

The Defendants had this burden to prove, **by**

*clear and convincing evidence, that the presumption of validity is no good; that the Patent Office and its presumption of validity should be ignored.*

*Id.* at 71:6-9 (emphasis added).

The *DataTreasury* jury awarded the plaintiff \$27 million for patent infringement. The trial court later doubled that amount, which when applied to other similarly situated defendants, could result in over \$1 billion in total damages. See Dan Browning, *U.S. Bank Penalized in Patent Case*, MINNEAPOLIS STAR-TRIBUNE, Sept. 28, 2010, <http://www.startribune.com/business/103951753.html>.

Among cases where the PTO invalidated patents that juries previously found valid, many have involved instructions and rhetoric grounded in the clear and convincing standard. For example, in *Streck*, the trial court instructed jurors on both the presumption of validity and the clear-and-convincing standard: “Because a patent issued by the United States Patent Office, and each of its claims, is presumed to be valid, R&D bears the burden of proving invalidity by clear and convincing evidence.” Final Jury Instructions, *Streck Inc. v. Research & Diagnostic Sys. Inc.*, 8:06-cv-00458, (D. Neb. Oct. 29, 2009), ECF No. 319. In closing, Streck’s attorney then told the jury:

You’ll recall that I asked you to use your common sense. That’s because this case is really an exercise in common sense, in determining whether R & D has enough evidence here in this courtroom presented to you to convince you by **clear and convincing evidence**, not

just more, **clear and convincing evidence** for you to invalidate this patent, all three of them.

In the United States, patents are legally entitled to this presumption of validity. What does that mean? It means that patents are born valid. No doubt. There is a presumption. They start off valid, and they remain valid.

If someone like R & D comes into court and attacks our patent, it's their burden to show some pretty strong evidence. **Clear and convincing** is what the judge will say.

Transcript of Record at 1586:6-24, *Streck Inc. v. Research & Diagnostic Sys. Inc.*, 8:06-cv-00458, (D. Neb. Oct. 28, 2009), ECF No. 337 (emphasis added).

Similarly, in *Abbott Labs.*, the jury was instructed, “[a]n issued patent is accorded a presumption of validity; therefore defendant must prove a patent claim is invalid by **clear and convincing evidence.**” Special Verdict Form, *Abbott Labs. v. Syntrotron Bioresearch, Inc.*, No. 3:98-CV-2359, 1998 WL 35314248, at \*8 (S.D. Cal. 2001) (emphasis added).

So too, in *Lucent Technologies, Inc. v. Microsoft Corp.*, the district court instructed the jury, “[t]he patents in this case are presumed to be valid because the United States Patent and Trademark Office has determined that the inventors have satisfied the legal requirements for obtaining a patent. Despite this presumption of validity, claims of an issued patent may be found to be invalid. A party claiming the invalidity of a patent has the burden of proving by **clear and convincing evidence** that a claim is

invalid.” Jury Instructions, *Lucent Techs., Inc. v. Microsoft Corp.*, No. 07-CV-2000, 2008 WL 7454421, at \*9 (S.D. Cal. Apr. 4, 2008) (emphasis added).<sup>7</sup> The jury awarded over \$350 million in damages against Microsoft. Order, *Lucent Techs., Inc. v. Gateway, Inc.*, Nos. 07-CV-2000-H, 02-CV-2060-B, 03-CV-0699-B, 03-CV-1108-B (S.D. Cal. June 19, 2008).<sup>8</sup>

To be sure, several model patent jury instructions omit references either to the presumption or to the clear-and-convincing standard, or both. See, e.g., National Jury Instruction Project, Model Patent Jury Instructions (June 17, 2009) (omitting presumption and not using “clear and convincing” language, while noting that “[i]n light of the procedural role of the presumption of validity, instructing the

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<sup>7</sup> In an earlier, related trial involving several patents Lucent alleged to be infringed, the jury awarded what was at the time a record-breaking \$1.5 billion verdict. See Ina Fried, *Microsoft Hit With \$1.5 Billion Patent Verdict*, CNET NEWS (Feb. 22, 2007), [http://news.cnet.com/Microsoft-hit-with-1.5-billion-patent-verdict/2100-1030\\_3-6161480.html?tag=nefd.top](http://news.cnet.com/Microsoft-hit-with-1.5-billion-patent-verdict/2100-1030_3-6161480.html?tag=nefd.top). That verdict was later overturned by the district court on Microsoft’s motion for judgment as a matter of law, holding that the verdict was unsupported by the evidence. *Lucent Techs., Inc. v. Gateway, Inc.*, 509 F. Supp. 2d 912, 927 (S.D. Cal. 2007).

<sup>8</sup> In April, 2009, however, the PTO issued an interim decision invalidating two of the claims at issue in the patent. Reexam. No. 90/008,625 (Final Office Action Mar. 26, 2009, Advisory Action denying reconsideration June 22, 2009). The Federal Circuit rejected Microsoft’s appeal of the invalidity and infringement findings, but remanded the case for a new trial on damages, holding that the damages lacked evidentiary support. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009). This Court declined to grant certiorari on the case. *Microsoft Corp. v. Lucent Techs., Inc.*, No. 09-1006, 130 S. Ct. 3324 (May 24, 2010).

jury on the presumption in addition to informing it of the highly probable burden of proof may cause jury confusion as to its role in deciding invalidity.”); Federal Circuit Bar Association, Model Patent Jury Instructions (Feb. 18, 2010) (omitting instruction on presumption). But the alternative formulations used—“highly probable” or “substantial evidence”—do not materially lessen the likelihood of jury confusion. Indeed, the semantic backflips the model jury instructions and some district courts (including Judge Ronald Whyte, quoted below) perform to avoid using the words “clear and convincing” in jury instructions show that the problems with the Federal Circuit standard stem from the existence of the standard rather than how the standard is explained.

Leading judges have publicly voiced concern about the effect that the Federal Circuit’s standard has on jury deliberations. Referring to the Federal Circuit’s “clear and convincing evidence” standard and the statutory presumption of validity, Judge Ronald Whyte of the Northern District of California stated that “the existing law is kind of a double whammy against the party challenging the patent.” Hon. Ronald M. Whyte, Address to Symposium at the University of California at Berkeley, Ideas Into Action: Implementing Reform of the Patent System, *Remarks on Patent Reform: Reaction from the Judiciary* (Apr. 16, 2004).

Likewise, Judge William Alsup, noting that over the course of his ten years on the bench he has presided over more than a hundred patent infringement actions, described the patent holder’s litigation advantage as a “legal earthwork fortified by a protective moat, namely the presumption of validity in

tandem with the clear and convincing standard of proof that is required to overcome that presumption.” Hon. William Alsup, *Memo to Congress: A District Judge’s Proposal for Patent Reform: Revisiting the Clear and Convincing Standard and Calibrating Deference to the Strength of the Examination*, 24 BERKELEY TECH. L.J. 1647, 1648 (2009). Judge Alsup warned that this constituted a “huge advantage for the patent holder, and it is often an unfair advantage, given the ease with which applicants and their agents can sneak undeserving claims through the PTO.” *Id.*

### CONCLUSION

For the foregoing reasons and for the reasons set out in petitioner’s brief, the decision below should be overturned and the Federal Circuit’s “clear and convincing evidence” standard consigned to the dustbin of history.

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February 2, 2011