

In The
Supreme Court of the United States

—◆—
MICROSOFT CORPORATION, PETITIONER,

v.

14I LIMITED PARTNERSHIP, ET AL.
—◆—

*ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*
—◆—

**BRIEF OF APPLE INC. AND INTEL
CORPORATION AS AMICI CURIAE
SUPPORTING REVERSAL**
—◆—

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QUESTION PRESENTED

Whether clear and convincing evidence is required to prove the invalidity of a patent when the invalidity challenge is based on prior art that was not considered by the Patent Office when it granted the patent.

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**BRIEF OF APPLE INC. AND INTEL
CORPORATION AS AMICI CURIAE
SUPPORTING REVERSAL**

Apple Inc. and Intel Corporation respectfully submit this brief as amici curiae supporting reversal of the judgment below.¹

INTEREST OF AMICI CURIAE

Apple Inc. designs, develops, and sells consumer electronics including personal computers, portable media players, and mobile communication devices, as well as related software and services. Since its beginning in 1976, Apple repeatedly has set the standard for high quality personal electronics and is well known for its innovative and ground breaking products. Apple has protected its substantial research, development, and design work with thousands of U.S. patents.

Intel Corporation is a world leader in designing and manufacturing computer, communication, and other electronic components. With nearly 17,000 U.S. patents, it has one of the Nation's largest patent portfolios and is among the top ten recipients of U.S. patents each year.

¹ The parties have filed letters with the Clerk of Court providing consent to all amicus briefs. No counsel for a party authored this brief in whole or in part, and no party or counsel for a party made a monetary contribution intended to fund the preparation or submission of the brief. No person other than amici curiae or their counsel made a monetary contribution to the preparation or submission of this brief.

As patent holders, Apple and Intel are strong supporters of the patent system. But like many leading technology corporations, Apple and Intel are frequent targets of patent infringement lawsuits, many involving patent claims of highly questionable validity. As both patent holders and defendants in patent litigation, Apple and Intel thus have a paramount interest in a balanced and coherent patent system.

INTRODUCTION AND SUMMARY

The U.S. patent system is tilting out of balance. Like many other corporations, Apple and Intel encounter enormous costs defending against poor-quality patents. Non-practicing entities—entities with no business other than acquiring and asserting patents—frequently use the uncertainties of civil litigation as a primary bargaining chip. Yet legitimate innovations must continue to be protected by strong patents. A proper balance between upholding valid patents and invalidating obvious or anticipated patents is essential to the businesses of Apple and Intel and to the functioning of the patent system as a whole.

The requirement that a party establish patent invalidity by clear and convincing evidence in *all* cases strikes the wrong balance. It shields a growing number of poor-quality patents from the truth-seeking function of our adversarial system. When, as in this case, the invalidity challenge is based on prior art that was not considered by the U.S. Patent and

Trademark Office (“Patent Office”), the evidentiary standard should be preponderance of the evidence.

In deciding this case, however, the Court should not adopt an across-the-board evidentiary standard. Different evidentiary standards for invalidity challenges may well be appropriate, depending on whether the Patent Office considered the prior art.

A.1. On the one hand, an invalidity challenge based on prior art that the Patent Office already considered seeks to set aside the action of an agency of the Executive Branch. In that situation, applying a heightened, clear and convincing evidentiary standard may well be warranted. But conversely, as this Court recently has suggested and the regional courts of appeals repeatedly have held, the rationale for that deference—and thus for the heightened evidentiary standard—is greatly diminished if, as here, the prior art was not considered by the Patent Office.

Applying different evidentiary standards to the two different situations would be consistent with general administrative law principles, which subject agency action to less searching review when the agency has applied its expertise to a particular matter. Indeed, it would be passing strange to allow lay juries to give no deference to the Patent Office’s expertise, while requiring the Federal Circuit to give substantial deference on administrative review. By the same token, however, it is an odd notion to require lay juries to apply the same evidentiary

standard both when the Patent Office has considered the matter *and* when it has not.

2. The background principles against which Congress enacted the statutory presumption in 1952 suggest that Congress did not adopt a uniform across-the-board standard. Before 1952, courts generally did not impose a categorical evidentiary standard to invalidity challenges. There is no evidence that Congress intended to depart from that status quo.

B. Applying a preponderance of the evidence standard in the present case supports the public's interest in ridding the economy of invalid patents. Patents are supposed to promote, not stifle, innovation. A preponderance standard for proving invalidity when the prior art was not considered by the Patent Office strikes the right balance between, on the one hand, the interest in rewarding and promoting innovation and, on the other, the interest in avoiding unwarranted rights to exclude.

C. The heightened evidentiary standard for invalidity challenges has a compelling effect on juries. Indeed, lawyers for patent-infringement plaintiffs often seize on the standard when making arguments to the jury. Empirical and anecdotal evidence confirm that the clear and convincing evidence standard works in tandem with jurors' preexisting reluctance to invalidate patents, even weak ones. This combination—the heightened evidentiary standard and jurors' deference to the Patent Office—makes it enormously difficult to persuade a jury to find a patent invalid,

even when the Patent Office never considered the prior art at issue.

ARGUMENT

CLEAR AND CONVINCING EVIDENCE SHOULD NOT BE REQUIRED TO PROVE A PATENT'S INVALIDITY BASED ON PRIOR ART THAT WAS NOT CONSIDERED BY THE PATENT OFFICE

The narrow issue before this Court is what the evidentiary standard should be when the invalidity defense is based on prior art that was not considered by the Patent Office. That question, even as framed, is extremely important. As of the end of 2010, amici Apple and Intel were a party to more than 100 suits for patent infringement. In virtually all of those cases, amici have asserted a defense of invalidity based on prior art that was not considered by the Patent Office. In this situation, a preponderance of the evidence standard is appropriate.

A. A Clear And Convincing Evidence Standard Should Not Apply When The Prior Art Was Not Considered By The Patent Office

1. When the Patent Office did not consider the prior art, a preponderance standard is appropriate

When the invalidity challenge is based on prior art that *was* considered by the Patent Office, there are strong arguments that a challenger of a patent should be required to overcome the presumption of

validity by clear and convincing evidence. But several of these arguments conversely weigh in favor of a preponderance of the evidence standard when the prior art was *not* considered by the Patent Office. A different evidentiary standard thus may well be appropriate for each situation.

a. One of the principal arguments for a heightened evidentiary standard is that the views of the Patent Office should be entitled to deference. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1359 (Fed. Cir.), cert. denied, 469 U.S. 821 (1984).

But as this Court recently recognized, that rationale for deference is “much diminished” when the prior art was not considered by the Patent Office when it issued the patent. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). In this situation, as then-Judge Stevens earlier explained, “[t]he basis for the requirement that invalidity be established by clear and convincing evidence is largely, if not wholly, dissipated when pertinent prior art is shown not to have been considered by the Patent Office.” *Chicago Rawhide Mfg. Co. v. Crane Packing Co.*, 523 F.2d 452, 458 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976).

Refusing to apply a heightened evidentiary standard is thus appropriate here, because the Patent Office has not applied its expertise to the matter. The absence of expert consideration of critical prior art often is the consequence of the *ex parte* nature of the

patent examination process. Although patent applicants have a duty of candor, including to disclose known material prior art, *see* 37 C.F.R. § 1.56, there is no obligation to search the prior art. The patent examiner therefore must search for relevant prior art, while acting under severe time and resource constraints. *See* Federal Trade Comm'n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* ("FTC Report"), ch. 5 at 28 (Oct. 2003). Although examiners generally perform a search of patents issued in the United States, they lack the resources to scour foreign patents, as well as other prior art evidence such as academic papers, industry articles, and publications written in foreign languages. *Ibid.* And the Patent Office has little or no ability to discover products that may have been unpatented and had only limited commercial success and publicity precisely because they were new, unusual, and expensive. Also unlikely to be uncovered in examination are products that were on sale or in public use before the critical date under 35 U.S.C. § 102(b), which is the basis of the invalidity challenge in this case.

Accordingly here, in contrast to situations when the Patent Office already has considered the prior art, there is no basis to depart from the presumptive evidentiary standard in civil cases: the preponderance of the evidence standard. *See Grogan v. Garner*, 498 U.S. 279, 286 (1991).

b. Administrative law principles likewise generally support applying different evidentiary standards depending on whether the prior art was, or was not, considered by the Patent Office.

In administrative review proceedings, deference to an agency's decision is conditioned on whether the agency grappled with the particular question at issue, bringing its expertise or delegated authority to bear on the question. *Cf. Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (extent of deference depends in part on "thoroughness" of agency's consideration); *SEC v. Chenery Corp.*, 318 U.S. 80, 95 (1943). Thus, when an agency has considered a question, a court exercising direct review of a factually supported administrative action must not set it aside unless it is "arbitrary, capricious, [or] an abuse of discretion." Administrative Procedure Act, 5 U.S.C. § 706(2)(A). And the factual underpinnings of that decision must be supported by substantial evidence. *Id.* § 706(2)(E). Indeed, the Federal Circuit is required to apply these standards when it directly reviews factual findings of the Patent Office. *Dickinson v. Zurko*, 527 U.S. 150, 163 (1999); *In re Skvorecz*, 580 F.3d 1262, 1266 (Fed. Cir. 2009).

To be sure, these administrative review standards do not directly apply in civil suits between private parties. Nevertheless, the distinctions these standards draw based on whether an agency did, or did not, apply its expertise appropriately can be implemented in civil litigation using varying evidentiary standards. Specifically, the administrative-review

principles of how much deference to accord suggest that application of a heightened, clear and convincing evidentiary standard for an invalidity challenge may be warranted when the prior art already was considered by the Patent Office. A lower, preponderance standard is warranted when it was not.

Indeed, it would strain credulity to believe that Congress intended to require the Federal Circuit to apply no deference when the Patent Office failed to consider issues or failed to have substantial evidence, and yet to require juries to always give deference through a clear and convincing standard that is found nowhere in the statute. Logic dictates that the burden of persuasion varies depending upon whether the Patent Office considered the prior art.

2. Congress effectively ratified pre-1952 judicial decisions applying different evidentiary standards depending on whether the prior art was considered by the Patent Office

The legal background against which Congress enacted the statutory presumption of patent validity supports applying a preponderance standard in the circumstances here. The pre-1952 lower court judicial decisions, while using various formulations, generally required different levels of proof depending on whether the prior art was considered by the Patent Office. By not enacting any particular, uniform evidentiary standard in the statute, Congress effectively ratified that approach.

In several early cases, this Court imposed a heavy burden on accused infringers trying to establish invalidity based on uncorroborated oral testimony of prior invention—at times even implying a requirement of proof “beyond a reasonable doubt.” *See, e.g., Coffin v. Ogden*, 85 U.S. (18 Wall.) 120, 124 (1873); *Barbed Wire Patent Cases*, 143 U.S. 275, 284-285 (1892). By 1932, this Court stated that, although no particular verbal formulation was binding, a party trying to re-litigate by proxy its prior loss before this Court “bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.” *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 8 (1934).

Later, however, between 1940 and 1952, this Court held invalid numerous patents without suggesting that a heightened evidentiary standard was required. *See, e.g., General Elec. Co. v. Jewel Incan- descent Lamp Co.*, 326 U.S. 242 (1945); *Sinclair & Carroll Co. v. Interchem. Corp.*, 325 U.S. 327 (1945).

The lower courts’ decisions reflect that they understood this Court’s decisions both before and after *Radio Corp.* as not requiring a heightened evidentiary standard when the prior art was not considered by the Patent Office. In a leading case, one court of appeals explained that the heightened standard “presupposes an adjudication by the Patent Office of every fact essential to the validity of the patent.” *Wilson & Willard Mfg. Co. v. Bole*, 227 F. 607, 609-610 (9th Cir. 1915). Where there has been such an adjudication, “one who attacks that adjudication

in a collateral proceeding must establish his claim by clear and satisfactory proof, or, as is often said, by proof beyond a reasonable doubt.” *Ibid.* “But where it appears that there has been no such adjudication by the Patent Office, * * * the reason upon which the rule is founded ceases, and the rule ceases with it.” *Id.* at 610.

Many other lower courts, although not using precisely the same verbal formulations, similarly determined that the proof necessary to invalidate a patent depended on whether the prior art had been considered by the Patent Office. *See, e.g., National Elec. Prods. Corp. v. Grossman*, 70 F.2d 257, 258 (2d Cir. 1934); *O’Leary v. Liggett Drug Co.*, 150 F.2d 656, 664 (6th Cir. 1945); *Boynton v. Chicago Hardware Foundry Co.*, 77 F.2d 799, 801 (7th Cir. 1935). Regardless of the nomenclature, there can be no doubt that, before 1952, courts were requiring more proof for challenges based on prior art that was considered by the Patent Office than for challenges based on prior art that was not.

And when Congress codified the judicial presumption of validity in 1952, there is no reason to think Congress intended to change the status quo by imposing a uniform evidentiary standard for all challenges, either a uniform preponderance standard or a uniform clear and convincing standard. To the contrary, if anything, Congress’s silence on the evidentiary standard is better read as approval of the then-extant decisional law, under which the requisite evidentiary standard depended on whether the prior

art had been considered by the Patent Office when it issued the asserted patent.

Indeed, the legislative history suggests that Congress did not intend to change that decisional law. Although an early draft of Section 282 would have imposed a burden of “convincing proof” on the party challenging the validity of *any* patent, Congress did not enact that language. Pet. Br. 19. Where, as here, “Congress includes limiting language in an earlier version of a bill but deletes it prior to enactment, it may be presumed that the limitation was not intended.” *Russello v. United States*, 464 U.S. 16, 23-24 (1983).

Legislative history from Congress’s subsequent amendment to Section 282 likewise supports that Congressional understanding. An official study sponsored by the Senate explained that, when prior art that was not before the Patent Office is introduced in court, the evidentiary standard “is reduced from a burden of proof beyond a reasonable doubt to a burden of proof by preponderance of the evidence.” George C. Roeming, U.S. Patent Office, *Study No. 25 of the Subcomm. on Patents, Trademarks, and Copyrights of the S. Comm. on the Judiciary: Court Decisions as Guides to Patent Office Policy and Performance*, 86th Cong. 6 (Comm. Print 1960) (cited by Pet. Br. 39).

B. Applying A Preponderance Standard For Unconsidered Art Supports The Strong Public Interest In Eliminating Invalid Patents

The patent system was created to “promote the Progress of * * * useful Arts.” U.S. Const. art. I, § 8, cl. 8. But invalid patents hamper innovation and therefore “stifle, rather than promote, th[at] progress.” *KSR*, 550 U.S. at 427. *See, e.g.*, Christopher A. Cotropia, *The Folly of Early Filing in Patent Law*, 61 HASTINGS L.J. 65, 105-106 (2009). When such “invalid and weak patents get through the [Patent Office]” and fail to “advance[] any worthwhile interest,” they become “an unwelcome clog on commerce” to the detriment of the public good. 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, 1647 (2009).

Accordingly, there is a strong public interest—distinct from the interests of individual litigants—in “resolving questions of patent validity” and in ridding the economy of invalid patents. *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100 (1993). As this Court has emphasized, “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-664 (1969). Indeed, distinguishing between

valid and invalid patents—i.e., patents that serve the public interest and patents that harm it—is all the more paramount in today’s complex, technology-driven economy.

Although the Patent Office works valiantly to issue only valid patents, it is deluged with hundreds of thousands of patent applications each year. It suffers funding shortfalls that have hurt recruiting and retention of well-qualified examiners. And it lacks adequate tools and resources for examiners to do their jobs. See U.S. Patent and Trademark Office, *USPTO Performance and Accountability Report* 34, 113 (2009). As a result many patents issue that should not. See John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 *AIPLA Q.J.* 185, 205 (1998) (46% of patents in study were held to be invalid); Mark Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 *EMORY L.J.* 181, 182 (2008).

The courts thus become the final bulwark in protecting the public from the harm caused by weak and invalid patents. A preponderance standard for proving invalidity when the prior art was not considered by the Patent Office strikes the proper “balance between the interest in motivating innovation and enlightenment by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other.” *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998) (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989)).

C. Practical Experience Shows That The Evidentiary Standard Has A Compelling, And Often Dispositive, Effect On Jurors

The evidentiary standard has a compelling effect on jurors. It is perhaps one of the easier instructions in a patent case to understand, and it often is dispositive of the verdict. See Robert J. MacCoun & Norbert L. Kerr, *Asymmetric Influence in Mock Jury Deliberation: Jurors' Bias for Leniency*, 54 J. OF PERSONALITY & SOC. PSYCHOL. 21, 29-30 (1988). Indeed, because strong patents will survive either a preponderance or a heightened standard, the evidentiary standard for invalidity challenges makes the most difference in cases involving weak patents. Plaintiffs' attorneys recognize this and today often stress the heightened evidentiary standard repeatedly in opening statements and closing arguments.

1. *OPTi Inc. v. Apple, Inc.*

That is what happened, for example, in *OPTi Inc. v. Apple, Inc.*, No. 2:07-CV-21, 2009 WL 4727912 (E.D. Tex. Dec. 3, 2009), appeal dismissed due to settlement, No. 2010-1129 (Fed. Cir.).

In that case, the invalidity question turned on whether OPTi's patent was anticipated in light of another patent application that had been filed with the Patent Office nine months before OPTi's application. That prior application disclosed all of the claim elements of OPTi's patent as the district court construed them. It was uncontested that if the

earlier-filed application were prior art, each of the claims of OPTi's patent was anticipated.

The only questions for the jury on invalidity, therefore, were of historical fact: (1) whether OPTi actually conceived the invention before the filing of the prior patent application and exercised reasonable diligence until it reduced the invention to practice; and (2) even if OPTi could establish an invention prior to the other inventor's patent filing, whether the other inventor was entitled to an even earlier date. These questions were not considered by the Patent Office when it granted OPTi's patent.

Apple requested a jury instruction stating that invalidity need be proved only by a preponderance of the evidence in that case. The district court rejected that instruction. Seizing on the clear and convincing standard, Opti's lawyer then argued that, as to the invalidity question, Apple had to "tip[] the scales" not "a little bit" but "a lot," and that the jury has to "hold them to that standard." Indeed, in voir dire, the lawyer contrasted what OPTi needed to prove on infringement with what Apple needed to prove for invalidity by using a ruler illustration. As to OPTi's burden, he stated: "[W]ith the preponderance of the evidence standard, which OPTi has to prove to you on damages, * * * we've got to get just past the 6-inch mark in order to meet our burden of proof." As to Apple's burden for proving invalidity, he stated: "[B]ecause the patents are presumed to be valid, [counsel for Apple] are going to [have to] get out here somewhere around 8 or 9 inches. It's a bigger burden.

Wel[’ve] just got to tip the scales; they[’ve] got to meet a bigger burden.”

In the end, this onerous standard allowed OPTi to convince the jury that it was entitled to an earlier invention date, even though OPTi presented no evidence that it had built a product that met all of the claim elements, as the law requires. The jury found for OPTi and awarded \$19 million.

2. Abbott Laboratories v. Syntron Bioresearch, Inc.

The practical effect of the evidentiary standard is confirmed further by cases where the Patent Office on reexamination invalidates a patent under the preponderance standard after a jury refused to invalidate it under a clear and convincing standard.

For example, in *Abbott Laboratories v. Syntron Bioresearch, Inc.*, 334 F.3d 1343 (Fed. Cir. 2003), the jury rejected an invalidity challenge under a clear and convincing standard. The defendant filed a reexamination request with the Patent Office based on the same art that had been before the jury. And the Patent Office rejected several claims of the patent as anticipated and/or obvious. *In re Swanson*, 540 F.3d 1368, 1373-1374 (Fed. Cir. 2008). The Federal Circuit then affirmed the Patent Office’s decision, holding that the Patent Office was free to reach a different conclusion from the jury due to the different evidentiary standard applied by the Office. *Id.* at 1378.

These different outcomes—attributable solely to the different evidentiary standards—illustrate how the clear and convincing standard can lead to rejection of well-founded invalidity challenges based on prior art that was not considered by the Patent Office. *See also* Br. of Apple Inc. as Amicus in Support of Cert. 20-27 (collecting other examples where the evidentiary standard was dispositive).

3. Additional empirical evidence

Jury research also shows that many citizens are reluctant to invalidate patents. Jurors believe that “patent examiners are the ultimate experts” who conduct “extensive searches” to determine patentability, Laurie Kuslansky & Daniel Wolfe, *Juror Perceptions in Patent Cases: Neither Intellectual nor Property 2* (2000), and that they wouldn’t have “gotten it wrong,” Julie Blackman et al., *East Texas Jurors and Patent Litigation*, 22 JURY EXPERT 5, 11 (Mar. 2010). *See also* Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 392 (2000).

Indeed, one of the jurors in petitioner’s case made exactly this point in a post-verdict interview: “I really felt like with experts in the patent office * * * they knew what they were doing. I suppose I really have a lot of confidence in the U.S. patent office.” Joe Mullin, *Patent Litigation Weekly: So What Do E.D. Texas Jurors Really Think?*, IP Law & Business, Jan. 11, 2010. As a recent study of mock juries in the Eastern District of Texas found, resistance to invalidating patents is so prevalent that some jurors view the

invalidity defense as a “cheap trick.” *See* Blackman, *supra*, at 11.

Lay jurors’ inclination to defer to the examiner’s expertise on technical issues, rather than rely on their own lay knowledge, works in tandem with the clear and convincing standard to insulate weak patents from invalidity verdicts. This makes it tremendously difficult to persuade a jury to go against the decision of the Patent Office, even when the Patent Office never considered the prior art used to challenge the patent. *See, e.g.*, FTC Report, *supra*, ch. 5 at 27; *id.* at 27 n.190 (the clear and convincing evidence standard signals to the jury that “unless we find something devastating[ly] effective against it, we’re going to affirm it” (citation omitted)).

CONCLUSION

For the foregoing reasons, the judgment of the Federal Circuit should be reversed.

Respectfully submitted,

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