

No. 10-290

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

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MICROSOFT CORPORATION,

*Petitioner,*

*v.*

I4I LIMITED PARTNERSHIP AND  
INFRASTRUCTURES 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 SAP AMERICA, INC., ACUSHNET COM-  
PANY, FACEBOOK, INC., GENERAL MOTORS LLC,  
PREGIS CORPORATION, SYMANTEC CORPORA-  
TION, TEREX CORPORATION, AND YAHOO! INC.  
AS *AMICI CURIAE* SUPPORTING PETITIONER**

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JOHN F. DUFFY  
FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
1001 Pennsylvania Ave. NW  
Washington, D.C. 20004  
(202) 639-7000

JAMES W. DABNEY  
*Counsel of Record*  
STEPHEN S. RABINOWITZ  
HENRY C. LEBOWITZ  
FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
One New York Plaza  
New York, N.Y. 10004  
(212) 859-8000  
James.Dabney@  
friedfrank.com

*Counsel for SAP America, Inc., Acushnet Company,  
Facebook, Inc., General Motors LLC, Pregis Corporation,  
Symantec Corporation, Terex Corporation,  
and Yahoo! Inc.*

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### QUESTION PRESENTED

Section 282 of the Patent Act provides in part: “A patent shall be presumed valid. . . .The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: . . . (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.” 35 U.S.C. § 282.

The question presented is:

Whether the Federal Circuit has erred in holding that a defense of patent invalidity under 35 U.S.C. § 282(2) can never be sustained unless all of its factual predicates are proved by clear and convincing evidence.

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## INTEREST OF AMICI CURIAE

SAP America, Inc. is a leading developer of computer software and computer-based business solutions. Acushnet Company manufactures and markets Titleist® golf balls and other market leading golf-related products. Facebook, Inc. is a social utility with more than 500 million users. General Motors LLC is part of the General Motors Company, one of the world's largest and most innovative automakers. Pregis Corporation manufactures and markets diverse packaging solutions including market leading food, medical, foam, and air-filled packaging products for business and industry. Symantec Corporation is a global leader in providing security, storage, and systems management solutions to help consumers and organizations secure and manage their information-driven world. Terex Corporation manufactures and markets a broad range of heavy equipment used in construction, quarrying, mining, transportation, and other industries. Yahoo! Inc. is a leading Internet technology, communications, and media company. Amici own significant patent portfolios and, at times, are both plaintiffs and defendants in patent infringement actions. As direct participants in the United States patent system, Amici are vitally interested in the authority of courts to review agency actions of the United States Patent and Trademark Office (“PTO”) and to correct errors that are inevitable in the United States system of *ex parte* examination of patent applications.<sup>1</sup>

## SUMMARY OF THE ARGUMENT

Two statutes are relevant to the resolution of this case: the Patent Act and the Administrative Procedure Act (“APA”). The Patent Act provides that claims for alleged patent infringement may be defen-

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<sup>1</sup> No counsel for any party authored this brief in whole or in part. No party made a monetary contribution intended to fund the preparation or submission of this brief. The parties have consented to the filing of this brief.

ded on grounds of “[i]nvalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.” 35 U.S.C. § 282(2). The Patent Act thus follows a traditional and accepted pattern for providing judicial review of administrative action that Congress explicitly contemplated, and intended to regulate, in the APA. *See* 5 U.S.C. § 703 (providing that “agency action is subject to judicial review in civil or criminal proceedings for judicial enforcement” unless “prior, adequate, and exclusive opportunity for judicial review is provided by law”).

Section 282 of the Patent Act also provides that “[a] patent shall be presumed valid.” 35 U.S.C. § 282 (first sentence). This sentence is best interpreted as a codification of the presumption of administrative correctness; it is a signal to reviewing courts that some measure of respect and deference is owed to the processes and reasoning of the administrative agency. *See, e.g., Citizens to Pres. Overton Park v. Volpe*, 401 U.S. 402, 415 (1971) (“Certainly, the Secretary’s decision is entitled to a presumption of regularity.”); *Hynes v. Grimes Packing Co.*, 337 U.S. 86, 101 (1949) (“An administrative order is presumptively valid.”).

The measure of deference due to administrative agencies was once governed by a variety of judge-made doctrines, which often varied from one administrative context to another. In 1946, however, the APA was enacted “to bring uniformity to a field full of variation and diversity.” *Dickinson v. Zurko*, 527 U.S. 150, 155 (1999). Deviations from APA standards of judicial review are disfavored both by the explicit statutory text and by this Court’s precedents.

In this case, application of the APA’s standards is not difficult. In the district court Petitioner challenged the validity of Respondents’ patent on at least one factual ground that the PTO did not consider or adjudicate during its examination of the application that issued as Respondents’ patent. In such circum-

tances, § 706 of the APA prescribes *de novo*, not limited or deferential, review of the merits of Petitioner's invalidity defense. This is so for two reasons.

First, judicial deference to an administrative action is appropriate only where the administrative action was the "product of reasoned decisionmaking." *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 52 (1983) (interpreting § 706(2)(A) of the APA). Reasoned decisionmaking requires, at a minimum, that "the agency must examine the relevant data and articulate a satisfactory explanation for its action, including a 'rational connection between the facts found and the choice made.'" *Id.* at 43 (quoting *Burlington Truck Lines, Inc. v. United States*, 371 U. S. 156, 168 (1962)). Because the PTO did not engage in any "reasoned decisionmaking" with respect to the particular validity issue raised by Petitioner, judicial deference to the agency is not appropriate under the APA.

Second, the APA expressly authorizes reviewing courts to decide whether agency action is "unwarranted by the facts to the extent that the facts are subject to trial *de novo* by the reviewing court." 5 U.S.C. § 706(2)(F). Under this Court's precedent, § 706(2)(F) authorizes *de novo* determination of factual issues "when the [agency] action is adjudicatory in nature and the agency factfinding procedures are inadequate." *Citizens to Pres. Overton Park*, 401 U.S. at 415.

*Ex parte* examination of patent applications is often inadequate to the task of determining whether a claimed invention satisfies statutory conditions for patentability as a factual matter, for as this Court has noted, the PTO is generally required to act "without the aid of the arguments which could be advanced by parties interested in proving patent invalidity." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). So here, it is undisputed that the PTO never received evidence or made findings concerning the potentially invalidating commercial activity that Petitioner presented to the district court.

To the extent that APA § 706(2)(F) might be interpreted as requiring a separate statutory authorization for trial *de novo* by the reviewing court, 35 U.S.C. § 282 provides such an authorization. Section 282 authorizes courts to adjudicate patent invalidity issues when they are pleaded as “defenses in any action involving the validity or infringement of a patent.” Because § 282 specifies no heightened standard of proof, it is rightly interpreted as imposing a burden of proving facts establishing invalidity by a preponderance of the evidence. *See Grogan v. Garner*, 498 U.S. 279, 286 (1991).

“A preponderance-of-the-evidence standard allows both parties to ‘share the risk of error in roughly equal fashion.’” *Herman & MacLean v. Huddleston*, 459 U.S. 375, 390 (1983) (quoting *Adlington v. Texas*, 441 U.S. 418, 423 (1979)). “Any other standard expresses a preference for one side’s interests.” *Id.* No such preference is properly read into 35 U.S.C. § 282; for as this Court has long held, “[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*, 395 U.S. at 663-64 (quoting *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892))

*De novo* determination of disputed factual issues relevant to patent invalidity defenses is also symmetric with how such issues are resolved in civil actions to compel issuance of a patent under 35 U.S.C. § 145. When a patent applicant presents new or different evidence relevant to patentability in such an action, it is settled law that “[t]he presence of such new or different evidence makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164. *See Hyatt v. Kappos*, 625 F.3d 1320, 1336-37 (Fed. Cir. 2010) (en banc). The same approach also applies generally in trademark cases. *See CAE, Inc. v. Clean Air Eng’g, Inc.*, 267 F.3d 660, 674 (7th Cir. 2001) (affirming injunction and order directing PTO to cancel registration of accused mark).



To hold that a preponderance of the evidence is sufficient to establish facts relevant to patent invalidity is not devalue the importance or weight that a court may properly afford to decisions of the PTO. The preponderance-of-the-evidence standard is routinely applied to the factual predicates of challenges to the validity of issued federal trademark registrations even though these, like patents, are “presumed valid.” *Martahus v. Video Duplication Servs., Inc.*, 3 F.3d 417, 421 (Fed. Cir. 1993) (“Thus, since service mark registrations are presumed valid, one seeking cancellation of such a registration must rebut this presumption by a preponderance of the evidence.”).

Where the administrative record of a patent shows that the PTO has engaged in reasoned decisionmaking with regard to a factual issue, a court—whether in reviewing the grant or denial of a patent—may properly recognize that “[e]xpertness and experience in passing upon patents lie primarily in the Patent Office and these important factors are only partially offset by the greater concentration and the additional relevant evidence which can be brought to bear in any particular patent litigation in the courts.” *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 258 F.2d 124, 133 (2d Cir. 1958).

Application of the APA’s standards is a fundamentally fair, balanced, and symmetric approach to judicial review of PTO agency actions. The Federal Circuit’s failure to apply APA standards is as unwise as it is unjustified under the relevant federal statutes.

## ARGUMENT

The Federal Circuit’s case law on challenges to patent validity has numerous flaws. The circuit’s “clear and convincing evidence” standard is typically read as a jury charge, with the jury being asked to decide legal questions concerning patent invalidity. That practice invites the conflation of legal and factual issues, and runs counter to the principle that the “concept of a jury . . . reviewing the action of an

administrative body is contrary to settled federal administrative practice.” *Cox v. United States*, 332 U.S. 442, 453 (1947) (plurality opinion); *id.* at 455 (opinion of Douglas, J.) (“join[ing] in the opinion of the Court” in holding judicial review to be an issue of law for the court).<sup>2</sup>

The Federal Circuit’s “clear and convincing evidence” rule also conflicts with first principles of administrative law. The circuit imposes an elevated burden of proof without regard for whether the agency has engaged in reasoned decision-making concerning a given factual issue. This practice runs counter to the basic rationale for giving weight to the decisions of administrative agencies, which is that an expert body has brought its expertise to bear on the issue. *Cf. KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (“the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished here”).

The Federal Circuit’s “clear and convincing evidence” rule also establishes a basic asymmetry in the law governing judicial review of PTO decisions: A disappointed patent applicant may obtain a trial *de novo* of facts relevant to a claim that the PTO erred in *rejecting* a patent application, but the proponent of an invalidity defense must present “clear and convincing evidence” of facts relevant to a claim that the PTO erred in *allowing* a patent application. This asymmetry is in strong tension with this Court’s holding that: “From their inception, the federal patent laws have embodied a careful balance between the

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<sup>2</sup> With regard to the role of lay juries in patent invalidity determinations, Federal Circuit precedent stands in avowed conflict with regional circuit precedent. *See Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 895 n.5 (Fed. Cir. 1984) (specifically disagreeing with *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647 (9th Cir. 1982) (en banc)). *See also Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983) (en banc) (holding that it was error to submit question of patent validity to lay jury under general instructions).

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).

Yet the most fundamental flaw in the Federal Circuit’s law in this area is that the case law has no connection whatsoever to the standards that Congress articulated in the APA, which is supposed to provide a general framework for regulating the judicial review of administrative action. This case gives the Court the opportunity to insure that the judicial standards for reviewing both the grant and denial of patents are symmetric, balanced, fair, and, most importantly, consistent with the standards in the APA governing judicial review.

**I. THE JUDICIAL REVIEW AUTHORIZED BY THE PATENT ACT IS SUBJECT TO THE STANDARDS OF REVIEW IN THE APA.**

The case for applying the APA in this case begins with the text of the statute itself. The APA broadly applies to any “agency,” which is expressly defined to include, with exceptions not relevant here, “each authority of the Government of the United States.” 5 U.S.C. §§ 551(1) & 701(b)(1). Because of this broad definition, this Court has repeatedly held that the patent office is subject to the APA. *See Zurko*, 527 U.S. at 154 (applying APA standards to review of PTO actions denying a patent); *Sperry v. Florida*, 373 U.S. 379, 396-99 (1963) (relying, *inter alia*, on the text and legislative history of the APA in determining the power of the Patent Office to authorize non-lawyers to practice before the agency).

Broad, general application of the APA is commanded not only by the text, but by pervasive legislative history. Congress intended the APA to provide a “simple and standard plan of administrative procedure” that would respond to the “widespread demand for legislation to settle and regulate the field

of Federal administrative law and procedure.” S. Rep. No. 752, 79th Cong. 1 (1945), *reprinted in* Staff of Senate Comm. on the Judiciary, Legislative History of the Administrative Procedure Act, S. Doc. No. 79-248, at 187 (1946) (hereinafter APA Legislative History). Importantly, Congress intended the new statute “to be operative ‘across the board’ in accordance with its terms, or not at all. . . . No agency has been favored by special treatment.” H.R. Rep. No. 1980, 79th Cong. 15 (1946), *reprinted in* APA Legislative History 250.

The APA provides a comprehensive framework designed to fit a wide variety of situations in which judicial review may be obtained. It is not limited to cases involving direct review of administrative action or cases involving the agency itself. 5 U.S.C. § 703 expressly provides that the judicial review contemplated under the statute includes “judicial review in civil or criminal proceedings for judicial enforcement.” Criminal enforcement proceedings are not direct review of the agency action and typically do not involve the agency. This Court has characterized civil actions for patent infringement as actions for “enforcement of a patent.” *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 174 (1965).

The breadth of the language of § 703 is confirmed by contemporaneous understanding. In opining on the availability of judicial review in enforcement proceedings, the Attorney General’s Manual on the Administrative Procedure Act (1947) discusses the applicability of “primary jurisdiction” (*id.* at 99)—a doctrine relevant only to cases where the agency is not a party and typically in civil litigation between private parties. *See, e.g., Maislin Indus., U. S., Inc. v. Primary Steel, Inc.*, 497 U.S. 116 (1990) (invocation of the primary jurisdiction doctrine in a private suit to enforce rates filed with an administrative agency).

The APA also applies to cases in which judicial review goes beyond review of the record before the agency. While the APA requires that “the court shall

review the whole record or those parts of it cited by a party,” that language cannot be interpreted to demand *exclusive* reliance on the administrative record given that the immediately preceding language in the statute allows for trial *de novo* of the facts in some circumstances. 5 U.S.C. § 706(2)(F).

Nothing in § 282 of the Patent Act suggests that the APA should be inapplicable to the judicial review of patent grants that the statute makes available “in any action involving the validity or infringement of a patent.” To the contrary, § 282 speaks in familiar administrative law terminology. For example, the final sentence in § 282 provides that one particular administrative determination “is not subject to *re-view*” in an action involving the infringement of a patent. 35 U.S.C. § 282 (last sentence; emphasis added). In its use of the word “review” in this context, the statute is written in a manner that facilitates a harmonious reading with the APA. (That particular sentence should be read in conjunction with § 701(a)(1), for the sentence is an example of a statute that “preclude[s] judicial review.) The last sentence also demonstrates that, where Congress has intended to provide for a rule of review different from the generally applicable default rules in the APA, Congress has known how to do so.

Similarly, the first sentence in § 282 also codifies the well-known administrative law principle—which existed even prior to the enactment of the APA—that an agency action enjoys a presumption of validity, which is sometimes also known as a presumption of “regularity” or “correctness.” *See, e.g., Citizens to Pres. Overton Park*, 401 U.S. at 415 (“Certainly, the Secretary’s decision is entitled to a presumption of regularity.”); *Hynes*, 337 U.S. at 101 (“An administrative order is presumptively valid.”); *Berlin Mills Co. v. Procter & Gamble Co.*, 254 U.S. 156, 164 (1920) (“It is true that claims one and two were finally allowed, and the patentee is entitled to the presumption which arises from the granting of them.”).

The presumptions of administrative validity, regularity, or correctness were all phrases designed to signal to courts the fundamental point that, in judicial proceedings, agency actions are entitled to a certain measure of weight and respect, but that the agency action is not unassailable or conclusive. Prior to 1946, the degree of judicial respect to be afforded administrative decisions and, importantly, the circumstances in which the agency action was not to be respected, were not uniform. The APA was intended to provide uniformity in the area, and it provides a limited and familiar set of standards under which agency action is to be evaluated.

This Court, ruling in a case involving judicial review of PTO actions, has previously recognized “the importance of maintaining a uniform approach to judicial review of administrative action,” and has required that any “exception to that uniformity . . . must be clear” in order to justify a departure from APA standards of judicial review. *Zurko*, 527 U.S. at 154-55.

Here, there is no justification for a deviation from the framework established by the APA. Under the last sentence of APA § 559, a “[s]ubsequent statute”—one enacted after 1946 (such as § 282 of the Patent Act)—“may not be held to supersede or modify [the APA’s standards], except to the extent that it does so expressly.” Nothing in § 282, or in any of provision of the 1952 Patent Act that is relevant to this case, meets the standard of “expressly” authorizing a deviation from the review standards of the APA.

Under the first sentence of APA § 559, statutes and case law predating the APA cannot justify a deviation from the APA’s requirements unless the prior law constitutes “additional requirements imposed by statute or otherwise recognized by law.” 5 U.S.C. § 559 (first sentence). The phrase “additional requirements” must refer to additional requirements *on agencies*, not to additional requirements *on courts reviewing agency actions*. As this Court has repea-

tedly recognized, the judicial review provisions of the APA were designed to raise up, to some degree, pre-existing standards of judicial review. *See Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951). Thus, this Court has never held that a more deferential, pre-APA standard of judicial review survived the enactment of the APA.

Even if, however, a more deferential standard of judicial review could constitute an “additional requirement” for purposes of § 559, this Court has also demanded that any pre-APA “additional requirement” be established by a clear prior practice, and the historical practice governing judicial review of patent validity does not establish any clear practice that supports the Federal Circuit’s use of a “clear and convincing evidence” standard as a means for protecting the validity of issued patents.

To the contrary, the historical practice favors *de novo* determination of facts relevant to patent validity where, as in this case, the validity of a patent is challenged on the basis of evidence received in a trial of a patent infringement action. *See, e.g., Sinclair & Carroll Co. v. Inter-Chem. Corp.*, 325 U.S. 327, 332-35 (1945) (quoting trial testimony and holding claim invalid without reference to any elevated burden of proof); *Dow Chem. Co. v. Halliburton Oil Well Cementing Co.*, 324 U.S. 320, 326-27 (1945) (holding claims invalid based in part on trial proofs of prior art reflected in commercial activity; no mention of any elevated burden of proof).

Although we take a different approach concerning the applicability of the APA than Petitioner does, we agree with Petitioner on the outcome in this case, and any distinction between the two approaches will likely make little difference in other cases. If Petitioner were correct in its contention that the APA does not apply to judicial review of patent validity when conducted in a civil action governed by § 282, then in this case the clear-and-convincing rule is still inappropriate for the reasons articulated by Petitioner.

In cases where the agency has considered the relevant art, the amount of respect due to the agency's decision would, under the logic of Petitioner's position, remain subject to judge-made law. But where Congress has legislated in an area analogous to one where judge-made law remains proper, this Court has repeatedly held that the judge-made law "should look primarily to [the] legislative enactments for policy guidance," *Miles v. Apex Marine Corp.*, 498 U.S. 19, 27 (1990), and that the judge-made law "is to be developed, insofar as possible, to harmonize with the enactments of Congress in the field." *Am. Dredging Co. v. Miller*, 510 U.S. 443, 455 (1994). Thus, to the extent judicial review of patent validity is governed by judge-made law and not the APA, this Court should attempt to harmonize the judge-made law with the principles of judicial review codified in the APA and successfully applied in diverse administrative settings. See John F. Duffy, *Administrative Common Law in Judicial Review*, 77 Tex. L. Rev. 113 (1998) (detailing the modern trend away from judge-made law in judicial review of administrative action).

If the APA is not used as a reference, the judge-made law in this area could diverge even further from standard principles of administrative law. Just recently, for example, the Federal Circuit stated that, where the proponent of an invalidity defense relies on the same prior art that the PTO considered during the prosecution of a challenged patent, the party is then subject to a judge-made "added" "enhanced burden"—in addition to the clear and convincing evidence standard—which the court thought necessary to "overcom[e] the deference that is due to a qualified government agency." *Tokai Corp. v. Easton Enters.*, No. 10-1057, slip op. at 13 (Fed. Cir. Jan. 31, 2011). *Tokai* shows that the judge-made law in this area, if it is not tethered to the APA, may very well continue to develop in a way that maximizes rather than minimizes the divergence from the generally applicable, congressionally endorsed version of administrative law set forth in the APA.



**II. THE APA REQUIRES *DE NOVO* REVIEW WHERE THE PTO HAS NOT EXERCISED REASONED DECISIONMAKING ON AN ISSUE OR WHERE A TRIAL RECORD CONTAINS SUBSTANTIAL NEW OR DIFFERENT EVIDENCE CONCERNING AN ISSUE OF FACT RELEVANT TO A DEFENSE OF INVALIDITY.**

The judicial review provisions of the APA were enacted to provide a general framework for resolving a “central question of administrative law.” Stephen G. Breyer, et al., *Administrative Law and Regulatory Policy* 191 (6th ed. 2006). Given that courts should generally presume the validity or correctness of administrative actions, but given also that courts are authorized to review agency actions, precisely how much “respect” or “weight” (*id.*) should a court afford an administrative action in a case where the validity of the agency’s action is lawfully challenged?

The APA provides a limited set of answers to this question, and a “clear and convincing” evidentiary standard is simply not within the range of possibilities found in the statute. Indeed, the “clear and convincing evidence” standard, as it is articulated within Federal Circuit case law, differs from the APA’s approach to judicial review in two fundamental respects. First, the APA does not use elevated standards of proof as a mechanism for giving weight or respect to an agency’s action. Second, under the APA’s approach, agency action is entitled only to the degree of respect that is justified by the agency’s reasoning, which in turn is a function of the evidence that was presented to the agency. We address these points in turn.

The APA nowhere suggests that imposing an elevated burden of proof for disputed factual issues in civil litigation is an appropriate way for courts to give deference to administrative agency action. The Federal Circuit’s contrary approach has the unfortunate consequences of conflating issues of law and fact and promoting use of lay juries to determine whether

a PTO grant decision was made in accordance with law. This case well illustrates the problem.

At the trial of this case, the issue of whether Respondents' patent was invalid under 35 U.S.C. § 102(b) was submitted to a jury under a "clear and convincing evidence" instruction. Pet. App. 195a. This Court has held, however, that "the ultimate question of patent validity is one of law." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). Similarly, this Court has held that juries should not be used in "reviewing the action of an administrative body." *Cox*, 332 U.S. at 453 & 455. Use of an elevated evidentiary standard as a means for requiring lay juries to give weight to PTO agency actions thus promotes patent trial practices that are in deep tension with this Court's case law in both patent law and administrative law.

The Federal Circuit's use of an elevated burden of proof also implements an approach to review of administrative action that is not sensitive to the quality of the agency's reasoning, and this point leads to the second respect in which the Federal Circuit's approach is fundamentally at odds with the APA's philosophy of judicial review. Under the APA's approach, no judicial deference is appropriate unless the agency's decision passes what is commonly described as the "catchall" provision in § 706(2)(A). *Ass'n of Data Processing Servs. Orgs. v. Bd. of Governors of the Federal Reserve System*, 745 F.2d 677, 683 (D.C. Cir. 1984) (Scalia, J.). That provision, which is generally applicable to almost all administrative action, requires judicial judgment whether a challenged agency action is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A).

Section 706(2)(A) has been interpreted to require a "hard look" approach to judicial review that "requires agencies to develop an evidentiary record reflecting the factual and analytical basis for their decisions, to explain in considerable detail their reasoning, and to give 'adequate consideration' to the evi-

dence and analysis submitted by private parties.” Breyer, et al., *supra*, at 348. *See also Citizens to Pres. Overton Park*, 401 U.S. at 415 (interpreting § 706(2)(a) to require a “thorough, probing, in-depth review” of administrative action). That generally applicable standard is central to the APA’s establishment of “a scheme of ‘reasoned decisionmaking,’” *Allentown Mack Sales v. NLRB*, 522 U.S. 359, 374 (1998) (quoting *State Farm*, 463 U.S. at 52), in which discernable, actual application of agency expertise to a given issue is an essential predicate for according deference to an agency’s action.

In this case, the PTO’s decision to issue Respondent’s patent would clearly fail the test of § 702(2)(A) because the agency “entirely failed to consider an important aspect of the problem.” *State Farm*, 463 U.S. at 43. In most administrative contexts, such a failure would generate a remand to the agency, but here the Patent Act authorizes the courts to decide the validity of the patent directly, with “the burden of establishing invalidity” resting on the party asserting invalidity. 35 U.S.C. § 282 (fourth sentence). *De novo* review, rather than remand, is sensible in the context of civil actions governed by § 282, since PTO proceedings involved in issuing a challenged patent may have terminated many years in the past (in this case, for example, the PTO issued Respondents’ patent more than a decade ago).

*De novo* determination of factual issues in cases such as this is also entirely consistent with the APA, which expressly contemplates that some agency actions will be subject to trial *de novo*. *See* 5 U.S.C. § 706(2)(F). Although “[t]he drafters of the APA probably intended [the *de novo*] standard of review to apply to . . . adjudication proceedings that do not generate a trial-type record,” Breyer, *supra*, at 217-18, this Court has held that *de novo* review may apply in situations where “the action is adjudicatory in nature and the agency factfinding procedures are inadequate” or where “issues that were not before the agency are raised in a proceeding to enforce nonad-

judicatory agency action.” *Citizens to Pres. Overton Park*, 401 U.S. at 415.

Challenges to PTO patent grant decisions, following *ex parte* examination, often fit within the first of these categories. The inadequacy of *ex parte* examination as a fact finding procedure is reflected in the Patent Act’s provisions that entitle parties challenging patent denials (under 35 U.S.C. § 145) and parties challenging patent grants (under 35 U.S.C. § 282) to use coercive discovery processes to gather new evidence and to litigate factual issues in full dress trial proceedings before courts with authority to review and, if the evidence warrants, to invalidate results of *ex parte* examination proceedings.

Where new evidence is introduced in a civil action challenging the PTO’s denial of a patent, it is established that “[t]he presence of such new or different evidence makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164. *See Hyatt*, 625 F.3d at 1336-37. *De novo* review in these circumstances fits within the letter, intent, and judicial constructions of the APA. Precisely the same is true when substantial new evidence of patent invalidity is received in a civil action governed by 35 U.S.C. § 282. Such new and different evidence necessarily gives rise to different factual and legal questions than the PTO could have considered or passed upon in the absence of such evidence.

This case does not require the Court to decide how much weight or respect a court, in the context of *de novo* determination of an invalidity defense, may or should accord a prior PTO grant decision where the PTO has considered a given issue and has considered at least some of the evidence relevant to that issue. Two points are, however, worth noting.

First, under the APA courts have flexibility to accord weight to the PTO’s “[e]xpertness and experience” when a prosecution record justifies it, *Georgia-Pacific*, 258 F.2d at 133, and also to decline to do so when circumstances warrant. *See Calmar, Inc. v.*

*Cook Chem. Co.*, 383 U.S. 1, 34 (1966) (“We are at a loss to explain the Examiner’s allowance on the basis of such a distinction.”).

Second, in affording weight or deference in reviewing the validity of PTO agency actions, the appropriate decision-maker is almost certainly a court, not a jury. Only a court can analyze the legal and factual solidity of the agency’s reasoning and provide the degree of deference dictated by legal precedents on administrative law. Modern principles of deference to administrative expertise lie fundamentally outside the competency of lay juries. If a jury has any role in the review of the validity of patents, that role must be confined to the determination of specific historical facts under a traditional preponderance of the evidence standard.

### III. THE TEXT AND STRUCTURE OF THE PATENT ACT BOTH SUPPORT *DE NOVO* REVIEW IN THIS CASE.

The Patent Act facilitates issuance of patents in the first instance by prescribing an *ex parte* examination process and prohibiting any form of pre-issuance opposition to the grant of a patent without an applicant’s written consent. *See* 35 U.S.C. § 122(c). In the context of this *ex parte* examination system, 35 U.S.C. § 282 provides a critical mechanism by which statutory conditions for patentability are enforced. The rule of decision applied below undercuts and subverts the statutory scheme.

Under the Patent Act, any natural person who believes that he or she has made an invention may file a written application for patent that states, among other things, that the applicant “*believes* himself [or herself] to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he [or she] solicits a patent.” 35 U.S.C. § 115 (emphasis added). The word “believes” is important; for under current PTO practice, a patent applicant is not required to undertake any search of prior art or to

make any affirmative demonstration of a claimed invention's patentability in the first instance. To support a claim of right to a patent, an applicant's subjective belief in his or her "inventor" status is sufficient.

Patent applications are examined for compliance with "the conditions and requirements of this title." 35 U.S.C. § 101. A number of the statutory conditions for patentability involve factual inquiries that the PTO is ill-equipped to make in the context of an *ex parte* proceeding. For example, the "prior art" to a claimed invention may include methods, products, or materials that were "in public use or on sale in this country, more than one year prior to the date of the application for patent." 35 U.S.C. § 102(b). *Cf. KSR*, 550 U.S. at 409 (prior art to asserted patent included 1994 Chevrolet pickup truck fixed pedal system). Such information may not be recorded in printed publications or any other form that is readily searchable or accessible to the PTO.

Similarly, whether an applicant is the "original and first inventor" of claimed subject matter, 35 U.S.C. § 115, depends in part on whether, "before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it." 35 U.S.C. § 102(g)(2). The merits of such an inquiry often turn on documentary evidence that is not available outside the context of litigation. *See, e.g., Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1, 32-36 (1943) (invalidating patent claims based on prior invention of the subject matter described by asserted claims, as shown by contents of non-public documents).

Even under ideal conditions, *ex parte* examination of patent applications has significant limitations that can produce erroneous decisions with a fair degree of frequency. In *KSR*, the Court was confronted with a case in which the PTO had allowed a claim that described a position-adjustable accelerator pedal having "a fixed pivot point," 550 U.S. at 411, even

though that exact feature was disclosed in a prior art patent (“Asano”). The applicant had not cited the Asano reference during prosecution of his application for patent, and the PTO had failed to locate the Asano reference during its examination of the application. The result was an important information deficiency: “the PTO did not have before it an adjustable pedal with a fixed pivot point.” *Id.* at 411-12. In reversing the Federal Circuit and sustaining the defendant-petitioner’s invalidity defense under 35 U.S.C. §§ 103(a) and 282(2), the Court stated:

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

550 U.S. at 426.

As is illustrated by decisions like *KSR*, *ex parte* examination of patent applications can, at best, yield only provisional and tentative conclusions with regard to the validity of an applicant’s claims,<sup>3</sup> and

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

cannot yield results that are binding on persons who have no opportunity to participate in the examination process. The text of the Patent Act reflects these fundamental realities. 35 U.S.C. § 131 provides that the Director of the PTO “shall cause an examination to be made of the application and the alleged new invention; and if on such examination it *appears* that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor” (emphasis added).

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

Section 282 is thus designed to facilitate, not to disfavor, judicial review of the results of *ex parte* examination of patent applications. The text of § 282 is silent with respect to the “burden” that it imposes on proponents of invalidity defenses, which means

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[Footnote continued from previous page]

*tent Office*, 95 Nw. U. L. Rev. 1495, 1500 (2001) (average of eighteen hours over 2-3 years).

<sup>4</sup> Broad authority to review the validity of claims made in issued patents has been included in every patent statute that has been enacted since 1790. *See* Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 208; Act of July 4, 1836, ch. 357, § 15, 5 Stat. 117, 123; Act of Feb. 21, 1793, ch. 11, § 10, 1 Stat. 318, 323; Act of April 10, 1790, ch. 7, §§ 5-6, 1 Stat. 109, 111-12.



that the preponderance-of-the-evidence standard is presumptively applicable. *See Grogan*, 498 U.S. at 286. This presumption is not rebutted, but to the contrary is strongly *reinforced* by the structure of the Patent Act, which couples an inherently error-prone, *ex parte* examination procedure with plenary post-grant judicial review authority in 35 U.S.C. § 282(2). A preponderance-of-the-evidence standard is an important aspect of the statutory mechanism for ensuring that, in *all* cases, subject matter claimed in issued patents in fact satisfies statutory conditions for patentability.

The nature of patent grants is a further reason for interpreting § 282 as authorizing courts to determine patent validity questions based on facts proved by a preponderance of the evidence:

A patent by its very nature is affected with a public interest. . . . The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent [rights] . . . are kept within their legitimate scope.

*Walker Process*, 382 U.S. at 177 (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U. S. 806, 816 (1945)).

#### IV. THE RULE OF DECISION APPLIED BELOW CONFLICTS WITH THIS COURT'S PRECEDENTS.

Besides being inconsistent with APA standards of judicial review and the text and structure of the Patent Act, the rule of decision applied below conflicts with this Court's precedents in multiple fields of law including (i) patent law, (ii) federal civil procedure, and (iii) evidence law.

##### A. Patent Law Precedents

In numerous cases decided since 1946, this Court has sustained invalidity defenses to claims for alleged patent infringement without reference to “clear

and convincing evidence” or any other elevated burden of proof. *See, e.g., KSR*, 550 U.S. at 407-09 (describing factual predicates of invalidity holding); *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 58-59 & n.3 (1998) (describing factual predicates of invalidity holding); *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 275-78, 280-81 & n.4 (1976) (describing factual predicates of invalidity holding); *Anderson’s-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 57-61 & n.1 (1969) (describing factual predicates of invalidity holding); *Graham*, 383 U.S. at 21-26 & nn. 11-13 (describing factual predicates of invalidity holding); *Calmar*, 383 U.S. at 27-29, 30-36 (describing factual predicates of invalidity holding).

The rule of decision applied below stands in conflict with the above and numerous other patent precedents of this Court, as academic commentators have noted. *See, e.g.,* Kristen Dietly, Note, *Lightening the Load: Whether the Burden of Proof for Overcoming a Patent’s Presumption of Validity Should Be Lowered*, 78 *Fordham L. Rev.* 2615 (2010); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 *Stan. L. Rev.* 45 (2008).

## B. Federal Civil Procedure Precedents

The rule of decision applied below also conflicts with multiple principles of federal practice and procedure.

### 1. Standard of Proof Precedents

Under this Court’s precedents, judicial imposition of a “clear and convincing evidence” burden of proof has been held appropriate only in cases where the consequences of an erroneous adjudication are so severe that the law demands an elevated degree of certainty before a court is authorized to alter such “particularly important individual interests or rights.” *Herman & MacLean*, 459 U.S. at 389.

Thus, a person’s parental custody rights cannot be terminated unless “clear and convincing evidence”

establishes the factual predicates of such termination. *Santosky v. Kramer*, 455 U.S. 745, 747-48 (1982). Similarly, a person cannot be involuntarily committed to a mental institution, *Addington*, 441 U.S. at 427, or deported, *Woodby v. INS*, 385 U.S. 276, 286 (1966), except on proof of the relevant factual predicates by “clear and convincing evidence.”

In contrast, claims for alleged patent infringement involve purely economic rights of a type that this Court has long held are governed by the preponderance-of-the-evidence standard. *Cf. Herman & MacLean*, 459 U.S. at 390 (“The interests of defendants in a securities case do not differ qualitatively from the interests of defendants sued for violations of other federal statutes such as the antitrust or civil rights laws, for which proof by a preponderance of the evidence suffices.”).

Patents are deemed to have “attributes of personal property,” 35 U.S.C. § 261, and unauthorized use of patented inventions is compensable by way of money damages. *See* 35 U.S.C. § 284. Claims of right to real and personal property, and claims of trespass or other wrongful taking or use of such property, have long and traditionally been held subject to a preponderance-of-the-evidence standard. *See* 1A N.Y. Pattern Jury Instructions – Civil 67-91 (3d ed. 2011).

If anything, the often uncertain scope of patent rights presents an *a fortiori* case for equalizing, not shifting to an alleged infringer, the risk of error in adjudication of facts relevant to invalidity defenses. As this Court has noted:

A tract of land is easily determined by survey. Not so the scope of a patent right for an invention.

As between the owner of a patent and the public, the scope of the right of exclusion granted is to be determined in light of the state of the art at the time of the invention.

*Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 350 (1924) (Taft, C.J.).

“The state of the art at the time of the invention,” *id.*, is a factual predicate in all inquiries into the validity of an issued patent claim under 35 U.S.C. § 103. *See KSR*, 550 U.S. at 406 (“Under § 103, the scope and content of the prior art are to be determined” (quoting *Graham*, 383 U.S. at 17)). Under this Court’s precedents, it is equally relevant to determining whether a person has made unauthorized use of a “patented invention,” 35 U.S.C. § 271(a); yet in the latter context, the Federal Circuit accepts that the preponderance-of-the-evidence standard governs determination of whether an issued patent is infringed by use or sale of accused subject matter. *See Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 679 (Fed. Cir. 2008) (en banc).

## 2. Res Judicata Precedents

If the Federal Circuit’s rule is considered in light of this court’s res judicata precedents, it is also anomalous and should be rejected. Non-parties to a prior proceeding are generally free to re-litigate the merits of factual issues determined in such a proceeding, no matter how extensive might have been the prior proceedings and no matter how much respect the judgments of the tribunal might ordinarily command. *See, e.g., Nevada v. United States*, 463 U.S. 110, 135 (1983) (quoting *Cromwell v. County of Sac*, 94 U.S. 351, 352 (1877)).

Non-parties to prior adjudicative proceedings are also protected by the rule against hearsay, Fed. R. Evid. 802, which generally prohibits the admission of any “statement, other than one made by the declarant while testifying at the trial, offered in evidence to prove the truth of the matter asserted.” Fed. R. Evid. 801(c). Findings of fact in a prior litigation are generally inadmissible under Federal Rule of Evidence 802. *Cf. United States v. Boulwares*, 384 F.3d 794, 806 (9th Cir. 2004) (“civil judgments do not fit comfortably into any hearsay exception”).

In practical effect, the Federal Circuit’s “clear and convincing evidence” rule operates to impose the results of informal, *ex parte* PTO administrative adjudications on non-parties to such proceedings. It imposes a disadvantage on persons who were not parties to, and had no opportunity to participate in, the prior *ex parte* proceeding. Under a *res judicata* approach, litigants in patent cases would be free to argue that prior PTO determinations are persuasive on issues of *law*, just as litigants may cite judicial opinions for the same purpose. But litigants would not be able to rely on prior PTO *factual* determinations as tending to support a similar factual determination in a subsequent civil action.

*Radio Corp. of America v. Radio Eng. Labs., Inc.*, 293 U.S. 1 (1934), is often mis-cited as purported support for the “clear and convincing evidence” rule of decision that the Federal Circuit applied in this case. It is not. In *Radio Corp.*, this Court reversed a judgment of the Second Circuit which had declined to follow prior decisions of this Court, the Third Circuit, and the D.C. Circuit, which had held that a certain individual, De Forest, was the first and original inventor of certain claimed subject matter. *See* 293 U.S. at 4-5 (citing *De Forest v. Meissner*, 298 F. 1006 (D.C. Cir. 1924) and *Westinghouse Elec. & Mfg. Co. v. De Forest Radio Tel. & Tel. Co.*, 21 F.2d 918 (3d Cir. 1927), *aff’d per curiam*, 278 U.S. 562 (1928)). The Second Circuit had disagreed with its sister circuits’ assessment of the legal significance of certain historical facts, *see* 66 F.2d at 772 (“That such a thing could be so obvious in 1912 seems impossible . . .”), and had concurred with the Patent Office that Armstrong, not De Forest, was rightly deemed the first and original inventor of the disputed subject matter.

*Radio Corp.* involved a question of respect for prior *judicial*, not a prior *agency*, adjudications of “inventor” status, and furthermore involved prior adjudications in which litigants, having the same interests in establishing invalidity as the defendant in

*Radio Corp.* had every opportunity to present evidence and make their case in court. To the extent that *Radio Corp.* addressed, in *dicta*, standards for reviewing Patent Office (now PTO) agency actions, those *dicta* have been superseded by the APA as set forth in Parts I and II, above.

### C. Evidence Precedents

In cases pre-dating adoption of the Federal Rules of Evidence, this Court articulated a special rule of evidence for oral testimony that was offered to prove a date of invention “in the absence of models, drawings or kindred evidence.” *T.H. Symington Co. v. Nat’l Malleable Castings Co.*, 250 U.S. 383, 386 (1919). Such evidence was held “open to grave suspicion; particularly if the testimony be taken after a lapse of years from the time of the alleged invention.” *Id.* This rule was applied, notably, not just to proponents of invalidity defenses, but also to patentees who attempted to rely on oral testimony to establish early dates of alleged invention in the face of invalidating printed publications. *See Clark Thread Co. v. Willimantic Linen Co.*, 140 U.S. 481, 488-89 (1891).

The Court’s different treatment of oral, as distinguished from documentary, evidence in patent cases is well-illustrated by *The Barbed Wire Patent*, 143 U.S. 275 (1892). In that case, the Court first considered whether the claimed subject matter constituted a patentable invention in view of prior art patents disclosing pre-existing forms of barbed wire. *Id.* at 277-84. On that branch of the case, the Court considered the skill level in the art and other factual matters without mentioning any elevated burden of proof. The Court then proceeded to consider whether the asserted claims were rendered invalid by oral testimony that purported to describe barbed wire fencing that antedated the plaintiff’s claimed invention. It was only in the context of this second branch of the case, involving uncorroborated oral testimony concerning allegedly pre-existing subject matter, that the Court held that “every reasonable doubt

should be resolved against” such evidence. *Id.* at 285 (quoting *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120, 124 (1874)). *See also Cantrell v. Wallick*, 117 U.S. 689, 696 (1886) (applying the heightened burden where “proof of prior use in this case depends on the testimony of [two witnesses]” and “[t]he contrivance to which the testimony of these witnesses refers is not produced, nor any model of it”).<sup>5</sup>

Recognizing the distinction drawn in *The Barbed Wire Patent*, the Second and Sixth Circuits have both hold that in the “usual” patent case, where a defense of invalidity rests on documentary or physical evidence, “a preponderance of evidence is sufficient to establish invalidity.” *Dickstein v. Seventy Corp.*, 522 F.2d 1294, 1297 (6th Cir. 1975). *Accord Rains v. Niaqua, Inc.*, 406 F.2d 275, 278 (2d Cir. 1969) (“in the usual case a preponderance of the evidence determines the issue”). These decisions correctly interpret this Court’s precedents.

The rule of evidence applied in *Symington* and *Clark Thread*, assuming it survived adoption of the Federal Rules of Evidence, has no application to the defense of invalidity raised by Petitioner here, which is grounded in dated documentary evidence and an actual commercial product that admittedly was sold by the Respondents themselves. At all events, it was a rule that applied *equally* to patentees and alleged infringers, and in no way supports the asymmetric “clear and convincing evidence” rule applied below.

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<sup>5</sup> 35 U.S.C. § 273(b)(4) similarly imposes a “clear and convincing evidence” burden of proof on a person who claims that it “commercially used” a business method before the effective filing date of a patent. This statutory provision demonstrates that Congress clearly knows how to specify an elevated burden of proof, and has not done so in § 282. The defense created by § 273(b)(4) also does not involve invalidity or statutory conditions for patentability that the PTO would decide, and thus is not inconsistent with the standards of review that the APA prescribes.

V. THE APPROACH TO JUDICIAL REVIEW OF PATENT VALIDITY DECISIONS OUTLINED HERE CONSTITUTES A FAIR, BALANCED, AND SYMMETRIC APPROACH.

The approach to judicial review outlined here would put PTO agency actions to *grant* patent applications on an equal footing with PTO agency actions to *reject* patent applications. Both types of PTO agency actions are properly analyzed by reference to the standards prescribed by the APA.

To the extent that the PTO engages in reasoned decision-making with respect to an issue of fact relevant to patentability, and the same issue of fact is subsequently presented to a court in a civil action (either a civil action to obtain a patent under 35 U.S.C. § 145 or a civil action involving the validity or infringement of an issued patent under 35 U.S.C. § 282), a reviewing court may give deference to the agency if the evidence before the court is the same, or substantially the same, as was the evidence on which the PTO decided the issue of fact. But even when such deference is appropriate, it should not be accorded by imposing on juries elevated burdens of proof for deciding disputed issues of fact, for that is not a mechanism that the APA authorizes for giving weight or respect to an agency's action, and using lay juries to review administrative action "is contrary to settled federal administrative practice." *Cox*, 332 U.S. at 453.

If the proponent of an invalidity defense presents expert or other new, non-cumulative evidence relevant to a factual issue that the PTO did not receive during the prosecution of a patent, the APA and the Patent Act both call for *de novo* determination the issue subject to a preponderance-of-the-evidence standard. This approach is eminently workable, affords appropriate respect for PTO agency action, and provides even-handed treatment of litigants contesting factual issues relevant to patentability.



**CONCLUSION**

The Federal Circuit's judgment in this case should be reversed and the case remanded to the district court for a new trial of Petitioner's invalidity defense under the appropriate "preponderance-of-the-evidence" standard of proof.

Stephen S. Rabinowitz  
Henry C. Lebowitz  
*Of Counsel*

James W. Dabney  
*Counsel of Record*  
FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
One New York Plaza  
New York, NY 10004-1980  
Telephone: (212) 859-8000  
Facsimile: (212) 859-4000

- and -

John F. Duffy  
*Of Counsel*

FRIED, FRANK, HARRIS,  
SHRIVER & JACOBSON LLP  
1001 Pennsylvania Avenue  
Washington, D.C. 20004  
Telephone: (202) 639-7000  
Facsimile: (202) 639-7003

Counsel for Amici Curiae

SAP America, Inc., Acushnet  
Company, Facebook, Inc.,  
General Motors LLC, Pregis  
Corporation, Symantic Corpo-  
ration, Terex Corporation, and  
Yahoo! Inc.