

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

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**BRIEF OF CTIA – THE WIRELESS ASSOCIATION®  
AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER**

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

CTIA – The Wireless Association<sup>®</sup>, formerly known as the Cellular Telecommunications & Internet Association, represents all sectors of the wireless communications industry. Members of CTIA include service providers, manufacturers, wireless data and Internet companies, as well as other contributors to the wireless industry. CTIA frequently participates in regulatory and judicial proceedings and coordinates efforts to educate government agencies and the public about wireless industry issues.

The wireless communications industry in the United States is currently undergoing an enormous surge of innovation on several interlocking levels. CTIA's members are deploying advanced new broadband wireless networks that permit consumers to receive and send enormous amounts of data at speeds that would have been inaccessible (indeed, inconceivable) to consumers only a few years ago. These advanced networks support next-generation smartphones and other devices that permit consumers to make full use of the newly available network

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, counsel for *amicus* represents that no counsel for a party authored this brief in whole or in part and that none of the parties or their counsel, nor any other person or entity other than *amicus*, its members, or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Counsel for *amicus* notes that petitioner and several other *amici* supporting petitioner are among *amicus*'s members and thus pay dues to *amicus* that finance its activities (including its advocacy activities) but did not make any particular monetary contribution related to this brief. Pursuant to Rule 37.2(a), counsel for *amicus* represents that all parties were provided notice of *amicus*'s intention to file this brief at least 10 days before its due date and that all parties have filed letters with the Clerk giving blanket consent to the filing of *amicus* briefs.

capacity. And CTIA's members, working with a broad range of other service and content providers, are generating and distributing a tremendous variety of applications and content in ways that are quickly transforming daily life. These innovations have offered many public benefits: generating economic growth when it is sorely needed, enhancing productivity in myriad ways, advancing public safety through enhanced personal communications capabilities, and offering consumers the opportunity to select from a variety of content and functionality for education, entertainment, or whatever purposes they choose.

As a result of their presence on the front lines of innovation, CTIA and its members have also obtained direct experience of the realities of modern patent litigation and of licensing negotiations in the shadow of litigation. CTIA's members have viewed these processes from all perspectives: as patent holders, as licensees, and as accused infringers. That experience, taken as a whole, has led CTIA to the conclusion that, although valid patents need to be protected, requiring patents to be proven invalid by clear and convincing evidence, rather than by a preponderance of the evidence, serves primarily to protect from invalidation too many patents that should never have issued. The result is to encourage more meritless patent applications and to raise the costs that real innovators pay in litigation and licensing.

CTIA thus files this brief as *amicus curiae* in support of petitioner, and also in support of fellow *amici* Google and Verizon, which have advanced the position that there is no statutory warrant or other legal justification for the clear-and-convincing-evidence standard to apply when a patent's validity is challenged.

## INTRODUCTION AND SUMMARY

The Federal Circuit's current clear-and-convincing-evidence standard for challenges to the validity of a patent warrants this Court's review because it dramatically affects the dynamics of patent disputes by making it unduly difficult to show that a patent is invalid. Petitioner and other supporting *amici* have provided cogent arguments demonstrating the Federal Circuit's legal errors in applying the clear-and-convincing-evidence standard to this and other cases. This brief provides a summary of the evidence showing that those legal errors have had substantial and undesirable real-world impact, and explains why a rejection of the clear-and-convincing-evidence standard offers the best way of realizing the promise of this Court's decision in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), to give factfinders the flexibility necessary to invalidate patents that should never have issued.

**I.A.** Empirical studies of patent litigation show that the Federal Circuit's adoption and extension of the clear-and-convincing-evidence standard in the early 1980s coincided with a distinct increase in the number of patents that survived validity challenges in court. Scholars who have reviewed that evidence have concluded that the change in the legal standard was likely a substantial contributing factor to the marked change in case outcomes. That conclusion is reinforced by the Federal Circuit's own opinions applying the standard and by the views of many judges and patent practitioners who have stated that, in their experience, a requirement that patent invalidity be proved by clear and convincing evidence does indeed make a difference in litigated cases.

**B.** The effect of the clear-and-convincing-evidence standard also reaches beyond the courtroom. A large majority of patent disputes are settled before they are litigated to completion, and parties estimate the risks of litigation in deciding whether to settle claims of infringement and on what terms. There is ample reason to believe that the heightened evidentiary standard affects parties' estimates of those risks and therefore allows patent holders as a class to extract more settlement value from those they accuse of infringement. Indeed, scholars have found that the increased difficulty of successfully invalidating a patent at trial since the mid-1980s has been partially responsible for the enormous increase in the number of patents that have been sought since that time, which, in turn, has led to more accusations of infringement. Those findings suggest that the clear-and-convincing-evidence standard has increased the number of patent disputes as well as influenced their resolution.

**II.** The Federal Circuit's aggressive enforcement of the clear-and-convincing-evidence standard has hurt, not helped, the quality of patent litigation and dispute resolution as a means to encourage innovation and economic growth. The patents that benefit from the heightened standard are, necessarily, those that would otherwise be invalidated, or would face a significantly greater risk of invalidation, under a preponderance-of-the-evidence standard. There is also reason to think that the standard has played a role in the sharp post-1982 increase in the number of jury trials in patent cases and that it damages the quality of jury decisionmaking by making it extremely difficult to persuade a jury that even a strong challenge to a patent's validity has merit. *Amicus* and its

members are intimately familiar with the effects of the standard, as they participate in an industry where innovative technologies are subject to at least colorable claims of infringement of large numbers of interlocking patents and where suits by non-practicing entities (also known as “patent trolls”) are a fact of life. The flaws of the clear-and-convincing-evidence standard as applied to modern patent practice have prompted numerous scholars and commentators – including the Federal Trade Commission (“FTC”) – to recommend that the standard be changed.

**III.** In *KSR*, this Court took an important step towards making the most common type of invalidity challenge – a claim that a patent is invalid as obvious – easier to raise. *KSR* rightly focused on the decisionmaker’s common sense and on the need for a flexible evaluation of whether a particular patent actually reflects more than merely ordinary creativity. To fulfill *KSR*’s promise, however, will require rejecting the clear-and-convincing-evidence standard as the Federal Circuit applies it. That standard tells the factfinder to disregard common sense in favor of deference to an administrative process that deserves none. This Court should reaffirm that there is a meaningful place in the statutory and administrative scheme for thorough judicial scrutiny of patent validity and no such place for a judge-made heightened evidentiary standard that prevents such scrutiny.

## ARGUMENT

### I. THE FEDERAL CIRCUIT'S RULE HAS TANGIBLE AND BROAD-RANGING EFFECTS ON THE PATENT SYSTEM

#### A. Scholars, Judges, and Practitioners Agree that the Clear-and-Convincing-Evidence Standard Affects Case Outcomes

1. Patent litigation has been the subject of considerable empirical analysis over the last 20 years. One common topic of study is the trends and shifts in the resolution of patent cases, with particular focus on the aftermath of the creation of the Federal Circuit in 1982, including its adoption in 1984 of the clear-and-convincing-evidence standard for all challenges to patent validity.<sup>2</sup> Several independent studies have found a distinct increase in the proportion of cases in which patents survived challenges to their validity dating to that period.

The most comprehensive of the relevant studies, published in 2006, analyzed a set of 4,792 patent cases for the period from 1953 to 2002, including almost every litigation for which at least one decision (district or appellate) was published in the United States Patent Quarterly during that period. See Matthew D. Henry & John L. Turner, *The Court of Appeals for the Federal Circuit's Impact on Patent Litigation*, 35 J. Legal Stud. 85, 95-96 (2006) ("Henry & Turner"). That study concluded that the data showed significant differences in case outcomes after the creation of the Federal Circuit: "district courts

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<sup>2</sup> See *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984); Pet. 15-18 (describing the Federal Circuit's "deliberate departure from the uniform pre-1982 practice of the regional circuits").

have been roughly half as likely to issue a decision of invalidity, patentees have been about 25 percent more likely to appeal these decisions, and the appeals court has been nearly three times more likely to not affirm a decision of invalidity.” *Id.* at 90.

Other studies have reached consistent results. A study of 300 district and appellate patent validity decisions from 1989 to 1996 determined that patents survived validity challenges in 54% of cases, and compared this to studies of pre-Federal Circuit decisions that had found an average survival rate of about 35%. *See* John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 *AIPLA Q.J.* 185, 205-06 (1998) (“Allison & Lemley”).<sup>3</sup> A study of 1,307 Federal Circuit decisions from 1982 to 1994 similarly found that the Federal Circuit ultimately determined that between 58% and 64% of challenged patents were held not to be invalid, depending on the statutory provision under which they had been challenged. *See* Donald R. Dunner et al., *A Statistical Look at the Federal Circuit’s Patent Decisions: 1982-1994*, 5 *Fed. Cir. B.J.* 151, 154-55 (1995) (58% of patents challenged under 35 U.S.C. § 102 or § 103 held not to be invalid; 64% of those challenged under § 112).<sup>4</sup>

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<sup>3</sup> For their pre-Federal Circuit data, Professors Allison and Lemley relied on P. J. Federico, *Adjudicated Patents, 1948-54*, 38 *J. Pat. Off. Soc’y* 233 (1956), and GLORIA K. KOENIG, *PATENT INVALIDITY: A STATISTICAL AND SUBSTANTIVE ANALYSIS* (rev. ed. 1980). *See* Allison & Lemley at 206 n.53.

<sup>4</sup> For additional empirical research showing that patents were less likely to be declared invalid after the formation of the Federal Circuit, see Glynn S. Lunney, Jr., *Patent Law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 *Sup. Ct. Econ. Rev.* 1, 15 (2004) (examining the relative rates of different types of patent-claim failure and concluding that

The measurable shift in case outcomes coincided with the Federal Circuit’s adoption of the clear-and-convincing-evidence standard for challenges to validity, which changed the rule for district courts in the Second and Sixth Circuits, *see* Pet. 18 n.3; Google-Verizon *Amici* Br. 25; and with its rejection of the previously universal exception to that standard for prior art that has not been presented to the Patent and Trademark Office (“PTO”), which changed the rule for all district courts nationwide, *see* Pet. 15-18. Both changes were important ones, especially because many invalidity challenges do in fact rely at least in part on prior art that was not presented to the PTO. *See* Allison & Lemley at 233 (finding that “most . . . [prior art] references that are argued at trial” were not cited to the patent examiner during prosecution). The Federal Circuit’s changes in the law thus likely led to a much larger number of litigants being required to prove patent invalidity by clear and convincing evidence.

The Federal Circuit’s case-by-case explication and application of the clear-and-convincing-evidence standard reinforced its change in the formal legal standard. Summing up that case law, one commentator has noted that “the tone of the Federal Circuit’s early opinions on the presumption of validity” sent a “message . . . that the Federal Circuit had ‘strengthened’ the presumption of validity and had made it meaningful once again.” Mark D. Janis, *Reforming*

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“patent invalidity is significantly less likely to be the reason why a claim of patent infringement fails under the Federal Circuit”) (footnote omitted), and Alan C. Marco, *The Selection Effects (and Lack Thereof) in Patent Litigation: Evidence from Trials*, Topics in Econ. Analysis & Pol’y, vol. 4, iss. 1, art. 21, at 26 (2004) (finding that “[i]f a case was filed prior to 1982 it was less likely to receive a positive ruling on validity”).

*Patent Validity Litigation: The “Dubious Preponderance”*, 19 Berkeley Tech. L.J. 923, 930 (2004) (discussing Federal Circuit’s rejection of other circuits’ adoption of the preponderance standard). Another has characterized the Federal Circuit as sending “a signal to district court judges that they were expected to hold patents valid and would be reversed if they did not,” adding that the signal “worked.” Cecil D. Quillen, Jr., *Innovation and the U.S. Patent System*, 1 Va. L. & Bus. Rev. 207, 211 n.10 (2006).<sup>5</sup>

The heightened evidentiary standard imposed by the Federal Circuit is likely one of the most important factors that caused the shift in outcomes in validity cases. The comprehensive 2006 study by Professors Henry and Turner found that “the timing, synchronicity, and intuitive consistency” of the changes in case outcomes provided “strong evidence that the [Federal Circuit’s] stronger presumption of validity has had a significant impact” on the way cases are decided. Henry & Turner at 90. Other scholars have reached similar conclusions. *See, e.g.*, Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 Stan. L. Rev. 45, 69-70 (2007) (identifying “the stronger presumption of validity” applied by the Federal Circuit as “one of the most plausible” causes of the post-Federal Circuit shift);<sup>6</sup> Lunney at 18 (stating that the Federal Cir-

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<sup>5</sup> For examples of the tone of the Federal Circuit’s decisions applying the clear-and-convincing-evidence standard, see *infra* Part I.A.2.

<sup>6</sup> Professors Lichtman and Lemley expressed some frustration at the empirical difficulty of “prov[ing] that presumptions matter,” but nevertheless expressed “confiden[ce] that [the Federal Circuit’s presumption] does [affect] . . . at least some cases and that a change in the presumption really can alter patent holder behavior.” Lichtman & Lemley at 69-70.

cuit’s “relentless[] enforce[ment of] the presumption of validity” is one of two “doctrinal changes . . . [that] appear most significant to the sharp reduction in invalidity results”).<sup>7</sup>

2. These academic conclusions are shared by the judges and practitioners who have the most direct experience with litigated patent cases. To begin with, the Federal Circuit itself declared long ago its intention that the clear-and-convincing-evidence standard should affect case outcomes. In *Panduit Corp. v. Dennison Manufacturing Co.*, 774 F.2d 1082 (Fed. Cir. 1985), *vacated on other grounds*, 475 U.S. 809 (1986) (per curiam), that court stated that the mere expression of “uncertainty” by a district court in rendering a bench verdict of invalidity should have “ended . . . the inquiry” as to whether the heightened evidentiary standard had been met. *Id.* at 1097; *see id.* at 1096 (warning that “mere lip service” to the “presumption of validity . . . is insufficient”);<sup>8</sup> *see also Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 872 (Fed. Cir. 1985) (citing *Panduit* and vacating for failure to apply the presumption a district court verdict

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<sup>7</sup> The other significant post-Federal-Circuit doctrinal change identified by Professor Lunney is a “reduc[tion] . . . [in] the extent of the technological advance required to sustain a patent.” Lunney at 19-20.

<sup>8</sup> This Court summarily vacated and remanded the judgment in *Panduit* because of the Federal Circuit’s failure to “explicitly apply the clearly-erroneous standard” mandated by Federal Rule of Civil Procedure 52(a) in its rejection of the district court’s factfinding or to explain why that standard did not apply. *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811 (1986) (per curiam). On remand, the Federal Circuit issued a new opinion, but also reaffirmed almost all of its earlier opinion, including the portions cited in the text. *See Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1575 & n.33 (Fed. Cir. 1987).

that had found invalidity but had acknowledged that “the obviousness question was ‘close,’” even though the district court had also found “‘clear evidence’” supporting its invalidity conclusion), *overruled in part on other grounds by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

Nor has the Federal Circuit changed its view on this subject in its more recent cases. In *Tate Access Floors, Inc. v. Interface Architectural Resources, Inc.*, 279 F.3d 1357 (Fed. Cir. 2002), the court criticized a defendant for trying to “flout the requirement of proving invalidity by clear and convincing evidence” by asserting a particular defense that, the defendant claimed, would fall “under the less stringent preponderance of the evidence standard.” *Id.* at 1367. Similarly, in *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008), the court explained that there is no inconsistency between a court’s judgment that a patent has not been proven invalid and the PTO’s later reexamination of that patent in part because the PTO applies a “standard of proof – a preponderance of evidence – [that] is substantially lower than in a civil case.” *Id.* at 1377.

Experienced district judges have also expressed the view that the heightened standard matters (indeed, that it is often extremely important) in patent litigation. Judge Alsup of the Northern District of California, for example, has compared the presumption of validity and the clear-and-convincing-evidence standard to a “legal earthwork fortified by a protective moat” that “is often an unfair advantage” for patent holders. William Alsup, *A District Judge’s Proposal for Patent Reform*, 24 Berkeley Tech. L.J. 1647, 1648 (2009). Judge Ellis of the Eastern District of Virginia has testified similarly before the FTC that “the

clear and convincing burden” is a significant reason that the intended level of judicial scrutiny of patent validity “isn’t happening.”<sup>9</sup> It is not difficult to identify additional acknowledgements from distinguished members of the patent bar (including those who support retaining the standard) that the clear-and-convincing-evidence standard has significant effects on patent litigation.<sup>10</sup>

### **B. The Clear-and-Convincing-Evidence Standard Affects Patent Negotiations and Applications**

1. Most filed cases, including patent cases, settle before resolution on the merits. For patent disputes in particular, “approximately 80% of patent cases settle.” Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 Wash. U.L. Rev. 237, 259 (2006). This figure, moreover, does not take into account the cases in

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<sup>9</sup> *Public Hearings: Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy*, FTC and Dep’t of Justice Antitrust Div. 119-20 (July 11, 2002) (“*FTC-DOJ Hearings*”).

<sup>10</sup> *E.g.*, Symposium, *Do Overly Broad Patents Lead to Restrictions on Innovation and Competition?*, 15 Fordham Intell. Prop. Media & Ent. L.J. 947, 998 (2005) (remarks of Herbert Schwartz) (stating of the clear-and-convincing-evidence standard: “[a]s someone who has litigated patents, I know of no single change effected by the Federal Circuit that had more long-term effect in sustaining patents’ validity”); *FTC/DOJ Hearings* at 381-82 (Feb. 27, 2002) (testimony of James Pooley) (emphasizing the impact of the standard “when you actually put that notion in front of a jury”). For additional references to views expressed by “[n]umerous patent attorneys and legal scholars” noting the Federal Circuit’s “strengthening of the presumption” of validity and its effects on litigation, see Henry & Turner at 87 & n.7.

which litigation may be threatened but an agreement is reached without a complaint being filed. In addition, challenges to a patent's validity "are among the most expensive patent cases," *id.* at 246, and therefore parties have a particular incentive to settle them rather than pay the attorneys' and experts' fees that usually are necessary to obtain a ruling on the merits, *see id.* at 309-10 (summarizing evidence showing that invalidity claims are expensive and parties will be reluctant to pursue them).

Accordingly, one important but hard-to-measure effect of the heightened evidentiary standard is its influence on the settlement of patent disputes where the validity of the patent is part of the dispute. As discussed above, *see supra* Part I.A.2, there are reasons to think both that the clear-and-convincing-evidence standard does in fact make patents more difficult to challenge and that many members of the patent bar believe that it does. The predictable outcome is a "profound impact on . . . negotiations and settlements" because "patent-holders [become] more eager to assert their rights, and accused infringers more inclined to pay up and settle rather than fight it out in court."<sup>11</sup>

2. In addition, by increasing the chances that a patent will be upheld after a litigated validity challenge and by increasing the value of patents in negotiations, the clear-and-convincing-evidence standard also increases the incentive that parties have to seek

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<sup>11</sup> ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 107 (2007 ed.) ("JAFFE & LERNER") (stating that, although this effect cannot be observed in tabulated statistics, "conversations with business people and their attorneys confirm" that it occurs).

more patents. In absolute terms, “[t]he number of U.S. patents issued to both U.S. and foreign entities nearly tripled from 66,290 in 1980 to 184,172 in 2001.” Committee on Intellectual Property Rights in the Knowledge-Based Economy, National Research Council, *A Patent System for the 21st Century* 28 (Stephen A. Merrill et al. eds., 2004) (“*NRC Report*”). More recently, the number of patents issued annually has remained high with 190,121 patents issued in 2009. See PTO, *Performance and Accountability Report – Fiscal Year 2009*, at 116 (2009) (preliminary figure). Research and development expenditures during the 1980s and 1990s also grew, but that growth was “significant[ly]” outstripped by the surge in patents: in 1985, there were 0.18 patents per million dollars of R&D expenditures, but, by 1997, that number had increased to 0.34 patents per million dollars. *NRC Report* at 28.

Several scholars have concluded that the rapid increase in patents issued each year in the 1980s and 1990s is likely caused at least in part by the litigation advantages that the Federal Circuit has conveyed on patent holders. See Bronwyn H. Hall, *Exploring the Patent Explosion*, 30 *J. Tech. Transfer* 35, 41 (2005) (concluding that the creation of the Federal Circuit, and the resulting increased likelihood that patents would be “upheld in litigation,” served to “provide[] an impetus for the increase in growth rate” in patent applications and patent grants); JAFFE & LERNER at 185 (identifying the “enhanced value of patent protection since the creation of the” Federal Circuit as likely contributing to the increase in patent applications); Henry & Turner at 115 (stating that the data are “consistent” with a theory that

the Federal Circuit “has spurred patent portfolio races”).

In summary, there are excellent reasons, grounded in careful empirical research and buttressed by courtroom experience, to believe that the clear-and-convincing-evidence standard as adopted and applied by the Federal Circuit affects the outcomes of many litigated patent cases. There are also good reasons to believe that the effects of the standard reach beyond the courtroom to influence the behavior of participants in a broad variety of economic sectors and industries – which, after all, is what the patent system is designed to do. Particularly in light of the serious criticisms that petitioner and its *amici* have leveled at the Federal Circuit’s precedent adopting the standard, the importance of the question presented is more than sufficient to warrant this Court’s review.

## **II. THE FEDERAL CIRCUIT’S RULE LEADS TO WORSE OUTCOMES AND IMPEDES INNOVATION**

The effects of the clear-and-convincing-evidence standard on the patent system are undesirable as well as important. The opportunity that this case provides to correct those effects is another reason weighing in favor of review.

1. There are many reasons to think that the Federal Circuit’s judge-made standard is undesirable as a policy matter, and this brief will discuss only a few. As an initial matter, the standard by definition affects only those cases where a defendant (or declaratory-judgment plaintiff) would have succeeded in proving a patent invalid by a preponderance of the evidence. To think that the standard improves decisionmaking, one would therefore need a persuasive reason to think that a finding by a preponder-

ance would be wrong in an unacceptable number of cases.

The primary justification for the clear-and-convincing-evidence standard, however, is merely that an issued patent has already been considered by the PTO and found to be valid. As other *amici* ably show, however, an issued patent “is better understood as a non-denial rather than an issuance subject to deference” and has usually undergone only a cursory administrative examination: an *ex parte* procedure conducted by a patent examiner who has (as the FTC found in 2003) from 8 to 25 hours to devote to the evaluation and who is required to apply multiple presumptions in favor of every application that reaches his or her desk. See *Google-Verizon Amici Br.* 10-15; FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 9-10 (Oct. 2003) (“*FTC Report*”). Even taking into account the expertise of examiners, it blinks reality to call this process more reliable than an adversary trial under a preponderance-of-the-evidence standard, after both sides have devoted far more time and resources to make their cases as strong as possible.

2. Of more particular concern to *amicus* and its members, the clear-and-convincing-evidence standard has especially pernicious effects in the significant number of patent cases that involve the presentation of technical issues to a lay jury. Jury trials in patent cases are now the norm, although that was not the case before the creation of the Federal Circuit. As one study explained:

[I]n 1978, only 8.3% of all patent cases were tried to a jury, while in 1994, . . . fully 70% of all patent trials were held before juries. This represents a fundamental change in the nature

of patent litigation. Apparently somebody – presumably patentees – thinks trial by jury will benefit them.

Allison & Lemley at 211 (footnote omitted). The data analyzed by that study indeed reflected a “striking” difference between juries and judges: juries rejected validity challenges 67.1% of the time, while judges in bench trials rejected such challenges only 57.3% of the time. *Id.* at 211-12. A recent study similarly found that, in 2009, jury trials represented “almost 70[%]” of patent cases that went to trial, compared to 14% in the 1980s, and that patent holders going to trial have done better<sup>12</sup> before juries than before judges in every year from 1995 to 2009. *PwC Study* at 9-10.

Technical patent cases require enormous effort on the part of trial counsel even to convey the issues to the jury in comprehensible form. When that jury is told that it must find for the patent holder unless it believes the evidence is “clear and convincing” on the other side, the result is a predictable rejection of the challenge to the patent. As one experienced patent litigator put it, the clear-and-convincing-evidence standard “really reinforces the notion that the patent with the gold seal and the ribbon on it is something that [jurors] as lay persons are not really qualified to look behind and question because someone with training has already checked this out at the Patent

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<sup>12</sup> These figures include disputes about infringement as well as validity challenges. See PricewaterhouseCoopers, *2010 Patent Litigation Study: The Continued Evolution of Patent Damages Law* 26 (Sept. 2010) (“*PwC Study*”).

Office.” *FTC/DOJ Hearings* at 382 (Feb. 27, 2002) (testimony of James Pooley).<sup>13</sup>

The result of making invalidity more difficult to prove is generally that patent cases become more costly to settle. *See supra* Part I.B.1. That increased cost has been a particular problem for *amicus* and its members, which operate in an industry where a new product can fit colorably within the scope of hundreds or thousands of patents. *See* Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 *Tex. L. Rev.* 1991, 2025-28 (2007) (summarizing research on the large numbers of patents that might prevent a wireless carrier or manufacturer from deploying a new product). To be sure, industry participants can often ameliorate the problem by cross-licensing each others’ patents in batches. *See id.* But this cannot solve the problem of suits that are threatened or brought by patent owners who are not themselves industry participants (often referred to as “non-practicing entities” or, more colloquially, “patent trolls”) who are an “important phenomenon in the modern patent system.” John R. Allison et al., *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 *U. Pa. L. Rev.* 1, 32 (2009) (finding that actions brought by non-

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<sup>13</sup> *See also* JAFFE & LERNER at 195-96 (“If, at the end of the trial, the jurors are simply befuddled by the evidence, the most likely outcome is that they will conclude that neither side has made a convincing case.”); Matthew Sag & Kurt Rohde, *Patent Reform and Differential Impact*, 8 *Minn. J.L. Sci. & Tech.* 1, 36-37 (2007) (“Given that juries in patent cases are comprised of lay people who are unfamiliar with both the relevant law and the relevant technology, it is hard to know confidently *ex ante* whether the most convincing evidence in the world will actually prove to be clear and convincing in a court room setting.”).

practicing entities “represent over 80% of the suits filed involving the most-litigated patents”).

As an example, *amicus*’s member company Verizon Wireless is, as of this filing, actively defending 23 cases alleging patent infringement. Of those 23 cases, 20 are brought by non-practicing entities. While Verizon Wireless is firmly convinced that it has meritorious defenses in these suits, the clear-and-convincing-evidence standard and its effect on juries weigh heavily on the mind of any defendant that is estimating its likelihood of success at trial. The results are more settlements, higher settlement payments, and a higher cost paid by consumers for innovative products and services – as a result of patents that likely would not have survived even-handed scrutiny by a factfinder applying a preponderance-of-the-evidence standard.

3. In light of the manifest flaws of the clear-and-convincing-evidence standard in patent validity cases, there have been many calls for that standard to be replaced. Perhaps the highest profile of these is the recommendation of the FTC in 2003 that a preponderance-of-the-evidence standard be adopted for challenges to patent validity. *See FTC Report* at 8-10. After extensive hearings featuring testimony from both proponents and opponents of the standard, the FTC concluded that “[p]resumptions and procedures that favor the grant of a patent application, combined with the limited resources available to the PTO, counsel against requiring ‘clear and convincing evidence’ to overturn [the] presumption” that an issued patent is valid. *Id.* at 10. Citing Judge Ellis’s testimony, *see supra* pp. 11-12, the FTC further expressed concern that “the ‘clear and convincing evidence’ burden can undermine the ability of the

court system to weed out questionable patents.” *FTC Report* at 10.

The FTC is far from alone. Criticism of the clear-and-convincing-evidence standard is widespread in the extensive commentary by judges, scholars, and practitioners on potential reforms to the patent system. *See, e.g.*, Alsup at 1649 (describing a shift back to a preponderance-of-the-evidence standard as “a small change that would do much good”); Lichtman & Lemley at 49-50 (suggesting that “[c]ourts [sh]ould be free to deem [the] presumption [of validity] fully rebutted in cases where the evidence, on balance, ultimately suggests that patent protection is inappropriate”);<sup>14</sup> Quillen at 234 (recommending a “[r]eturn [of] the statutory presumption of validity to the preponderance of the evidence standard”). The sustained and widespread disapproval that the clear-and-convincing-evidence standard has attracted weighs in favor of review, so that the Court may consider whether this unfortunate rule is truly the best reading of the Patent Act.

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<sup>14</sup> Professors Lichtman and Lemley further suggest the creation of a special procedure for what they call “gold-plated” patents: an extra, voluntary layer of PTO review that would allow a patent applicant to earn additional protection against a judicial challenge by passing more demanding administrative scrutiny. Lichtman & Lemley at 61-62. That proposal, whatever its merits, is expressly legislative in character and directed to Congress. *See id.* at 61. The question presented to the Court in this case is what evidentiary standard is justified by the PTO’s current procedures, which cannot be called golden.

### III. GIVING FULL EFFECT TO *KSR* REQUIRES REJECTING THE FEDERAL CIRCUIT'S RULE

This Court's reasoning and analysis in *KSR* provide further insight into the deficiencies of a clear-and-convincing-evidence standard for patent validity challenges. *KSR* took an important step towards making meritless patents easier to challenge by focusing on the importance of a "factfinder[']s recourse to common sense" in determining whether a patent is obvious under the statutory standard of 35 U.S.C. § 103. 550 U.S. at 421. In so doing, the Court recognized that a factfinder in a patent case can (and, to perform its function, must) "take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 418. It therefore rejected the Federal Circuit's prior "overemphasis on the importance of published articles and the explicit content of issued patents" in determining obviousness. *Id.* at 419.

*KSR*'s discussion of "common sense" (a term it uses repeatedly) and of "ordinary creativity," *id.* at 421, captures an important point about modern innovation and patent litigation. Whether or not generalist judges and lay jurors are the best decisionmakers for patent validity disputes, they are the *only* decisionmakers in the present system to consider questions of patent validity in a more than cursory fashion. Their decisions are crucial to ensuring that the system protects companies' incentives, and often their very ability, to develop and deploy innovative technologies. It therefore becomes critical for a factfinder to have the flexibility and indeed the imagination needed to step into the shoes of one of ordinary skill in the relevant art.

The clear-and-convincing-evidence standard does not permit the factfinder to undertake such a common-sense inquiry. Consider *Panduit v. Dennison* (discussed *supra* p. 10), in which the Federal Circuit reversed a district court for failing to apply the heightened standard appropriately. The Federal Circuit criticized that district judge heavily for drawing his conclusions, as finder of fact, in light of what “was taught by general engineering principles and general principles of physics and, indeed, the common experience of mankind.” 774 F.2d at 1097 (internal quotations omitted); *see id.* at 1090, 1092, 1098 (repeatedly quoting or paraphrasing this part of the district court’s opinion and describing it as error). The similarity between that district judge’s approach and the approach this Court later endorsed in *KSR* is telling. It is equally telling that the Federal Circuit considered that approach foreclosed by its clear-and-convincing-evidence standard.

The Federal Circuit’s rule thus tells the factfinder *not* to rely on common sense and general background knowledge. That message is a logical extension of that court’s often-stated belief that the principal danger in an invalidity challenge is that “hindsight bias” will lead to the invalidation of meritorious patents. *KSR*, 550 U.S. at 421. The teaching of *KSR* is that the desire to prevent hindsight bias does not justify arbitrary restrictions on the factfinder’s role. *See id.* (rejecting use of “[r]igid preventative rules” for this purpose). The clear-and-convincing-evidence standard, in the hands of the Federal Circuit, has operated as just such a restriction.

This Court should grant certiorari to consider whether a judge-made standard with such pervasive and negative effects on patent law and policy is truly

justified under the law – and, after hearing the case on the merits, should conclude that it is not.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

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