Supreme Court, U.S.
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No.

In the

Supreme Court of the United States

L-3 COMMUNICATIONS CORP. AND
LOCKHEED MARTIN CORP.,
Petitioners

v.

HONEYWELL INTERNATIONAL INC. AND
HONEYWELL INTELLECTUAL PROPERTIES INC.,
Respondents

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether every element of a patent claim must have been previously disclosed in the prior art for the claim to be considered obvious, and thus unpatentable, under 35 U.S.C. § 103(a).

2. Whether petitioners must prove their obviousness defense by clear and convincing evidence.

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

Honeywell International Inc. and Honeywell Intellectual Properties Inc. (collectively "Honeywell") are the plaintiffs in this action. The defendants are the United States of America, L-3 Communications Corporation ("L-3"), and Lockheed Martin Corporation.

L-3 Communications Holdings, Inc. owns 100% of L-3's stock. Lockheed Martin has no parent companies. State Street Financial Center owns 10% or more of Lockheed Martin's stock.

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OPINIONS BELOW

The opinion of the court of appeals (App. 1-36) is reported at 609 F.3d 1292. The opinion of the Court of Federal Claims (App. 42-221) is reported at 81 Fed. Cl. 514.

JURISDICTION

The court of appeals revised its opinion on May 25, 2010, App. 222-24, and denied petitions for rehearing en banc on June 10, 2010, *id.* at 225-27. The Chief Justice extended the time within which to file a petition for a writ of certiorari to and including October 8, 2010. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 103(a) of the Patent Act, 35 U.S.C. § 103(a), provides in relevant part:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

Section 282 of the Patent Act, 35 U.S.C. § 282, provides in pertinent part:

> A patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or

any claim thereof shall rest on the party asserting such invalidity.

INTRODUCTION

This petition presents two of the most important questions in patent law today: the meaning of this Court's decision in *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398, 427 (2007), and whether a party challenging a patent's validity must prove invalidity by clear and convincing evidence.

In *KSR*, this Court rejected an inflexible bright-line rule under which the Federal Circuit considered an invention to be obvious, and thus unpatentable, only if prior art references contained an explicit teaching, suggestion, or motivation for combining various elements into the claimed invention. This Court held that, in determining obviousness, a court "need not seek out precise teachings" in the prior art. *KSR*, 550 U.S. at 418. Instead, the inquiry is an "expansive and flexible" one that "take[s] account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 415, 418. That full inquiry into obviousness is essential because, as this Court explained, "[g]ranting patent protection to advances that would occur in the ordinary course without real innovation retards" the very progress the patent system is supposed to promote. *Id.* at 419.

In this and other cases, however, divided panels of the Federal Circuit have responded by holding that, even if a teaching, suggestion or motivation for *combining* elements need not be

found in prior art references, each of those *elements* must nonetheless have been disclosed in the prior art. The Federal Circuit's effort to replace one bright-line rule with another, contrary to *KSR's* clear rejection of all such bright-line rules, warrants this Court's immediate review; indeed, it provides a basis for summary reversal.

The Federal Circuit also erred by relying on its longstanding rule that a party challenging a patent's validity must prove invalidity by clear and convincing evidence. In civil litigation, a preponderance of the evidence is the default burden of proof. Because the Federal Circuit's clear-and-convincing-evidence requirement departs from that general principle of law without any basis in the text of the Patent Act, this Court should grant review, as it has in the past, to re-affirm that the same general principles of law that apply in all other contexts also apply in patent cases. The exceptional importance of the Federal Circuit's imposition of a heightened burden of proof for all invalidity challenges is confirmed by the 11 amicus briefs filed by 22 companies, 36 professors, and multiple associations and organizations in support of Microsoft Corp.'s recent petition for a writ of certiorari on this issue. *See Microsoft Corp. v. i4i Ltd. P'ship, et al.*, No. 10-290 (U.S. Aug. 27, 2010). This case provides an excellent vehicle for showing the lower courts how to conduct a proper obviousness analysis, free of arbitrary bright-line rules and unfairly elevated burdens of proof.

STATEMENT OF THE CASE

A. The Night-Vision Technology at Issue

This case concerns color filters used on night vision goggles ("NVGs") and cockpit displays in military aircraft. In the 1970s, the United States military began using NVG technology for infantry ground forces. The early systems amplified ambient light throughout the visible spectrum of colors. *See* App. 3; *Honeywell Int'l, Inc. v. United States*, 66 Fed. Cl. 400, 406-07 (2005).

In the 1970s and early 1980s, military pilots (particularly helicopter pilots) became interested in using NVGs. The goggles developed for ground forces, however, could not simply be placed in a cockpit. NVGs amplified light to such an extent that even a small amount of light from a cockpit display could overwhelm the goggles and render them useless for viewing anything outside the aircraft. On the other hand, pilots needed lighted displays and instruments to control the aircraft. *See* App. 3-4, 50-51, 87, 173.

In the early 1980s, engineers solved this problem through a system of complementary filtering that placed a light filter over cockpit displays to allow only certain wavelengths of light through, and placed another light filter over NVGs to allow only a *different* set of wavelengths through. Because the wavelengths of light that the displays emitted in the cockpit were screened out by the filters on the NVGs, they did not overwhelm the goggles. Instead, the NVGs provided night vision

by amplifying all *other* wavelengths of light. *See generally* App. 4-5, 147-48, 168-73.

The two filters effectively split the color spectrum so that pilots could look straight ahead through the filtered NVGs to see the terrain outside of the aircraft, or look down underneath the goggles to see the filtered cockpit instruments and displays. *See* App. 3-4, 6. In general, the filter on the cockpit display allowed shorter wavelengths of light (e.g., bluer wavelengths) to pass and blocked longer wavelengths of light (e.g., redder wavelengths). The filter on the NVG did the opposite. *Id.* at 4-7.

The effectiveness of NVGs depends, however, on how much ambient light is allowed into the goggle. Thus, there is an inevitable trade-off between NVG performance and cockpit lighting: if more wavelengths of light are filtered out by the NVGs, more colors are available for cockpit displays, but night-vision performance decreases. Conversely, if fewer wavelengths of light are filtered out by the NVGs, night-vision performance improves, but fewer colors are available for cockpit displays. App. 32-33, 168-74.

In the early 1980s, helicopter pilots wanted some color differences in their displays to help them quickly identify alarms and warning lights, but they also needed maximum performance from NVGs to help them avoid trees and other terrain. *See* App. 50-51, 149-50, 168-72; C.A. App. 400364. After considering pilots' preferences and other factors such as the ability of enemy forces to see a red-illuminated cockpit more easily than a blue-

green cockpit, the military struck the balance by splitting the color spectrum at approximately 625 nm. App. 32-33, 161-62, 168-73. That meant, among other things, that red would not be used in the cockpit. *Id.* at 168-72. The military formalized its choice in 1986 by issuing a specification, known as MIL-L 85762, that told its suppliers how to build the chosen system. *Id.*

Interest in NVG technology soon spread from helicopter pilots to fixed-wing pilots, but fixed-wing pilots had somewhat different needs. App. 32-33, 171-72. Because they flew at higher speeds, they had less time to react to alarms and therefore relied more heavily on different display colors to help them differentiate and react more quickly to critical alarms. *Id.* at 171. Fixed-wing pilots also did not ordinarily fly as close to the ground as helicopter pilots, and were therefore willing to sacrifice some NVG performance to get more color in the cockpit. C.A. App. 400364. To accommodate fixed-wing pilots, the military created a new specification that issued in 1988 as MIL-L 85762A. App. 32-33, 171-72. That specification shifted the splitting point upwards from 625 nm to 665 nm—a wavelength that falls within the red portion of the color spectrum. *Id.* at 33, 171-72. The new specification essentially split the red color band in order to permit the use of some red wavelengths in the cockpit while reserving other red wavelengths for NVGs. *Id.* at 171-72.

B. The Asserted Patent

Allied Signal, Inc. (the predecessor to Honeywell by merger) filed the original application

for U.S. Patent No. 6,467,914 ("the '914 patent") on October 10, 1985—after the military announced its initial standard for helicopters, but shortly before it finalized the subsequent standard to accommodate fixed-wing aircraft. *See* App. 5. Allied Signal's application described a display system using separate green, blue, and red light sources that combined to make a full color image. *Id.* at 6-7. The application also disclosed a complementary filter that would block those emissions from the NVGs. *Id.* Thus, the application contemplated the use of red, green, and blue in the cockpit. *Id.*

In 1987, the military placed the application under a secrecy order that it lifted in 2000. App. 5-6. The '914 patent issued on October 22, 2002. *Id.* at 51.

C. The Court of Federal Claims Proceedings

Pursuant to 28 U.S.C. § 1498(a), Honeywell sued the United States in the Court of Federal Claims ("CFC"). *See* App. 7. Honeywell alleged that virtually all of the United States' modern military aircraft infringed the '914 patent. The court proceeded with a test case of three displays manufactured for F-16 and C-130 aircraft. *Id.* at 7-8. Lockheed Martin (manufacturer of the C-130) and L-3 (manufacturer of displays for the C-130) intervened because of their indemnification obligations. *Id.* at 8 n.1.

The CFC found that the government infringed claim 2 of the patent. App. 8. After holding a separate trial on the validity of claim 2, the CFC determined that, under this Court's decision in

KSR, the claim is invalid for obviousness pursuant to 35 U.S.C. § 103. App. 8. That claim recites:

> 2. A display system for use in association with a light amplifying passive night vision aid and a local color display including a local source of light having blue, red, and green color bands, comprising:
>
> (a) a plurality of filters at the local color display including
>
> (1) a first filter for filtering the blue color band of the local source of light;
>
> (2) a second filter for filtering the green color band of the local source of light; and
>
> (3) *a third filter for filtering the red color band of the local source of light and passing a narrowband of the red color band;* and
>
> (b) a fourth filter which filters light at the night vision aid, said fourth filter cooperating with said plurality of filters to substantially block at least said narrowband of the red color band from being admitted to the night vision aid.

Id. at 9-10 (emphasis added). Element (a)(3), a filter for splitting the red color band, is the element at issue here.

Based on an extensive review of multiple prior art references and the testimony of numerous experts and engineers, the CFC found that all of the elements of the claim were disclosed in prior art references and that it would have been obvious to

one skilled in the art to combine those references. App. 53-54 n.7, 57-60, 134, 165.

The CFC also emphasized that, "even if prior art did not disclose all the elements, the court could still determine that the '914 patent was obvious." App. 134. The court explained that "the obviousness inquiry 'requires a series of factual assessments culminating in an often-difficult qualitative judgment of the creative achievement involved in the invention.'" *Id.* at 133. "Therefore, the court also must examine the claimed invention 'as a whole,' through the eyes of 'a person having ordinary skill in the art.'" *Id.* The CFC found that such a person "'would be knowledgeable about night vision compatible aids, compatible instrument and panel lighting, and manufacturing displays for military cockpits.'" *Id.* at 107.

The CFC then determined that, "[a]ssuming, *arguendo*, that [prior art references] did not disclose how to 'split the red color band,'" the claimed invention was nonetheless obvious. App. 157-65. The CFC found that the reason no one had previously split the red color band for this purpose, at least in published literature, is that the military had not previously wanted to use red light in cockpits equipped with night vision technology. *Id.* at 160-64, 168-73. The military's subsequent "decision to use NVGs in fixed-wing aircraft created a market that would incentivize one of ordinary skill in the art to use complementary filtering to filter the red color band." *Id.* at 164-65.

The CFC emphasized that there was no dispute that, "after one skilled in the art, in 1985, identified

the need to split the red color band, determining the appropriate filters to use also would be known." App. 157. The prior art disclosed means of splitting the color band in order to filter light, and Honeywell and its expert conceded that "[t]here was nothing different about filtering the red color band, as opposed to other color bands." *Id.* at 151. Thus, the court found that even if no prior-art reference specifically disclosed splitting the *red* color band, as opposed to the color spectrum generally, a person skilled in the art would have known how to apply existing filtering technology to red. *Id.* at 134, 157-65. The CFC concluded that, because the means of splitting the red color band were known in the art, and the military's changing requirements, not some spark of innovation, prompted the decision to split the red color band, the patent claim was obvious. *Id.* at 157-65, 168-74.

D. The Federal Circuit Proceedings

In a split decision, the Federal Circuit reversed and held that claim 2 was not obvious because the prior art references did not disclose claim element (a)(3). App. 14-18. The majority construed that element to require the filtering of light in the cockpit that is perceptible as being red. *Id.* at 13-14. In the court of appeals' view, some of the cited prior art references disclosed filtering light within the red color band, but did not expressly describe the emitted color as being perceptible as red. *Id.* at 14-18. Invoking a heightened burden of proof, the court then concluded that, "[g]iven the failure to prove that the cited references disclose element (a)(3), the government has failed to carry its burden

of proving by clear and convincing evidence that the claimed limitation would have been obvious to one of skill in the art." *Id.* at 18.

The Federal Circuit majority stopped its obviousness analysis there. App. 18. It did not go on to consider the CFC's alternative findings that, even if the prior art did not disclose the relevant claim element, splitting the red color band was nonetheless obvious in light of market demands and the knowledge of persons skilled in the art. *Id.* at 18, 32-33. Instead, it treated the absence of the element in the prior art as a bright-line rule precluding a determination of obviousness. After considering some other, unrelated issues, the court remanded for the CFC to assess damages. *Id.* at 26.

Judge Mayer dissented. App. 27. After disagreeing with the majority's finding that one of the claim elements was not disclosed in the prior art, Judge Mayer stated that, "[i]n any case, testimony by experts for both Honeywell and the government indicates that one of skill in the art at the time would have known how to adjust the light source to increase the perceptibility of the light in the red color band." *Id.* at 31.

Judge Mayer emphasized that, under this Court's decision in *KSR*, "'[t]he analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.'" App. 32 (quoting *KSR*, 550 U.S. at 418). In this case, he explained, "[t]he change in

the military specification reflected a desire on the part of some military pilots, particularly those of fixed-wing aircraft, to sacrifice some amount of NVG sensitivity in exchange for allowing more red light to be displayed in the cockpit." *Id.* "This was a simple shift, changing the cutoff point for the red light that could be displayed (and was therefore blocked by the NVGs) from 625 nm to 665 nm, a shift that was well within the technical ability of those of ordinary skill in the art at the time." *Id.* at 32-33.

The panel denied rehearing after modifying its opinion to permit the defendants to raise on remand an unrelated defense under the Invention Secrecy Act to the award of damages for infringement before (though not after) the issuance of the patent. App. 222-23. The Federal Circuit denied rehearing en banc. *Id.* at 225-26.

REASONS FOR GRANTING THE PETITION

Over a vigorous dissent, the Federal Circuit relied on an obviousness test that directly conflicts with *KSR* and an elevated burden of proof that cannot be squared with traditional principles of law that apply in patent cases just as they apply in all other cases. Those important legal errors warrant this Court's review.

I. THE FEDERAL CIRCUIT'S DEPARTURE FROM *KSR* WARRANTS THIS COURT'S REVIEW.

The Federal Circuit's imposition of a bright-line rule requiring specific teachings in the prior art, as a condition for finding a patent claim to be obvious, conflicts with this Court's rejection of

precisely such rules in *KSR*. And the question is exceptionally important for essentially the same reasons that *KSR* warranted this Court's review.

A. The Federal Circuit's Decision Conflicts With This Court's Decisions.

Congress specified that a patent is invalid if "the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which such subject matter pertains." 35 U.S.C. § 103(a). The plain language of that statute focuses on whether, notwithstanding "the differences" between a patent claim and the prior art, the claim "as a whole" would have been obvious to a person with ordinary skill in the art. *See id.*

1. In keeping with that statutory text, this Court has instructed courts for almost half a century to consider three factors in determining obviousness: "the scope and content of the prior art," the "differences between the prior art and the claims at issue," and "the level of ordinary skill in the pertinent art." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). This Court called for courts to apply that multi-factor test through "case-by-case development." *Id.* at 18.

Over time, however, the Federal Circuit came to apply a rigid test that asked whether the prior art contained an explicit "teaching, suggestion, or motivation" for combining the various elements of a patent claim. *See KSR*, 550 U.S. at 414 (quotations

omitted). In *KSR*, this Court responded by unanimously "rejecting the rigid approach of the Court of Appeals" and holding that bright-line rules that seek "precise teachings" in the prior art have no basis in the statutory text and no place in the obviousness analysis. *Id.* at 415, 418.

The Court explained that, "[t]hroughout this Court's engagement with the question of obviousness, our cases have set forth an expansive and flexible approach." *KSR*, 550 U.S. at 415; *see also id.* ("*Graham* set forth a broad inquiry."). Thus, *KSR* repeatedly held that "rigid and mandatory formulas" are "incompatible with our precedents." *Id.* at 419. "Rigid preventative rules that deny factfinders recourse to common sense . . . are neither necessary under our case law nor consistent with it." *Id.* at 421. "[W]hen a court transforms the general principle into a rigid rule that limits the obviousness inquiry . . . it errs." *Id.* at 419; *see also id.* at 428.

In addition to repeatedly rejecting *all* bright-line rules, *KSR* emphasized that bright-line rules limiting the obviousness inquiry to "precise teachings" in prior art references are *especially* contrary to the statutory text and this Court's precedents: "As our precedents make clear . . . the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *KSR*, 550 U.S. at 418. "A person of ordinary skill is also a person of ordinary creativity, not an automaton." *Id.* at 421. And "[i]n many fields it may be that

there is little discussion of obvious techniques or combinations, and it often may be the case that market demand, rather than scientific literature, will drive design trends." *Id.* at 419. For all of those reasons, after *KSR*, it is clear that there is no requirement of any specific teaching in the prior art, be it a teaching concerning a claim element or a portion of a claim element (as in this case), or the motivation to combine different elements into an overall invention (as in *KSR*).

The Patent and Trademark Office ("PTO") had little trouble drawing that conclusion from *KSR*. Before *KSR*, the PTO's Manual of Patent Examining Procedure ("MPEP") contained a section entitled, "All Claim Limitations Must Be Taught Or Suggested." MPEP § 2143.03 (2006 ed.). As its title reflected, that section stated that, "[t]o establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art." *Id.* Following *KSR*, however, the PTO struck that requirement from the MPEP, and revised the title of the relevant section to state only that "All Claim Limitations Must be *Considered*." MPEP § 2143.03 (2007 ed.) (emphasis added).

In contrast to the MPEP, the Federal Circuit's decision in this case conflicts with *KSR*. The court of appeals surveyed the cited prior art evidence and declared: "Given the failure to prove that the cited references disclose element (a)(3), the government has failed to carry its burden of proving by clear and convincing evidence that the claimed limitation would have been obvious to one of skill in the art." App. 18. That ended the court's obviousness

analysis. The Federal Circuit did not go on to consider whether, notwithstanding that difference between the patent claim and the prior art, the claim was nonetheless obvious in light of the ordinary knowledge and creativity of a person skilled in the art, market demands, or other considerations. *See generally id.* Nor did the Federal Circuit purport to overrule the CFC's fact-findings on those questions—findings that are entitled to deference under the clear-error standard of review. *See id.* at 10; *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1160 (Fed. Cir. 2007). Thus, the Federal Circuit's truncated analysis cannot be squared with this Court's holding that the statutorily-mandated inquiry is a broad and flexible one governed by the *Graham* factors, not by rigid rules.

2. Even before *KSR*, the Federal Circuit's decision would have conflicted with this Court's decisions embracing a more flexible approach. In *Hollister v. Benedict & Burnham Manufacturing Co.*, 113 U.S. 59 (1885), for example, this Court held that a patent on a revenue stamp was invalid. The patented stamp combined three elements: a stamp; a stub with a serial number that could be detached from the stamp; and a portion of the stamp that contained the same serial number and that could be torn off and retained, but whose removal would mutilate the stamp. *Id.* at 70. This Court determined that the first two elements were "well known" and that, although the latter feature was "new in the sense that it had not been anticipated by any previous invention," the stamp was nonetheless unpatentable. *Id.* at 70, 71. The

new element was "but the display of the expected skill of the calling, and involves only the exercise of the ordinary faculties of reasoning upon the materials supplied by a special knowledge." *Id.* at 73.

By holding the patent invalid even though one of its elements was not disclosed in the prior art, *Hollister*, like *KSR*, makes clear that each element need not be so disclosed. Instead, the invention may be obvious in light of the ordinary creativity of a person skilled in the art.

3. The Federal Circuit further departed from this Court's precedents by treating the missing element as being a filter that split the perceptible red color band. *See* App. 13-14, 16-17. That is not so much a "missing element" as it is the combination of two elements that were both found in the prior art: a filter capable of splitting the red color band, and the emission of perceptible red light. There is no question that the prior art included filters capable of splitting the red color band. *Id.* at 150-51, 157-59. The CFC found and Honeywell's expert admitted that such filters were well known, and that "there's not[h]ing scientifically different about filtering a portion of the red color band from, for example, a portion of the blue color band." *Id.* at 151 (quotations omitted). Nor is there any doubt that the emission of perceptible red light from consoles was well known long before 1985. *See, e.g., id.* at 3-7, 109-15. Indeed, red light has been known for most if not all of human history.

In effect, therefore, the Federal Circuit resurrected the teaching, suggestion, or motivation test this Court rejected in *KSR* in an even more demanding form—searching not just for a motivation to combine two aspects of the prior art, but for an explicit reference that actually combined them.

The Federal Circuit's analysis conflicts not just with *KSR* and *Hollister*, but also with this Court's decision in *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976). There, the court of appeals had held that a patent was non-obvious because an "element" was missing in the prior art; specifically, "the element lacking in the prior art was any evidence of an arrangement of the old elements" to produce the relevant result. *Id.* at 281-82. This Court made quick work of that analysis, explaining that a new arrangement or combination of previously known components need not be expressly set forth in the prior art. *Id.* at 282 (citing cases). And calling the combination an "element" did not affect that conclusion. There is no reason for a different result here.

B. The Question Is Exceptionally Important.

This Court's unanimous holdings in *KSR*, *Graham*, *Hollister*, and *Sakraida* are not only binding precedent, they are essential to the balance struck by the Patent Act. The Federal Circuit's continued desire to restrain the obviousness inquiry warrants this Court's review for essentially the same reasons it warranted review in *KSR*.

Those who genuinely innovate and disclose their inventions are entitled, in return, to monopoly patent rights. But as this Court has explained, the public interest lies in a *balanced* patent system that rewards genuine innovation without counter-productively impeding innovation by granting exclusive rights to applicants that do not deserve them. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). Because invalid patents "stifle, rather than promote, the progress of useful arts," *KSR*, 550 U.S. at 427, "the strong federal policy favor[s] free competition in ideas which do not merit patent protection." *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969).

"Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress." *KSR*, 550 U.S. at 419. When an advance over the prior art is within the ordinary creativity of a person skilled in the art, it does not sufficiently add to the storehouse of human knowledge to warrant an exclusive, monopoly-like property right. Such advances may reflect good ideas and the work of a "skillful mechanic," but are not "'the things which are worth to the public the embarrassment of an exclusive patent.'" *Graham*, 383 U.S. at 10-11 (quoting Thomas Jefferson). No one can have a monopoly on ordinary skill.

C. The Federal Circuit's Decision Adds To The Uncertainty Concerning Obviousness Standards Following *KSR*.

Although most Federal Circuit panels after *KSR* have applied the missing-element test the panel applied here, at least one panel of that court has not. The Federal Circuit's decisions, and its denial of *en banc* review in this case, show that the missing-element test is not an anomaly, but an aspect of Federal Circuit jurisprudence that warrants this Court's attention. Only this Court can provide both the correction and the uniformity that this issue requires.

1. As in this case, a split panel of the Federal Circuit held in *Kinetic Concepts, Inc. v. Blue Sky Medical Group, Inc.*, 554 F.3d 1010 (Fed. Cir. 2009), that a claimed invention was non-obvious because the cited prior art references did not "teach or suggest" one of the claim limitations. *Id.* at 1020. The Federal Circuit recognized that the jury instruction on obviousness was erroneous because it required, contrary to *KSR*, that the prior art contain a teaching, suggestion, or motivation. *Id.* at 1021. But the court held that the erroneous instruction was harmless because there was substantial evidence that none of the prior art references disclosed one of the claim limitations:

> [Plaintiff] addressed each of Defendants' prior art references and provided the jury with a basis for determining that they did not teach or suggest "treating a wound with negative pressure," a limitation found in every asserted

> claim. We conclude this was sufficient to support the jury's verdict of nonobviousness.

Id. at 1020; *accord id.* at 1021. The unusual posture of that case—affirmance of a verdict rendered by an improperly instructed jury—makes clear that the Federal Circuit is applying the missing-element test as a bright-line rule.

Callaway Golf Co. v. Acushnet Co., 576 F.3d 1331 (Fed. Cir. 2009), committed the same error and showed exactly how dependent the Federal Circuit's missing-element test is on the characterization of the elements. The Federal Circuit held that the claimed invention—a three-piece golf ball—was not obvious because "[t]he evidence before the jury did not compel a finding that all claim limitations were present in the prior art." *Id.* at 1339.

The defendant had argued that the claimed golf ball was "nothing more than a predictable and 'obvious to try' variation of known elements (solid cores, ionomer-blend covers, and three-piece balls)." *Callaway*, 576 F.3d at 1339. The plaintiff, in contrast, argued that its golf ball "'produce[s] a synergy and an important new result' over and beyond that which could be expected independently from each prior art element." *Id.* Framed properly, therefore, the question was whether the specific combination was obvious. Instead, the Federal Circuit held that the golf ball was not obvious because the prior art did not "expressly disclose[] the requisite hardness limitation for a polyurethane golf-ball cover on a three-piece ball." *Id.* As in this case, the Federal Circuit thereby

defined the relevant "element" to be the combination of multiple different aspects of the patent claim, and then held that the claim was non-obvious because the prior art did not expressly disclose that *combination*.

In *Abbott Laboratories v. Sandoz*, 544 F.3d 1341 (Fed. Cir. 2008), the district court similarly held that a patent was non-obvious based on "the requirement that each and every claim limitation be found present in the combination of the prior art references before the [obviousness] analysis proceeds." *Id.* at 1351 (quoting *Abbott Labs. v. Sandoz, Inc.*, 500 F. Supp. 2d 846, 852 (N.D. Ill. 2007)). A split panel of the Federal Circuit affirmed the district court's determination of non-obviousness. While the majority was vague about the relevance of that legal standard to its disposition of the case, the majority did not dispute the dissent's view that it had endorsed the missing-element test applied by the district court. *See id.* at 1377 (Gajarsa, J., dissenting).

Judge Gajarsa chastised the majority for approving that test: "[I]t was clearly error to find, as a matter of law, that since none of the prior art references cited by [the defendant] explicitly disclosed a composition that had the . . . limitations of the '718 patent, it had failed to demonstrate 'the presence of all claim limitations in the prior art,' and therefore . . . the '718 invention could not be obvious." *Abbott Labs.*, 544 F.3d at 1377 (Gajarsa, J., dissenting). "Contrary to the majority, this holding relies on an improperly limited view of what types of references can be combined to show obviousness and an impermissibly cramped view of

the Supreme Court's holding in *KSR*." *Id.*; *see also id.* at 1378 n.5.

The Federal Circuit's decisions after *KSR* have led at least one commenter to conclude that the court "has traded one rigid test for another. Instead of requiring a teaching, suggestion, or motivation to combine the prior art references in order to find an invention obvious, the Federal Circuit now looks to whether reasonably pertinent art contains all of the elements of the invention." Nicholas Angelocci, *KSR v. Teleflex: Obvious Ambiguity*, 18 DePaul J. Art Tech. & Intell. Prop. L. 293, 320 (Spring 2008). And that is not a one-way street; overemphasis on whether the elements were set forth in the prior art, as opposed to whether the invention as a whole was obvious, could disadvantage a patent applicant when the innovative aspect consists in the combination of known elements. *Id.* at 320-21. In any event, "[t]his is surely not the flexible approach the Supreme Court desired after [its] decision in *KSR*." *Id.* at 321.

2. At least one early post-*KSR* panel of the Federal Circuit followed the correct approach. In *Leapfrog,* the Federal Circuit held that a patent claim was obvious even though one of its elements, a "reader," was not disclosed in the prior art references. 485 F.3d at 1162. The court upheld the trial court's obviousness determination based on that court's factual finding that readers were known to persons skilled in the art—exactly what it should have done here. *Id.; see also Media Techs. Licensing, LLC v. The Upper Deck Co.*, 596 F.3d 1334, 1337 (Fed. Cir. 2010) (holding, by a 2-1

majority, that a particular type of sports memorabilia card was obvious even though "no reference teaches a 'sports trading card,'" as required by the asserted claims).

To the extent that the Federal Circuit does not invariably apply the missing-element test, that only makes matters worse. The test was applied here and it clearly conflicts with *KSR* and a host of earlier decisions of this Court. To the extent that the missing-element test is occasionally missing from a panel decision, that simply means that the Federal Circuit is not only generally misapplying this Court's precedent, it is also failing in its mission to provide uniformity in patent law. The denial of en banc review here makes clear that the Federal Circuit will not fix this problem itself. This Court's intervention is needed.

D. This Case Provides A Good Vehicle For Correcting The Federal Circuit.

This case presents an unusually good vehicle for considering this question. Because the Federal Circuit held that the patent claim was not obvious given that one of its elements was not disclosed in the prior art, it did not go on to conduct a correct obviousness analysis by considering the other relevant factors and the trial court's findings on those factors. *See* App. 18. That will typically be the case, because the missing-element test inherently truncates the analysis. In this case, however, the trial court's finding of fact and Judge Mayer's dissent demonstrate that, under correct legal standards, the patent claim is obvious.

Obviousness is a question of law based on underlying findings of fact. *Graham*, 383 U.S. at 17. The trial court thoroughly analyzed all of the relevant factors and made findings of fact that are entitled to deference. *E.g.*, App. 121-26, 152-73. As discussed above, the trial court's meticulous consideration of the record shows that the prior art disclosed technology for splitting the color band and using perceptible red light in console displays. *See* pp. 8-10, 17, *supra*.

As the CFC found, therefore, the only question is whether, once a person of skill in the art wanted to have red in a cockpit equipped with night-vision technology, it would have been obvious to use existing filtering technology to split the red color band. *See* App. 156-57. And on that question, the CFC entered fact findings that the majority did not purport to reverse and the dissent accepted. *Id.* at 18, 31-33. The trial court found that the military's changing needs, not any new innovation, provided the incentive to use existing technology to split the red color band. *Id.* at 161-65, 168-72. Those fact findings, the dissent's analysis, and the relative simplicity of the factual questions (compared to most patent cases) make this case an excellent vehicle for both correcting the Federal Circuit's error and illustrating how to conduct a proper obviousness analysis.

II. THE FEDERAL CIRCUIT'S CLEAR-AND-CONVINCING-EVIDENCE STANDARD FOR PROVING INVALIDITY WARRANTS THIS COURT'S REVIEW.

Since shortly after its creation, the Federal Circuit has maintained that a party challenging a patent's validity must prove invalidity by clear and convincing evidence. *See, e.g., Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984). The Federal Circuit relied on that heightened burden of proof in this case by concluding that the defendants "failed to carry [their] burden of pro[of] by clear and convincing evidence . . . ." App. 18. The court of appeals' imposition of that heightened burden of proof, which departs from ordinary principles of law and unfairly slants the courts' and juries' consideration of patents' validity, is another important error that warrants this Court's immediate review.

A. The Federal Circuit's Clear-And-Convincing Standard Conflicts With General Principles Of Law And Ignores The Reality Of The Patent Examination Process.

1. This Court has granted review on multiple occasions to hold that general principles of law that apply in all other contexts also govern in patent cases. *See, e.g., MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (declaratory judgment standard); *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) (permanent injunction standard); *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999) (standard of review of agency action). There is

little doubt about the applicable general principles here: in civil suits, the party that bears the burden of proof may overcome that burden with a preponderance of the evidence, unless Congress expressly requires a higher standard or certain important liberty interests are at stake. *See, e.g.*, *Grogan v. Garner*, 498 U.S. 279, 286 (1991). Neither of those exceptions even arguably applies here.

The Patent Act simply states that "[a] patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." 35 U.S.C. § 282. While that statute identifies *who* bears the burden of proof on invalidity, it says nothing about the *evidentiary standard* for carrying that burden. The default preponderance-of-the-evidence standard therefore should apply, but does not in the Federal Circuit.

It is no answer that the statute also establishes a presumption of validity. *All* agency decisions are "entitled to a presumption of regularity." *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971). But that presumption, like numerous others—including the presumption of validity for trademarks and copyrights—is overcome by a preponderance of the evidence. *See, e.g.*, *Medforms, Inc. v. Healthcare Mgmt. Solutions, Inc.*, 290 F.3d 98, 114 (2d Cir. 2002) (copyright); *Material Supply Int'l, Inc. v. Sunmatch Indus. Co.*, 146 F.3d 983, 990 (D.C. Cir. 1998) (trademark); *Bracic v. Holder*, 603 F.3d 1027, 1034 (8th Cir. 2010) (fear of persecution in asylum proceedings).

Nor is any special liberty interest at issue here. Patent litigation involves the same types of economic injuries that are at issue in "the typical civil case involving a monetary dispute between private parties." *Addington v. Texas*, 441 U.S. 418, 424, 423 (1979). There is no reason to adopt a heightened burden of proof that gives one side a decided advantage over the other.

2. The Federal Circuit has treated its clear-and-convincing-evidence requirement as a means of deferring to the PTO's issuance of a patent. *See Am. Hoist & Derrick*, 725 F.2d at 1359. Even setting to the side the oddity of using a clear-and-convincing burden of proof as an administrative deference doctrine, the Federal Trade Commission ("FTC") has correctly determined that the PTO's issuance of a patent does not warrant the deference provided by that standard. *See* FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, ch. 5, at 28 (2003), *available at* http://www.ftc.gov/os/2003/10/innovationrpt.pdf ("FTC Report").

Among other things, severe limits on the PTO's resources constrain its ability to examine patent applications thoroughly. This Court identified that problem over four decades ago, *Graham*, 383 U.S. at 18, and the PTO's resources have been stretched even further since then. In 2003, the FTC found that examiners "have from 8 to 25 hours to read and understand each application, search for prior art, evaluate patentability, communicate with the applicant, work out necessary revisions, and reach and write up conclusions." FTC Report, Executive Summary at 10. The number of patent applications

submitted to the PTO has increased by 37% since then, from 355,418 to 485,500 annually, making the situation even worse. *See* PTO, Performance and Accountability Report Tables 1-3 (2009), http://www.uspto.gov/about/stratplan/ar/2009/200annualreport.pdf.

The PTO's resource constraints pose particular problems in light of its *ex parte* examination process. Without an adversary to aid the process and expand the record, a patent examiner often lacks sufficient time to develop an adequate understanding of the relevant technology and prior art. Joseph Farrell & Carl Shapiro, *Intellectual Property, Competition, and Information Technology* (Working Paper 2004), at 33, *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=527782.

The PTO's own reexaminations show that resource constraints and the limits on its *ex parte* examination process cause it to issue many patents in error. When the PTO reexamines a previously issued patent, its second look *normally* reveals that the patent's issuance was in error. *92%* of the patents that go through *inter partes* reexaminations are either cancelled or re-issued only after the patentee amends some or all of the claims. *See* PTO, Quarterly Review: *Inter Partes* Reexamination Filing Data Review (June 30, 2010), http://www.uspto.gov/patents/IP_quarterly_report_June_30_2010.pdf. Patents involved in *ex parte* reexaminations do not fare much better: only 23% have escaped with all claims confirmed. *See* PTO, Quarterly Review: *Ex Parte* Reexamination Filing Data Review (June 30, 2010), http://www.

uspto.gov/patents/EP_quarterly_report_June_30_2010.pdf.

Litigation results provide further confirmation of the PTO's error rate. When judges (though not juries) determine patents' validity on summary judgment or following a bench trial, they invalidate patents approximately half of the time, notwithstanding the daunting burden of proof. *See* Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. Econ. Persp. 75, 76 (2005); Adam B. Jaffe & Josh Lerner, Innovation and Its Discontents 125 (2004). Under a more balanced standard of proof, that number would undoubtedly increase.

As the FTC concluded, "[i]t does not seem sensible to treat an issued patent as though it had met some higher standard of patentability." FTC Report, Executive Summary at 10. Instead, patent litigation is an essential tool for "weeding out . . . those patents that should not have been granted." FTC Report, ch. 5, at 28. The PTO's technical expertise "is counterbalanced by the greater time devoted to validity in the litigation process." Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1510 n.64 (2001).

By "distort[ing] the litigation process," the clear-and-convincing standard insulates patents of dubious quality from adequate scrutiny at any stage, and thereby creates a "serious potential for judicially confirming unnecessary, potentially competition-threatening rights to exclude." FTC Report, ch. 5, at 28. The Federal Circuit has stressed that the clear-and-convincing standard

imposes a "heavy burden" on parties attempting to overcome it. *Honeywell Int'l v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1145 (Fed. Cir. 2004). Not surprisingly, therefore, a significantly greater percentage of patents have been held to be valid since the Federal Circuit imposed the clear-and-convincing requirement. Doug Lichman & Mark A. Lemley, *Rethinking Patent Law's Presumption of Validity*, 60 Stan. L. Rev. 45, 69 & n.69 (2007).

3. The Federal Circuit's elevated burden of proof makes especially little sense where, as here, some of the relevant prior art was not meaningfully before the PTO. In *KSR*, this Court observed that the rationale behind the presumption of validity is "much diminished" when the examiner did not actually review the relevant prior art. *KSR*, 550 U.S. at 426. Even though deference to an administrative determination is not at issue in that circumstance, because the PTO has made no relevant determination, the Federal Circuit still applies the clear-and-convincing-evidence standard. *See Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1050 (Fed. Cir. 1988). Indeed, the Federal Circuit has long made clear that its heightened standard applies in *all* circumstances. *See, e.g., Am. Hoist & Derrick*, 725 F.2d at 1359.

4. In addition to skewing litigation outcomes, the clear-and-convincing standard has had a corrosive effect on patent law itself. For example, this Court has long held that patent claims must "clearly circumscribe" their scope in order to satisfy the definiteness requirement for patentability. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S.

228, 236 (1942). The Federal Circuit, however, has held that claims may be ambiguous so long as they are not "insolubly ambiguous." *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347-48 (Fed. Cir. 2005) (quotations omitted). And it has cited the need to "follow" its own clear-and-convincing requirement as a reason for adopting that more permissive standard. *Id.*

A similar phenomenon appears to be at work here, as the Federal Circuit held that the absence of an element in the prior art meant that the defendants "failed to carry [their] burden of pro[of] by clear and convincing evidence." App. 18. Tying the missing-element test to the clear-and-convincing-evidence standard in that manner does not validate the missing-element test, but it does underscore the pernicious influence of the Federal Circuit's mistaken clear-and-convincing standard. As *Datamize* makes clear, the heightened burden of proof is skewing not only litigation outcomes, but even legal standards.

B. The Federal Circuit Is In Conflict With Every Regional Court Of Appeals.

While circuit splits rarely arise in patent cases since the Federal Circuit's creation in 1982, older regional circuit precedents remain relevant and help identify issues that "merit this Court's attention." *Holmes Group, Inc. v. Vornado Circulation Sys., Inc.*, 535 U.S. 826, 839 (2002) (Stevens, J., concurring). The Federal Circuit's application of a clear-and-convincing standard to

every invalidity challenge conflicts with decisions of all 12 regional circuits.

At least two regional circuits held that the traditional preponderance-of-the-evidence standard generally applies to validity challenges. *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). At least three others held that the preponderance standard applies at least where, as here, the PTO did not consider the relevant prior art. *See Baumstimler v. Rankin,* 677 F.2d 1061, 1068-69 (5th Cir. 1982); *Mfg. Research Corp. v. Graybar Elec. Co.,* 679 F.2d 1355, 1360-61, 1364 (11th Cir. 1982); *Futorian Mfg. Corp. v. Dual Mfg. & Eng'g, Inc.*, 528 F.2d 941, 943 (1st Cir. 1976). And the remaining regional circuits similarly held that, if the PTO did not consider the relevant prior art, the presumption of validity is "weakened," *United States Expansion Bolt Co. v. Jordan Industries, Inc.*, 488 F.2d 566, 569 (3d Cir. 1973); "weakened, if not completely destroyed," *Ralston Purina Co. v. General Foods Corp.*, 442 F.2d 389, 390 (8th Cir. 1971); *see also Marston v. J.C. Penney Co.*, 353 F.2d 976, 982 (4th Cir. 1965); *Jaybee Mfg. Corp. v. Ajax Hardware Mfg. Corp.*, 287 F.2d 228, 229 (9th Cir. 1961); or diminished to the point that it "does not exist," *Henry Manufacturing Co. v. Commercial Filters Corp.*, 489 F.2d 1008, 1013 (7th Cir. 1972); *see also Turzillo v. P. & Z. Mergentime,* 532 F.2d 1393, 1399 (D.C. Cir. 1976); *Plastic Container Corp. v. Cont'l Plastics of Okla., Inc.*, 708 F.2d 1554, 1558 (10th Cir. 1983).

This Court has articulated a heightened evidentiary standard only in narrow circumstances

that do not remotely apply here. In an older line of cases where a party relied solely on oral testimony for the proposition that a patent was invalid because of a prior use, this Court required proof "beyond a reasonable doubt." *Washburn & Moen Mfg. Co. v. Beat 'Em All Barbed Wire Co.*, 143 U.S. 275, 284 (1892). The Court explained that such uncorroborated oral testimony is "open to grave suspicion." *T.H. Symington Co. v. Nat'l Malleable Castings Co.*, 250 U.S. 383, 386 (1919). In dictum, this Court also required "more than a dubious preponderance" in *Radio Corp. of America v. Radio Engineering Laboratories*, 293 U.S. 1, 8 (1934), a case in which two parties had previously engaged in *inter partes* proceedings before the PTO concerning which of them was entitled to priority of inventorship. That circumstance is far removed from the typical *ex parte* patent application process at issue here. Outside of such unusual circumstances, this Court has held patents invalid without applying, or even mentioning, a heightened evidentiary standard. *E.g.*, *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998); *Sakraida*, 425 U.S. 273; *Graham*, 383 U.S. 1.

C. This Is The Right Time To Correct The Federal Circuit.

There is no reason to let this issue percolate any longer. The Federal Circuit has denied at least three petitions for rehearing en banc on the clear-and-convincing-evidence issue. *See* Order Denying Rehearing En Banc, *i4i Ltd. P'ship v. Microsoft Corp.*, No. 2009-1504 (Fed. Cir. Apr. 1, 2010); Order Denying Rehearing En Banc, *Lucent Techs., Inc. v. Gateway, Inc.*, No. 2008-1485 (Fed. Cir. Nov. 23,

2009); Order Denying Rehearing En Banc, *z4 Techs., Inc. v. Microsoft Corp.*, No. 2006-1638 (Fed. Cir. Jan. 30, 2008). Indeed, when Microsoft raised this issue in the *i4i* case, the Federal Circuit simply relied on circuit precedent, without further consideration of the issue. *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 848 (Fed. Cir. 2010). And the importance of the issue is underscored by the numerous amicus briefs supporting the petition in *Microsoft v. i4i*.

Because the Federal Circuit's precedent was so well established, petitioners and the United States did not directly dispute the clear-and-convincing standard in the Federal Circuit; that clearly would have been futile. In light of that futility, and the Federal Circuit's express reliance on its entrenched clear-and-convincing standard, the question is properly before this Court in this case. *See United States v. Williams*, 504 U.S. 36, 40-44 (1992). Moreover, the overarching issue is whether the patent was obvious; having preserved that claim, petitioners have every right to raise the burden of proof as a supporting argument. *See Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995).

This case presents a rich and nuanced factual vehicle for considering the question, either on its own or in tandem with the pending petition in *Microsoft v. i4i*. As the trial court determined, some of the relevant prior art was not before the PTO at all. App. 74-76. That art included Verney, which the CFC found to disclose "a filter nearly identical to the one" at issue. *See* U.S. Patent No.

6,467,914, pp. 1-2 (listing references considered by examiner); App. 60, 74-75, 157.

Importantly, the patent applicant provided another prior art reference, a German patent, to the PTO only in German, and the CFC found that the PTO never had that reference translated. App. 75-76. The CFC found that the German patent provided a "recipe" for how to split the red color band, and it relied heavily on both the German patent and Verney in concluding that, if the prior art did not disclose the relevant claim limitation, the claim as a whole was nonetheless obvious. *Id.* at 124, 157-62.

The applicant also faxed multiple prior art references (and three new patent claims) to the PTO at 3:49 p.m. on January 16, 2002, and the examiner signed off on the new claims and references *that same day*. *See* Tr. Exh. DMX-38 pp. D001534, D001644. The Boehm reference, which the trial court found to disclose complementary filtering, App. 74-75, 143, was included in those materials. Tr. Exh. DMX-38, pp. D001596-1621.

The fact that important references were not before the PTO at all, or were technically before the PTO but not in a meaningful fashion, confirms that deference to the agency is not warranted. It also cautions against holding that the clear-and-convincing standard applies when, but only when, the PTO considered the relevant prior art. That would be a considerable improvement over the Federal Circuit's existing jurisprudence and would require vacatur in this case. But the better rule is that the default preponderance standard should

always apply, as explained above. And as the facts of this case show, trying to draw a line under which a heightened burden of proof applies in some but not all circumstances would pose serious workability concerns. For that reason, this case provides an excellent vehicle for determining whether the preponderance standard should apply in all circumstances as opposed to only when the prior art was "before" the PTO.

CONCLUSION

For the foregoing reasons, this Court should either summarily reverse on the first question presented or grant plenary review of both questions.

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