

No. 10-290

IN THE
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

i4i LIMITED PARTNERSHIP AND
INFRASTRUCTURES FOR INFORMATION INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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RULE 29.6 STATEMENT

Respondents i4i Limited Partnership and Infrastructures for Information Inc. have no parent company and no publicly held corporation owns 10 percent or more of either respondent's stock.

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BRIEF IN OPPOSITION

INTRODUCTION

Microsoft asks this Court to grant review in order to effect a dramatic change in patent law. That request should be denied.

From its earliest days, the Federal Circuit has consistently held that the presumption of patent validity codified at 35 U.S.C. §282 requires parties in litigation to prove invalidity by clear and convincing evidence. That longstanding statutory interpretation flows from this Court's many pre-1952 cases imposing a heightened burden on validity challengers, case law Congress codified in enacting §282. Over the last 27 years, moreover, Congress has confirmed the correctness of the Federal Circuit's interpretation, by not altering that interpretation and instead making other closely related

changes—including authorizing the Patent and Trademark Office (PTO) to reexamine the validity of issued patents (under a preponderance standard). The settled expectations that have arisen in the patent community because of the court of appeals’ consistent holding (and Congress’s acquiescence in it) further underscore that the radical change Microsoft seeks can properly be adopted only by the legislature. And contrary to Microsoft’s contention, the Federal Circuit’s construction of §282, which allows the clear-and-convincing burden to be carried more easily with prior art than the PTO apparently did not consider, does not conflict with dictum in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), or with most regional circuits’ pre-1982 decisions (which are in any event too old to create a genuine circuit conflict). Finally, if policy considerations are relevant here, they support the Federal Circuit’s construction. In particular, the heightened burden benefits the public by increasing inventors’ incentive to commit the resources required for innovation and then to disclose their inventions. The contrary policy arguments offered by Microsoft and its amici, meanwhile, rest largely on a strikingly inaccurate portrait of the patent system. For example, while Microsoft and its amici depict a regime in which prevailing on validity challenges is remarkably difficult, the reality is that in litigation, patents are invalidated approximately half the time.

In short, there is no conflict with this Court’s or other circuits’ precedent; the correct interpretation is being applied uniformly nationwide (and has been for 27 years); and policy considerations, if pertinent, support that construction. Review is unwarranted.

STATEMENT

1. Respondents (collectively i4i) hold U.S. Patent No. 5,787,449 (the ‘449 patent). Pet. App. 4a. The pat-

ent discloses “an improved method for editing [certain computer] documents.” *Id.* at 5a; *see also id.* at 113a-114a. The heart of this method is the separation of a document’s content (*i.e.*, its actual text) from its “metacodes,” which contain information about how to interpret that content. *Id.* at 5a, 113a-114a. “The invention primarily achieves this separation by creating a ‘metacode map,’ a data structure that stores the metacodes and their locations within the document.” *Id.* at 5a. This approach solves structural problems that had previously plagued the use of metacodes. *See id.* at 6a (describing the invention as “an improvement over prior technology in several respects”); C.A.J.A. 252 (’449 patent, col. 7, lines 6-65) (specifying some improvements).

Since the ’449 patent issued, “i4i has developed several software products that practice the invention. One of these is ‘add-on’ software for Microsoft Word, which expands Word’s capability to work with documents containing custom XML,” a computer language that uses metacodes. Pet. App. 4a.

2. Microsoft initially solicited i4i’s collaboration in offering i4i’s invention to Microsoft’s customers. Ultimately, however, Microsoft instead incorporated into Word its own custom XML editor—developed after learning about i4i’s products. *See* Pet. App. 159a (“The uncontradicted evidence ... relates that Microsoft had knowledge of the patent and its relation to i4i’s products and willfully chose to render the technology obsolete while simply ignoring the patent.”). Microsoft’s “bold” effort “to move competitors’ XML products to obsolescence,” *id.*, largely succeeded as to i4i, *see id.* at 52a (noting “strong circumstantial evidence that Microsoft’s infringement rendered i4i’s product obsolete for much of the custom XML market”).

3. i4i sued Microsoft in 2007, alleging that Word’s custom XML functionality infringed the ’449 patent, and that this infringement was willful. Pet. App. 6a. Microsoft denied infringement and willfulness, and also asserted that the patent was invalid. *Id.* Part of Microsoft’s invalidity defense was that the patent was anticipated, under 35 U.S.C. §102(b), because a product known as S4 assertedly practiced the invention more than a year before i4i applied for the patent. Pet. App. 15a. Disputing that assertion, the patent owners testified that S4 could not have practiced the invention because they had not conceived of the invention when S4 was sold. *Id.* at 20a.

As Microsoft repeatedly notes (Pet. 3, 8, 9, 25), the S4 source code was destroyed before i4i filed this action. Microsoft does not note that this occurred “years before this litigation began,” Pet. App. 20a—indeed, almost a decade before—or that it occurred in the normal course of business because S4 had become obsolete, *see id.* at 182a (“i4i presented evidence that S4 was a one-time project for one customer that was completed and delivered in February of 1993, nine years before Microsoft contends that i4i could have filed suit.”).¹ After presiding over the trial, the district court rejected Microsoft’s contention that it “suffered evidentiary prejudice because of the loss of the S4 source code.” *Id.* The court also rejected Microsoft’s claim that i4i had engaged in inequitable conduct by not listing S4 in its patent application. *See id.* at 183a-188a.

¹ *See also* C.A.J.A. 1632 (i4i founder testifying that the source code “was on a Macintosh platform, which was no longer of interest to us, and so we destroyed it in the normal course of business”); EFF Br. 8-12 (explaining that this scenario is commonplace).

At trial, “the jury found for i4i on every issue,” Pet. App. 160a, and awarded \$200 million in damages, *id.* at 3a. The district court enhanced the damages by \$40 million because of Microsoft’s willful misconduct, *id.*, and entered a “narrow” injunction after finding “that i4i was irreparably injured by Microsoft’s infringement,” *id.* at 50a, 51a.²

A Federal Circuit panel unanimously affirmed, save for a minor modification to the injunction. *See* Pet. App. 4a. Without registered dissent, the court denied Microsoft’s petition for rehearing en banc—which raised four issues, but not the one presented here. *See id.* at 189a-190a.

REASONS FOR DENYING THE PETITION

I. THE FEDERAL CIRCUIT’S LONGSTANDING INTERPRETATION OF §282 IS CORRECT AND SO FIRMLY SETTLED THAT ANY CHANGE SHOULD COME FROM CONGRESS

As Microsoft states (*e.g.*, Pet. 2), the Federal Circuit concluded decades ago that the presumption of patent validity codified in 35 U.S.C. §282 always requires parties challenging patents in litigation to prove the factual predicates of invalidity by clear and convincing evidence. For just as long—though Microsoft does not say so, and

² Microsoft’s backhanded attack on the damages award is meritless. For example, Microsoft states that the award “was based on 46 responses to a telephone survey of 988 business.” Pet. 9 n.1. In fact, i4i’s survey expert treated every non-response as a negative response, *i.e.*, a response of no infringing activity. Pet. App. 38a. This exceedingly conservative approach meant that the jury’s award was in effect based on a 100% response rate to the survey. Moreover, the royalty awarded by the jury applied only to infringing copies of Word, which accounted for less than two percent of Word sales. *See id.*

indeed implies otherwise—the court of appeals has also held that under §282, challengers may more easily carry that burden with prior art that the PTO apparently did not consider in granting a patent.³

The court’s statutory interpretation is correct, as Congress’s adoption of §282 codified this Court’s repeated holding (frequently in cases involving alleged prior use, as here) that the presumption of patent validity requires challengers to bear a heightened burden of proof. Because §282 is being applied correctly and uniformly nationwide, this Court’s review would not be warranted even if the interpretation were new. As Microsoft repeatedly notes, however, the interpretation is one that the Federal Circuit has consistently applied, without congressional disapproval, for over a quarter-century. This both confirms the correctness of the interpretation and leaves no doubt that “[t]he responsibility for changing [this settled law] rests with Congress.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002). Finally, if the Court deems it appropriate to consider policy considerations—which are “best addressed to Congress,” *id.* at 733—they further support the court of appeals’ interpretation.

1. Congress created the Federal Circuit in 1982 to “strengthen the United States patent system.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (quoting H.R. Rep. No. 97-312, at 20 (1981)). The court of appeals adopted its interpretation of §282 soon thereafter. Adhering to the case law of one of its predecessors—and relying on this Court’s precedent—the

³ Most amici similarly ignore this aspect of Federal Circuit law.

Federal Circuit held that “the introduction of art or other evidence not considered by the PTO does not change ... the requirement that that evidence establish presumption-defeating facts clearly and convincingly.” *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983); accord *SSIH Equip. S.A. v. U.S. Int’l Trade Comm’n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (five-judge panel) (citing *Solder Removal Co. v. U.S. Int’l Trade Comm’n*, 582 F.2d 628, 632-633 (C.C.P.A. 1978)); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-1360 (Fed. Cir. 1984) (citing *Radio Corp. of Am. v. Radio Eng’g Labs., Inc.*, 293 U.S. 1, 7 (1934)). As the court later explained, this holding is required by the fact that “[c]ourts are not ... at liberty to repeal a statute, or to legislate conditions diminishing its effect. Hence the statutory presumption cannot ‘vanish’ or be ‘weakened.’” *Lindemann Maschinenfabrik GMBH v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1459 (Fed. Cir. 1984); accord *Solder Removal*, 582 F.2d at 633 (“The statute does not make the presumption applicable in some situations and not in others.”).

These same early cases, however, also established that when relying on prior art that the PTO apparently did not consider, “the offering party is more likely to carry its burden of persuasion.” *SSIH Equip.*, 718 F.2d at 375. Indeed, the Federal Circuit held, “[s]uch art may ... serve to fully meet that burden.” *Connell*, 722 F.2d at 1549. The reason, it explained, is that the presumption rests partly on deference to the PTO, and “no such deference is due with respect to evidence it did not consider.” *American Hoist*, 725 F.2d at 1360.⁴

⁴ One Federal Circuit panel has more recently held that it is not an abuse of discretion for a district court not to instruct the

2. The Federal Circuit’s interpretation of §282 is correct. Long before Congress’s enactment of that provision in 1952, this Court repeatedly held that patents are presumed valid and that this presumption imposes a heightened burden on parties seeking to prove invalidity in litigation. For example, in *Radio Corp. of America v. Radio Engineering Laboratories*, Justice Cardozo’s opinion for a unanimous Court stated categorically that “[e]ven for the purpose of a controversy between strangers, there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.” 293 U.S. at 2 (emphasis added). The Court also cited a host of similar cases, acknowledging that they used somewhat varied phrasing to describe the heightened burden required to overcome the presumption. *See id.* at 7-8. “Through all the verbal variances, however,” the Court continued, “there runs this common core of thought and truth, that one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.” *Id.* at 8 (citing *Philippine Sugar Estates Dev. Co. v. Philippine Islands*, 247 U.S. 385, 391 (1918)).⁵

jury regarding this aspect of Federal Circuit law. *See 24 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354-1355 (Fed. Cir. 2007). Microsoft has not challenged that holding in this litigation. Nor did Microsoft request, as an alternative to a jury instruction lowering the burden of proof, an instruction that its burden could be carried more easily with unconsidered prior art.

⁵ The Federal Trade Commission (FTC) report repeatedly cited by Microsoft asserts that despite *Radio Corp.*’s language—including the reference to “clear and cogent evidence,” 293 U.S. at 2—that case “did not expressly establish a clear and convincing evidence standard,” U.S. FTC, *To Promote Innovation*, ch.5, p.26 n.183 (2003). That is incorrect. As this Court has explained, the

Many of this Court’s decisions establishing that the presumption of validity imposes a heightened burden on challengers involved allegations like Microsoft’s, *i.e.*, claims of prior use that were apparently not considered by the Patent Office. For example, in *The Barbed Wire Patent*, 143 U.S. 275 (1892), the defendants sought “to show an unpatented use of [the] device before the application was made,” *id.* at 277, by pointing to “certain unpatented devices, claimed to be complete anticipations of this patent,” *id.* at 284. This Court reversed the trial judge’s invalidity determination after noting that the defendants bore a heavy burden of proof. *See id.* at 284, 292. A heightened burden for a prior-use defense was similarly invoked in *Coffin v. Ogden*, 85 U.S. 120, 124 (1874); *Cantrell v. Wallick*, 117 U.S. 689, 695-696 (1886); *Adamson v. Gilliland*, 242 U.S. 350, 353 (1917); *Eibel Process Co. v. Minnesota & Ont. Paper Co.*, 261 U.S. 45, 60 (1923); *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937); and *Smith v. Hall*, 301 U.S. 216 (1937), where the Court referred categorically to the “heavy burden of persuasion which rests upon one who seeks to negative novelty in a patent by showing prior use,” *id.* at 233 (citing *Radio Corp.*, 293 U.S. at 7, “and cases cited”). Nothing in these cases indicates that the PTO had considered the evidence of prior use, or that the defendant’s burden of proof would be lower if it had not done so.

A few amici assert (*e.g.*, Google Br. 22-24) that these pre-1952 holdings apply only in specific circum-

law recognizes three standards of proof, and “[t]he intermediate standard ... usually employs some combination of the words ‘clear,’ ‘cogent,’ ‘unequivocal’ and ‘convincing.’” *Addington v. Texas*, 441 U.S. 418, 424 (1979). *Radio Corp.* was thus clearly reaffirming a clear-and-convincing standard.

stances, principally where invalidity is sought to be proven exclusively with oral testimony. That assertion cannot be reconciled with this Court’s repeated categorical statements, quoted above, regarding the heightened burden. Moreover, this Court *has* applied the heightened burden where the evidence was partly documentary. For example, in *Smith*—a case not addressed by Microsoft or any amicus—the evidence included the defendant’s book, his own (unsuccessful) patent application, his brief to the Board of Examiners-in-Chief, drawings, and a journal article. *See* 301 U.S. at 223-225, 228-230, 232. The Court unanimously deemed this to be “convincing evidence” that “support[ed] the heavy burden” to prove prior use. *Id.* at 232, 233; *accord id.* at 227 (“cogent evidence”). Finally, amici’s assertion does not make sense. Oral testimony is no more or less reliable in patent cases than in ones in which the preponderance standard applies (certainly ones in which substantial sums of money are likewise at stake). The reason for the heightened standard is thus not the unreliability of certain types of evidence but the importance of the relevant interests. *See Addington*, 441 U.S. at 423-425. And as explained below, there is an important public interest in ensuring that patents are not too easily invalidated, which would discourage innovators from investing in innovation and then disclosing their inventions to the public. This interest exists in all patent cases—and thus, as the unqualified language of §282 (and of this Court’s cases) indicates, so does the heightened burden.

Hence, when Congress codified the presumption of validity in 1952, this Court had long established that the presumption embodied a requirement that invalidity always be proven by clear and convincing evidence, including with allegations of prior use. Under this Court’s

precedent, Congress is presumed to have been aware of this settled line of authority, and to have intended the statute to be construed consistent with that authority—including the heightened burden. See *North Star Steel Co. v. Thomas*, 515 U.S. 29, 34 (1995) (“[I]t is not only appropriate but also realistic to presume that Congress was thoroughly familiar with [our] precedents ... and that it expect[s] its enactment[s] to be interpreted in conformity with them.” (quoting *Cannon v. University of Chi.*, 441 U.S. 677, 699 (1979)) (omission and last three alterations in original)); accord, e.g., *Merck & Co. v. Reynolds*, 130 S. Ct. 1784, 1795 (2010) (citing cases). This presumption is particularly appropriate here, because both the House and Senate reports on the 1952 Act make clear that Congress was indeed codifying the presumption as applied by this Court. See H.R. Rep. No. 82-1923, at 29 (1952) (“The first paragraph [of §282] declares the *existing presumption* of validity[.]” (emphasis added)); S. Rep. No. 82-1979, at 2422 (1952) (identical). Similar legislative history led this Court to conclude that Congress’s adoption of a non-obviousness requirement in the same 1952 Act was likewise “intended to codify” this Court’s precedent. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 3 (1966); see also *id.* at 14-17.⁶

Microsoft and most amici do not address either the pre-1952 precedent discussed above or the canon of congressional intent to codify it. One amicus suggests, however (Intel Br. 8-10), that the relevant case law was

⁶ Congress’s codification of this Court’s pre-1952 line of precedent distinguishes this case from *Grogan v. Garner*, 498 U.S. 279 (1991), which Microsoft repeatedly cites (Pet. 14, 18 n.3). It also distinguishes §282 from its (differently worded) counterparts for copyrights and trademarks (see Google Br. 5-6).

actually unsettled in 1952. That argument is not based on any decision of this Court holding or even stating in dicta that the burden to prove invalidity is *ever* a preponderance of the evidence—because there is no such case. The argument rests instead on a few cases from this Court that did not explicitly reiterate (yet again) the heightened invalidity standard. The absence of such mention, however, does not indicate that no heightened standard exists. It likely means that the Court simply deemed the burden irrelevant to the pertinent issues—for example, because the burden could not affect the outcome or because the question before the Court was not the underlying facts, to which the burden applies, but rather a legal question. (Obviousness, for example, is an issue of law. *See KSR*, 550 U.S. at 427.) Indeed, in one of the cases Intel cites, the Court expressly noted that it was not addressing factual matters. *See Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 153-154 (1950). More generally, there is no merit to the notion that a few cases omitting express reference to the heightened standard implicitly overruled (without even mentioning, no less) decades of case law consistently holding that standard to apply. To the contrary, this Court has instructed that its cases are not to be deemed overruled by implication, even where later precedent does, unlike here, call them into question. *See Agostini v. Felton*, 521 U.S. 203, 237 (1997).⁷

⁷ Intel also points (Br. 9-10) to Judge Giles Rich’s observation in *American Hoist* about unsettled patent precedent in 1952. *American Hoist* does not cite any pertinent case law in making that observation, *see* 725 F.2d at 1359, and in any event Intel’s citation is curious because Judge Rich concluded—in *American Hoist* and other contemporaneous cases—that the language in §282 that he co-authored was intended to always impose a clear-

3. For the foregoing reasons, the Federal Circuit’s construction of §282 would be correct even if it were new. But the construction is 27 years old, during which time it has been applied consistently—without, to i4i’s knowledge, registered dissent from a single member of the court of appeals. Yet Congress has not acted to change the interpretation (nor does it appear inclined to do so now; patent-reform legislation currently under consideration includes no such change). As this Court has repeatedly explained, such prolonged congressional inaction following judicial construction of a statute strongly suggests that the construction is correct, thereby “enhanc[ing] even the usual precedential force’ we accord to our interpretations of statutes.” *Watson v. United States*, 552 U.S. 74, 82-83 (2007) (quoting *Shepard v. United States*, 544 U.S. 13, 23 (2005)).⁸ See generally *CBOCS W., Inc. v. Humphries*, 553 U.S. 442, 451-452 (2008) (*stare decisis* is particularly compelling with issues of statutory interpretation).

That the relevant interpretation comes from the Federal Circuit rather than this Court does not alter this conclusion, because Congress sometimes reacts to the decision of a single court of appeals. See, e.g., *Douglas v. Seacoast Prods., Inc.*, 431 U.S. 265, 282 n.19 (1977). That is particularly true where—as with Fed-

and-convincing burden. Cf. *Carcieri v. Salazar*, 129 S. Ct. 1058, 1065 n.5 (2009) (treating “a principal author of the” pertinent statute as “an unusually persuasive source as to the meaning of the relevant statutory language”).

⁸ Accord *John R. Sand & Gravel Co. v. United States*, 552 U.S. 130, 139 (2008); *Hilton v. South Carolina Pub. Rys. Comm’n*, 502 U.S. 197, 203 (1991); *United States v. Johnson*, 481 U.S. 681, 686 (1987); *Johnson v. Transportation Agency*, 480 U.S. 616, 629-630 n.7 (1987); *Ankenbrandt v. Richards*, 504 U.S. 689, 700 (1992).

eral Circuit rulings—a decision applies nationwide. *See Owner-Operator Indep. Drivers Ass’n v. Federal Motor Carrier Safety Admin.*, 494 F.3d 188, 197 (D.C. Cir. 2007) (noting Congress’s reversal of a D.C. Circuit decision invalidating a nationally applicable agency rule).

Indeed, in stark contrast to its acquiescence regarding §282, Congress has been quite willing to overturn or modify other Federal Circuit rulings that concern it. For example, “[i]n 1999, following a Federal Circuit decision that intimated business methods could be patented, Congress moved quickly to limit the potential fallout. Congress passed the 1999 [First Inventor Defense] Act, codified at 35 U.S.C. § 273, which provides a limited defense to claims of [business-method] patent infringement.” *Bilski v. Kappos*, 130 S. Ct. 3218, 3250 (2010) (Stevens, J., concurring in the judgment) (citation omitted).⁹ Similarly, “[i]n 2002 Congress amended [35 U.S.C.] § 303(a) to include an additional sentence, explaining that the amendment

⁹ Several amici (*e.g.*, Acushnet Br. 5) point to §273’s express clear-and-convincing burden as evidence that §282 does not impose such a burden. The interpretive canon underlying that argument is that “[w]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally ... in the disparate inclusion or exclusion.” *Russello v. United States*, 464 U.S. 16, 23 (1983). But that canon applies only when the two sections were passed simultaneously. *See Bates v. United States*, 522 U.S. 23, 29 (1997) (applying *Russello* to two provisions “enacted at the same time”). As common sense suggests, it certainly does not apply when, as here, the sections were enacted almost 50 years apart. The more salient point is that Congress made no substantive change to §282 when it enacted §273—evinced approval of the Federal Circuit’s already-settled interpretation of §282, *see infra* pp.15-16, 20 n.12.

‘overturns the holding of *In re Portola Packaging*[,] *Inc.*, a 1997 Federal [Circuit] decision imposing an overly-strict limit that reaches beyond the text of the Patent Act.’” *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) (quoting H.R. Rep. No 107-120, at 2 (2001)). And as this Court explained, in the 1980s “the Federal Circuit had held that the patent laws failed to contain the requisite statement of intent to abrogate state sovereign immunity from infringement suits. In response ..., Congress enacted the Patent Remedy Act.” *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 632 (1999) (citation omitted). Here, by contrast, for 27 years there has been no congressional disapproval of the Federal Circuit’s interpretation of §282. Such prolonged acquiescence confirms the correctness of that interpretation.

Two related facts reinforce this conclusion. *First*, Congress has held hearings at which it was urged to lower the standard of proof for validity challenges to a preponderance of the evidence. *See American Innovation at Risk: The Case for Patent Reform*, Hearing Before the Courts, Internet, and Intellectual Property Subcommittee, House Judiciary Committee 36, 48-49, 110th Cong. (2007) (statement of Daniel Ravicher); *Perspective on Patents*, Hearing Before the Intellectual Property Subcommittee, Senate Judiciary Committee 161-162, 109th Cong. (2005) (statement of Joel Poppen). Congress has therefore been made aware of criticisms of the clear-and-convincing standard, yet left that standard alone.

Second, Congress has been active in patent legislation during the past few decades, repeatedly amending the Patent Act in other respects—including §282 itself, *see, e.g.*, Pub. L. No. 104-41, §2, 109 Stat. 351, 352 (1995); Drug Price Competition and Patent Term Res-

toration Act, Pub. L. No. 98-417, §203, 98 Stat. 1585, 1603 (1984). Of particular importance, Congress has, as detailed below, established procedures by which patent validity can be challenged before the PTO—where a preponderance standard applies. *See infra* pp.18-21. In other words, Congress has adopted measures to address concerns about the clear-and-convincing standard, while leaving that standard unchanged. This constitutes powerful evidence of congressional approval of the Federal Circuit’s interpretation of §282. *See Ankenbrandt*, 504 U.S. at 700-701 (giving particular weight to congressional inaction following a judicial statutory interpretation “where Congress made substantive changes to the statute in other respects”).

There is a second respect in which the longstanding, consistent nature of the Federal Circuit’s interpretation strongly counsels against any judicial alteration of that interpretation. This Court has repeatedly emphasized the paramount importance of settled expectations among the inventing community, and the resulting imperative that courts leave it to Congress to make any changes that could upset those expectations. For example, in *Festo* this Court, reversing the Federal Circuit, admonished it for failing to heed this Court’s prior teaching regarding settled patent law:

The Court of Appeals ignored the guidance of *Warner-Jenkinson*, which instructed that courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.... The responsibility for changing [settled law] rests with Congress. Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property.... “To change so substantially the rules of the game now could very

well subvert the various balances the PTO sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision.”

535 U.S. at 739 (citations omitted) (quoting *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 n.6 (1997)); *see also Bilski*, 130 S. Ct. at 3225 (reaffirming “three specific exceptions to [35 U.S.C.] § 101’s broad patent-eligibility principles,” although “not required by the statutory text,” partly because “these exceptions have defined the reach of the statute as a matter of statutory *stare decisis* going back 150 years”).

These principles are thoroughly applicable here. For decades, inventors and prospective inventors have been assured that in exchange for investing substantial time and resources in the process of innovation, and disclosing their inventions to the public, they would be protected from invalidation of their patents in litigation unless there was more than “a dubious preponderance” of evidence establishing invalidity, *Radio Corp.*, 293 U.S. at 8. Millions of inventions have been disclosed and patents obtained on that assurance. It would be an enormous and unwarranted disruption of settled expectations, as well as a departure from principles of *stare decisis*, for the courts to reverse course now. “The responsibility for changing [this settled law] rests with Congress.” *Festo*, 535 U.S. at 739.

4. The foregoing demonstrates that the Federal Circuit’s longstanding interpretation of §282 is correct, and would outweigh any contrary policy considerations—which are “best addressed to Congress,” *Warner-Jenkinson*, 520 U.S. at 28. To the extent such considerations are considered, however, they further support the court of appeals’ construction.

Perhaps most importantly, the heightened burden of proof in litigation promotes innovation, thus advancing the benefits the patent system seeks to achieve. As this Court has explained, “[t]he federal patent system ... embodies a carefully crafted bargain for encouraging the creation and disclosure of ... advances in technology and design in return for the exclusive right to practice the invention for a period of years.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151 (1989); accord *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974). Robust protection against erroneous invalidation of patents recognizes and protects the enormous resources that go into the innovation process, and gives inventors a strong incentive to invest those resources and then disclose their innovations. It does this by assuring inventors that they will not improperly lose the benefit of the “carefully crafted bargain.” *Bonito Boats*, 489 U.S. at 150; see also *Graham*, 383 U.S. at 8, 9 (discussing Thomas Jefferson’s view that “[t]he patent monopoly [i]s ... a reward, an inducement, to bring forth new knowledge” and that “ingenuity should receive a liberal encouragement”).¹⁰

The clear-and-convincing standard is also consistent with Congress’s desire to provide an alternative mechanism for resolving validity challenges that is both speedier and less expensive than litigation, and that al-

¹⁰ Some amici (*e.g.*, SIFMA Br. 10) address this point indirectly in arguing that only patents of tenuous validity would be affected by a change to the burden of proof. That is incorrect. Inventors and potential inventors will typically have no way to determine in advance whether or not a patent they might obtain would be subject to easy invalidation. Thus, if the burden were changed, *all* inventors would have a weakened incentive to innovate and disclose, to the public’s detriment.

lows such challenges to be resolved by experts. As noted, Congress has established an administrative process by which parties can bring validity challenges before the PTO. Under 35 U.S.C. §302, “[a]ny person at any time” can, on the basis of prior patents or printed publications, initiate an *ex parte* reexamination of a patent by the PTO. Patents applied for after November 1999 may similarly be challenged through *inter partes* reexamination proceedings. *See id.* §311. Parties can also make allegations of prior use to the PTO by initiating “public use proceedings” while a patent application is pending. *See* 37 C.F.R. §1.292. And unlike in litigation, when the PTO reexamines a patent—which must be done with “special dispatch,” 35 U.S.C. §§305, 314(c)—there is no presumption of validity and the standard of proof is merely a preponderance of the evidence. *See, e.g., Swanson*, 540 F.3d at 1377 (citing *In re Etter*, 756 F.2d 852, 856-858 (Fed. Cir. 1985) (en banc)); *see also id.* at 1377-1378 (prevailing in reexamination is easier because there, “unlike in district courts,” claims receive “their broadest reasonable interpretation, consistent with the specification”).¹¹

Congress has therefore provided a process for parties to challenge patents’ validity without bearing the heightened burden imposed by §282. The lower burden applied by the PTO encourages challengers to have validity issues resolved via reexamination—consistent

¹¹ Microsoft initiated reexamination of the ’449 patent in 2008, relying on some of the same prior art it invoked at trial here. The PTO rejected Microsoft’s arguments and confirmed the validity of i4i’s patent claims. *See, e.g., Qualters, Supreme Court Is Microsoft’s Last Resort*, National L.J. (May 13, 2010). A week after petitioning for certiorari, Microsoft filed another reexamination request. The PTO has not yet acted on that request.

with Congress’s purpose of fostering “efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation.” H.R. Rep. No. 96-1307, pt. 1, at 4 (1980); *see also id.* (“[R]eexamination ... could be conducted with a fraction of the time and cost of formal legal proceedings.”); *id.* (noting that patent-litigation costs can be “an impossible burden for many smaller firms”). The lower burden also encourages challengers to have validity determinations, which frequently involve complex subject matter, made by experts at the PTO rather than by lay juries. That is consistent with this Court’s observation that “the primary responsibility for sifting out unpatentable material lies in the Patent Office.” *Graham*, 383 U.S. at 18.¹²

To be sure, these administrative avenues for challenging validity are not identical to litigation. Reexamination, for example, is not currently available for prior-use allegations (a relatively uncommon type of validity challenge), although such allegations can be brought during initial examination. *See supra* p.19.

¹² Facebook argues (Br. 15) that the disparate burdens do not “make sense[]” in light of 35 U.S.C. §317(b), which limits infringers’ ability to harass inventors with serial invalidity challenges. That argument is without merit. When §317(b) was enacted in 1999, the Federal Circuit’s interpretation of §282 was already “well established.” *Environ Prods., Inc. v. Furon Co.*, 215 F.3d 1261, 1265 (Fed. Cir. 2000). Hence, Congress was “no doubt ... aware” of that interpretation. Facebook Br. 19. Congress’s decision not to overturn the interpretation when adopting §317 shows that it takes a different view about what “makes sense.” In any event, even when §317 applies, it is limited to *inter partes* reexamination. It does not prevent parties from initiating any number of *ex parte* reexaminations, where the preponderance standard also applies.

But there is no reason why the two paths should be identical, and Congress was obviously aware of the differences when it authorized reexamination without changing the standard of proof in litigation. Its policy judgment not to establish an exact parallel to litigation should not be second-guessed by the courts—especially since Congress revisits that judgment regularly, including at present, *see infra* p.33; *see also, e.g.*, Patent and Trademark Office Authorization Act, Pub. L. No. 107-273, tit. III, subtit. A, §§13105-13106, 116 Stat. 1758, 1900-1901 (2002) (expanding scope of reexamination and allowing third parties to appeal reexamination decisions); Optional *Inter Partes* Reexamination Procedure Act, Pub. L. No. 106-113, tit. IV, subtit. F, §§ 4601-4608, 113 Stat. 1501, 1501A-567 to 1501A-572 (1999) (creating *inter partes* reexamination).¹³

The Federal Circuit’s interpretation of §282 also recognizes that it is often difficult, or even impossible, to ascertain whether the PTO considered a particular piece of prior art. Microsoft’s argument assumes that anytime prior art is not specifically cited, it was not considered. But PTO guidelines do not require examiners to cite every reference considered, and several courts have recognized that Microsoft’s assumption is infirm. *See Lear Siegler, Inc. v. Aeroquip Corp.*, 733 F.2d 881, 885 (Fed. Cir. 1984); *Solder Removal*, 582 F.2d at 633 n.9; *E. I. Du Pont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247, 1267 (8th Cir. 1980);

¹³ The PTO likewise continues to strive to make the reexamination process as effective as possible. In 2005, for example, the PTO devoted “20 highly skilled primary examiners” to reexamination, so as to “enhance the quality and reduce the time of reexaminations.” U.S. PTO, *USPTO Improves Process for Reviewing Patents* (July 29, 2005), <http://www.uspto.gov/news/pr/2005/05-38.jsp>.

Anderson Co. v. Sears, Roebuck & Co., 265 F.2d 755, 761 (7th Cir. 1959) (citing cases); *Hobbs v. U.S Atomic Energy Comm'n*, 451 F.2d 849, 863-864 (5th Cir. 1971) (Wisdom, J.). Introducing this question into patent litigation would create significant complexities, as juries would have to decide whether the PTO had considered a prior-art reference as a prerequisite to applying a particular burden of proof to that reference. And patent trials might well include both prior art that the PTO had and had not considered, requiring juries to apply different burdens of proof to different pieces of evidence relevant to the same question in the same trial. The Federal Circuit's construction of §282 properly declines to introduce this further complexity and confusion to patent litigation on the basis of speculation.

Finally, the Federal Circuit's approach recognizes that adopting a lower standard of proof for any piece of prior art not specifically cited by the PTO would further burden already-overtaxed patent examiners. Examiners currently content to cite only the most relevant prior art would instead feel obliged to spend time citing every reference considered, no matter how marginal or irrelevant. Inventors would similarly feel compelled to spend resources compiling, and then deluging examiners with, extensive lists of largely irrelevant prior art so as to ensure application of the heightened burden in any litigation. The result would be a more expensive application process (a particular onus for individuals and other small innovators) and a sharp increase in application processing time—exacerbating an already serious and longstanding problem, *see, e.g., Graham*, 383 U.S. at 18, with little if any countervailing benefit.

II. MICROSOFT'S ARGUMENTS FOR CERTIORARI LACK MERIT

Microsoft discusses virtually none of the foregoing. The arguments it presents instead are unpersuasive.

1. Microsoft places great weight on this Court's statement that where the relevant prior art was not considered by the PTO, "the rationale underlying the presumption ... seems much diminished." *KSR*, 550 U.S. at 426. Microsoft acknowledges (Pet. 13-14) that this statement was dictum, yet it repeatedly criticizes the Federal Circuit for "disregard[ing]" the statement, Pet. 3, 13. That criticism is baseless.

As an initial matter, there have been very few cases in which the en banc Federal Circuit has even been asked to revisit its precedent in light of *KSR*. See *infra* pp.31-32. That aside, Microsoft ignores the fact that the statement in *KSR*—which does not refer to any burden of proof—is consistent with Federal Circuit precedent holding that the clear-and-convincing burden may be carried more easily with prior art that the PTO did not consider. Compare *KSR*, 550 U.S. at 426, with *American Hoist*, 725 F.2d at 1359-1360.¹⁴ Even if there were an inconsistency, Microsoft does not explain why the court of appeals should follow dictum rather than this Court's actual holdings—including in *Festo*, which unanimously reversed the Federal Circuit for giving

¹⁴ Studies confirm that validity attacks based on apparently-unconsidered prior art succeed more often. See Allison & Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 231 (1998) (statistical analysis supports the "received wisdom among patent lawyers that it is much easier to invalidate a patent on the basis of 'uncited' prior art"); see also *id.* at 234 n.90 (citing prior studies reaching the same conclusion).

insufficient weight to inventors' settled expectations, and in cases, discussed above, that resolved statutory-interpretation questions partly on the strength of prolonged congressional acquiescence in a judicial construction of statutory language.

Microsoft also states that the Federal Circuit's longstanding interpretation of §282 is inconsistent with patent cases in which this Court has resolved invalidity claims "without applying—or even mentioning—a clear-and-convincing-evidence standard." Pet. 14. As explained, *see supra* p.12, the occasional omission of any reference to a heightened standard of proof does not indicate that no heightened standard exists. Moreover, in the only such case Microsoft cites, the Court did refer to a heightened burden. *See Leggett v. Standard Oil Co.*, 149 U.S. 287, 296 (1893) ("[I]t is *clearly established* by the [record] evidence ... that there had been such a prior use of the alleged discovery as to preclude the issue of any valid patent covering it." (emphasis added)). The trial judge's opinion in *Leggett*, which this Court found to contain "no error," *id.* at 292, similarly referred to the heightened burden. *See Leggett v. Standard Oil Co.*, 38 F. 842, 846 (S.D.N.Y. 1889) ("clearly proved").¹⁵ What Microsoft and its many amici do not cite is *any* decision from this Court stating that the presumption of patent validity can ever be overcome with a mere preponderance of the evidence.

2. Microsoft next contends (Pet. 15-18) that the Federal Circuit's interpretation of §282 conflicts with

¹⁵ The only other case Microsoft cites in making this argument was not a patent case. *See Grogan*, 498 U.S. 279, addressed *supra* n.6.

decisions from all twelve regional circuits. That is incorrect.

To begin with, the decisions Microsoft cites are all decades old. Thus, in none of them could the regional circuit take account of either this Court's teachings in *Warner-Jenkinson* and *Festo* about settled expectations, or the prolonged period of congressional acquiescence that has followed the Federal Circuit's initial holding that the clear-and-convincing burden never changes. Moreover, almost all of the regional-circuit decisions were issued before Congress's creation of re-examination, meaning that the courts faced a system where litigation was the only way to challenge patents' validity. Given these facts, legitimate comparisons cannot be made—and hence no true circuit conflict exists—between the Federal Circuit's current holding and the decades-old holdings of the regional circuits.¹⁶

Furthermore, Microsoft is wrong in stating that “all twelve regional circuits had held ... the presumption ... incapable of supporting a heightened standard of proof” when the PTO apparently did not consider the relevant prior art. Pet. 18. As Microsoft's own discussion indicates (Pet. 16-17), only three circuits held that the burden of proof changed in such cases. Other cir-

¹⁶ Microsoft's citation (Pet. 15) of Justice Stevens's concurring opinion in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), is unavailing for the same reason. Justice Stevens was discussing the regional circuits' ongoing limited jurisdiction over patent issues. *See id.* at 838-839 (opinion concurring in part and concurring in the judgment). That ongoing jurisdiction may indeed allow for genuine conflicts, *i.e.*, where both the Federal Circuit and one or more regional circuits address an issue somewhat contemporaneously, or at least against relatively similar (rather than, as here, radically different) legal backdrops.

cuits instead held only that the presumption was weakened or eliminated. *See* Pet. 17-18. That is in substance no different than the Federal Circuit’s longstanding rule that the challenger’s burden may be carried more easily with prior art that the PTO did not consider.¹⁷ The Federal Circuit’s interpretation is thus in accord with the substantial consensus of the regional circuits. And because those circuits’ views were not uniform, no congressional approval can be inferred from inaction during this period.¹⁸

3. Microsoft also advances a policy argument (Pet. 19-23), contending that the clear-and-convincing standard “distort[s] the patent system” (Pet. 19 (capitalization altered)) by making it too difficult for invalid patents to be challenged successfully in litigation. Again, policy arguments are properly presented to Congress, which is institutionally better equipped to assess (and mitigate) the tremendous upheaval that changing the burden of proof would engender. That aside, Microsoft’s argument ignores the public benefit provided by the clear-and-convincing standard. As discussed, that standard gives inventors a greater incentive to engage in innovation and to disclose their inventions, thus allowing the public to enjoy the fruits of those inventions. As

¹⁷ The Federal Circuit’s terminology is, however, more faithful to the text of §282. *See Lindemann*, 730 F.2d at 1459, *quoted supra* p.7.

¹⁸ Microsoft correctly notes (Pet. 18 n.3) that a few regional-circuit panels held that the burden to prove invalidity was *always* a preponderance of the evidence. Microsoft is wrong, however, in stating that this approach is supported by the text of §282. As explained, in enacting that section Congress incorporated this Court’s settled holding that inherent in the presumption is a requirement for clear and convincing proof of invalidity.

is often true in the patent context, in other words, there are competing interests that the law must balance. How to effect that balance is a judgment for Congress, not the judiciary. *See, e.g., Graham*, 383 U.S. at 6 (“Within the limits of the constitutional grant, the Congress may, of course, ... select[] the policy which in its judgment best effectuates the constitutional aim.”). And as explained, in attempting to find the proper balance Congress has, in the past 25-plus years, foregone any alteration of §282 and instead created procedures by which validity can be challenged under a preponderance standard before experts at the PTO. That judgment should not be disturbed by the courts—particularly when, as here, it is one that Congress continues to revisit periodically. More fundamentally, ignoring the interests on one side when making policy arguments, as Microsoft does, is wholly unpersuasive.¹⁹

Moreover, Microsoft’s arguments fail even on their own terms. For example, Microsoft invokes the specter of the PTO granting “ridiculous” and “absurd” patents. Pet. 20. But it offers no reason to conclude that such patents would not be invalidated under the clear-and-convincing standard.²⁰ And here again, Microsoft argues

¹⁹ In making its policy argument, Microsoft relies heavily on the FTC’s 2003 report. *See* Pet. 21-22. The FTC’s recommendation that Congress—not the courts, notably—lower the burden of proof to a preponderance of the evidence triggered significant opposition. *See, e.g.,* AIPLA Response to the October 2003 FTC Report 6-7 (Apr. 21, 2004), *available at* http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Comments2/Patent_and_Trademark_Office/2004/ResponseToFTC.pdf.

²⁰ The peanut-butter-and-jelly patent that Microsoft refers to in making this argument (Pet. 20) was invalidated by the PTO, a determination the Federal Circuit affirmed just two days after

as though litigation provided the only option for challenging patent validity. It cites, for example, a statement from this Court about patent litigation’s role in avoiding undue exercises of monopoly power, a role supposedly made important by “the PTO’s non-adversarial process.” Pet. 21 (citing *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969)). *Lear*, however, predates Congress’s authorization of *inter partes* reexamination proceedings, which are not “non-adversarial.”²¹

Microsoft’s arguments also rest on the erroneous assumption that deference to the PTO is the sole policy rationale for the clear-and-convincing standard. *See, e.g.*, Pet. 22, 23. As explained, however, the standard also serves to ensure that inventors are not unduly discouraged from investing resources in innovation and disclosing their inventions to the public by the prospect that their patents will be improperly invalidated by lay juries based on “a dubious preponderance” of evidence, *Radio Corp.*, 293 U.S. at 8. And, in combination with the lower burden applicable in reexamination proceedings, it encourages challengers to raise validity determinations in a process designed to be faster and cheaper than litigation, and one in which those determinations are made by individuals with patent exper-

hearing argument. *See In re Kretchman*, 125 F. App’x 1012 (Fed. Cir. 2005) (per curiam).

²¹ Most amici similarly ignore the reexamination process, even though its availability refutes most of their arguments. For example, a number of amici assert (*e.g.*, CTIA Br. 4) that the clear-and-convincing standard skews settlement and licensing negotiations. But they never explain why the availability of reexamination, under a preponderance standard, is not an antidote to any such skewing.

tise. Both of these rationales apply fully even where prior art was apparently not considered by the PTO.

4. Microsoft’s amici likewise rely largely on policy arguments, but those arguments are similarly unpersuasive. For example, a few amici argue (*e.g.*, Apple Br. 5) that the clear-and-convincing burden exacerbates jurors’ supposed reluctance to second-guess the PTO. This suggestion of reluctance is unsustainable given that—even before *KSR*—patents were invalidated roughly *half the time* in litigation. *See, e.g.*, Allison & Lemley, *supra* n.14, at 194, 205-206 (from 1989-1996, 46% of litigated patents were invalidated); Ahmed, *What They Don’t Know Shouldn’t Hurt You*, 45 Hous. L. Rev. 153, 157 (2008) (53% in 2006); *see also* Mojibi, *An Empirical Study of the Effect of KSR v. Teleflex on the Federal Circuit’s Patent Validity Jurisprudence*, 20 Alb. L.J. Sci. & Tech. 559, 582-583 (2010) (explaining that post-*KSR*, both district courts and the Federal Circuit invalidate patents more often).²² While some amici may prefer the days when invalidation occurred closer to two-thirds of the time (*e.g.*, CTIA Br. 7), such a system of weak patents would discourage inventors from investing the resources required for innovation and disclosing their inventions. Indeed, it was partly the existence of such an unbalanced system that impelled Congress to create the Federal Circuit. *See* H.R. Rep. No. 97-312, at 23 (“Patents have served as a stimu-

²² Invalidation also occurs approximately half the time in *inter partes* reexamination. *See* U.S. PTO, *Inter Partes* Reexamination Filing Data—June 30, 2010, http://www.uspto.gov/patents/IP_quarterly_report_June_30_2010.pdf (all relevant patent claims canceled 49% of the time). This close parallel undermines Microsoft’s assertion that the standard of proof “is often outcome-determinative.” Pet. 21.

lus to the innovative process. This can have important positive ramifications for the nation’s economy.”).

Amici also advance policy arguments bearing only a tangential relationship to the clear-and-convincing standard. For example, some amici (*e.g.*, Yahoo! Br. 1-2) complain about lawsuits by non-practicing entities. If such lawsuits are a problem, they should be addressed directly, rather than reducing *all* inventors’ incentive to innovate and disclose—thereby hurting the public—by lowering the burden of proof across the board, *i.e.*, even for cases involving practicing entities like *i4i*, *see supra* p.3 (quoting Pet. App. 4a). Similarly, to the extent the PTO lacks adequate resources for initial examinations (*e.g.*, Professors’ Br. 3-4), the answer is for Congress to provide those resources—or, as Congress has done, to create an alternate administrative process by which PTO experts can adequately address validity challenges later under a preponderance standard. But the meaning of statutory language cannot turn on the adequacy of an agency’s funding levels.²³

More generally, amici’s evident willingness to blame the clear-and-convincing standard for every supposed shortcoming of the patent system embodies what

²³ Teva Pharmaceuticals argues that the clear-and-convincing standard gives inventors incentives to conceal information from the PTO. Teva cites no instance of a party engaging in the conduct it describes, let alone anything suggesting even a modestly common phenomenon. (Microsoft’s inequitable-conduct allegations against *i4i* failed. *See supra* p.4.) Teva relatedly (Br. 9) misstates the duty inventors have in connection with patent applications. It is not simply a duty of disclosure, but one of “candor and good faith in dealing with the Office.” 37 C.F.R. §1.56(a). That duty would surely be violated by inventors who acted as Teva suggests, and such a violation would make their patents unenforceable.

the recently retired chief judge of the Federal Circuit, Paul Michel, labeled “a huge PR campaign against patents” by “the companies that get sued a lot and lose a lot”—a campaign involving “a lot of myths.” *There Goes The Judge*, Intellectual Property, Fall 2010, at 48, available at <http://www.americanlawyer-digital.com/americanlawyer/ipfall2010/?pg=18#pg48>. Chief Judge Michel further observed that “[f]rom [these companies’] narrow standpoint, maybe a much weaker patent system ... looks really good. But from the standpoint of the overall economy, I think weakening the patent system looks like a very poor idea.” *Id.*²⁴

III. THIS CASE IS A NOT A GOOD VEHICLE TO ADDRESS THE QUESTION PRESENTED

Even if the question presented might warrant this Court’s review at some point, for two reasons this case does not present an appropriate occasion for the Court to take up that question.

First, the Court should await fuller deliberation by the court of appeals regarding *KSR*. No Federal Circuit decision has actually analyzed the impact of that case on the issue Microsoft raises. The panel here, for example, engaged in no such analysis, instead citing one prior decision that never mentioned *KSR* and a second that cited it for a different proposition. *See* Pet. App. 23a. Micro-

²⁴ Amici also go astray in suggesting that a lower standard of proof would reduce the burden of patent litigation on the economy. There is no reason to expect fewer patent lawsuits would be filed if the burden were changed. To the contrary, the change would embolden prospective and accused infringers, encouraging them to take more cases to trial and to appeal. Ultimately it would merely affect outcomes, *i.e.*, shift money from innovators to accused infringers.

soft (Pet. 12, 24) cites only two cases in which the en banc Federal Circuit was asked to revisit its longstanding interpretation of §282 in light of *KSR*. Notably, this was not one of those cases; Microsoft chose not to present the issue in seeking rehearing en banc here, instead raising *four* other—evidently more important—issues.²⁵ Two cases is not sufficient opportunity. As this Court is aware, there are many reasons for a court not to exercise discretionary jurisdiction in a particular case other than the view that the issue is unworthy of consideration. In one of the cases Microsoft cites, for example, the inventor argued to the en banc court that the burden-of-proof question had been waived. *See* Resp. to Reh’g Pet. 2-4, *z4 Techs.*, No. 2006-1638 (Jan. 9, 2008), *available at* 2008 WL 225492. This Court should ensure that the court of appeals has had ample opportunity to address that issue for itself—and thereby give this Court the benefit of its analysis if it chooses to take up the issue. *Cf. Bilski*, 130 S. Ct. at 3224 (noting the value of the several opinions written by the en banc Federal Circuit in that case).²⁶

²⁵ Microsoft’s panel reply brief included one clause (at 14) suggesting that the en banc court address the impact of *KSR*. That did not properly present the issue because the Federal Circuit, like many appellate courts, will not consider arguments first made in a reply brief. *See, e.g., Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1240 n.16 (Fed. Cir. 2008).

²⁶ The number of cases heard en banc by the Federal Circuit has recently increased. *See* United States Court of Appeals for the Federal Circuit: Panel and En Banc Petitions for Rehearing, http://www.cafc.uscourts.gov/images/stories/the-court/statistics/Panel_and_En_Banc_Petitions_for_Rehearing_2001-2010.pdf. This suggests that it would be worthwhile to give that court additional opportunity to consider whether to hear this issue en banc.

Second, Congress is currently considering additional patent reforms that are closely related to the clear-and-convincing standard. In particular, pending legislation would establish a “post-grant review” process that would further expand the PTO’s ability to consider validity challenges. *See* S. 515, 111th Cong., §5 (2010). These congressional efforts to reform patent law could be disrupted by a grant of certiorari, which would signal that the Court might upset the settled clear-and-convincing standard. Moreover, the fact that Congress continues to focus attention on measures related to that standard, while leaving §282 undisturbed, underscores that the Federal Circuit’s longstanding interpretation of that provision is correct and should not be altered by the courts.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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