

THE BURDEN OF ESTABLISHING PATENT  
INVALIDITY: MAINTAINING A HEIGHTENED  
EVIDENTIARY STANDARD DESPITE INCREASING  
“VERBAL VARIANCES”<sup>1</sup>

*Etan S. Chatlynnne\**

INTRODUCTION

Patents issued by the United States Patent and Trademark Office (PTO) are presumed valid.<sup>2</sup> The Patent Act places the burden of rebutting the presumption on the challenging party, but it is silent as to the evidentiary standard for satisfying this burden.<sup>3</sup> The Court of Appeals for the Federal Circuit (Federal Circuit) requires clear and convincing evidence of facts bearing on invalidity as the first step for satisfying this burden.<sup>4</sup> The Federal Trade Commission,<sup>5</sup> scholars,<sup>6</sup> and

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\* Notes Editor, *Cardozo Law Review*; J.D. Candidate (June 2010), Benjamin N. Cardozo School of Law. I would like to thank my Note Advisor, Professor Daniel B. Ravicher, and my Notes Editor, Victoria Elman. Special thanks to the Honorable Shira A. Scheindlin, the Honorable Barbara Jaffe, and Sarah J. Gregory for their thorough and thoughtful critiques. Finally, for fostering my deep interest in patent law, I am grateful to the Patents Committee of the Association of the Bar of the City of New York, and counsel from my Johnson & Johnson days: Melissa Szanto, Blossom Loo, and Matthew Goodwin.

<sup>1</sup> “Through all the verbal variances, however, 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.” *Radio Corp. of Am. v. Radio Eng’g Labs.*, 293 U.S. 1, 8 (1934) (Cardozo, J.).

<sup>2</sup> 35 U.S.C. § 282 (2006) (“A patent shall be presumed valid.”).

<sup>3</sup> *See id.* (“The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”).

<sup>4</sup> *See, e.g.,* *Schumer v. Lab. Computer Sys., Inc.*, 308 F.3d 1304, 1315 (Fed. Cir. 2002) (“To overcome th[e] presumption of validity, the party challenging a patent must prove facts supporting a determination of invalidity by clear and convincing evidence.”) (citing *Apotex USA, Inc. v. Merck & Co., Inc.*, 254 F.3d 1031, 1036 (Fed. Cir. 2001), *cert. denied*, 534 U.S. 1172 (2002)); *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423 (Fed. Cir. 1988) (“[A] patent is presumed valid, and the party attacking validity has the burden of proving facts supporting a conclusion of invalidity by clear and convincing evidence.”).

<sup>5</sup> *See* FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 8-10 (2003) [hereinafter FTC REPORT], <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (calling the presumption “unjustified” and saying that the “burden can undermine the ability of the court system to weed out questionable patents”).

<sup>6</sup> *See, e.g.,* Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the*

the patent community at large<sup>7</sup> advocate reducing this standard, explaining that patents do not deserve a presumption of validity—let alone one requiring clear and convincing evidence to rebut—because patents are insufficiently examined.<sup>8</sup> The Supreme Court has also questioned the viability of the Federal Circuit’s jurisprudence.<sup>9</sup> Notably, in its ongoing attempts at patent reform,<sup>10</sup> Congress has not attempted to codify evidentiary standards for rebutting the presumption of validity.<sup>11</sup>

On March 31, 2008, Microsoft Corporation argued against the clear and convincing standard in a petition for a writ of certiorari.<sup>12</sup> It advocated reducing the burden of proof for establishing the factual predicates of invalidity when the PTO did not consider pertinent documentary references during examination.<sup>13</sup> Because the case settled,<sup>14</sup> the Supreme Court did not consider the issue.<sup>15</sup> Thus, the

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*Patent System Can Learn From Administrative Law*, 95 GEO. L.J. 269 (2007); Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 STAN. L. REV. 45 (2007); Matthew Sag & Kurt Rohde, *Patent Reform and Differential Impact*, 8 MINN. J. L. SCI. & TECH. 1 (2007).

<sup>7</sup> See, e.g., Dennis Crouch, *Challenging Patent Validity: Microsoft Asks Supreme Court to Reduce “Clear and Convincing” Standard*, PATENTLY-O, <http://www.patentlyo.com/patent/2008/04/challenging-pat.html> (last visited Sep. 14, 2008) (comments).

<sup>8</sup> See FTC REPORT, *supra* note 5, at 9-10; John H. Barton, *Reforming the Patent System*, 287 SCIENCE 1933, 1934 (2000), available at <http://www.ftc.gov/os/comments/intelpropertycomments/bartonjohnh.htm> (“A PTO examiner can give each application an average of 25 to 30 hours and may in fact give much less. This is much less than the average time spent by a lawyer in preparing an application.”).

<sup>9</sup> See *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (where the court “th[ought] it appropriate to note that the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” when pertinent prior art was not disclosed during prosecution).

<sup>10</sup> See e.g., Patent Reform Act of 2009, S. 515, 111th Cong. (2009) (as reported by Mr. Leahy, with amendments, Apr. 2, 2009); Patent Reform Act of 2008, S. 3600, 110th Cong. (2008); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006).

<sup>11</sup> Recent bills have attempted to amend § 282 on purely technical grounds, such as with paragraph restructuring. See S. 515 § 16(f); H.R. 1908 § 12(b). Congress is aware of the evidentiary standard debate and has heard testimony that the burden of proof should be reduced. See, e.g., *American Innovation at Risk: The Case for Patent Reform Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 110th Cong. (2007) (statement of Daniel B. Ravicher, Executive Director, Public Patent Foundation) (calling for a negation of the Federal Circuit’s “super-presumption”); *Perspectives on Patents Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, 109th Cong. (2005) (statement of Joel Poppen, Deputy General Counsel, Micron Technologies, Inc.).

<sup>12</sup> Petition for Writ of Certiorari, *Microsoft Corp. v. z4 Techs. Inc.*, 2007 U.S. Briefs 1243 (No. 07-1243).

<sup>13</sup> See *id.* (asking, “[w]hen a defense of invalidity under Section 282 rests on documentary evidence that was not considered by the United States Patent and Trademark Office, whether the factual predicates of the defense must be proved by ‘clear and convincing evidence’ or some lower burden of proof.”).

<sup>14</sup> See *Settlement in Suit Over Piracy Blocker*, SEATTLE TIMES, May 13, 2008, available at [http://seattletimes.nwsourc.com/html/business/technology/2004409635\\_bizbriefs13.html](http://seattletimes.nwsourc.com/html/business/technology/2004409635_bizbriefs13.html).

<sup>15</sup> See *Microsoft Corp. v. z4 Techs. Inc.*, 128 S. Ct. 2107, 2107 (2008).

Federal Circuit's clear and convincing evidentiary standard remains the law.

Despite increasing criticism of the presumption of validity and the clear and convincing evidentiary standard necessary to rebut it, this Note recommends maintaining the status quo—at least until other patent-system reforms are implemented and tested. Part I of this Note provides background on the patent system and the presumption of validity. Part II analyzes the development and application of the presumption of validity. Part III provides support for the status quo even though a lower evidentiary standard is a viable option for dealing with “bad” patents.<sup>16</sup> Better solutions should focus on preventing undeserving patents from issuing and reducing incentives for asserting “bad” patents<sup>17</sup> without discouraging inventors from disclosing their inventions. This Note concludes that now is not the time to modify the presumption of validity or its application. Because the patent laws have many interdependent parts and the presumption of validity's effect on litigation is not fully understood,<sup>18</sup> a change to the presumption or the corresponding evidentiary standard to rebut it might have unforeseen systemic effects.<sup>19</sup> With reforms already underway that lessen the likelihood of a “bad” patent being granted or enforced<sup>20</sup> and with other promising reforms (e.g., post-grant review) forthcoming, the presumption of validity—and the clear and convincing standard for establishing factual predicates of invalidity—should not be altered.

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<sup>16</sup> “[T]he term bad patent should be used to identify not only invalid patents, but also patents that are asserted (by implication or otherwise) to cover a product or activity that no reasonable fact finder in possession of all the relevant facts could find that they covered.” *Sag*, *supra* note 6, at 14. For a discussion of “bad” patents and the problems they pose, *see id.* at 12-14.

<sup>17</sup> *See id.* at 15-16 (“[T]he solution is to try and reform the system so that bad patents are more easily weeded out without undue prejudice to good patents. Ideally, any change to the current patent system must benefit companies that have invested in innovation and use valid patents to protect that investment; it certainly should not harm them. . . . The strong form of this test is that a reform must reduce the incentives for obtaining or asserting bad patents without reducing those same incentives for good patents.”).

<sup>18</sup> *See* Lichtman, *supra* note 6, at 69 (“We know far less than we should about how presumptions affect litigation decisions.”).

<sup>19</sup> *See* Mark D. Janis, *Reforming Patent Validity Litigation: The “Dubious Preponderance,”* 19 BERKELEY TECH. L.J. 923, 938 (2004) (“Policymakers should not assume that a change to the presumption of validity will only affect validity and will generate no compensating reaction elsewhere in the patent system.”).

<sup>20</sup> The Supreme Court's treatment of obviousness in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) has already (1) increased the proportion of high-quality patents being asserted and (2) provided the PTO with more tools for making obviousness rejections. *See infra* Part II.

I. BACKGROUND: THE CAREFULLY CRAFTED BARGAIN, OBTAINING A PATENT, INFRINGEMENT PROCEEDINGS, AND VERBAL VARIANCES

A. *The Patent Bargain*

From the Constitution's adoption in 1787 until the Bill of Rights was enacted in 1791, the text of the Constitution contained only a single use of the word "right."<sup>21</sup> The Framers granted Congress the power to give this right to inventors in the form of a limited-term exclusive right for their inventions to promote innovation.<sup>22</sup> This sole, original right has evolved into the modern patent system. The "carefully crafted" patent bargain—which encourages disclosure in exchange for a right to exclude—is the heart of the system.<sup>23</sup> Thus, any changes to the bargain—wherein the value of the right to exclude depends upon the strength of the presumption of validity—must be approached with care to protect our nation's first constitutionally enabled right and to avoid impeding innovation, which could result in "enormous costs to society."<sup>24</sup>

B. *Patent Prosecution*

Anyone who invents anything may apply for a patent. The patent will issue only if the application satisfies the Patent Act's requirements.<sup>25</sup> The invention must fit within one of the categories of eligible subject matter.<sup>26</sup> It must also be novel<sup>27</sup> and non-obvious.<sup>28</sup>

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<sup>21</sup> See U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"). Mark I. Koffsky directed me to this wonderful bit of trivia.

<sup>22</sup> See *id.*

<sup>23</sup> See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989) ("The federal patent system . . . embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years."); *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l., Inc.*, 534 U.S. 124, 142 (2001) ("[T]o obtain a utility patent, a [patent applicant] must describe the [invention] with sufficient specificity to enable others to 'make and use' the invention after the patent term expires. The disclosure required by the Patent Act is 'the quid pro quo of the right to exclude.'" (citing 35 U.S.C. § 112 and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974)).

<sup>24</sup> See Joshua D. Sarnoff, *Bilcare, KSR, Presumptions of Validity, Preliminary Relief, and Obviousness in Patent Law*, 25 CARDOZO ARTS & ENT. L.J. 995, 1000-01 (2008) ("Establishing the proper rules for determining validity is extremely important. Erroneous decisions regarding patent validity may have enormous costs to society, as well as to the parties involved, as decisions to enforce invalid patents may dramatically affect sequential innovation and investment.").

<sup>25</sup> See 35 U.S.C. § 101 (2006).

<sup>26</sup> The patent eligible categories are "any new and useful process, machine, manufacture, or

The application must include a written description enabling others skilled in the relevant technology to make and use the invention and describing the inventor's preferred manner for making and using the invention.<sup>29</sup> Once the applicant convinces a PTO examiner<sup>30</sup> that the patent application satisfies the Patent Act's requirements,<sup>31</sup> the patent will likely issue upon compliance with a few technical hurdles (e.g., paying the issuance fee<sup>32</sup>).

### C. Infringement Proceedings

After a patent is granted, anyone who makes, uses, offers to sell, or sells the patented invention without the permission of the patentee infringes the patent.<sup>33</sup> If the patent owner suspects infringement, she may sue the suspected infringer in federal district court<sup>34</sup> for legal<sup>35</sup> and equitable<sup>36</sup> relief.

The accused infringer typically defends by denying the alleged infringement and claiming that the patent is invalid.<sup>37</sup> Because a patent is presumed valid, the second defense requires that the defending party produce evidence of invalidity—typically in the form of prior art (e.g., physical specimens or documentary references such as patents, patent applications, journal articles, etc.) and witness testimony—to persuade the court that the patent should not have been granted.<sup>38</sup> Invalidity analyses focus upon the Patent Act's patentability requirements,<sup>39</sup> similar to the initial examination.

No matter the outcome, it is likely that the decision will be

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composition of matter, or any new and useful improvement thereof." *Id.*

<sup>27</sup> 35 U.S.C. § 102 (2006).

<sup>28</sup> 35 U.S.C. § 103 (2006). This section "forbids issuance of a patent when '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.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007).

<sup>29</sup> 35 U.S.C. § 112 para. 1 (2006).

<sup>30</sup> *See* 35 U.S.C. § 131 (2006); 37 C.F.R. § 1.104 (2008).

<sup>31</sup> 35 U.S.C. § 101 (2006). Sometimes this convincing involves an appeal to the Board of Patent Appeals and Interferences, the Federal Circuit or the District Court for the District of Columbia, and the Supreme Court. *See* U.S. CONST. art. III, § 2; 35 U.S.C. §§ 134(a), 141, 145.

<sup>32</sup> *See* 35 U.S.C. § 41(a)(4) (2006).

<sup>33</sup> 35 U.S.C. § 271(a) (2006).

<sup>34</sup> 35 U.S.C. § 281 (2006).

<sup>35</sup> *See* 35 U.S.C. § 284 (2006).

<sup>36</sup> *See* 35 U.S.C. § 283 (2006).

<sup>37</sup> *See* 35 U.S.C. § 282 para. 2 (2006).

<sup>38</sup> *See, e.g., SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n*, 718 F.2d 365, 375 (Fed. Cir. 1983) ("[T]he presumption places the burden of going forward, as well as the burden of persuasion, upon the party asserting invalidity.").

<sup>39</sup> *See* 35 U.S.C. § 282 paras. 2(2)-(3) (2006); *see also Aristocrat Techs. Austl. Pty Ltd. v. Int'l Game Tech.*, 543 F.3d 657, 661-63 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2791 (2009).

appealed; the Federal Circuit, which has subject matter jurisdiction over most patent appeals,<sup>40</sup> affirms approximately fifty-five percent of district court patent decisions.<sup>41</sup> From there, a party may appeal to the Supreme Court. Alternatively, an accused infringer may seek a reexamination,<sup>42</sup> wherein the PTO reevaluates a patent in a fashion similar to the initial examination.

#### D. *Verbal Variances of the Presumption of Validity*

Presumptions and burdens of proof are difficult to analyze and utilize. They are “among the most slippery” topics of procedure and evidence.<sup>43</sup> Thanks to many verbal variances, patent law’s presumption of validity is no exception. For better or worse, attempting to remedy this language problem is beyond the scope of this Note and far beyond the capabilities of the author. Nonetheless, this Note highlights ambiguous language and confusion surrounding the presumption of validity to demonstrate that proposals to modify the presumption and its application rest on a shaky foundation. For example, when judges, scholars, and lawyers discuss the presumption of validity it is often difficult to understand whether they connote an evidentiary standard for: (1) rebutting the presumption in general; (2) establishing facts from evidence as a first step toward rebutting the presumption; or (3) persuading the court that a patent should be considered invalid as the final step for rebutting the presumption.<sup>44</sup> While these verbal variances

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<sup>40</sup> When a district court’s jurisdiction arises for a non-patent reason, the Federal Circuit does not have jurisdiction over the appeal. *See* *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002) (“[W]hether a case arises under patent law is determined by what appears in the plaintiff’s well-pleaded complaint. . . . Because petitioner’s well-pleaded complaint asserted no claim arising under patent law, the Federal Circuit erred in asserting jurisdiction over this appeal.”) (citation omitted).

<sup>41</sup> *See* United States Court of Appeals for the Federal Circuit, Appeals Terminated on the Merits During the 12-Month Period Ending September 30, 2008, <http://www.cafc.uscourts.gov/pdf/MeritTerminations08.pdf> (last visited Feb. 15, 2009); Hon. Kathleen M. O’Malley, et al., *The Law, Technology and the Arts Symposium: The Past, Present and Future of the Federal Circuit: A Panel Discussion: Claim Construction from the Perspective of the District Judge*, 54 CASE W. RES. L. REV. 671, 680 (2004) (stating that the reversal rate for claim construction has been as high as fifty-eight percent).

<sup>42</sup> *See infra* Part II.E.

<sup>43</sup> CHRISTOPHER B. MUELLER & LAIRD C. KIRKPATRICK, *EVIDENCE UNDER THE RULES* 675 (2008).

<sup>44</sup> *See, e.g.*, *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1326-27 (Fed Cir. 2008) (“[T]he burden of persuasion. . . is the ultimate burden assigned to a party who must prove something to a specified degree of certainty— . . . ‘clear and convincing,’ [is] the patent law evidentiary standard for establishing that a patent, otherwise presumed valid, is invalid . . .”) (could be (1) or (3)); *Id.* at 1327 (“When an alleged infringer attacks the validity of an issued patent, our well-established law places the burden of persuasion on the attacker to prove invalidity by clear and convincing evidence.”) (is facially (3), but could be (2) and (3));

confuse presumption of validity discussions,<sup>45</sup> including this one, they also help explain the rift between Federal Circuit and regional circuit jurisprudence.<sup>46</sup>

In this Note I try to avoid increasing the verbal variances of the presumption of validity. Sometimes this requires mirroring the ambiguities of others to avoid misinterpreting their writings. Other times this requires seemingly circumlocutory language, for which I apologize. On the bright side, any confusion the reader may have while reading this Note helps support the proposition that the presumption of validity's role in patent law is not understood well enough to justify modifying it.

## II. BURDENS IN COURTS AND AT THE PTO

This Part begins with a brief overview of the Supreme Court's early development of the presumption of validity, which includes a heightened evidentiary standard for rebutting the presumption. It continues with a survey of the Federal Circuit's presumption of validity jurisprudence—which requires a heightened evidentiary standard specifically for establishing factual predicates of invalidity—and the regional circuits' prior jurisprudence, which viewed the presumption's evidentiary standards in a variable and more general sense. A comparison of these two bodies of case law follows. This Part

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Lichtman, *supra* note 6, at 51 (“The courts or the PTO itself must take the first and most important step: voluntarily ratcheting down the presumption that, by default, is accorded every patent upon issuance.”) (is facially (1), but could also be (2) or (3)); Barton, *supra* note 8 (“weaken the presumption of validity”) (is facially (1), but could also be (2) or (3)).

<sup>45</sup> Consider three pro-presumption-lowering Articles. The FTC REPORT, *supra* note 5, at 8, might connote (1), (2), or (3) when it says that “courts should require only a ‘preponderance of evidence’ to rebut the presumption of validity.” Lichtman, *supra* note 6, might be discussing option (1), (2) or (3), so it is not entirely clear what he is advocating when he recommends that the presumption should be “ratcheted down.” *Id.* at 51. Sarnoff, *supra* note 24, says that there are “unvarying burdens of production and persuasion in all contexts by ‘clear and convincing evidence’” shortly before saying that there are “clear and convincing burdens of production and proof.” *Id.* at 1008-09. This covers options (1), (2), and (3), and further confuses the issue by referring to “burdens of production and proof,” which is the same as referring to “burdens of production and persuasion.” See also AM. INTELLECTUAL PROP. LAW ASS’N, AIPLA RESPONSE TO THE OCTOBER 2003 FEDERAL TRADE COMMISSION REPORT: “TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY” 14 (Apr. 21 2004), [http://www.aipla.org/Content/ContentGroups/Issues\\_and\\_Advocacy/Comments2/Patent\\_and\\_Trademark\\_Office/2004/ResponseToFTC.pdf](http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Comments2/Patent_and_Trademark_Office/2004/ResponseToFTC.pdf) [hereinafter AIPLA RESPONSE] (concluding that the Federal Circuit also “blurs the distinction between the existence of the facts and the persuasive force of the facts”). For an example of clear language, see *Petition for Writ of Certiorari, Microsoft Corp. v. z4 Techs. Inc.*, 2007 U.S. Briefs 1243, \*21-23 (No. 07-1243) (discussing the *factual predicates* of an invalidity defense—can only be (2)).

<sup>46</sup> See *infra* Part II.B-II.D.

concludes with an overview of how the burden of proof is handled at the PTO during reexamination procedures and how it might be applied during the proposed post-grant review proceedings. Even though the presumption of validity does not exist during PTO examination, this overview provides further insight into assessments of patent validity.

A. *Supreme Court Justifications for the Presumption of Validity and a Heightened Evidentiary Standard*<sup>47</sup>

Before its codification, the Supreme Court created the presumption of validity upon determining that a patent constitutes prima facie evidence of novelty and first invention,<sup>48</sup> that an inventor should be rewarded for publicizing her invention,<sup>49</sup> that it is better to require a party asserting invalidity to produce relevant evidence than to have a patent holder prove validity,<sup>50</sup> and that the PTO deserves deference.<sup>51</sup>

The Supreme Court also required a heightened evidentiary standard for rebutting a patent's presumed validity.<sup>52</sup> In *Radio Corp. of America v. Radio Engineering Laboratories*,<sup>53</sup> Justice Benjamin N. Cardozo synthesized Supreme Court precedent and held that a patent challenger must establish factual predicates of invalidity clearly and convincingly as a prerequisite to satisfying the burden of persuasion.<sup>54</sup>

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<sup>47</sup> For a thorough analysis of the historical development and bases of the invalidity rules, see AIPLA RESPONSE, *supra* note 45, at 8-13, which is largely relied upon herein.

<sup>48</sup> See *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 498 (1877) ("The patent itself is prima facie evidence that the patentee was the first inventor . . ."); *Cantrell v. Wallick*, 117 U.S. 689, 695 (1886) ("[T]he grant of letters patent is prima facie evidence that the patentee is the first inventor of the device described in the letters patent, and of its novelty."); *Lehnbeuter v. Holthaus*, 105 U.S. 94, 96 (1882) ("The patent is prima facie evidence of both novelty and utility, and neither of these presumptions has been rebutted by the evidence.") (emphasis added).

<sup>49</sup> See *The Barbed Wire Patent*, 143 U.S. 275, 292 (1892).

<sup>50</sup> See *id.* at 285.

<sup>51</sup> See *Morgan v. Daniels*, 153 U.S. 120, 124-25 (1894).

<sup>52</sup> Early Supreme Court patent decisions suggested the beyond a reasonable doubt standard. For example, in *Coffin v. Ogden*, the Court explained that "[t]he invention or discovery relied upon as a defence, must have been complete, and capable of producing the result sought to be accomplished; and this must be shown by the defendant. The burden of proof rests upon him, and every reasonable doubt should be resolved against him." 85 U.S. 120, 124 (1874) (emphasis added). See also *Cantrell*, 117 U.S. at 695-96 ("Not only is the burden of proof to make good this defense upon the party setting it up, but it has been held that 'every reasonable doubt should be resolved against him.'") (quoting *Coffin*). But see *California ex rel Cooper v. Mitchell Bros. Santa Ana Theater*, 454 U.S. 90, 93 (1981) ("[T]he Court has never required the 'beyond a reasonable doubt' standard to be applied in a civil case.").

<sup>53</sup> 293 U.S. 1 (1934).

<sup>54</sup> *Id.* at 2, 9 ("[The] presumption [is] not to be overthrown except by clear and cogent evidence. . . . [T]he presumption of validity shall prevail against strangers as well as parties unless countervailing evidence is clear and satisfactory."); *id.* at 8 ("Through all the verbal variances, however, 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,

This ensured that factual predicates of invalidity received the “closest scrutiny”<sup>55</sup> and that uncorroborated oral testimony would be inadmissible.<sup>56</sup> In so doing, the Supreme Court expressed deference to the PTO<sup>57</sup> and favored those inventors who expeditiously publicized their inventions using the patent system.<sup>58</sup>

B. *The Federal Circuit Requires Clear and Convincing Evidence for Establishing Factual Predicates of Invalidity*

When the Federal Circuit heard its first case in 1982,<sup>59</sup> the Court could have adopted the regional circuits’ presumption of validity precedent, which included an exception to Justice Cardozo’s clear and convincing standard for rebutting the presumption when the PTO had not considered a pertinent prior art reference during examination.<sup>60</sup> Instead, the Federal Circuit followed the precedent of one of its predecessor courts, the Court of Customs and Patent Appeals,<sup>61</sup> and invariably applied the clear and convincing evidentiary standard to the burden of production: Factual predicates of invalidity must be established clearly and convincingly before the court will consider how

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and fails *unless his evidence has more than a dubious preponderance.*”) (emphasis added). Put more concisely, if the validity challenger does not prove factual predicates of invalidity under a heightened evidentiary standard, she will be unable to persuade the court of the patent’s invalidity. *See also Mitchell Bros.’ Santa Ana Theater*, 454 U.S. at 93 n.6. (“[P]hrases such as ‘clear and convincing,’ ‘clear, cogent, and convincing,’ and ‘clear, unequivocal, and convincing’ have all been used to require a plaintiff to prove his case to a higher probability than is required by the preponderance-of-the-evidence standard.”)

<sup>55</sup> *See The Barbed Wire Patent*, 143 U.S. 275, 285 (1892).

<sup>56</sup> *See Smith v. Hall*, 301 U.S. 216, 232-33 (1937); *Eibel Process Co. v. Minn. & Ontario Paper Co.*, 261 U.S. 45, 60 (1923); *T.H. Symington Co. v. Nat’l Malleable Castings Co.*, 250 U.S. 383, 386 (1919); *Deering v. Winona Harvester Works*, 155 U.S. 286, 300 (1894); *The Barbed Wire Patent*, 143 U.S. at 284; *Cantrell v. Wallick*, 117 U.S. 689, 695-96 (1886); *Coffin v. Ogden*, 85 U.S. 120, 124 (1874). Patent challengers routinely produced uncorroborated oral evidence. The Court barred this unreliable evidence, explaining that “[t]he temptation to remember . . . and the ease with which honest witnesses can convince themselves after many years of having had a conception at the basis of a valuable patent, are well known in this branch of law, and have properly led to a rule that evidence to prove prior discovery must be clear and satisfactory.” *The Barbed Wire Patent*, 143 U.S. at 284.

<sup>57</sup> *See Morgan v. Daniels* 153 U.S. 120, 124 (1894).

<sup>58</sup> *See Barbed Wire*, 143 U.S. at 292. The Supreme Court has used heightened evidentiary standards to bypass uncertain patentability determinations. In *The Barbed Wire Patent*, the Court maintained a patent’s validity even though other inventors may have “hit upon the exact device patented” because it wanted to ensure the government upheld its side of the patent bargain with the publicizing inventor. *Id.* The Court admitted that it was possibly mistaken when it justified not finding the patent invalid. *Id.*

<sup>59</sup> *See generally* United States Court of Appeals for the Federal Circuit: About the Court, <http://www.cafc.uscourts.gov/about.html> (last visited Dec. 27, 2008).

<sup>60</sup> *See infra* Part II.C.

<sup>61</sup> *See S. Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982).

these facts bear on invalidity.<sup>62</sup> Patent and patent application references are typically considered clear and convincing evidence because these documents often contain thorough descriptions and always contain a filing date.<sup>63</sup> On the other hand, oral testimony must be corroborated to be clear and convincing evidence.<sup>64</sup>

From the point of view of the party asserting invalidity, some flexibility resides in the burden of persuasion. This burden comprises the amount of effort a challenging party must expend to convince the court to draw a legal conclusion of invalidity.<sup>65</sup> Whether a patent examiner considered a pertinent prior art reference during examination<sup>66</sup> is a question that bears directly on this flexibility. Evidence that the examiner considered a reference is entitled to some deference, which can increase the challenger's burden of persuasion significantly.<sup>67</sup> Conversely, evidence that the examiner did not consider a reference can discharge the burden of persuasion because the court may automatically be convinced that this evidence bears on the patent's validity.<sup>68</sup> In

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<sup>62</sup> See, e.g., *Schumer v. Lab. Computer Sys., Inc.*, 308 F.3d 1304, 1315 (Fed. Cir. 2002); *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423 (Fed. Cir. 1988); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984) (“Th[e] burden is constant and never changes and is to convince the court of invalidity by clear evidence.”); *SSIH Equip. S.A. v. U.S. Int’l Trade Comm’n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (“As a reviewing court, this court must determine not only that the facts on which a judgment of validity or invalidity was based were satisfactorily established, but also whether those facts form an adequate predicate for the legal conclusion ultimately made.”); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983) (“[T]he requirement [is] that evidence establish presumption-defeating facts clearly and convincingly.”); see also *Buildex Inc. v. Kanson Indus., Inc.*, 849 F.2d 1461, 1463 (Fed. Cir. 1988) (explaining that clear and convincing evidence “produces in the mind of the trier of fact an abiding conviction that the truth of [the] factual contentions are highly probable”) (citing *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984) (internal quotations omitted)).

<sup>63</sup> See AIPLA RESPONSE, *supra* note 45, at 11.

<sup>64</sup> See *supra* note 55.

<sup>65</sup> See *Stratoflex Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1534 (Fed. Cir. 1983) (“[T]he question is whether *all* the evidence establishes that the validity challenger so carried his burden as to have persuaded the decisionmaker that the patent can no longer be accepted as valid.”).

<sup>66</sup> Examiners do not always find the most pertinent prior art references, often because they must review a large volume of pertinent references in a short period of time.

<sup>67</sup> See *Am. Hoist*, 725 F.2d at 1360 (“Deference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered . . . .”); *Impax Labs. v. Aventis Pharms. Inc.*, 545 F.3d 1312, 1314 (Fed. Cir. 2008) (“When the examiner considered the asserted prior art and basis for the validity challenge during patent prosecution, that burden becomes particularly heavy.”).

<sup>68</sup> See, e.g., *SSIH Equip. S.A. v. U.S. Int’l Trade Comm’n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (“We do not agree that the *presumption* is affected where prior art more relevant than that considered by the examiner is introduced. Rather the offering party is more likely to carry its burden of persuasion with such evidence.”); *Solder Removal Co. v. U.S. Int’l Trade Comm’n*, 582 F.2d 628, 632 (C.C.P.A. 1978) (“Rebuttal of the presumption may be more easily and more often achieved in reliance on prior art more pertinent than that considered by the examiner . . . .”); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1549 (Fed. Cir. 1983) (“It is upon introduction of art *more* pertinent or *more* relevant than that considered by the PTO . . . that the patent challenger’s burden may be more easily carried. Such art may in a proper case serve to fully meet that burden.”); *Am. Hoist*, 725 F.2d at 1360 (“What the production of new prior art or other

short, while factual predicates of invalidity must be established from clear and convincing evidence, the amount of effort the challenging party must expend to persuade the court of the patent's invalidity varies.<sup>69</sup>

When the parties rest, the court determines whether the challenger has met its overall burden of proof—that is, whether the factual predicates of invalidity, proven by clear and convincing evidence, persuade the court that the invention is not patentable.<sup>70</sup> If the court is convinced, it will declare the patent invalid, and if not, it will say that the challenger did not carry its burden—courts do not declare validity.<sup>71</sup> This leaves the patent open to invalidity assertions based on other prior art or reexamination at the PTO, even from the same challenger.<sup>72</sup>

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invalidating evidence not before the PTO does is to eliminate, or at least reduce, the element of deference due the PTO, thereby partially, if not wholly, *discharging* the attacker's burden, but neither shifting nor lightening it or changing the standard of proof.”)

<sup>69</sup> *But see* Sarnoff, *supra* note 24, at 1008 and n.65. Sarnoff relies on *Am. Hoist* for the proposition that “[t]he Federal Circuit has treated the presumption of validity as imposing unvarying burdens of production and persuasion in all contexts by ‘clear and convincing evidence.’” *Id.* The verbal variances of the presumption of validity are likely the root of our confused disagreement. *See supra* Part I.D; *infra* notes 135-136 and accompanying text.

Recently, in *Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316 (Fed. Cir. 2008), Judge S. Jay Plager likely ended up supporting Sarnoff's view, but, possibly, he may have supported mine. Relying on *Am. Hoist*, Judge Plager explained that the burden of persuasion for establishing invalidity is clear and convincing. *See id.* at 1326-27 (“[T]he burden of persuasion . . . is the ultimate burden assigned to a party who must prove something to a specified degree of certainty— . . . ‘clear and convincing,’ [is] the patent law evidentiary standard for establishing that a patent, otherwise presumed valid, is invalid . . .”). Then, in the next paragraph, he suggested that persuading is attempted using evidence that has been established clearly and convincingly. *See id.* at 1327 (“When an alleged infringer attacks the validity of an issued patent, our well-established law places the burden of persuasion on the attacker to prove invalidity *by clear and convincing evidence.*” (emphasis added)). In the end, he applied the standard to only the burden of production. *See id.* at 1334 (affirming the trial court's finding that “there was clear and convincing evidence that the '323 application did not show the inventor was in possession of the invention as of the filing date”).

Judge Plager has unequivocally applied the clear and convincing standard to the burden of production in other cases. *See Lough v. Brunswick Corp.*, 86 F.3d 1113, 1124 n.1 (Fed. Cir. 1996) (Plager, J., dissenting) (“The law of this circuit is *unequivocal* that a ‘party attacking validity has the burden of proving facts supporting a conclusion of invalidity by clear and convincing evidence.’” (emphasis added)) (quoting *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423 (Fed. Cir. 1988)). Also, the Federal Circuit has previously offered warnings to avoid *Tech. Licensing's* burden language. For example, the Federal Circuit has explained that it is incorrect to state “that there must be ‘clear and convincing evidence of invalidity’” because invalidity is a legal conclusion. *SSIH Equip.*, 718 F.2d at 375 (emphasis removed). Thus, the validity challenger cannot really “prove invalidity”—he can only prove factual predicates of invalidity.

<sup>70</sup> *See Stratoflex*, 713 F.2d at 1534 (“With all the evidence in, the trial court must determine whether the party on which the statute imposes the burden of persuasion has carried that burden.”). In jury trials, the jury determines which facts have been established clearly and convincingly and decides whether the patent is invalid according to their jury instructions, but invalidity is a question of law ultimately left to the court. *See, e.g., U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554 (Fed. Cir. 1997).

<sup>71</sup> *See In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (citing *Ethicon v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988)).

<sup>72</sup> *See Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 627 (Fed. Cir. 1984) (“A patent is

C. *The Rebirth of the Regional Circuits' Preponderance Standard*

Before the Federal Circuit's creation in 1982, the regional appellate courts had jurisdiction over district court adjudications of patent infringement claims. Unlike the Federal Circuit, which holds that the presumption of validity may never be rescinded and that factual predicates of invalidity must be proven clearly and convincingly, each of the twelve regional circuits had either weakened or removed the presumption of validity—without specifically considering the burdens of production and persuasion—in cases where the PTO neither found nor considered pertinent prior art.<sup>73</sup> The regional circuits held that in

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not held valid for all purposes but, rather, not invalid on the record before the court.”); *cf Ethicon*, 849 F.2d at 1429 n.3 (explaining that “a court’s decision upholding a patent’s validity is not ordinarily binding on another challenge to the patent’s validity . . . in either the courts or the PTO”) (citing *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 710, 711 (Fed. Cir. 1983)).

<sup>73</sup> See *Futorian Mfg. Corp. v. Dual Mfg. & Eng’g, Inc.*, 528 F.2d 941, 943 (1st Cir. 1976) (explaining that when “patent office attention has not been directed to relevant instances of prior art the presumption of validity arising from the issuance of a patent is eroded” and that “while a burden still remain[s] on the challenger, it would, as a practical matter, be less than the burden embodied in the ‘clear and convincing’ standard”); *Formal Fashions, Inc. v. Braiman Bows, Inc.*, 369 F.2d 536, 539 (2d Cir. 1966) (“It is of significance that the prior art references relied upon by Judge McLean were not before the Patent Examiner who approved appellant’s application. This Circuit has repeatedly held that this fact detracts from the presumption of validity of a patent.”); *U.S. Expansion Bolt Co. v. Jordan Indus., Inc.*, 488 F.2d 566, 569 (3d Cir. 1973) (“Since the defendants came forward with significant prior art not considered by the Patent Office, the presumption of validity attaching to plaintiff’s patent in this case is weakened.”); *Heyl & Patterson, Inc. v. McDowell Co.*, 317 F.2d 719, 722 (4th Cir. 1963) (“The presumption of validity can be weakened or destroyed where there has been a failure to cite prior art before the patent examiner . . .”); *Baumstimler v. Rankin*, 677 F.2d 1061, 1066 (5th Cir. 1982) (explaining that “[w]here the validity of a patent is challenged for failure to consider prior art, the bases for the presumption of validity, the acknowledged experience and expertise of the Patent Office personnel and the recognition that patent approval is a species of administrative determination supported by evidence, no longer exist and thus the challenger of the validity of the patent need no longer bear the heavy burden of establishing invalidity either ‘beyond a reasonable doubt’ or ‘by clear and convincing evidence.’”); *Eisele v. St. Amour*, 423 F.2d 135, 138-39 (6th Cir. 1970) (“Since the [invention] was not before the Patent Office when the [prior art] patent was considered, there is clearly no presumption of validity of this patent applicable to this undisclosed portion of the prior art.”); *Henry Mfg. Co. v. Commercial Filters Corp.*, 489 F.2d 1008, 1013 (7th Cir. 1972) (“This presumption does not exist against evidence of prior art not before the Patent Office. Even one prior art reference not considered by the Patent Office can suffice to overthrow the presumption.”); *Ralston Purina Co. v. Gen. Foods Corp.*, 442 F.2d 389, 390 (8th Cir. 1971) (“The presumption of validity normally afforded to a patent is weakened, if not completely destroyed, by proof of pertinent prior non-considered art.”); *Alcor Aviation, Inc. v. Radair, Inc.*, 527 F.2d 113, 115 (9th Cir. 1975) (“A presumption of non-obviousness dissipates upon a showing that the prior art was not brought to the attention of the patent examiner.”); *Plastic Container Corp. v. Cont’l Plastics of Oklahoma, Inc.*, 708 F.2d 1554, 1558 (10th Cir. 1983) (“If the PTO failed to consider prior art that is relevant to the determination of patent validity, the basis for according deference vanishes.”); *Mfr. Research Corp. v. Graybar Elec. Co.*, 679 F.2d 1355 (11th Cir. 1982) (“The presumption of validity is severely weakened . . . when pertinent prior art was not considered by the Patent Office in its review of patent applications. In th[ese] instances, the burden upon the challenging party is lessened, so that he need only introduce a

such cases they should not defer to the PTO.<sup>74</sup> They did not address the Supreme Court's other reasons for a heightened evidentiary standard: preventing production of uncorroborated oral testimony, ensuring evidence bearing on invalidity is carefully scrutinized, and favoring those inventors who expeditiously publicized their inventions using the patent system.<sup>75</sup>

With the creation of the Federal Circuit, many thought the regional circuits lost their jurisdiction over patent infringement appeals because "Congress[] endeavor[ed] to grant the Federal Circuit exclusive appellate jurisdiction over district court adjudications of patent claims."<sup>76</sup> Thus, when the Federal Circuit held that it would not use the regional circuits' presumption-weakening precedents, these precedents seemingly evaporated.<sup>77</sup> Twenty years later, however, in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,<sup>78</sup> the Supreme

preponderance of the evidence to invalidate a patent.") (citations omitted); *Turzillo v. P. & Z. Mergentime*, 532 F.2d 1393, 1399 (D.C. Cir. 1976) ("The statutory presumption of validity does not apply to prior art not cited to the Patent Office, and even one prior art reference not cited to the examiner overcomes the presumption."); *see also* Petition for Writ of Certiorari, *Microsoft Corp. v. z4 Techs. Inc.*, 2007 U.S. Briefs 1243, 21-23 (No. 07-1243).

<sup>74</sup> *See supra* note 73.

<sup>75</sup> *See supra* Part II.A; *see also* *Solder Removal Co. v. U.S. Int'l Trade Comm'n*, 582 F.2d 628, 633 n.10 (C.C.P.A. 1978) ("Application of § 282 in its entirety has suffered from analogy of the presumption itself to the deference due administrative agencies. . . . The presumption of validity was the law prior to the 1952 Act.") (citations omitted). *But see* *Campbell v. Spectrum Automation Co.*, 513 F.2d 932, 936 (6th Cir. 1975) (explaining that "the source of the 'clear and convincing' standard springs from these early [Supreme Court] decisions, wary of the dangers of accepting parol evidence . . .").

<sup>76</sup> *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 840 (2002) (Ginsburg, J., concurring).

<sup>77</sup> *See* *W.L. Gore & Assocs. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983) (criticizing the lower court's adoption of "earlier precedents" that the "the presumption [of validity] is weakened greatly where the Patent Office has failed to consider pertinent prior art" instead of using the "established precedent [of] this court."). The lower court was in the unusual position of choosing which precedent to follow. The original claim was filed in 1979, and the opinion issued in November 1982, less than one month after the Federal Circuit adopted the precedent of the Court of Customs and Patent Appeals within the first few sentences of its premier opinion, *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982). In the early days of the Federal Circuit, district courts and the regional appellate courts regularly relied on their intra-circuit, burden-reducing precedent instead of deferring to the Federal Circuit's incorporation of the Court of Custom and Patent Appeal's precedent, perhaps because the Court of Customs and Patent Appeals precedent had never been binding on the district courts. *See, e.g., Plastic Container Corp.*, 708 F.2d at 1557, where the court picked and chose presumption of validity language from *Solder Removal Co. v. U.S. Int'l Trade Comm'n*, 582 F.2d 628 (C.C.P.A. 1978), neglecting to mention that *Solder Removal* explained that new prior art does not rebut the presumption of validity, *id.* at 632, and that *Solder Removal* found this is a "better view" than the regional circuits' view that the presumption can be weakened or discharged, *id.* at 633.

Incidentally, when the Tenth Circuit decided *Plastic Container Corp.*, the Federal Circuit was just over a month away from deciding *SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (explicitly incorporating *Solder Removal*'s criticism of regional circuit precedent)—*Plastic Container Corp.* was decided on June 6, 1983 and *SSIH Equip.* was decided on July 15, 1983.

<sup>78</sup> 535 U.S. 826 (2002).

Court explained that the Federal Circuit does not have exclusive jurisdiction over all patent appeals—the regional circuits still have jurisdiction in cases where patent-based claims are asserted under a counterclaim or cross-claim.<sup>79</sup> Thus, regional circuit patent precedent remains viable, and proponents of a reduced burden of proof have a strong inter-circuit split argument for taking their case to the Supreme Court.<sup>80</sup>

Lower courts are also reviving presumption-weakening precedent. Most notably, in *Tokyo Keiso Co. v. SMC Corp.*,<sup>81</sup> the District Court for the Central District of California stated that, in *KSR*, “[t]he Supreme Court . . . held that the presumption of validity is ‘much diminished’ when the PTO does not consider the most pertinent prior art.”<sup>82</sup> On appeal, the Federal Circuit summarized the parties’ arguments as to whether this was so,<sup>83</sup> but it did not attempt a resolution. Accordingly, explicit post-1982 presumption-weakening district court precedent exists.

The appeals courts have not attempted an explicit revival. However, in *Schering-Plough Corp. v. FTC*,<sup>84</sup> the Court of Appeals for the Eleventh Circuit cited its own earlier case to support the proposition that a patent is presumed valid,<sup>85</sup> thereby hinting a possible preference for its own patent precedent instead of the Federal Circuit’s.

<sup>79</sup> *Id.* at 834.

<sup>80</sup> “An occasional conflict in decisions may be useful in identifying questions that merit th[e] Supreme] Court’s attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court [(i.e., the Federal Circuit)] may develop an institutional bias.” *Id.* at 839 (Stevens, J., concurring).

The counter argument is that regional circuit patent precedent, to the extent that it conflicts with Federal Circuit case law, should be disfavored because the Federal Circuit was created to improve upon the regional-circuits’ patent case law. See Fed. Judicial Ctr., *The U.S. Court of Appeals for the Federal Circuit: “An Act To establish a United States Court of Appeals for the Federal Circuit, to establish a United States Claims Court, and for other purposes,”* [http://www.fjc.gov/history/home.nsf/page/22a\\_bdy](http://www.fjc.gov/history/home.nsf/page/22a_bdy) (last visited Jan. 28, 2009). Consider that, from 1950 to 1970, the Eighth Circuit found every patent that came before it invalid until a district court judge described the Circuit as “hostile to holding patents valid.” IRVING KAYTON, PATENT PRACTICE 5.23 (8th ed. 2004). This accusation came in *Woodstream Corp. v. Herter’s, Inc.*, 312 F. Supp. 369, 370 (D. Minn. 1970) (Devitt, C.J.), and on appeal, the Eighth Circuit took notice, finding a patent valid for the first time in over twenty years. KAYTON, at 5.23.

<sup>81</sup> 533 F. Supp. 2d 1047 (C.D. Cal. 2007).

<sup>82</sup> *Id.* at 1056. The court’s conclusion that this was a holding is odd. The full quote from *KSR* is unequivocally dicta:

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

*KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (emphasis added).

<sup>83</sup> See *Tokyo Keiso Co. v. SMC Corp.*, No. 2008-1045, 2009 U.S. App. LEXIS 302, at \*10-12 (Fed. Cir. Jan. 9, 2009).

<sup>84</sup> 402 F.3d 1056 (11th Cir. 2005).

<sup>85</sup> See *id.* at 1066.

Nonetheless, the court did not address whether the burden for rebutting the presumption could be relaxed.<sup>86</sup>

D. *The Federal Circuit's Reasons for Disagreeing with the Regional Circuits*

So why did the Federal Circuit decline to adopt regional circuit precedent that the presumption of validity can be weakened or destroyed? After all, the regional circuits used sound logic in determining that an application that was not properly scrutinized at the PTO—evidenced by the examiner having missed a pertinent reference—does not deserve a strong presumption of validity. The Federal Circuit is wary of this logic, however, because there are reasons, other than deference to the PTO, for requiring that factual predicates of invalidity be proven clearly and convincingly.<sup>87</sup> Further, infringement challenges typically include prior art that was not considered at the PTO;<sup>88</sup> a non-considered reference exception that reduces the evidentiary standard or eliminates the presumption swallows the requirement that factual predicates of invalidity be proven clearly and convincingly. In cases where the examiner did not consider pertinent prior art, the Federal Circuit may be more easily and more frequently convinced of a patent's invalidity, but it will consider the evidence carefully regardless of what happened at the PTO.<sup>89</sup>

The Court of Customs and Patent Appeals, a predecessor of the Federal Circuit, reasoned that because the presumption of validity sets a bifurcated burden of proof—a burden of production and a burden of persuasion—removing the presumption of validity would eliminate the entire burden of proof, including the burden of persuasion.<sup>90</sup> The court explained that this would be an unjustifiable result because, *first*,

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<sup>86</sup> *Sure Plus Mfg. Co. v. Kobrin*, 719 F.2d 1114 (11th Cir. 1983), the cited case, was also silent on that issue.

<sup>87</sup> See *supra* Part II.A; note 75 and accompanying text.

<sup>88</sup> See *W.L. Gore & Assocs. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983) (finding it “difficult to imagine a patent law suit in which an accused infringer is unable to add some new ‘pertinent’ art”).

<sup>89</sup> See *Solder Removal Co. v. U.S. Int’l Trade Comm’n*, 582 F.2d 628, 632 (C.C.P.A. 1978) (explaining that where new prior art is introduced, “[r]ebuttal of the presumption may be more easily and more often achieved . . . but whether rebuttal is achieved requires careful consideration of whether the prior art relied upon does in truth render the claimed invention anticipated or obvious. Until that question is answered in the affirmative, the presumption is not rebutted and continues alive and well”).

<sup>90</sup> See *id.* at 632-33 (The statute “mandates not only a presumption shifting the burden of going forward in a purely procedural sense, but also places the burden of persuasion on the party who asserts that the patent is invalid. . . . [S]peak[ing] of the presumption as ‘no longer attaching’ is to risk a concomitant, and unspoken assumption that the burden of persuasion is thereafter no longer upon him who asserts invalidity.”).

examiners do not cite all references they consider,<sup>91</sup> and *second*, some references may be cumulative of considered references.<sup>92</sup>

E. *Burdens at the PTO During Reexamination and Developing Post-Grant Proceedings*

Patent litigation is extremely expensive and can be quite burdensome for some patentees and accused infringers.<sup>93</sup> In response, Congress created patent reexamination,<sup>94</sup> wherein the PTO reevaluates a patent's validity when a "substantial new question of patentability" is raised.<sup>95</sup> A reexamination request must be based only on documentary "prior art consisting of patents or printed publications."<sup>96</sup> Anyone may request *ex parte* reexamination,<sup>97</sup> including a patentee who wishes to have her patent reevaluated and strengthened<sup>98</sup> in light of newly discovered prior art before bringing infringement claims against another. *Inter partes* reexamination is available to non-patentees who

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<sup>91</sup> See *id.* at 633 n.9 ("[A] mere failure to cite certain prior art does not necessarily mean it was not considered by the examiner, who may have considered it unworthy of citation.").

<sup>92</sup> See *id.* ("[T]he presumption has been held unaffected by prior art no more pertinent than that cited by the examiner.").

<sup>93</sup> See Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237 (2006) ("Legal costs of patent litigation range between \$500,000 to \$3 million per suit or \$500,000 per claim at issue per side." (citing Bronwyn H. Hall et al., *Prospects for Improving U.S. Patent Quality Via Post-Grant Opposition* (Nat'l Bureau of Econ. Research, Working Paper No. 9731, 2003), available at <http://papers.nber.org/papers/W9731.pdf>)); Wayne O. Stacy, *Reexamination Reality: How Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, 66 GEO. WASH. L. REV. 172, 174-75 & nn. 28-30 (1997).

<sup>94</sup> See *In re Swanson*, 540 F.3d 1368, 1375 (Fed. Cir. 2008) ("Congress intended reexaminations to provide an important 'quality check' on patents that would allow the government to remove defective and erroneously granted patents." (citing H.R. REP. NO. 107-120 (2002)); H.R. REP. NO. 96-1307, pt. 1 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, available at [http://ipmall.info/hosted\\_resources/lipa/patents/Legislative\\_History\\_Process\\_Patents.pdf](http://ipmall.info/hosted_resources/lipa/patents/Legislative_History_Process_Patents.pdf) (explaining that the purpose of reexamination is "to permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation"). The fee for requesting an *ex parte* reexamination is \$2,520 and the fee for requesting an *inter partes* reexamination is \$8,800. 37 C.F.R. § 1.20(c) (2008).

<sup>95</sup> 35 U.S.C. §§ 303, 312 (2006). A substantial new question of patentability is "demonstrated [when] a patent or printed publication that is relied upon in a proposed rejection presents a new, non-cumulative technological teaching that was not previously considered and discussed on the record during the prosecution of the application that resulted in the patent for which reexamination is requested, and during the prosecution of any other prior proceeding involving the patent for which reexamination is requested." U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINATION AND PROCEDURE § 2216 (8th ed. 7th rev. 2008).

<sup>96</sup> 35 U.S.C. §§ 301, 302, 311(a) (2006).

<sup>97</sup> See 35 U.S.C. § 302 (2006).

<sup>98</sup> See *In re Etter*, 756 F.2d 852, 857 n.4 (Fed. Cir. 1985) (en banc). Upon discovery of pertinent reference not considered during the original examination, a patentee may wish to have the PTO reexamine her patent to ensure that a future defendant asserting invalidity will not be able to relax the clear and convincing standard for establishing factual predicates of invalidity.

would like to participate in the proceeding.<sup>99</sup> The Patent Act does not specify a presumption of validity for a patent in a reexamination proceeding as it does for a patent in an infringement proceeding;<sup>100</sup> correspondingly, it does not specify evidentiary standards for an examiner to use in reexamination. The Federal Circuit has held that the presumption of validity is inapplicable to reexaminations<sup>101</sup> and that examiners should apply a preponderance of the evidence standard, not a clear and convincing standard, in determining an invention's patentability.<sup>102</sup> The PTO has adopted this standard.<sup>103</sup> Reexamination thus proceeds "according to the procedures established for initial examination."<sup>104</sup>

This difference has led to an interesting interplay between validity challenges in infringement and reexamination proceedings. Recently, in *In re Swanson*,<sup>105</sup> a reexamination appeal, the Federal Circuit affirmed a party's successful *second* attempt at showing invalidity despite a district court's finding in a prior infringement proceeding that the asserted claims were not invalid, and despite the Federal Circuit's affirmance of this earlier decision. The court affirmed the PTO's reexamination claim rejections even though the reexamination was based on a prior art reference considered both at trial and during the original examination of the patent application.<sup>106</sup> While *Swanson* arguably makes

<sup>99</sup> 35 U.S.C. § 311(a) (2006).

<sup>100</sup> See 35 U.S.C. § 282 (2006).

<sup>101</sup> See *In re Etter*, 756 F.2d at 856.

<sup>102</sup> See *Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (reexaminations are conducted like examinations); *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985) ("[T]he standard of proof required to properly reject the claims of a patent application is necessarily lower than that required to invalidate patent claims. . . . Because it is the only standard of proof lower than clear and convincing, preponderance of the evidence is the standard that must be met by the PTO in making rejections . . .").

<sup>103</sup> See U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINATION AND PROCEDURE § 706 (8th ed., 7th rev. 2008).

<sup>104</sup> 35 U.S.C. §§ 305, 314 (2006); *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (en banc) ("The focus . . . returns essentially to that present in an initial examination, i.e., to a time at which no presumption of validity had been created.")

<sup>105</sup> 540 F.3d 1368 (Fed. Cir. 2008).

<sup>106</sup> See *id.* at 1370, 1373-74. The court justified this incongruity, explaining that "PTO examination procedures have distinctly different standards, parties, purposes and outcomes compared to civil litigation" and that "the two forums take different approaches in determining validity and on the same evidence could quite correctly come to different conclusions." *Id.* at 1377 (citing *Ethicon*, 849 F.2d at 1428). The court explained further:

In PTO examinations and reexaminations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil case; there is no presumption of validity; and the examiner is not attacking the validity of the patent but is conducting a subjective examination of the claims in light of the prior art. [U]nlike in district courts, in reexamination proceedings claims are given their broadest reasonable interpretation, consistent with the specification. Thus, considering an issue at the district court is not equivalent to the PTO having had the opportunity to consider it. . . . [P]recise duplication of effort does not occur because the PTO and the courts employ different standards of proof when considering validity.

reexamination attractive, it prolongs an invalidity challenge by encouraging reexamination in *addition* to litigation instead of encouraging it as an *alternative* to litigation.<sup>107</sup>

To remedy the shortcomings of reexamination, Congress has been considering creating post-grant review proceedings, which would also take place at the PTO.<sup>108</sup> Post-grant reviews would use not just prior art documentary references (as is the case for reexaminations), but all evidence that could be used to challenge invalidity in litigation.<sup>109</sup> Congress is debating whether the presumption of validity should apply to patents subject to post-grant review and which evidentiary standard will apply for establishing non-patentability.<sup>110</sup>

### III. LEAVE THE BURDEN ALONE (AT LEAST FOR NOW)

Motivated by the proposition that the PTO regularly issues questionable patents and the Supreme Court's recent critique of the presumption of validity,<sup>111</sup> commentators and scholars advocate that patents should receive a weak but reinforceable presumption. Invalidity would be established under a relaxed evidentiary standard except when the challenged patent has survived a strict examination or repeated scrutiny, either of which would justify a heightened evidentiary

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*Id.* at 1377-78 (citations and internal quotations omitted). It is worth noting that the Federal Circuit's reasoning did not include a comparison of the technical expertise of examiners, judges, and jurors even though an examiner will typically have a better grasp of the technology than judges or jurors, which could further justify the burden of proof discrepancy.

<sup>107</sup> This case reinforces the sentiment that reexamination "has been underutilized and has not fulfilled its promise. . . . In most instances, . . . parties choose to forego reexamination and instead await litigation . . . ." Allan M. Soobert, *Breaking New Grounds in Administrative Revocation of U.S. Patents: Proposition for Opposition—and Beyond*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 63, 66 (1998). While reexamination may offer a lower burden than litigation for establishing that an invention is not patentable, parties trying to establish invalidity often prefer the adversarial approach of litigation to the passivity required in *ex parte* reexamination. Such a party may also avoid *inter partes* reexamination because of its draconian estoppel rules. *See, e.g.*, 35 U.S.C. § 315(c) (2006) (which estops a party from raising a claim in litigation that it "raised or could have raised during . . . inter partes reexamination proceedings").

<sup>108</sup> *See* Patent Reform Act of 2009 S. 515, 111th Cong. § 5(f) (2009) (as reported by Mr. Leahy, with amendments, Apr. 2, 2009); Patent Reform Act of 2008, S. 3600, 110th Cong. § 5(c) (2008); Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 6(f) (2007).

<sup>109</sup> *See* S. 515 § 5(f) sec. 326(a)(3); S. 3600 § 5(c) sec. 329(a)(5); H.R. 1908 § 6(f) sec. 326(a)(3).

<sup>110</sup> *See* S. 515 § 5(f) sec. 328 (stating that the presumption *shall not* apply, and setting the evidentiary standard to preponderance of the evidence); S. 3600 § 5(c) sec. 331 (stating that the presumption *shall* apply and setting the standard to preponderance of the evidence for new patents and to clear and convincing evidence for older patents); H.R. 1908 § 6(f) sec. 328 (stating that the presumption *shall not* apply, and setting the evidentiary standard to preponderance of the evidence).

<sup>111</sup> *See supra* note 9.

standard.<sup>112</sup> On the examination side, critics suggest that strong “presumptions must be earned,” which could follow from “empower[ing] the PTO to distinguish between” applications that would become “good” or “bad” patents.<sup>113</sup> On the enforcement side, they suggest that a relaxed evidentiary standard for showing invalidity would increase the success rate of invalidity challenges, thereby reducing the likelihood that a patentee will risk asserting a “bad” patent against an infringer.<sup>114</sup> Two scholars suggest that implementation of a weak but reinforceable presumption of validity should begin at the PTO because the PTO can influence judges.<sup>115</sup> Thus, examiners would “politely decline” the strong presumption that judges afford to patents by, say, inserting boilerplate language in the prosecution history suggesting a “lighter touch” and inviting courts to analyze the validity of the patent.<sup>116</sup>

While the PTO faces many difficult challenges and all too often grants patents for undeserving inventions,<sup>117</sup> there are other good reasons for maintaining the status quo that the critics do not address.<sup>118</sup>

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<sup>112</sup> See, e.g., FTC REPORT, *supra* note 5, at 8-10; Benjamin, *supra* note 6, at 317-20 (recommending that the defaults from the Administrative Procedures Act be applied to determine how much deference the PTO is due, which would mean that “factfinding in patent denials would be given more deference than factfinding in patent grants” and that, if a patent is challenged with prior art that the PTO did not consider, “there is nothing for the court to defer to”); Lichtman, *supra* note 6, at 61-63 (suggesting a two-tiered evidentiary-standard for overcoming the presumption: regularly issued patents get a preponderance of the evidence standard while “gold-plated” patents (i.e., patents that have undergone a vigorous and optional examination process) get a heightened standard); Sag, *supra* note 6, at 77-80 (advocating a reinforceable presumption of validity wherein issued patents initially receive a weak presumption—and a corresponding preponderance of the evidence standard for rebutting it—that is strengthened as the patent survives validity challenges); Sarnoff, *supra* note 24, at 1053-57 (“All that is required is for the judiciary to acknowledge the realities of examination procedures and to avoid imposing any heightened evidentiary burdens of production or persuasion.”); *id.* at 1024-25 (suggesting that a patent surviving reexamination should be considered significantly stronger than it was at the initial grant).

<sup>113</sup> Lichtman, *supra* note 6, at 49.

<sup>114</sup> See Sag, *supra* note 6, at 12-14, 36-38.

<sup>115</sup> See Lichtman, *supra* note 6, at 59 (suggesting that judges defer to the PTO out of the “PTO’s desire to have its earlier evaluation respected”).

<sup>116</sup> *Id.* at 59-60.

<sup>117</sup> See, e.g., FTC REPORT, *supra* note 5, at 8-10.

<sup>118</sup> Erring like the regional circuits, these critics do not address the Supreme Court’s reasons, other than PTO deference, for requiring clear and convincing evidence to rebut the presumption of validity. See *supra* Part II.A; note 75 and accompanying text. Checking propositions against older precedent and not just intervening precedent is good policy for avoiding and fixing this type of error. See, e.g., *Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 518-20 (2d Cir. 1946) (where Judge Learned Hand relied on older precedent to overrule intervening precedent that developed out of his own admitted confusion). This strategy has been recommended before:

By this it appears how necessary it is for any man that aspires to true knowledge, to examine the definitions of former authors; and either to correct them, where they are negligently set down; or to make them himself. For the errors of definitions multiply themselves, according as the reckoning proceeds; and lead men into absurdities, which

*First*, changing the presumption of validity is not justified because the presumption's affect on case outcomes is unknown. *Second*, through all of the verbal variances, it is difficult to establish the true role, if any, that the presumption of validity plays in the "bad" patent problem. *Third*, a lower evidentiary standard for rebutting the presumption might encourage individuals and companies to take greater potentially infringing risks, which could lead to more "bad" patents being asserted. *Fourth*, a lower evidentiary standard would discourage inventors from disclosing their inventions and slow the progress of the useful arts. *Fifth*, recent Supreme Court decisions have already accomplished the critics' primary goals for weakening the presumption. *Finally*, weakening the presumption conflicts with possibly forthcoming post-grant review procedures. Against this background, now is not the time for modifying the presumption of validity or the evidentiary standard for rebutting it.

A. *How Much Does the Presumption of Validity Affect Case Outcomes?*

Some argue that finders of fact will find the facts as they see fit, regardless of whether there is a presumption of validity, so there is no point in lowering the evidentiary standard.<sup>119</sup> The primary support for this argument is that the Federal Circuit sometimes ignores or only pays lip service to the presumption or evidentiary standard when adhering to either could shift the outcome.<sup>120</sup> For example, in *Lough v. Brunswick*

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at last they see, but cannot avoid, without reckoning anew from the beginning; in which lies the foundation of their errors.

THOMAS HOBBS, *LEVIATHAN* 24 (J.C. Gaskin, ed., Oxford University Press 1998) (1651).

<sup>119</sup> See Lichtman, *supra* note 6, at 69.

<sup>120</sup> See, e.g., *Lough v. Brunswick Corp.*, 86 F.3d 1113 (Fed. Cir. 1996) (where the majority did not mention the presumption or burden of proof in holding the patent invalid); *Baxter Int'l v. Cobe Labs., Inc.*, 88 F.3d 1054 (Fed. Cir. 1996) (where the presumption is not mentioned but the clear and convincing standard is, although whether the standard was applied is questionable—Judge Newman was not convinced that a laboratory reduction to practice could be considered a public use); see also *AIPLA RESPONSE*, *supra* note 45, at 11 ("The [Supreme] Court often reviewed prior art patents and other documentary evidence without describing what burden or factual standard it was applying.").

Recently, in an interview conducted by Professor Lichtman, a critic of the presumption of validity, Chief Judge Michel of the Federal Circuit indicated that the evidentiary standard for rebutting the presumption of validity does not significantly affect case outcomes. See *Intellectual Property Colloquium: A Conversation with Chief Judge Michel*, <http://www.ipcolloquium.com/Programs/4.html>, at 44 minutes, 9 seconds (last visited April 21, 2009) [hereinafter Michel Interview]:

*Mr. Lichtman*: It seems like [the courts] put a pretty heavy thumb in favor of supporting the outcomes the patent office reached.

*Corp.*, the split-panel majority determined that the inventor could not overcome the one-year public-use bar<sup>121</sup> by claiming experimentation—absolving the infringer from the need to produce clear and convincing evidence of non-experimental use—even though the evidence persuaded the jury and a dissenting appellate judge that the inventor had been experimenting.<sup>122</sup> Accordingly, it would have been incongruous for the two-judge majority to find that the patentee had not established experimental use or that the challenger had established non-experimentation clearly and convincingly. The majority skirted the issue, treating experimentation as a matter of law instead of fact and relying on facts established to an unspecified degree to reach the conclusion of invalidity.<sup>123</sup> In dissent, Judge S. Jay Plager noted that factual predicates of invalidity must be established clearly and convincingly, explaining that “there was more than enough evidence to support a jury finding that [the inventor] was testing and perfecting his invention during much of the period leading up to the time he applied for his patent.”<sup>124</sup>

Some may argue that the presumption of validity does matter because invalidity rates dropped with the creation of the Federal Circuit and its prompt adoption of the clear and convincing standard for establishing factual predicates of invalidity.<sup>125</sup> The problem with this reasoning is that it ignores an alternate, more likely cause for the drop. The Federal Circuit began applying the Teaching-Suggestion-Motivation (TSM) test<sup>126</sup> at nearly the same time as it began to apply

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*Chief Judge Michel:* I don't think that's the case. I think lots of trial judges and juries invalidate patents when they are confronted with significant proof. I'm doubtful that there are very many cases where the outcome on validity would have been different if only the burden had been defined as being preponderant evidence versus clear and convincing evidence.

*Mr. Lichtman:* So you think the words might sound strong, but you doubt it moves many cases?

*Chief Judge Michel:* There are lots of cases where the clear and convincing standard is easily met and I think there are probably not very many cases that would fall in the space between preponderant evidence and clear and convincing evidence. So I doubt that many outcomes are affected by the elevated burden of proof.

<sup>121</sup> 35 U.S.C. § 102(b) (2006).

<sup>122</sup> *See Lough*, 86 F.3d at 1114-24.

<sup>123</sup> *See id.* at 1120.

<sup>124</sup> *Id.* at 1124 & n.6.

<sup>125</sup> *See Lichtman*, *supra* note 6, at 69.

<sup>126</sup> The Court of Customs and Patent Appeals created the TSM test to avoid findings of obviousness based on the observation that an invention comprises obvious elements. *See KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418-19 (2007). The Supreme Court rejected the Federal Circuit's application of the test, explaining that the court had applied the test too rigidly by prohibiting an obviousness determination without a finding of a teaching, suggestion or motivation to combine in the prior art. *See id.* at 419.

the clear and convincing standard.<sup>127</sup> Now that the Supreme Court has rejected rigid application of TSM,<sup>128</sup> fewer “bad” patents are being asserted and granted than before.<sup>129</sup>

In short, it is unclear how much presumptions matter; there is an “endemic” lack of empirical evidence.<sup>130</sup> This does not need to remain the case, however, as there are cases to analyze in three well-defined data sets according to well-defined variables. The first two data sets are pre- and post-*KSR* Federal Circuit invalidity determinations. Even though the Federal Circuit requires that factual predicates of invalidity be clearly and convincingly established while the weight of the burden of persuasion depends on whether a prior art reference was considered at the PTO,<sup>131</sup> *KSR* may be affecting the presumption’s application.<sup>132</sup> The third data set comprises regional circuit invalidity determinations, where whether a prior art reference was considered at the PTO determined the evidentiary standard the court applied.<sup>133</sup> Case data may be classified according to variables such as “patent held invalid,” “considered reference,” “presumption or evidentiary standard applied,” and “same result with a preponderant evidence standard as with a clear and convincing standard”—each variable having a value of yes or no. An analysis of these data could answer the question of how much the presumption matters. It would show to what degree the Federal Circuit and the regional circuits have been reaching similar or varied results applying two different standards. Without such empirical evidence, changing the presumption of validity’s application based only on theory would be rash.<sup>134</sup>

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<sup>127</sup> See *ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1577 n.13-14 (Fed. Cir. 1984) (amalgamating precedent—including Court of Customs and Patent Appeals precedent—into the TSM test).

<sup>128</sup> See *KSR*, 550 U.S. at 415.

<sup>129</sup> See *infra* Part III.E.

<sup>130</sup> Lichtman, *supra* note 6, at 69.

<sup>131</sup> See *supra* Part II.B.

<sup>132</sup> See, e.g., *Friskit, Inc. v. Real Networks, Inc.*, 306 F. App’x 610, 611 (Fed. Cir. 2009) (where, before *KSR*, the district court initially denied a motion for summary judgment that claims were invalid for obviousness, but after *KSR*, the court granted a renewed motion, which the Federal Circuit affirmed); *Asyst Techs., Inc. v. Empak, Inc.*, No. 98-20451, 2007 U.S. Dist. LEXIS 59100 (N.D. Cal., Aug. 3, 2007), at \*12-13, 31-34, *aff’d* 544 F.3d 1310 (Fed. Cir. 2008) (where the district court, with “sincere respect both for the travails of the parties and for the jury system in general,” granted a post-*KSR* JMOL motion of invalidity even though, pre-*KSR*, the court denied a similar motion for summary judgment and the jury found the patent was not invalid).

<sup>133</sup> See *supra* Part II.C.

<sup>134</sup> To use a favorite saying among quality engineers, “In God we trust; all others must bring data.”

B. *Verbal Variances Cast Doubt upon the Presumption of Validity's Role in the "Bad" Patent Problem*

The idea that changes to the presumption of validity might remedy the "bad" patent problem is conjecture<sup>135</sup> largely based on an erroneous interpretation of the presumption's evidentiary standard. Construed through the veil of verbal variances, some of the presumption's critics explain that invalidity—not factual predicates of invalidity—must be proven clearly and convincingly.<sup>136</sup> This explanation is incorrect, however, because evidentiary standards are inapplicable to legal questions like invalidity.<sup>137</sup> Only *factual predicates* of invalidity must be proven clearly and convincingly. So until the presumption and the evidentiary standard are both accurately defined and precisely applied, the presumption's role in the "bad" patent problem will remain unascertainable, thereby preventing valid modification proposals.

Most modification proposals include lowering the evidentiary standard for proving invalidity to a preponderance of the evidence based on the theory that a clear and convincing standard is an unjustifiably high hurdle. While these proposals may sound meaningful, the precise application of the accurate standard—that only *factual predicates* of invalidity need to be established clearly and convincingly—demonstrates that these proposals may be ineffectual. After all, in non-frivolous validity challenges based on documentary references, clear and convincing and preponderant evidence standards can be quite

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<sup>135</sup> See Lichtman, *supra* note 6, at 69 (stating that "[w]hile we can't prove that presumptions matter, we believe that they likely do"); see also MUELLER, *supra* note 43, at 675 (explaining that because of misunderstanding and misapplication, presumptions and burdens "disguise what is happening" and "gloss over real problems"); Janis, *supra* note 19, at 932 (explaining that "we should be wary of a reform proposal that seeks to effectuate changes in case outcomes simply by changing the language of the evidentiary standard"). Janis is particularly concerned that a change of words may do nothing but make "those outside the patent community . . . perceive a dramatic change." *Id.* at 927.

<sup>136</sup> See *supra* notes 44, 45 and accompanying text. This erroneous standard also appears in court opinions—even the Federal Circuit's—and in the patent community's discussions. For court opinions, see, e.g., MVS Royal Oak, LLC v. HTG-Tiffin, LLC, No. 05-73512, 2006 U.S. Dist. LEXIS 84691, at \*22 (E.D. Mich. Nov. 9, 2006) (quoting *Schumer*, 308 F.3d at 1315-16); *Schumer v. Lab. Computer Sys., Inc.* 308 F.3d 1304, 1315 (Fed. Cir. 2002) ("Evidence of invalidity must be clear as well as convincing."). For the patent community, see, e.g., Dennis Crouch, *Challenging the Strong Presumption [sic] of Patent Validity*, PATENTLY-O, Apr. 15, 2009, <http://www.patentlyo.com/patent/2009/04/challenging-the-strong-presumption-of-patent-validity.html> (explaining that the "presumption can only be overcome with clear and convincing evidence of invalidity") (the comments section also includes imprecise language); Donald Zuhn, *Takeda Chem. Indus., Ltd. v. Alphapharm Pty., Ltd.* (Fed. Cir. 2007), PATENT DOCS, July 4, 2007, [http://patentdocs.typepad.com/patent\\_docs/2007/07/takeda-chem-ind.html](http://patentdocs.typepad.com/patent_docs/2007/07/takeda-chem-ind.html) (using the phrase "failed to prove invalidity").

<sup>137</sup> *SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n*, 718 F.2d 365, 375 (Fed. Cir. 1983) (explaining that "[s]tandard of proof relates to specific factual questions").

similar.<sup>138</sup> The Supreme Court has explained that the clear and convincing standard filters questionable evidence away from the analysis.<sup>139</sup> Lowering the evidentiary standard to allow questionable evidence to bear on invalidity would be a Pyrrhic remedy for the “bad” patent problem, unless, of course, the true goal of presumption modification is to weaken *all* patents.

C. *A Lower Evidentiary Standard Could Increase the Number and Cost of Lawsuits*

Assuming presumptions matter and that moving to a preponderance of the evidence standard would facilitate invalidating patents, such a move might also encourage infringement. Any decrease in the probability of a “bad” patent being asserted might be offset by an increase in the overall number of “bad” patents being infringed, which represent a greater number of potential patent infringement cases. This potential offset undermines predictions that lowering the evidentiary standard would decrease the number of “bad” patents being asserted.

Additionally, the cost per lawsuit could increase. Accused infringers already incur great expense finding invalidating prior art.<sup>140</sup> Lowering the evidentiary standard would increase the probability that a given prior art reference could persuade the court that a patent is invalid, which would encourage a validity challenger to enlarge the scope of a prior art search.

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<sup>138</sup> See *Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1345-46 (June 9, 2009); AIPLA RESPONSE, *supra* note 45, at 11 (explaining that documentary prior art “such as patents and printed publications, once authenticated, normally constitute clear and convincing evidence of their substantive content”). Consider: with respect to whom is the “persuasion bar” set? From the court’s perspective, the bar is fixed. On the other hand, the amount of effort the challenging party must expend to persuade the court of the patent’s invalidity varies. See *supra*, Part II.B. If the burden of persuasion is not heavy, then the evidentiary standard for the burden of persuasion is not invariably clear and convincing because this standard connotes a heavy burden. See *supra* notes 62-68 and accompanying text. Alternatively, if the clear and convincing standard does not connote a heavy burden, critics should not contend that the burden is universally difficult to satisfy. See also Michel Interview, *supra* note 120 (where Chief Judge Michel says that “the clear and convincing standard is easily met”).

<sup>139</sup> See *supra* Part II.A.

<sup>140</sup> See Lichtman, *supra* note 6, at 66-67 (explaining that the “necessary prior art might be a doctoral thesis, written in Greek, archived in a government library, and completely unnoticed by the literature or industry” but that the cost for finding such a reference is justified for the accused infringer because the alternative could be losing the case); see also Article One Partners <http://www.articleonepartners.com> (last visited Nov. 19, 2008) (offering bounties of up to \$50,000 to people who identify invalidating references). In cases where the invalidating prior art is a document that the public and industry has not known of nor relied on, it is questionable social policy to use it to invalidate a patent that truly imparted the technology to the public. See Lichtman, *supra* note 6, at 67.

D. *Discouraging Disclosure Slows the Progress of the Useful Arts*

Lowering the evidentiary standard for rebutting the presumption of validity would affect both the patent bargain and the inherent incentives of the patent application process, likely reducing an inventor's motivation to disclose her invention. Moving to a preponderance of the evidence standard to remedy the "bad" patent problem is inadvisable because this solution would exacerbate the problem it is intended to fix: It would decrease the rate of innovation.

1. The Patent Bargain Incentive

The patent bargain exists to encourage inventors to disclose their inventions.<sup>141</sup> Inventors disclose their inventions in return for a patent that will be presumed valid for its entire term. The clear and convincing standard for rebutting the presumption provides inventors with some certainty that their rewards—their patents—will be able to withstand validity challenges, enabling them to utilize their patents with confidence. Reducing the evidentiary standard would lessen the value of this reward and discourage inventors from disclosing their inventions.

2. The Patent Application Incentive

Solutions to the "bad" patent problem should not discourage inventors from filing patent applications even though this would reduce the number of "bad" patent grants.<sup>142</sup> Nonetheless, some patent reform scholars have suggested that there are "bad" applications and that lowering the evidentiary standard for rebutting the presumption of validity would help discourage people from filing these applications.<sup>143</sup> This suggestion is problematic for two reasons. *First*, it would require determining whether an application would become a "good" or "bad" patent before the filing date, likely years before issuance. *Second*, the suggestion would inhibit publication and dissemination of potentially useful or innovative information. Just because an application might be non-novel or obvious does not mean that it cannot benefit the public.

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<sup>141</sup> See *Bonito Boats, Inc., v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989).

<sup>142</sup> See Sag, *supra* note 6, at 15-16. (explaining that "reform must reduce the incentives for obtaining or asserting bad patents without reducing those same incentives for good patents").

<sup>143</sup> See Lichtman, *supra* note 6, at 49 (stating that the goal for changing the presumption of validity is to "discourage the filing of bad but not good patents").

Assuming that applications can be “bad,” who should be responsible for deciding that an invention is not worthy of an application? Who should be the gatekeeper, the inventor or the practitioner? Inventors should primarily be concerned with inventing and disclosing, not legal determinations of invalidity. Often, particularly for the corporate engineer, filing a patent application provides at least as much of an incentive to invent and disclose as does the hope for a patent. After all, (1) filing an application is an efficient, often simpler, alternative to journal publication—a patent practitioner may draft an entire patent application, but will not help draft a journal article nor aid in a peer-review process; (2) corporate engineers often receive a significant monetary bonus for filing an application; (3) corporate engineers often have annual performance targets for filing patent applications; and (4) corporate engineers can note patent applications on their résumés immediately, regardless of when or whether a patent may issue.<sup>144</sup> Thus, the inventor should not be the gatekeeper.

Should the practitioner be the gatekeeper? To suggest this unfairly asks the practitioner to discourage disclosure even in close-call cases that may ultimately produce a “good” patent. Expecting a practitioner to make the correct call during prosecution about what might happen in a hypothetical infringement case years into the future is unrealistic, particularly considering that the odds of making the wrong call increase as the evidentiary standard is reduced. Moreover, expecting a practitioner not to file an application in a close-call case—or to avoid seeking maximum claim coverage—could be an ethical violation.<sup>145</sup> Both the PTO’s and the American Bar Association’s ethics rules arguably require a practitioner to claim more than he realistically believes the inventor is entitled to<sup>146</sup> in order to ensure (1) that the inventor receives a healthy, broad-to-narrow range of claims and (2) that the ex parte prosecution generates a clear prosecution history—justifying PTO deference—that can be relied upon to defend against possible invalidity attacks in court. Any patent practitioner who does not prosecute a patent with these goals in mind has arguably not

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<sup>144</sup> These rewards are well understood by corporate engineers. This was the author’s personal engineering experience in the medical device industry. *See, e.g.*, U.S. Patent No. 6,652,562 (filed Dec. 28, 2001); U.S. Patent No. 7,361,179 (filed Apr. 22, 2004); U.S. Patent No. 7,371,244 (filed Aug. 25, 2003).

<sup>145</sup> *See* David Hricik, *Aerial Boundaries: The Duty of Candor as a Limitation on the Duty of Patent Practitioners to Advocate for Maximum Patent Coverage*, 44 S. Tex. L. Rev. 205, 217-18 (2002).

<sup>146</sup> *See* 37 C.F.R. § 10.83 (2008) (“A practitioner should represent a client zealously within the bounds of the law.”); MODEL RULES OF PROFESSIONAL CONDUCT R. 1.1 (2007) (“A lawyer shall provide competent representation to a client. Competent representation requires . . . thoroughness and preparation reasonably necessary for the representation.”); *Id.* R. 1.3 cmt. 1 (“A lawyer must also act . . . with zeal in advocacy upon the client’s behalf.”).

represented his client with proper zeal. Thus, the practitioner should not be the gatekeeper.

The upshot: There should not be a gatekeeper. This result is in harmony with the reality that all patent applications—including “bad” applications—help the PTO avoid granting “bad” patents by serving as prior art for novelty and obviousness rejections.<sup>147</sup> As patent applications increase, the field of prior art grows, which in turn reduces the likelihood that a patent will issue from a subsequent application claiming a similar invention. A PTO examiner can rely on the enlarged field to premise rejections on non-novelty or non-obviousness.<sup>148</sup> Similarly, a patent practitioner can use the enlarged field to give more accurate advice to his client regarding whether to pursue a patent. Discouraging applications would limit these benefits.

#### E. *The Supreme Court Is Already Reforming the Patent System*

In *KSR International Co. v. Teleflex Inc.*, the Court in dicta “th[ought] it appropriate to note that the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished” when pertinent prior art was not disclosed during prosecution.<sup>149</sup> While many critics of the presumption have latched onto this statement, *KSR*—which provides a more liberal and free-form approach for determining obviousness than the Federal Circuit’s rejected, rigid approach<sup>150</sup>—is already having an effect on reducing the number of “bad” patents being granted and asserted.

A recent empirical study shows that the post-*KSR* approach to obviousness has caused an improvement in the quality of patents being asserted.<sup>151</sup> Combined with the outcome of *MedImmune, Inc. v.*

<sup>147</sup> See 35 U.S.C. §§ 102, 103 (2006).

<sup>148</sup> See Dennis Crouch, *Published Applications as Prior Art*, PATENTLY-O, July 28, 2009, <http://www.patentlyo.com/patent/2009/07/published-applications-as-prior-art.html>.

<sup>149</sup> *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2006).

<sup>150</sup> The court in *KSR* rejected the Federal Circuit’s TSM test explaining that “[t]he obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents.” *Id.* at 419. “The diversity of inventive pursuits and of modern technology counsels against limiting the analysis in this way.” *Id.* The Supreme Court then reaffirmed its prior method of determining obviousness, which includes a four step analysis: (1) determining the scope and content of the prior art, (2) ascertaining the difference between the prior art and the claims, (3) establishing the level of ordinary skill in the art, and (4) in the framework of the results from the prior steps, making a determination of obviousness or non-obviousness. See *id.* at 406 (citing *Graham v. John Deere* 383 U.S. 1, 17-18 (1966)).

<sup>151</sup> See Andy Gibbs, *Comparison of Statistical Quality Indicators of Patents in CAFC Decisions Before and After KSR v. Teleflex* (Patent Cafe, Working Paper, July 2008), [http://www.ipfrontline.com/downloads/Patent\\_Quality\\_KSR.pdf](http://www.ipfrontline.com/downloads/Patent_Quality_KSR.pdf).

*Genentech, Inc.*,<sup>152</sup> which facilitates challenges to patent validity via declaratory judgment even when the challenger is not infringing, the Supreme Court is already solving some of the “bad” patent problems by streamlining the judicial process for challenging validity.<sup>153</sup> Further, there has been a notable drop in allowance rates at the PTO,<sup>154</sup> which will likely continue because the PTO is providing its examiners with new tools for making post-*KSR* obviousness rejections.<sup>155</sup> These results should placate those calling for a lower evidentiary standard for rebutting the presumption: Fewer “bad” patents are now being granted and asserted. Additionally, post-*KSR* obviousness analyses are more in tune with the spirit of the patent system—encouraging disclosure while granting and enforcing patents only for truly novel and useful inventions—than is a lower evidentiary standard, which will likely discourage disclosure.<sup>156</sup>

#### F. *Post-Grant Review Conflicts with Lowering the Evidentiary Standard*

Post-grant review is a promising improvement that Congress may pass.<sup>157</sup> Post-grant review should be given a chance to be implemented and tested before the evidentiary standard is lowered. Assuming the process succeeds—that a large percentage of validity challengers prefer post-grant review to litigation—the aggregate cost of litigation would

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<sup>152</sup> 549 U.S. 118 (2007).

<sup>153</sup> See ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 685 (4th ed. 2008) (“[A] party seeking a quick determination of validity can now file a declaratory judgment action against the patentee and then move immediately for summary judgment on patent validity issues. If district courts permit discovery to be delayed while the validity issues are resolved—a realistic possibility since many validity issues turn solely on the content of the publicly available art—the judicial process may be capable of providing a fairly streamlined process for determining patent validity which can be initiated by potential infringers.”).

<sup>154</sup> See *American Innovation at Risk: The Case for Patent Reform* Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 110th Cong. (2007) (statement of Jon W. Dudas, Undersecretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office), available at <http://www.ogc.doc.gov/ogc/legreg/testimon/110s/Dudas022708.doc> (“The allowance rate for patents is currently 44%. This is in contrast to allowance rates in excess of 70% just eight years ago.”) Certainly, there are a number of reasons for this drop in addition to *KSR*—the cited drop began about six years prior to *KSR*. Nonetheless *KSR* is likely playing a role because examiners now have more obviousness-rejection tools than TSM.

<sup>155</sup> See U.S. PATENT AND TRADEMARK OFFICE, *MANUAL OF PATENT EXAMINATION AND PROCEDURE* § 2141(III) (8th ed. 7th rev. 2008). For example, an examiner can make a rejection upon concluding that the invention would have been “obvious to try.” *Id.* § 2141(III)(E). Note that the examiner is still free to use the TSM test. *Id.* § 2141(III)(G).

<sup>156</sup> See *supra* Part III.D.

<sup>157</sup> See *supra* notes 108-110 and accompanying text.

drop because fewer cases would include validity challenges. A preponderance of the evidence standard may encourage validity challengers to litigate, thereby limiting their motivation for using post-grant review.<sup>158</sup> Such a result weighs against altering the burden of proof.<sup>159</sup>

### G. Observe, Study, and Minimize Verbal Variances

The preceding considerations should be—and can be—observed and studied further. The results would help determine the utility of altering the presumption of validity. Against this background, now is simply not the time for modifying the presumption of validity. In the meantime, the patent community could attempt to minimize the verbal variances of the presumption to ensure that future modification proposals will be better understood.

## CONCLUSION

The patent system needs to be improved, particularly with regard to minimizing the likelihood that undeserving patents are granted and asserted. Some have advised that this problem should be remedied by weakening the presumption of validity, suggesting that “there is no colorable defense for the status quo.”<sup>160</sup> This Note defends the status quo.

*First*, modifications to the presumption of validity should be carefully considered because the presumption lies at the carefully crafted patent bargain’s core. Critics of the presumption and its application advocate change based solely on PTO deference, but they do not address the Supreme Court’s remaining reasons for requiring a heightened evidentiary standard to rebut the presumption. Therefore, these critiques are incomplete. *Second*, through all the verbal variances, the role of the presumption is not understood well enough to justify changing the evidentiary standard for rebutting it, especially considering that a comparative analysis of the Federal Circuit’s and the regional circuits’ differing applications might indicate whether different

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<sup>158</sup> See Janis, *supra* note 19, at 939 (explaining that because “the presumption of validity operates as a channeling mechanism, directing validity disputes towards or away from the courts,” lowering the burden of proof “may encourage patent challengers to resolve validity disputes in court and correlatively discourage use of” post-grant review).

<sup>159</sup> See *id.* (explaining that “we should retain a robust presumption of validity, exactly the opposite of the FTC Report’s proposal”).

<sup>160</sup> Lichtman, *supra* note 6, at 72.

standards result in significantly different case outcomes. *Third*, the presumption should not be changed until the effects of the possibly forthcoming post-grant review procedures and post-*KSR* obviousness determinations are analyzed and understood. Modification of the presumption of validity could work at odds to post-grant review while post-*KSR* obviousness determinations may accomplish the key goals of presumption modification. Once the presumption is better understood and other reforms are given a chance to work, the time may then be right to modify the presumption of validity.