

No. 10-290

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

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MICROSOFT CORPORATION,

*Petitioner,*

v.

I4I LIMITED PARTNERSHIP, ET AL.,

*Respondents.*

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

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**BRIEF OF AMICI CURIAE  
ELECTRONIC FRONTIER FOUNDATION,  
PUBLIC KNOWLEDGE, COMPUTER &  
COMMUNICATIONS INDUSTRY  
ASSOCIATION, AND APACHE SOFTWARE  
FOUNDATION IN SUPPORT OF PETITIONER**

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**INTEREST OF AMICI CURIAE<sup>1</sup>**

The Electronic Frontier Foundation (“EFF”) is a nonprofit civil liberties organization that has worked for more than twenty years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 14,000 dues-paying members have a strong interest in helping the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. The Federal Circuit’s requirement that an accused infringer prove patent invalidity by “clear and convincing” evidence undermines the traditional patent bargain between private patent owners and the public and threatens to impede innovation and the dissemination of knowledge. These are issues of critical importance to consumers and the public interest. As an established advocate for the interests of consumers and innovators, EFF has a perspective to share that is not represented by the parties to this appeal, neither of whom speaks directly for the interests of

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<sup>1</sup> No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amici curiae*, or their counsel, made a monetary contribution intended to fund its preparation or submission. (Petitioner Microsoft Corp. is a member of CCIA, but did not author this brief in whole or in part, or make a monetary contribution intended to fund its preparation.) Pursuant to Supreme Court Rule 37.2(a), *amici curiae* provided at least ten days’ notice of their intent to file this brief to counsel of record for all parties. The parties have consented to the filing of this brief. Petitioner’s blanket consent and respondents’ blanket consent were filed with the Court on September 13 and 17, 2010, respectively.



consumers or the public interest generally.

As part of its mission, the EFF has often served as amicus in key patent cases, including *Bilski v. Kappos*, 130 S. Ct. 3218 (2010); *Quanta Computer, Inc. v. LG Electronics Corp.*, 128 S. Ct. 2109 (2008); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); and *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2005).

Public Knowledge is a non-profit public interest organization devoted to protecting citizens' rights in the emerging digital information culture and focused on the intersection of intellectual property and technology. Public Knowledge seeks to guard the rights of consumers, innovators, and creators at all layers of our culture through legislative, administrative, grassroots, and legal efforts, including regular participation in patent and other intellectual property cases that threaten consumers, trade, and innovation.

The Computer & Communications Industry Association ("CCIA") is a non-profit trade association dedicated to open markets, open systems and open networks. CCIA represents companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications and Internet products and services. More information on CCIA members is available online at <http://www.ccianet.org/members>.

The Apache Software Foundation (ASF) is a non-profit 501(c)(3) corporation that produces software projects under a pragmatic open-source license for the public good.

### SUMMARY OF ARGUMENT

Properly understood, a patent is a distinct statutorily-created and limited set of rights, designed to encourage inventors to disclose their inventions to the public, thereby promoting scientific and industrial progress. Illegitimate patents inhibit that progress, the sharing of knowledge, and the pace of innovation.

Allowing parties to lawsuits to challenge patents asserted against them serves as a necessary check on illegitimate patents and helps ensure that improper patents receive independent review in a court of law. Artificially high standards of proof, such as that advanced by the Federal Circuit, undermine the effectiveness of this review by impeding the ability of parties—especially parties engaged in developing free and open source software—to present effective challenges. As a result, the system, and the important bargain between intellectual property and the public interest, suffers.

This *amicus* brief makes three points. First, software and computer-related patents have started to make up a larger percentage of litigated patents. *See generally*, John Allison, *et al*, *Valuable Patents*, 92 GEO. L.J. 435, 472 (2004). This development in turn disproportionately harms Free and Open Source Software (together, “FOSS”) projects, both of which tend to lack substantial, stand-alone litigation budgets. In recent years, FOSS projects—which involve the open development and exchange of source code—have become mainstream and are now critical to computer and Internet technology. Federal Trade Commission, *To Promote Innovation:*

*The Proper Balance of Competition and Patent Law and Policy* (“FTC Report”) Chap. 3, at 51 (2003)<sup>2</sup> (“software patentability has introduced new costs, such as the cost of obtaining a patent, determining whether a patent is infringed, defending a patent infringement suit, or obtaining a patent license . . . may disproportionately affect small firms and individual programmers and the open source community”). By impeding FOSS growth in particular, the upward trend in patent litigation serves as a detriment to innovation in general.

Second, the Federal Circuit’s heightened standard of proof of invalidity creates an especially pernicious effect in computer software patent cases. Software patent plaintiffs often argue that it is necessary to use the source code of the prior art software product to prove a software patent invalid. However, that source code is frequently unavailable when needed, which is often years after the product in question was in use. While software patent *plaintiffs* can use the accused infringer’s current source code to prove infringement by a preponderance of the evidence, if the prior art source code is unavailable it will be difficult for the *defendant* to prove invalidity by that same preponderance, let alone by clear and convincing evidence. Although the unavailability of the source code does not foreclose an invalidity defense, given the complex technical issues and the heightened standard, the practical effect is that plaintiffs are given free rein to argue that the alleged infringer cannot meet its heightened standard of proof without

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<sup>2</sup> Available at:

<http://www.ftc.gov/os/2003/10/innovationrpt.pdf>

the source code.

The sharp increase in the number of issued patents and number of patent lawsuits since the Federal Circuit's creation exacerbates this problem and further inhibits innovation in the software industry.

Third, the statutory language of 35 U.S.C. § 282 does not contain the Federal Circuit's enhanced standard of proof. Following the statute's plain meaning and this Court's precedent, the proper standard of proving patent invalidity should be preponderance of the evidence.

## ARGUMENT

### I. **THE CLEAR AND CONVINCING EVIDENCE STANDARD IMPEDES THE DEVELOPMENT OF OPEN SOURCE SOFTWARE**

Started several decades ago by a few core groups of programmers, FOSS has blossomed into a valuable and large segment of the information technology industry, with companies such as IBM, Novell, Sun Microsystems, and Red Hat offering products built on the FOSS development process. That process “invite[s] computer programmers from around the world to view software code and make changes and improvements to it. Through such collaboration, software programs can often be written and debugged faster and at lower cost than if the copyright holder were required to do all of the work independently.” *Jacobsen v. Katzer*, 535 F.3d 1373, 1379 (Fed. Cir. 2008). FOSS technologies are now widely used by public and private entities, from

the United States government to private corporations such as IBM Corporation, Sun Microsystems, and Google, Inc. See Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* 64 (2006).

In FOSS projects, unlike the closed and proprietary software developed by Petitioner, software develops openly and transparently. The conversations, the computer code, and each stage of development are accessible and open to the public, maximizing access to scientific and industrial knowledge in the community and spurring further productivity and innovation. In addition, most FOSS collaborations involve contributors from a wide variety of companies, groups, and countries, many of whom volunteer their time and ingenuity out of passion and dedication instead of financial reward.

And therein lies the rub. Because these collaborations are forged primarily through community rather than capital investment, many FOSS projects lack the funding to pay for patent counsel, much less litigation. The FOSS business model ensures that FOSS developers generally do not make the kind of money required to successfully mount patent litigation defenses, especially when those defenses require the search for long-lost or arcane source code.

Even if the FOSS community had the resources to litigate, FOSS developers face an additional hurdle: the FOSS business model makes it nearly impossible to collect prior art in a format that makes it useful as potentially invalidating under current Federal Circuit guidelines. To fend off

patent threats, FOSS projects often depend on the collective knowledge of their members and the documentation of the projects as prior art, to the extent that such documents exist.

Much of this collective knowledge, however, arguably could not be considered as evidence under the Federal Circuit's current standard requiring alleged infringers to provide invalidity by "clear and convincing" evidence. Indeed, the opinion below may be read to hold that, without obtaining a full set of source code, a party could not rely on evidence of the operation of the source code to invalidate a patent.

In the FOSS context, that full set may be extremely difficult to assemble. For example, consider various emails exchanged between developers all over the world, each with different snippets of code and comments. Some of those developers may archive their email; other will not, or will not do so in an easily searchable form.

Moreover, if the culture of software development tends to be informal, FOSS development is still more informal. FTC Report, *supra*, Chap. 3, at 54. Documentation is likely to take the form of emails or postings to internet message boards and newsgroups that are much more informal than traditional academic research or industry publications. Further, more often than not, no party is tasked with maintaining copies of the source code that makes up the FOSS and it often gets lost and becomes unobtainable at a later date when needed in litigation.

Thus, holders of patents that are unnecessarily virtually indestructible because of the inflated standard for proving invalidity pose a

particular threat to FOSS. That, in turn, threatens the public interest in promoting the innovative activities that would take place but for these lawsuits and the mere threat of these suits.

**II. FINDING CLEAR AND CONVINCING EVIDENCE OF PATENT INVALIDITY IS A RECURRING PROBLEM IN COMPUTER SOFTWARE PATENT CASES**

**A. Patent Owners Assert that Accused Infringers Must Use the Prior Art's Source Code to Prove Invalidity, But that Source Code is Often Unavailable Years After the Fact**

The problems Microsoft faced in this case are both common and pernicious. In a software patent case, proving whether an accused program infringes or whether a prior art program invalidates can involve an examination of the program's source code.<sup>3</sup> In many software patents, some claim limitations may be practiced by the source code. Therefore, the source code is compared to the claims to establish infringement or, as in this case, invalidity. Although the unavailability of the source

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<sup>3</sup> Source code is the “‘human readable’ programming language” in which computer programmers write their programs. Source code “is then generally converted by the computer into a ‘machine readable code’ or ‘machine language’ expressed in a binary format.” *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 459, 127 S. Ct. 1746, 1760 (2007) (Alito, J., concurring). Commercial software companies such as Microsoft generally distribute their programs in machine readable code, not source code.

code does not foreclose an invalidity defense, given the complex technical issues and the heightened standard, the practical effect is that plaintiffs are given free rein to argue that the alleged infringer cannot meet its heightened standard of proof without the source code.

For example, in this case, respondent i4i argued, and both lower courts agreed, that Microsoft was unable to prove its invalidity case without the relevant prior art's source code. Microsoft cert. petition at 9, 25; *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831, 848 (Fed. Cir. 2010), Pet. App., 22a (i4i's expert "opined that it was impossible to know whether the claim limitation was met without looking at [the prior art's] source code."); *see also* Pet. App., 139a (district court stated that the testimony of i4i's expert "that no one could assess whether S4 met the claims of the '449 patent without the relevant source code was compelling").

In most cases, the patent owner can easily get the accused infringer's *current* source code in discovery, and prove infringement by a mere preponderance that way. *See, e.g.*, Patent L.R. 3-4(a) for the Northern District of California;<sup>4</sup> P.R. 3-4(a) for the Eastern District of Texas<sup>5</sup> (both requiring the accused infringer to produce its source code early in the case).

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<sup>4</sup> Available at:

<http://www.cand.uscourts.gov/cand/LocalRul.nsf/fec20e529a5572f0882569b6006607e0/5e313c0b7e4cd680882573e20062dbcf?OpenDocument>

<sup>5</sup> Available at:

<http://www.txed.uscourts.gov/Rules/LocalRules/Documents/Appendix%20M.pdf>



In contrast, the source code for prior art is often unavailable. First, “undocumented prior art” in software is not published as in other scientific fields, and in fact “[f]requently, the source code itself is never released at all.” Mark A. Lemley & Julie E. Cohen, *Patent Scope and Innovation in the Software Industry*, 89 Cal. L. Rev. 1, 13, 42-44 (2001) (“Lemley & Cohen”). As one software company explained in a public hearing:

Unlike most other technologies—such as pharmaceuticals, chemicals, and industrial design—there are no extensive, comprehensive databases where software prior art can be reliably found. In the computing arts, particularly in the open source community, a great amount of innovation has been and is produced by individuals who never publish in industry journals. . . . Thus, diligent searches for business methods and software are often unreliable and costly. . . . the burden typically falls to the public and small-scale innovators to consider expensive and time-consuming litigation.

Webbink, “Red Hat’s Comments To The Joint FTC-DOJ Hearing on Competition and Intellectual Property Law,” March 20, 2002,<sup>6</sup> at pages 2-3. What is worse, for confidentiality reasons, non-open source

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<sup>6</sup> Available at:

<http://www.ftc.gov/opp/intellect/020320webbink.pdf>

third-party companies (or even parties who later litigate these issues) often carefully guard their source code as valuable trade secrets.

Even when a software company does patent its technology, such patents often do not disclose the source code. The Federal Circuit has held that a high-level functional description will suffice, thereby negating the need to disclose source code, flowcharts, or detailed descriptions of the patented program. *See Fonar Corp. v. General Electric Co.*, 107 F.3d 1543, 1549 (Fed. Cir. 1997); *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 941-42 (Fed. Cir. 1990); Lemley & Cohen, 89 CAL. L. REV. at 24-25; FTC Report, Chap. 5 at 7 (“difficulties are particularly acute when non-patent prior art is important and in new areas of technology, e.g., software and biotechnology, and new fields of patenting activity, e.g., business methods”).

Further, while the open source code discussed above is not kept secret at the outset, it, too, can be difficult to locate when it becomes relevant during a patent lawsuit. Thus, for all forms of source code, the mere passage of time means that such source code will be difficult if not impossible to find and introduce as possible prior art. *See, e.g., i4i v. Microsoft*, 598 F.3d at 846-47, Pet. App., 20a (source code was destroyed before the litigation began).

Thus, software patent litigation will necessarily be skewed against alleged infringers, because they will simply be unable to obtain all of the evidence that could be used in their defense.

All of the above tends to reduce software patent litigation to a game of “gotcha.” The patent owner argues that it proved infringement by a

preponderance of the evidence, using the very source code the accused infringer was required to produce in discovery. At the same time, the patent owner prejudicially argues to the jury that the accused infringer did not (and cannot) prove invalidity because the prior art source code isn't available. *See, e.g.*, Pet. App., 138a-139a (i4i's expert attacked Microsoft's expert for rendering an invalidity opinion *without* reviewing the unavailable code). Even in cases where source code is not necessary to prove invalidity, when the code isn't available the patent owner will prejudicially argue that the accused infringer can't even offer the *same* quantum of proof of invalidity as the patent owner did for infringement—let alone provide the added proof that is clear and convincing. That is what the lower courts concluded here. *i4i v. Microsoft*, 598 F.3d at 848, Pet. App., 22a (Microsoft failed to meet the clear and convincing standard of proof because the source code was missing).

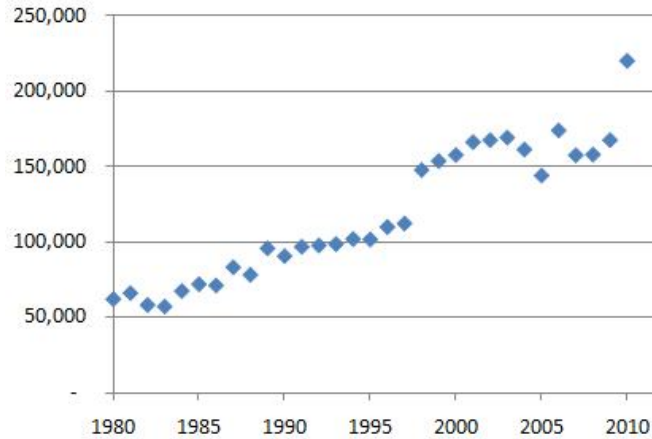
### **B. The Growth in the Number of Issued Patents and of Patent Lawsuits Since the Formation of the Federal Circuit Exacerbates the Problem**

The creation of the Federal Circuit in 1982 coincides with both a sharp increase in the number of patents issued and in the amount of patent litigation. The following table shows the number of issued patents per year since 1980:<sup>7</sup>

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<sup>7</sup> D. Crouch, "USPTO Patent Grant Numbers," Patently-O Blog, August 19, 2010, available at:

### Historic Patent Grants Per Year With 2010 Forecast



The number of patent lawsuits likewise showed a “dramatic” increase since the early 1980’s:<sup>8</sup>

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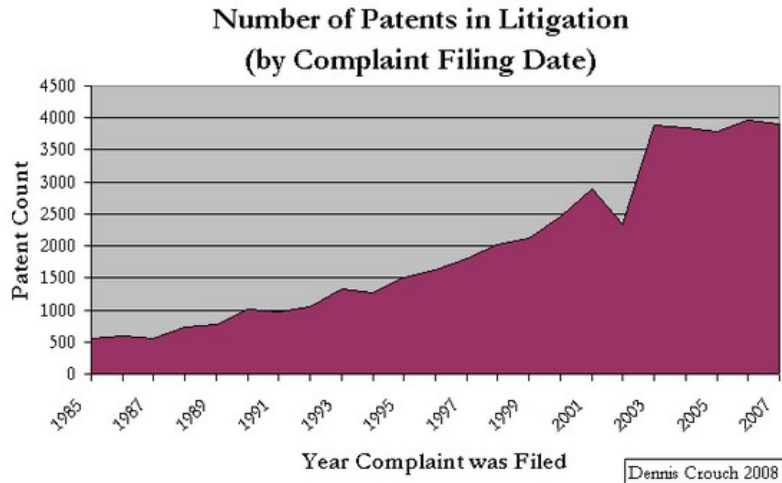
<http://www.patentlyo.com/patent/2010/08/uspto-patent-grant-numbers.html>.

(The Patently-O Blog is recognized as one of the leading patent law blogs, if not the leading blog. *See, e.g.:*

<http://blawgit.com/2009/08/11/50-best-patent-blogs/> and  
<http://ipwatchdog.com/2009/02/11/the-top-25-patent-blogs/id=2015/>)

<sup>8</sup> D. Crouch, “Patent Litigation Statistics: Number of Patents Being Litigated,” Patently-O Blog, March 17, 2008 (noting “an increasing trend to include more defendants in a single complaint”), available at:

<http://www.patentlyo.com/patent/2008/03/patent-litigati.html>



The increase in issued patents and patent litigation has had serious consequences for the software industry, particularly after the Federal Circuit expanded patent protection for software. *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994); *State Street Bank & Trust v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999) (both *Alappat* and *State Street* greatly expanded the definition of patentable subject matter under 35 U.S.C. § 101 so as to include computer software);<sup>9</sup> Lemley & Cohen, 89 CAL. L. REV. at 10-11.

Principal among these consequences has been disincentive to innovation, as software companies find themselves forced to devote more resources to litigation rather than development. As one study explained:

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<sup>9</sup> *State Street* was probably overruled in part, at least *sub silentio*, by this Court in *Bilski v. Kappos*, 561 US \_\_\_, 130 S. Ct. 3218 (2010). However, *State Street* permitted the issuance of broad software patents by being the law for over 10 years.

Most of the rapid increase in patent litigation hazards over the 90s cannot be explained by firm patenting rates, R&D spending, firm value or industry composition. Looking at a variety of explanations, we conclude that legal changes may be the dominant factor driving this increase. This implies that the increase in patent litigation represents a growing disincentive to R&D that is not likely offset by growth in the number or value of innovations. Furthermore, we find evidence that this disincentive is borne by firms not only in their roles as patent holders, but also as innovators having to defend against patent lawsuits. We find that the more R&D a firm performs, the more likely it is to be sued. In most industries, this pattern of litigation is inconsistent with the view that most defendants in patent lawsuits are simple pirates or imitators. Instead, patent defendants are, to a large degree, innovators themselves, spending as much on R&D as the plaintiffs. . . . Thus an important part of the burden of patent disputes falls on defending firms. . . . Also, as Lanjouw and Schankerman (2004) find, the risk of litigation falls disproportionately on small firms.

James Bessen & Michael J. Meurer, *The Patent Litigation Explosion*, BOSTON UNIVERSITY SCHOOL OF LAW WORKING PAPER SERIES, LAW AND ECONOMICS

WORKING PAPER NO. 05-18 (2005),<sup>10</sup> at 27-28.

These effects are exacerbated by the many non-practicing entities (sometimes called “patent trolls”) that have built a cottage industry in obtaining spurious patents and then using them to extract settlements. Justice Kennedy’s concurring opinion in *eBay Inc. v. MercExchange, L.L.C.*, described the practice:

An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. See FTC, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, ch. 3, pp. 38-39 (Oct. 2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (as visited May 11, 2006, and available in Clerk of Court's case file). For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent.

547 U.S. 388, 396 (2005).

One way of mitigating the impact of this increase in software patent grants and resulting

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<sup>10</sup> Available at:

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=831685](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=831685)

litigation would be to level the playing field for challenging improper patents. An even-handed standard for proving validity would be a step in the right direction.

### III. THE COURT SHOULD INTERPRET SECTION 282 OF THE PATENT ACT ACCORDING TO ITS PLAIN MEANING AND THE COURT'S PRECEDENTS

Congress created the Federal Circuit in order to “strengthen the United States patent system.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996), *citing* H.R. REP. NO. 97-312, at 20-23 (1981). However, it is essential to ensure that, in carrying out this task, the Federal Circuit does not exceed Congress’ statutory mandate.

For example, in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2005), the Court reversed the Federal Circuit’s implementation of its “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.” 401 F.3d 1323, 1339 (2005). Instead, this Court relied on the plain language of 35 U. S. C. § 283, which states that if a patent owner wins a trial, injunctions “may” issue “in accordance with the principles of equity” and held that “the Court of Appeals erred in its categorical grant” of automatic injunctions. 547 U.S. at 394.

Later, in *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 127 S. Ct. 1727 (2007), the Court considered the obviousness standard in 35 U.S.C. § 103. The Federal Circuit had read into § 103 a heightened standard, “under which a court will only find a patent claim obvious if ‘some motivation or



suggestion to combine the prior art teachings' can be found in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art." *Id.* at 407, 127 S. Ct. at 1734. In its roughly 20-year history in the Federal Circuit, this standard greatly favored patent owners; it was often difficult or impossible for an accused infringer to prove obviousness by showing a "teaching, suggestion, or motivation."

This Court unanimously reversed, holding that the Federal Circuit's "fundamental misunderstandings" of the Patent Act led the lower court to analyze the obviousness standard "in a narrow, rigid manner inconsistent with § 103" and this Court's precedents. *Id.* at 422, 428, 127 S. Ct. at 1743, 1746.

As with its *eBay* and *KSR* rulings, the Federal Circuit has once again interpreted the Patent Statute and relevant case law to include an unnecessary heightened standard that disproportionately burdens the defense. In this case, the relevant statute does not require the standard of proving invalidity to be by clear and convincing evidence; rather, 35 U.S.C. § 282 merely states that the "burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." Of course, if Congress wanted to require proving invalidity by clear and convincing evidence, it could have included that language in § 282. It did not.

Normally, the standard of proof in civil cases is preponderance of the evidence. In *Grogan v. Garner*, 498 U.S. 279 (1991), for example, the Court considered a section of the Bankruptcy Code

providing that a debtor would not be discharged from a debt obtained by actual fraud. The question was whether a creditor seeking to prevent discharge had to prove his claim of fraud by clear and convincing evidence, or by a preponderance of the evidence.

As here, the code section was silent on the standard of proof. *Id.* at 282. The Eighth Circuit held that the standard was one of clear and convincing evidence. *Id.* This Court reversed, *id.* at 286, stating:

Because the preponderance-of-the-evidence standard results in a roughly equal allocation of the risk of error between litigants, we presume that this standard is applicable in civil actions between private litigants unless “particularly important individual interests or rights are at stake,” *citing Herman & MacLean v. Huddleston*, 459 U. S. 375, 389-390 (1983).

The Court found no such “important” interests in *Grogan*, even though it dealt with the desirable goal of permitting a debtor to obtain a “fresh start” under the Bankruptcy Code. 498 U.S. at 286-87.

The same result should obtain here because, in the normal course, a civil action between private parties over the validity of a patent also will not raise the “important” interests with which the Court was concerned with in *Grogan*. In *Herman & MacLean v. Huddleston*, for example, the Court compared the types of cases where important interests were involved (such as proceedings to terminate parental rights or involuntary

commitment proceedings) with cases where they were not (such as securities fraud). 459 U. S. 375, 389-390 (1983). A patent suit, while an important exercise in striking an appropriate balance between intellectual property and the public interest, clearly falls into the latter category, where the preponderance of the evidence standard applies.

In this case, the Federal Circuit has incorrectly interpreted a clear statute. This Court should grant certiorari to correct the Federal Circuit's misreading of § 282.

### **CONCLUSION**

The standard of proving patent invalidity is an important issue of nationwide importance. The petition for a writ of certiorari should be granted.

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