

# Unclear and Unconvincing: How a misunderstanding led to the heightened evidentiary requirement in patent litigation

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## Introduction

On January 6, 2005, the Court of Appeals for the Federal Circuit issued what it must have considered an unremarkable decision because it was designated as “nonprecedential.”<sup>1</sup> The primary issue on appeal in *Teleflex v. KSR*<sup>2</sup> was whether the district court was warranted in granting summary judgment that the patent-in-suit was invalid. In remanding the case to the district court, the Federal Circuit stated that KSR “must prove by clear and convincing evidence that each claim that is challenged cannot reasonably be held to be non-obvious.”<sup>3</sup>

Clear and convincing evidence is the current standard of proof necessary to invalidate an issued patent. This heightened standard of proof applies even when respondent bases the claim of invalidity on evidence not previously considered by the patent office.

## Why “clear and convincing”?

Many people think that this heighten evidentiary standard comes from the statutory requirement that “A patent is presumed valid. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”<sup>4</sup> However, what that really does is establish a permanent burden of going forward imposed on the challenger of a patent.<sup>5</sup> Unlike the *prima facie* case for obviousness that when made by a patent examiner shifts the burden from the examiner to the applicant, the burden always rests with the challenger of a

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<sup>1</sup> Under current Federal Circuit Rule 47.6(b). “An opinion or order which is designated as not to be cited as precedent is one determined by the panel issuing it as not adding significantly to the body of law.”

<sup>2</sup> 119 Fed. Appx. 282 (Fed. Cir. 2005). The opinion was regarded as so unremarkable that BNA did not publish it in their USPQ reporter, even though they often publish nonprecedential opinions from the Federal Circuit.

<sup>3</sup> *Teleflex v. KSR*, 119 Fed. Appx. 282, 285 (Fed. Cir. 2005).

<sup>4</sup> Pub. L. No. 94-593, 66 Stat. 792. Subsequent amendments to 35 U.S.C. § 282 have separated the two sentences.

<sup>5</sup> For an excellent discussion of presumption of validity, see *Amer. Hoist & Derrick v. Sowa*, 725 F.2d 1350, 1358-1360 (Fed. Cir. 1984). The author of that opinion, Judge Giles Sutherland Rich, was one of the principal authors of the Patent Act of 1952, which codified the presumption of validity.

patent. This simply recognizes that it is impossible for a patent owner to prove that there is no prior art anywhere in the world, which would be necessary to prove that a patent is valid.<sup>6</sup>

The heightened evidentiary requirement is different from the presumption of validity's burden of going forward. In the words of one commentator, using a tennis analogy, "§ 282 merely determines who serves first, but does not regulate the height of the net."<sup>7</sup>

### ***The presumption of administrative correctness***

The presumption of administrative correctness<sup>8</sup> requires heightened deference to the fact-finding of the examiner, as stated in the prosecution history of the patent application. But that does not mean that the same deference is due when there has been no fact-finding on a matter by the examiner.

The Supreme Court, in *Dickenson v. Zurko*,<sup>9</sup> noted that the Administrative Procedures Act's scope of review provision<sup>10</sup> requires deference be given by the courts to the fact-finding of the Patent Office.

### ***What about facts not previously determined by the Patent Office?***

It is common in patent litigation for prior art that was not considered by the patent examiner to be put into evidence. This should not be surprising. Examiners have a very limited time to search the prior art collections available to them<sup>11</sup> while a defendant in a patent infringement suit is willing invest considerable resources in locating prior art when the alternative is to lose a multi-million dollar investment if they are forced to stop using a particular technology and cannot easily develop an alternative.

But what evidentiary standard applies for prior art that has not been considered by the patent examiner, or at least where no fact-finding with respect to a particular issue has been made? The examiner, for example may have indicated that a particular reference teaches a particular aspect of an invention, but not discuss how that reference relates to other aspects of the invention. A portion of a reference may become important in determining obviousness only in light of a reference not considered by the examiner.

If the evidentiary standard is "clear and convincing" for all fact-finding when determining the validity of a patent, then the answer is clear – it makes no difference whether the fact was previously determined by the Patent Office or not.

That really isn't the rule in practice. In *Chicago Rawhide Manufacturing v. Crane Packing*,<sup>12</sup> Circuit Judge (now Justice) John Paul Stevens noted:

The basis for the requirement that invalidity be established by clear and convincing evidence is largely, if not wholly, dissipated when pertinent prior art is shown not to have been considered by the Patent Office. For then the Examiner's

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<sup>6</sup> This is the reason why a trial court never finds that a patent is valid, but instead that, based on the evidence presented, it is "not invalid."

<sup>7</sup> Charles E. Phipps, *The Presumption of Administrative Correctness: The Proper Basis for the Clear and Convincing Evidence Standard*, 10 Fed. Cir. Bar J. 143, 160 (2000).

<sup>8</sup> "In addition to the presumption of validity, a presumption of administrative correctness attaches to the decision by the PTO to issue a patent." *Candela Laser v. Cynosure*, 862 F.Supp. 632,639 (D. Mass. 1994).

<sup>9</sup> 527 U.S. 150 (1999).

<sup>10</sup> 5 U.S.C. § 706.

<sup>11</sup> Generally, issued patents, although with the availability of online search systems, it has become common to also search databases of scientific literature.

<sup>12</sup> 523 F.2d 452 (7th Cir. 1975).

expertise may have been applied to an incomplete set of data and there can be no certainty that he would have arrived at the same conclusion in the face of the evidence and argument presented to the court.<sup>13</sup>

The Federal Circuit has agreed.

When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence *not* considered in the PTO, there is, however, *no reason to defer* to the PTO so far as *its* effect on validity is concerned.<sup>14</sup>

## Starting with *The Radio Case*

Not only is the wholesale application of clear and convincing evidence to all forms of invalidity determination, even when the evidence has not been considered by the examiner disturbing from the standpoints of logic and basic fairness, it also appears to have come about largely through overextending an early Supreme Court decision, with little justification given.

The case is *Radio Corporation of America v. Radio Engineering Laboratories*<sup>15</sup> (which we'll call "*The Radio Case*"), about who was really the inventor of the two key components of radios – the use of feedback and the vacuum tube ("audion") oscillator – and the intense rivalry between De Forest and Armstrong.

The decision suggested clear and convincing as the standard of proof only for use in a contest over priority in which the evidence had already been thoroughly considered by a competent court. Yet, this narrow result was subsequently stretched by litigants in lower courts far beyond the facts supporting it, into realms not contemplated by the Court in the original decision or any subsequent decision.

A brief understanding of the facts is crucial to an understanding of how truly limited the result was. Armstrong, having lost to De Forest in a thorough and complex interference proceeding and several law suits including one previously decided by the Supreme Court, sought once again to have the patent in question declared void because he was the true inventor. Armstrong was able to come before court again on the same matter through a highly-questionable tactic. The previous decisions in favor of De Forest applied only against the alleged infringers who were parties in the previous suits, but a different alleged infringer was not bound by those decisions that De Forest was the first inventor. So Armstrong had a company not involved in previous litigation infringe the De Forest patents, forcing De Forest again to sue. The evidence in the new case was the same, but Armstrong hoped for a different outcome this time.

The economic importance of the two patents in play cannot be overstated, and explain Armstrong's persistence. They were for what was essentially the heart of radio technology. Every radio produced would necessarily incorporate the technology. It is no wonder then that De Forest and Armstrong were each backed by Titans of industry such as RCA, giving each essentially limitless financial resources to pursue ownership or at least invalidation of the patents.

Justice Cardozo fully discussed this state of affairs concluding:

One might have supposed that controversy would have been stilled after all these years of litigation. It proved to be not so. The petitioners, after repelling every assault from within the ranks of rival claimants, found it necessary to meet a challenge from without. The respondent, Radio Engineering Laboratories, Inc., allying itself with Armstrong, who is paying its expenses, insists that the invention is

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<sup>13</sup> 523 F.2d at 458.

<sup>14</sup> *Amer. Hoist & Derrick v. Sowa*, 725 F.2d 1350, 1359 (Fed. Cir. 1984), emphasis in the original.

<sup>15</sup> 293 U.S. 1 (1934).

at large for the reason that De Forest, who received the patents, is not the true inventor, and that Armstrong, who is the inventor, is barred by a final judgment, conclusive between himself and the pretender, from obtaining the patent that is due him, and with it an exclusive right. The evidence in this suit for an infringement is a repetition, word for word, of the evidence in the earlier suits, so far as material to the conflicting claims of Armstrong and De Forest. What has been added is so nearly negligible that to all intents and purposes the records are the same.<sup>16</sup>

The specter of future vicarious litigation loomed over the Court. *Res judicata* and the language of the patent statute failed to impose the outcome of previous decisions among parties under a different name, despite the fact that in this particular instance no new evidence would arise in subsequent litigation.

The judgments in the suits between Armstrong and De Forest and their respective assignees are not conclusive upon the respondent, a stranger to the record. This is so by force of the accepted limitations of the doctrine of *res judicata*.<sup>17</sup>

Faced with the immediate case and the likelihood of future legal machinations, the court laid out a rule carefully tailored to the facts at hand:

A patent regularly issued, and even more obviously a patent issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error.<sup>18</sup>

In support, the Court offered several decisions.

The force of that presumption has found varying expression in this and other courts. Sometimes it is said that in a suit for infringement, when the defense is a prior invention, “the burden of proof to make good this defense” is “upon the party setting it up,” and “every reasonable doubt should be resolved against him.” *Cantrell v. Wallick*, 117 U.S. 689, 695, 696, 6 S.Ct. 970, 974, 29 L.Ed. 1017; *Coffin v. Ogden*, 18 Wall. 120, 124, 21 L.Ed. 821; *The Barbed Wire Patent*, 143 U.S. 275, 285, 12 S.Ct. 450, 36 L.Ed. 154; *Washburn v. Gould*, Fed. Cas. No. 17,214, 3 Story, 122, 142; *H. J. Heinz Co. v. Cohn* (C.C.A.) 207 F. 547, 554; *Detroit Motor Appliance Co. v. Burke* (D.C.) 4 F.(2d) 118, 122; *Wilson & Willard Mfg. Co. v. Bole* (C.C.A.) 227 F. 607, 609; *Stoody Co. v. Mills Alloys, Inc.* (C.C.A.) 67 F.(2d) 807, 809; *cf. Morgan v. Daniels, supra*, at page 123 of 153 U.S., 14 S.Ct. 772. Again it is said that

the presumption of the validity of the patent is such that the defense of invention by another must be established by the clearest proof— perhaps beyond reasonable doubt.

*Austin Machinery Co. v. Buckeye Traction Ditcher Co.* (C.C.A.) 13 F.(2d) 697, 700.<sup>19</sup>

The court then offers what appears to be a summary of the “rule” to be applied:

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.<sup>20</sup>

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<sup>16</sup> 293 U.S. at 6.

<sup>17</sup> 293 U.S. at 7.

<sup>18</sup> 293 U.S. at 7.

<sup>19</sup> 293 U.S. at 7-8.

<sup>20</sup> 293 U.S. at 8.

### **The “rule,” in context**

Did the court really intend that “more than a dubious preponderance” be applied to all forms of validity determinations? If one looks at this single sentence out of the context of the case it may appear that way. However, the discussion and precedent found immediate before and after the sentence clearly indicate a far more narrow ruling, going only to the novelty aspect of validity.

The rule identified by the Court was not “an infringer who assails the validity of a patent ... fails unless his evidence has more than a dubious preponderance.” Instead, based on the facts of the case and extensive discussion, the Court clearly meant the case to stand for the proposition that it states immediately after the “rule”:

a stranger to a patent suit does not avoid altogether the consequences of a judgment rendered in his absence by establishing his privilege under the doctrine of *res judicata* to try the issues over again. If he has that opportunity and there is substantial identity of evidence, he may find that the principle of adherence to precedent will bring him out at the end where he would be if he had been barred at the beginning.<sup>21</sup>

The “dubious preponderance” about which the Court is concerned is likely the conflicting testimony of the inventors on each side. The case that the Court cites in support of the rule, *Philippine Sugar E.D. Co. v. Philippine Islands*,<sup>22</sup> has nothing to do with patents, but the burden of proof required to reform a contract because of mutual mistake.

An examination of the decisions on which *The Radio Case* is based illustrates why such a rule should apply to priority. Determining priority of an invention is an inquiry into who created the invention first. This is often a difficult task for several reasons. Inventions often take a substantial amount of time to develop, so the points at which an invention is first “conceived” and then “reduced to practice” are often unclear and difficult to prove.

More to the point, inventors often have very poor written records, so they must rely on oral testimony. As a result, in priority determinations, the court is usually faced with two or more parties relying largely on the testimonies of the inventors themselves and others. Furthermore, having an emotional and financial stake in the outcome, inventors as witnesses to their own invention are inherently suspect. Corroborating witnesses are often not substantially more objective, being family members, coworkers, and friends. Given the circumstances, it is perfectly reasonable for courts to require more than “dubious preponderance” in such cases.

The court in *Washburn & Moen v. Beat'em All Barbed-Wire*,<sup>23</sup> one of the decisions on which *The Radio Case* relied, discussed the issue.

We have now to deal with certain unpatented devices, claimed to be complete anticipations of this patent, the existence and use of which are proven only by oral testimony. In view of the unsatisfactory character of testimony, arising from the forgetfulness of witnesses, their liability to mistakes, their proneness to recollect things as the party calling them would have them recollect them, aside from the temptation to actual perjury, courts have not only imposed upon defendants the burden of proving such devices, but have required that the proof shall be clear, satisfactory, and beyond a reasonable doubt. Witnesses whose memories are prodded by the eagerness of interested parties to elicit testimony favorable to themselves are not usually to be depended upon for accurate information. The very fact, which courts as well as the public have not failed to recognize, that almost

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<sup>21</sup> 293 U.S. at 8.

<sup>22</sup> 247 U.S. 385, 391 (1819).

<sup>23</sup> 143 U.S. 275 (1892).

every important patent, from the cotton gin of Whitney to the one under consideration, has been attacked by the testimony of witnesses who imagined they had made similar discoveries long before the patentee had claimed to have invented his device, has tended to throw a certain amount of discredit upon all that class of evidence, and to demand that it be subjected to the closest scrutiny. Indeed, the frequency with which testimony is tortured, or fabricated outright, to build up the defense of a prior use of the thing patented, goes far to justify the popular impression that the inventor may be treated as the lawful prey of the infringer. The doctrine was laid down by this court in *Coffin v. Ogden* that

the burden of proof rests upon him [the defendant], and every reasonable doubt should be resolved against him. If the thing were embryotic or inchoate, if it rested in speculation or experiment, if the process pursued for its development had failed to reach the point of consummation, it cannot avail to defeat a patent founded upon a discovery or invention which was completed, while in the other case there was only progress, however near that progress may have approximated to the end in view.<sup>24</sup>

The evidentiary issues in the obviousness inquiry are markedly different from novelty. Obviousness inquiries rely much more heavily on evidence inherently more objective in nature. This flows directly from the requisite analysis for obviousness as articulated in *Graham*. The prior art which demonstrates the state of the art at the time of the invention is almost always taken from written documents in existence at the time such as trade publications and other patents. Determination of the level of skill in the field can be driven by written documentation and expert witnesses who presumably will base their testimony on persuasive independent support. Likewise, secondary factors, such as economic success or market acceptance, is often supported by verifiable documentation and sound expert testimony.

### **After *The Radio Case* in the Supreme Court**

The Supreme Court has cited *The Radio Case* in eight subsequent decisions. None of these support extending application of the heightened burden identified in *The Radio Case* beyond the priority context.

In two decisions, the court reiterated application of the heightened standard of proof to the narrow context of priority determinations. In *Smith v. Hall*,<sup>25</sup> the court reiterated the proposition that *The Radio Case* applied only to the context of priority determinations. Citing the evidence regarding two prior art methods, the Court found that “They support the heavy burden of persuasion which rests upon one who seeks to negative novelty in a patent by showing prior use.”<sup>26</sup>

In distinguishing *The Radio Case* on other ground in *Schriber-Schroth v. Cleveland Trust*,<sup>27</sup> the court again reiterated application to the priority context “We recognize the weight to be attached to the determinations in the interference proceedings in which the Court of Appeals of the District of Columbia and the Court of Customs and Patent Appeals sustained the Gulick amendments.”<sup>28</sup>

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<sup>24</sup> 143 U.S. at 284-285.

<sup>25</sup> 301 U.S. 216 (1937).

<sup>26</sup> 301 U.S. at 233.

<sup>27</sup> 305 U.S. 47 (1938).

<sup>28</sup> 305 U.S. at 59.

In another decision, *Marconi Wireless Tel. v. United States*,<sup>29</sup> the court indicated “It is well established that, as between two inventors, priority of invention will be awarded to the one who, by satisfying proof, can show that he first conceived of the invention.”<sup>30</sup>

In *Williams Mfg. v. United Shoe Machinery*,<sup>31</sup> (a case decided on other grounds), a concurrence by Justice Black (joined by Justices Douglas and Murphy) specifically took issue with the lower court’s extension of *The Radio Case* beyond its previous application.

Quoting from the opinion of this Court in *Radio Corp. v. Radio Laboratories*, the court below stated that the present case obliged it

to give consideration to the rule 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.”

... In the absence of a statutory prescription to the contrary, I see no reason for extending the presumption of validity arising from the mere issuance of a patent beyond the narrow compass indicated by the passage quoted from the *Radio Corporation case*.<sup>32</sup>

*OWCP v. Greenwich Collieries*,<sup>33</sup> the last Supreme Court case that cites *The Radio Case*, discusses the two different evidentiary burdens – the burden of proof or persuasion, and the burden of production or going forward – and notes that the “party who bears the burden of proof ‘bears a heavy burden of persuasion’.”<sup>34</sup>

*California ex rel. Cooper v. Mitchell Bros. Santa Ana Theater*,<sup>35</sup> curiously, cites *The Radio Case* in a dissent by Justice Stevens for the proposition that “The reasonable doubt standard is no stranger to civil litigation.”<sup>36</sup> There is no indication of that he wishes to change the evidentiary standard for showing patent invalidity to something even higher than “clear and convincing.”

The remaining two Supreme Court decisions<sup>37</sup> discuss *The Radio Case* on unrelated grounds.

## **So, where did “clear and convincing” come from?**

Perhaps the first opinion using the phrase “clear and convincing” for the evidentiary requirement following *Radio Corporation* is *Cleveland Trust v. Schriber-Schroth*,<sup>38</sup>

Where, as in this case, substantially all pertinent prior art has been cited against the patent, where, in hard fought interferences, novelty and invention have been challenged, and where priority of conception has been finally adjudicated only upon repeated review in both administrative and judicial forums, the patent should not be stricken down except upon very clear and convincing proof of invalidity. The weight to be given this presumption has been so recently and so thoroughly discussed, and the rule stated in all the varying formulae by which courts have announced and

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<sup>29</sup> 320 U.S. 1 (1943).

<sup>30</sup> 320 U.S. at 34.

<sup>31</sup> 316 U.S. 364 (1942).

<sup>32</sup> 316 U.S. at 392.

<sup>33</sup> 512 U.S. 267 (1994).

<sup>34</sup> 512 U.S. at 274.

<sup>35</sup> 454 U.S. 90 (1981).

<sup>36</sup> 454 U.S. at fn. 5.

<sup>37</sup> *General Electric Co. v. Jewel Incandescent Lamp Co.*, 326 U.S. 242 (1945), and *Radio Corp. of America v. United States*, 341 U.S. 412 (1951).

<sup>38</sup> 92 F.2d 330 (6th Cir. 1937).

affirmed it, in *Radio Corporation v. Radio Laboratories*, that it is unnecessary here to repeat or to cite additional cases.<sup>39</sup>

Of more interest is the development of the “clear and convincing” standard in the Federal Circuit, which now hears all appeals in patent suits,<sup>40</sup> and its predecessor court, the Court of Customs and Patent Appeals (CCPA).<sup>41</sup>

The CCPA heard very few cases where there was an issue regarding the evidentiary standard to be used for determining whether an issued patent is invalid. Most of its patent cases were appeals from decisions by the Patent Office not to grant a patent. But it does hear appeals from the International Trade Commission (ITC), which investigates whether something being imported into the United States infringes a patent. One of the defenses available to the importer is that the patent is invalid.

The CCPA explicitly adopted the clear and convincing standard to proof of priority in *Stevenson v. ITC*.<sup>42</sup>

The evidence presented is insufficient to establish the existence of any anticipating devices. Proof of such devices, alleged to be complete anticipations of the subject patent, must be clear and convincing to overcome the presumption of validity. Uncorroborated oral testimony of prior inventors or users with a demonstrated financial interest in the outcome of the litigation is insufficient to provide such proof.<sup>43</sup>

The court clearly stresses application of the standard to the particular circumstance of anticipation under the theory that the oral testimony on which the court must rely is inherently suspect.

In a following appeal, *Astra-Sjuco v. ITC*,<sup>44</sup> the CCPA makes the giant leap from priority to nonobviousness, citing only *Stevenson*.

The ‘558 and ‘280 patents are presumptively valid. This presumption can be overcome only by clear and convincing evidence, with the burden of persuasion remaining upon the party asserting invalidity.<sup>45</sup>

Astoundingly, the court extends clear and convincing to “validity” writ large, presumably including utility as well as nonobviousness and novelty, without discussion. The only support given for such a dramatic statement is *Stevenson*, which supported the requirement of clear and convincing evidence specifically in priority determinations. But extensions of the requirement for clear and convincing evidence from priority into these other areas does not naturally flow from an inherent similarity among them. Quite the contrary, there are fundamentally different inquiries for utility, novelty, and obviousness and the nature of the evidence offered in support of each.

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<sup>39</sup> 92 F.2d at 335 (citations omitted).

<sup>40</sup> The Court of Appeals for the Federal Circuit took jurisdiction for appeals in patent litigation with its establishment on October 1, 1982. See the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

<sup>41</sup> The Federal Circuit adopted all CCPA decisions as its own precedents. See *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982).

<sup>42</sup> 612 F.2d 546 (CCPA 1979).

<sup>43</sup> 612 F.2d at 550, citing 35 U.S.C. § 282’s requirement that a patent is presumed valid (discussed previously) and *The Barbed Wire Patent*, 143 U.S. 275, 284 (1892) and *Jones Knitting Corp. v. Morgan*, 361 F. 2d 451, 149 (3d Cir. 1966).

<sup>44</sup> 629 F.2d 682 (CCPA 1980).

<sup>45</sup> 629 F.2d at 688.

The Federal Circuit did not rely on *Astra-Sjuco* in the initial decisions adopting the clear and convincing evidentiary requirement. Instead, it supposedly based its decision on *The Radio Case*, although adopting a broad reading of it.

The first Federal Circuit decision citing *The Radio Case* is another trade case, *SSIH Equipment v. ITC*.<sup>46</sup> The relevant aspect of the decision involved a claim of nonobviousness by SSIH in light of a lower court's decision to the contrary.

With respect to the Commission's statement that there must be "clear and convincing evidence of *invalidity*" (our emphasis), we find it inappropriate to speak in terms of a particular standard of proof being necessary to reach a legal conclusion. Standard of proof relates to specific factual questions. While undoubtedly certain facts in patent litigation must be proved by clear and convincing evidence, the formulation of a legal conclusion on validity from the established facts is a matter reserved for the court. 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.<sup>47</sup>

Unfortunately, the decisions fails to identify the "certain facts" that "must be proved by clear and convincing evidence." Instead the court concludes, "With respect to claim 12 which SSIH asks us to hold invalid, there is no evidence of record on which to base that conclusion." Then it offers a brief discussion pointing out certain elements necessary to sustain a claim of obviousness are missing from the prior art on the record.

The Federal Circuit's next opportunity to discuss clear and convincing was in *Connell v. Sears & Roebuck*.<sup>48</sup> This opinion proved only somewhat more helpful in identifying the facts to which the clear and convincing standard of proof should apply. Speaking in the Federal Circuit's view, the District Court erred in its reasoning.

The opinion also says that when "any relevant" non-considered art is introduced, the burden upon the patent challenger is thereby changed from a requirement for clear and convincing proof to one of proof by a mere preponderance. Proof, however, relates not to legal presumptions, but to facts. The patent challenger may indeed prove facts capable of overcoming the presumption, but the evidence relied on to prove those facts must be clear and convincing. Thus, the introduction of art or other evidence not considered by the PTO does not change the burden and does not change the requirement that that evidence establish presumption-defeating facts clearly and convincingly.<sup>49</sup>

The only case cited is *SSIH Equipment v. ITC*, previously discussed.

Another aspect of *Connell* that is interesting, if not surprising, is the lack of discussion or citation for the proposition that "art or other evidence not considered by the PTO...does not change the requirement that the evidence establish presumption-defeating facts clearly and convincingly." Some insight can be gained by reviewing the immediately preceding paragraph.

The opinion says that where "pertinent" and "any relevant" art was not considered by the Patent and Trademark Office (PTO), the presumption of validity is "severely weakened" and "eroded." As above indicated, there is virtually always "pertinent" and "relevant" art apparently unconsidered in the PTO and available to a patent challenger. The presumption does not change upon introduction of that art, or at any

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<sup>46</sup> 718 F.2d 365 (Fed. Cir. 1983).

<sup>47</sup> 718 F.2d at 375 (citations omitted).

<sup>48</sup> 722 F.2d 1542 (Fed. Cir. 1983).

<sup>49</sup> 722 F.2d at 1550.

other time. It is upon introduction of art more pertinent or more relevant than that considered by the PTO (as happened here) that the patent challenger's burden may be more easily carried. Such art may in a proper case serve to fully meet that burden.<sup>50</sup>

So, with little explanation, and certainly not one that is clearly and convincingly made, the courts have morphed the Supreme Court's opinion in *The Radio Case* from one that requires a heightened standard of proof when facts have already been adjudicated, either in an earlier court case or perhaps by the Patent Office, as a way to stop repeated litigation when *res judicata* is not available because of the use of a sham party and to counter the dubious nature of evidence of prior conception or reduction to practice in a priority dispute, to one where clear and convincing evidence is always required to prove patent invalidity, regardless of whether a prior art reference has been considered by the patent examiner or not.

### **Judge Rich explains**

The year after *Connell*, Circuit Judge Rich, who was one of the principal drafters of the Patent Act of 1952 and its section stating that "a patent is presumed valid,"<sup>51</sup> had a chance to try to clarify things. His explanation in *American Hoist & Derrick v. Sowa*<sup>52</sup> begins with a review of the case law at the time of the drafting of the new patent act.

[I]n 1952 the case law was far from consistent – even contradictory – about the presumption and, absent statutory restraint, judges were free to express their individual views about it. Behind it all, of course, was the basic proposition that a government agency such as the then Patent Office was presumed to do its job. On the burden of persuasion in the face of such a presumption, long before enactment of the present statute, the Supreme Court reviewed the situation in *Radio Corp. v. Radio Laboratories*, noting that the force of the presumption "has found varying expression in this and other courts." Justice Cardozo, after reviewing a variety of expressions of the standard of proof required to overcome the presumption of validity and while noting that "Gradations of difference so subtle are not susceptible of pursuit without leading us into a land of shadows," concluded:

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.

The two sentences of the original § 282, which, though added to, have not been changed, amount in substance to different statements of the same thing: the burden is on the attacker. And, as this court has been saying in other cases, that burden never shifts.<sup>53</sup>

Having made it clear who bears the burden of proof in any patent invalidity determination (the alleged infringer, always, with that burden never shifted to the patent owner), Judge Rich goes on to discuss the level of proof needed.

The only question to be decided is whether the attacker is successful. When no prior art other than that which was considered by the PTO examiner is relied on by the attacker, he has the added burden of overcoming the deference that is due to a qualified government agency presumed to have properly done its job, which

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<sup>50</sup> 722 F.2d at 1550.

<sup>51</sup> 35 U.S.C. § 282.

<sup>52</sup> 725 F.2d 1350 (Fed. Cir. 1984).

<sup>53</sup> 725 F.2d at 1359.

includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents. In some cases a PTO board of appeals may have approved the issuance of the patent.

In other words, for evidence already considered by the Patent Office, the presumption of administrative correctness requires a higher burden of persuasion: clear and convincing evidence that the Patent Office was in error in its fact-finding.

### ***What about evidence not considered by the Patent Office?***

Judge Rich goes on to discuss the standard for evidence not considered by the Patent Office.

When an attacker, in sustaining the burden imposed by § 282, produces prior art or other evidence not considered in the PTO, there is, however, *no reason to defer* to the PTO so far as its effect on validity is concerned. Indeed, new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law; but that has no effect on the presumption or on who has the burden of proof. They are static and in reality different expressions of the same thing – a single hurdle to be cleared. Neither does the standard of proof change; it must be by clear and convincing evidence or its equivalent, by whatever form of words it may be expressed. See *Radio Corp.*, supra. What the production of new prior art or other 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. When an attacker simply goes over the same ground travelled by the PTO, part of the burden is to show that the PTO was wrong in its decision to grant the patent. When new evidence touching validity of the patent not considered by the PTO is relied on, the tribunal considering it is not faced with having to *disagree* with the PTO or with *deferring* to its judgment or with taking its expertise into account. The evidence may, therefore, carry more weight and go further toward sustaining the attacker’s unchanging burden.<sup>54</sup>

There is no need for the opinion’s distinction between prior art considered by the Patent Office and prior art not considered, unless Judge Rich feels that there should be difference in how they are treated. After discussing the deference due to Patent Office determinations, and that when there is new evidence there is no need for such deference, it makes no sense to say that the standard of proof remains the same. But it is important to note that Judge Rich, in writing this opinion, was bound by the earlier cases discussed, and in particular *SSIH Equipment* and *Connell* and their unjustified position that invalidity must always be proved by clear and convincing evidence.<sup>55</sup>

Under that constraint, what he does is note that while the evidentiary standard remains “clear and convincing,” when there is new evidence it may “carry more weight” and “partially, if not wholly, discharg[es] the attacker’s burden.” That formulation allows the Federal Circuit to say that there is one standard of evidence for proving invalidity – clear and convincing – while recognizing that it should not be necessary to meet that high burden for new evidence. In another, Chief Judge Markey (who had written the court’s opinion in *Connell*) notes that “the clear and convincing standard may more easily be met when such non-considered art is *more* pertinent than the cited art ...”<sup>56</sup>

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<sup>54</sup> 725 F.2d at 1359-1360 (emphasis in the original).

<sup>55</sup> Federal Circuit Rule 35 notes that “only the court en banc may override a binding precedent.”

<sup>56</sup> 730 F.2d 1452, 1459 (Fed. Cir. 1984).

In other words, while the evidence has to be convincing, when it hasn't been previously considered by the Patent Office the court should be easy to convince.

## **Clarifying the unclear**

While it is nice that there is a single standard for proving patent invalidity, and that it can be expressed in just three words – “clear and convincing” – does that really make sense in the context of patent litigation?

The Supreme Court's *Graham*<sup>57</sup> test for obviousness indicates that, at least for determining invalidity due to obviousness, one is not determining a single fact, but a number of facts, that form the basis of a conclusion of law regarding validity.

Under § 103, [1] the scope and content of the prior art are to be determined; [2] differences between the prior art and the claims at issue are to be ascertained; and [3] the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.<sup>58</sup>

Furthermore, it is likely that “the scope and content of the prior art” is not a single fact, but another series of facts that describe what each of the prior art references teaches. The same is likely true for each of the other theories of invalidity.

Should the scales always start out tipped heavily in favor of the patent owner, for every fact? It makes little sense to say that the patent owner's characterization of the person of ordinary skill should be accepted unless the opposing side can prove their characterization with clear and convincing evidence, if the issue had not been considered by the examiner.

There will be many facts that go into the mix used to determine whether, as a matter of law, a patent is invalid. The normal burden of proof in civil litigation – the preponderance of the evidence – generally apply in patent litigation, and should apply (with one exception) to the fact-finding with respect of invalidity. But one wishing to invalidate a patent should have to provide clear and convincing evidence where it runs counter to the fact-finding of the patent examiner, because of the presumption of administrative correctness and the deference it commands.

It would be far better to recognize the presumption of validity for what it really is – a procedural device for determining who has the initial (and continuing) responsibility of presenting evidence of patent invalidity. Then, identify each fact (as a trial court generally does in its findings of fact), determine whether it is counter to a fact previously determined by the Patent Office, and apply the appropriate evidentiary standard. At that point, the conclusion of law regarding validity can be made on a clear record amenable to appellate review.

Couching the task in those terms will make it clear to the trial court, since evidentiary standards like “preponderance” and “clear and convincing” have centuries of precedent helping the trial judge (or jury) understand them. This is far better than trying to understand whether prior art not considered by the Patent Office “carries more weight,” and “partially, if not wholly, discharges the attacker's burden,” or “is more pertinent than the cited art,” the current ill-defined rule.

## **Having two standards of evidence should not substantially complicate patent litigation**

Having two standards for evidence presented to invalidate a patent in litigation should not substantially complicate that litigation (any more than patent litigation is already complicated).

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<sup>57</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17 (1966) (numbers added).

<sup>58</sup> 383 U.S. at 17 (numbers added).

The Supreme Court's *Graham* test for obviousness indicates that one is not determining a single fact based on clear and convincing evidence, but a number of facts, each of which can have their own evidentiary burden, that form the basis of a conclusion of law regarding validity.

Under § 103, [1] the scope and content of the prior art are to be determined; [2] differences between the prior art and the claims at issue are to be ascertained; and [3] the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.<sup>59</sup>

It is likely that, for example, "the scope and content of the prior art" is not a single fact, but a series of facts that describe what each of the prior art references describes. For each finding of fact, it will be necessary to determine whether evidence has been previously considered by the examiner.<sup>60</sup> If it has been, then the presumption of administrative correctness requires that evidence contrary to the fact-finding by the examiner must be "clear and convincing." On the other hand, if the evidence presented has not been considered by the examiner, or is not contrary to the fact-finding of the examiner,<sup>61</sup> no heightened deference is warranted and it must meet the "preponderance of the evidence" standard in civil litigation.

Based on all the findings of fact, each meeting its evidentiary threshold, patent invalidity for obviousness (or other reasons) can then be determined as a matter of law.

In *Dickenson v. Zurko*,<sup>62</sup> the Supreme Court noted a situation where different weight is attached to the evidence depending on whether it is introduced in the Patent Office or in court in a suit seeking the issuance of a patent.

An applicant denied a patent can seek review either directly in the Federal Circuit, see 35 U.S.C. § 141, or indirectly by first obtaining direct review in federal district court, see § 145. The first path will now bring about Federal Circuit court/agency review; the second path might well lead to Federal Circuit court/court review, for the Circuit now reviews Federal District Court factfinding using a "clearly erroneous" standard. ...

We are not convinced, however, that the presence of the two paths creates a significant anomaly. The second path permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO. The presence of such new or different evidence makes a factfinder of the district judge. And nonexpert judicial factfinding calls for the court/court standard of review. We concede that an anomaly might exist insofar as the district judge does no more than review PTO factfinding, but nothing in this opinion prevents the Federal Circuit from adjusting related review standards where necessary.<sup>63</sup>

## **Does it make a difference?**

In its October 2003 report *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, the Federal Trade Commission noted the concern expressed by panelists

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<sup>59</sup> 383 U.S. at 17 (numbers added).

<sup>60</sup> The evidence presented could either be a prior art reference considered by the examiner, or another prior art reference that is duplicative of the references considered by the examiner. For example, a paper in a scientific journal that duplicates the teaching in a patent considered by the examiner supplies no evidence not considered by the examiner.

<sup>61</sup> The examiner may have discussed only one portion of a reference during the examination of the patent application, making no fact-finding on other portions.

<sup>62</sup> 527 U.S. 150 (1999).

<sup>63</sup> 527 U.S. at 164. (citations omitted).

regarding applying a clear and convincing evidence standard to prior art that the Patent Office never saw.

Critics questioned whether that combination can be justified. Some noted the disparity between directing the PTO to issue patents based on an assessment of a mere preponderance of the evidence and subjecting third parties who challenge those patents to a higher standard of proof. Others questioned whether there was a logical basis for extending the presumption or standard to challenges based on prior art that the PTO had never considered. Several of the panelists took a pragmatic perspective, questioning whether the limited examination possible in terms of hours available and ability to probe behind applicants' assertions justified the presumption or the high standard of proof.

Defenders of the presumption and standard urged that a finding of validity by a neutral government agency using a knowledgeable examiner justifies placing a heavy burden on challengers. Some observed that the Federal Circuit has recognized that the challenger's burden is partially discharged when new, material prior art is presented, and argued that any remaining advantages flowing from the presumption and high standard of proof have little, or only a measured, practical effect. Others, in contrast, asserted that the presumption and standard can have compelling effects on both judges and juries. District Judge Ellis worried that the clear and convincing evidence burden may work to undermine the role contemplated by the patent system for court challenges to weed out faulty patents.<sup>64</sup>

Commenting on the problem caused by the higher evidentiary standard, the FTC notes:

To the extent that the clear and convincing evidence standard distorts the litigation process, as some of the panelists indicate, it is a matter for particular concern. Litigation is a mechanism for focusing enhanced attention on those patents that are most likely to hold commercial significance and for weeding out from this group those patents that should not have been granted. If these market-selected inquiries cannot be conducted on a level playing field, there is serious potential for judicially confirming unnecessary, potentially competition-threatening rights to exclude.<sup>65</sup>

## Promotion of sound policy objectives

Correcting the Federal Circuit's requirement that all evidence produced to show the invalidity of a patent must meet the heightened "clear and convincing" standard will also help promote the policy objectives behind a thorough patent examination.

Because prior art that has been the subject of fact-finding on the part of the examiner during the prosecution will carry a heightened evidentiary requirement for disputing that fact-finding, it will be to the advantage of a patent applicant to bring prior art to the attention of the examiner so that the examiner can make a determination that will be hard to rebut in later litigation. But since deference is due only to the fact-finding of the examiner regarding a particular reference, simply burying an examiner with boxes of prior art so that the examiner will note what was submitted on a prior art list will not be given any deference.

In litigation, a party challenging a patent will be encouraged to bring art not considered by the examiner to the court, because no deference will be given for prior art not considered by the examiner, rather than argue about the art that was considered because there will be a heightened

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<sup>64</sup> *FTC report*, Chapter 5, pp. 27-28 (footnote references omitted), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

<sup>65</sup> *FTC report*, Chapter 5, p. 28.

evidentiary requirement for prior art that is merely cumulative of the fact-finding by the examiner.

And the owner of a questionable patent will be apprehensive in asserting that patent because there will no longer be the heightened evidentiary requirement for art not considered during the prosecution of the patent application. Whenever a patent is asserted, either in litigation or by a threatening letter, the patent owner is playing “you bet your patent,” since if invalidating prior art is successfully proven, the patent claims at issue are declared invalid forevermore.<sup>66</sup> The requirement of showing new and invalidating prior art by “clear and convincing evidence” stacks the deck in favor of the owner of a questionable patent, who will be more willing to assert it.

Even if the owner of the questionable patent is not foolish enough to file an infringement suit, sending a warning letter could be enough to trigger a declaratory judgment action to find the patent invalid, especially if the only requirement for success in such a suit is finding invalidating prior art, not overcoming the high requirement of “clear and convincing” evidence. A more level playing field may be enough to make most “patent trolls” think twice before threatening a company and putting their patents at risk.

## Conclusion

Clear and convincing is the current standard of proof necessary to invalidate an issued patent. This heightened standard of proof applies even when respondent bases the claim of invalidity on evidence not previously considered by the patent office. But there is nothing clear and convincing in how that standard came about. What *The Radio Case* said has been stretched far beyond its facts, with no support given for such expansion.

The Supreme Court is now considering the Federal Circuit’s reversal of the district court in *Teleflex v. KSR*. In its petition to the Court, KSR noted:

Once a patent has issued, the Federal Circuit construes 35 U.S.C. §§ 103(a) and 282(2) as precluding a challenge to the validity of a patent claim in the absence of proof by “clear and convincing evidence” that a hypothetical person having ordinary skill in the art would have had a hypothetical “motivation to combine the prior art teachings in the particular manner claimed”. The Federal Circuit imposes this “clear and convincing evidence” burden of proof even where, as here, a challenger relies on documentary prior art that was never considered by the PTO during the prosecution of a patent, and the question is what legal consequences flow from undisputed prior art.<sup>67</sup>

Perhaps the problem is not with the Federal Circuit’s requirement for a motivation to combine prior art teachings, but instead the requirement that this must be done with clear and convincing evidence, even for evidence not considered by the Patent Office.

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<sup>66</sup> This is one of the reasons why patent reexamination may not be an option for an alleged infringer of a bad patent. Unlike litigation, where a patent claim is either invalidated or not, in reexamination the patent owner can revise the claim. (The scope of the patent cannot be enlarged, however. See 35 U.S.C. §§ 305 and 314.) This means that a patent owner may be able to narrow the claim so that the new prior art is avoided but it still encompasses the alleged infringing device or act.

<sup>67</sup> Petition For A Writ Of Certiorari, *KSR v. Teleflex*, Docket No. 04-1350, p. 18.