

## Bi-Level Technologies

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From the Selected Works of Ron D. Katznelson

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March 18, 2011

# Brief of *Amicus Curiae* in Support of Affirmance

Ron D Katznelson, *Bi-Level Technologies*

No. 10-290

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

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**MICROSOFT CORPORATION,**  
*Petitioner,*

v.

**14I LIMITED PARTNERSHIP, ET AL.,**  
*Respondents.*

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On Writ Of Certiorari to the  
United States Court Of Appeals  
For The Federal Circuit

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**BRIEF OF *AMICUS CURIAE*  
DR. RON D. KATZNELSON  
IN SUPPORT OF AFFIRMANCE**

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**STATEMENT OF INTEREST OF *AMICUS*  
*CURIAE*<sup>1</sup>**

Ron D. Katznelson, Ph.D., is a technology entrepreneur, inventor and an independent scholar of the patent system. He holds 23 U.S. patents and numerous applications in the areas of digital communication systems, signal processing and advanced television systems.

Having founded two startup companies based on his inventions, Dr. Katznelson experienced first-hand the tensions that pervade the decisions to pursue and reduce to practice certain inventions, and whether to invest further in their development and patent them. In deciding whether to patent an invention, keep it as a trade secret, or abandon it, Dr. Katznelson was particularly mindful of the heightened risks of patenting as opposed to choosing one of the latter two alternatives. While patenting under current law provides substantial potential benefits, the patent bargain transfers to the patentee substantial risk of loss which would not exist under the two latter alternatives.

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, counsel listed on the cover states that this brief was authored by *amicus curiae* Dr. Ron D. Katznelson and reviewed by counsel, and that counsel for a party did not author this brief in whole or in part. Nor did counsel for a party make a monetary contribution intended to fund the preparation or submission of the brief. In addition, all parties have consented to the filing of this *amicus* brief, and their consent letters are on file with the Clerk's office.

Dr. Katznelson's experience raising venture capital is similar. Venture capitalists only invest where a venture is likely to be profitable, with a sustainable competitive advantage. For Dr. Katznelson's companies, patents commanding the heightened presumption of validity have often been crucial to being able to raise the capital necessary to launch efforts that turn ideas into useful products.

Dr. Katznelson estimates that had it been possible to invalidate patents by mere preponderance of evidence during the time of his previous inventions, patenting risks would have been too high. As a result, several of his otherwise successful inventions would not have been disclosed in a patent or would have been abandoned. It would have been harder to find startup investors, and the ideas may have never been productized at all.

The decision of this Court in this case may have profound effect on Dr. Katznelson's ability to protect or exploit his inventions, and the ability of the public to benefit from ideas and innovations.

### **SUMMARY OF ARGUMENT**

This case is about the level of certainty a trier of fact must have before finding a patent invalid. For over 150 years, this Court and others have consistently held that a heightened standard of persuasion is required to prove a patent invalid. That is the approach long taken by the Federal Circuit, which applies the clear and convincing evidence standard uniformly, while recognizing that

it may be more easily met with prior art the U.S. Patent & Trademark Office (PTO) never considered. This standard should remain and should apply unconditionally.

Petitioner, however, believes that prior decisions of this Court and the Federal Circuit are wrong and that the trier of fact should be allowed to have less certainty about the invalidity of a patent, and that a patent should be found invalid by mere “dubious preponderance” of the evidence. Petitioner argues that the presumption of validity in 35 U.S.C. § 282 does not specify the standard of proof and that, what Petitioner calls a “default” standard of a preponderance of evidence should apply for overcoming the presumption of patent validity.

Apart from its precedents directed specifically at the presumption of patent validity requiring the heightened standard of proof, this Court’s jurisprudence in civil law generally leads to the same result. This result is obtained in civil cases involving litigants having countervailing interests of substantial disparity, which prescribe the heightened standard of proof as a “default.” *In re Winship*, 397 U.S. 358, 371 (1970) (Harlan, J., concurring); *Santosky v. Kramer*, 455 U.S. 745, 758 (1982). As shown below, the substantial disparity in the countervailing risks of loss in patent invalidity proceedings leads to the “default” heightened standard of proof which has been applied in patent law for more than 150 years.

The fundamental principle that governs the standard of proof generally under this Court’s

jurisprudence involves allocating the risk of factfinder errors between the litigants in a manner that reflects their relative expected risk (harm in the event of an error). *Addington v. Texas* 441 U.S. 418, 423 (1979). Thus, a higher burden of proof will be required for a verdict against the litigant that will suffer harm that is substantially greater than that suffered by the adverse litigant under erroneous decisions. The degree of asymmetry in the countervailing risks to the litigants determines the standard of proof. Symmetry of the risks among litigants – where both parties have equal risks – creates the ‘preponderance of the evidence’ standard; high asymmetry corresponds to the ‘clear and convincing evidence’ standard; and extremely high asymmetry corresponds to the ‘beyond reasonable doubt’ standard, often used in criminal law.

In contrast with infringement adjudication errors where the litigants face comparable risks, the countervailing risks of error in patent invalidity proceedings are vastly different in magnitude for each litigant. Whereas the alleged infringer’s risk in an adverse decision amounts only to damages incurred by his own infringing activity, the patentee’s risk under an error against him is that of losing the patent rights altogether, losing recovery not only from the alleged infringer but from all other parties. Under such errors, the patentee would be unlikely to receive returns on investments made in discovery and development of the invention – investments made in reliance on the patent bargain. In addition, when the factfinder erroneously invalidates the patent, the patentee suffers irreparable harm brought about by the public

disclosure of the invention required in exchange for the patent grant. (The accused infringer and the public are unjustly enriched). Thus, the *quid pro quo* of the patent bargain transfers much of the risk of loss to the patentee – a risk not sustained by other parties.

Therefore, the patent bargain and the associated highly asymmetric risks that it imparts on the parties command the “default” heightened standard of proof that apply under this Court’s precedents. This requirement does not originate from the patent statute. Rather, it is based on immutable legal principles rooted in traditional American jurisprudence as reaffirmed in *Winship* and *Santosky* – prescribing *unconditionally* heightened standard of proof whenever the magnitude of the countervailing interests of the litigants are highly asymmetric. Such is the case in patent invalidity proceedings.

Petitioner engages in a futile search for statutory construction and administrative law principles that explicate a purported attenuation of the standard of proof based on the statutory language of the presumption of validity. Petitioner’s error (and regrettably that of some courts cited by Petitioner) is apparently due to a misguided notion that the standard of proof in patent invalidity law is derived from the presumption of validity, when it is the other way around – the presumption is a *direct corollary* of the heightened standard of proof that exists independently. The statute in 35 U.S.C. § 282 merely codified existing practice.

Indeed, the heightened standard of proof operates regardless of whether or not administrative deference to PTO examination is due. It is an inevitable result grounded in the fundamental principles in *Winship* and *Santosky*. As shown in Section V, because these principles have long been a legal tradition, the heightened standard of proof appears to have prevailed even before the PTO started examining patent applications in 1836. Petitioner provides no evidence that a preponderance of evidence standard existed prior to 1836, when the U.S. was operating a patent registration system. Rather, despite the lower confidence the public had in the validity of patents, evidence provided in Section V suggests that during that time the courts had nevertheless conducted adjudications in a manner consistent with the heightened standard.

The heightened standard in the presumption of validity is therefore a basic doctrine of the patent bargain which produces substantial disparity in the countervailing risks of error. The presumption is established when the PTO grants the patent, whether or not the PTO examined it for novelty, non-anticipation, or non-obviousness. Congress' enactment of PTO examination procedures in 1836 was aimed not at establishing the presumption of validity but rather at *further justifying its existence*.

For the reasons stated above and further elaborated below, the Federal Circuit's judgment should be affirmed.

## ARGUMENT

### I. THE STANDARD OF PROOF IS SET ACCORDING TO THE BALANCE OF RISKS OF ERRORS IN FACTFINDING

The purpose of a standard of proof is "to instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication." *In re Winship*, 397 U.S. 358, 370 (1970) (Harlan, J., concurring) . Accordingly, the standard of proof applied to a legal determination should account for the relative harm that will befall each litigant as a result of factfinding errors, as explained by Justice Harlan:

“[T]he trier of fact will sometimes, despite his best efforts, be wrong in his factual conclusions. In a lawsuit between two parties, a factual error can make a difference in one of two ways. First, it can result in a judgment in favor of the plaintiff when the true facts warrant a judgment for the defendant. The analogue in a criminal case would be the conviction of an innocent man. On the other hand, an erroneous factual determination can result in a judgment for the defendant when the true facts justify a judgment in plaintiff's favor. The criminal analogue would be the acquittal of a guilty man.

The standard of proof influences the relative frequency of these two types of erroneous outcomes. If, for example, the

standard of proof for a criminal trial were a preponderance of the evidence rather than proof beyond a reasonable doubt, there would be a smaller risk of factual errors that result in freeing guilty persons, but a far greater risk of factual errors that result in convicting the innocent. Because the standard of proof affects the comparative frequency of these two types of erroneous outcomes, the choice of the standard to be applied in a particular kind of litigation should, in a rational world, reflect an *assessment of the comparative* social disutility of each.”

397 U.S. 358, 370-371 (emphasis added).

Economists often refer to the “social disutility” of a decision error as the cost or *risk* to each litigant associated with an erroneous finding by the trier of fact. Explanations of how these risks affect the standard of proof are provided in Kaplan J., Decision Theory and the Factfinding Process, 20 *Stan. L. Rev.* 1065, 1071-1077 (1968); Kaye D.H., Clarifying the Burden of Persuasion: What Bayesian Decision Rules Do and Do Not Do, 3 *Int'l J. Evidence & Proof* 1 (1999), as follows:

More specifically, the risk of an erroneous finding against the defendant is represented by  $R_d$  and the risk of an erroneous finding against the plaintiff is represented by  $R_p$ . Generally, these risks are represented by monetary costs or other real but intangible values. The statistical *expectation* of each of these risks is given by multiplying the risk by the probability of that risk occurring. Decision theory provides that in order to find for the plaintiff, the

factfinder must feel that the *expected* risk of a decision against plaintiff is greater than that of a decision against the defendant. For this to be true, the factfinder must be convinced that the probability that plaintiff is correct is at least  $p$ , where  $p \cdot R_p$  is greater than  $(1-p)R_d$ . Hence, the greater plaintiff's risk ( $R_p$ ) compared to defendant's risk ( $R_d$ ), the lower the certainty level ( $p$ ) can be, while still finding in plaintiff's favor. The result of factfinders' application of this rule is that the *sum* of the expected risks of errors to the *plaintiff and defendant* is minimized. Kaye (1999) at Sec. IV.B. Hence, adherence to this rule minimizes the aggregated social costs of factfinders errors.

When the litigants' risks are equal, that is, in a symmetric case where the consequences of an error in favor of one litigant are just as serious as the consequences of an error in favor of the other ( $R_d = R_p$ ), the certainty level ( $p$ ) need only be greater than 1/2 to allow a verdict for the plaintiff. This is reflected in legal determinations made under the preponderance-of-the-evidence standard in many civil cases, where the trier of fact must merely be satisfied that the probability is greater than 50 percent — in other words, that the weight of the evidence suggests that it is more likely than not that the plaintiff has a right to recover. In many civil cases the symmetry of risks is intrinsic to the action, as the amount at risk (recovery amount) is the same for each party.

The assumption of equal risks appropriately governed by a preponderance-of-the-evidence standard does not apply to all issues of civil law,

however. In certain cases a party is required to demonstrate certain facts to a higher degree of probability *because the litigants' risks are substantially asymmetric*. For example, where the defendant is accused of fraud, a finding against him may do more than merely cost him restitution money. Since he loses reputation as well, the risk of an erroneous judgment against him is greater than that of an erroneous judgment against the plaintiff ( $R_d > R_p$ ); as a result,  $p$  must be substantially larger than 1/2 and plaintiff must prove his case to a higher probability — clear-and-convincing-evidence. See 2 Strong J., *McCormick on Evidence* § 340, 443-444 (4th ed.1992) (collecting cases where the clear-and-convincing evidence standard applies including fraud, undue influence, special danger of deception, revocation of citizenship, or policy grounds).

The method discussed above for determining the probability level for the standard of proof also demonstrates that the level of certainty the factfinder must have in reaching the decision depends only on the balance of risks of making factfinding errors — not on the nature or weight of the evidence. Rather, the weight of the evidence (its persuasive power) affects the perceived probability  $p$  in the mind of the factfinder, who must then compare it to the level set by the standard of proof to render a decision.

The balance of litigants' risks is seldom available numerically; nor do factfinders perceive their level of certainty in numerical terms. Therefore, the law recognizes three discrete regions or bands of certainty levels that cover the possible

probability continuum that results from the balance of litigants' risks. The first band corresponding to the preponderance-of-the-evidence standard spans the probability range from 1/2 to a value substantially larger than 1/2, where the next band begins – the clear and convincing-evidence standard. At a probability value yet substantially higher than that, but still lower than full certainty, the clear and convincing-evidence band ends and the last band begins – the beyond-reasonable-doubt standard, extending to the certainty probability value of 1. Accordingly, each of the three standards of proof corresponds to a proximal *range* of litigants' risk ratios falling in its respective band. This facilitates a common standard of proof to be applied across categories of similarly situated cases without resorting to a case-by-case determination of the proper standard of proof for a given proceeding. *Santosky v. Kramer*, 455 U.S. 745, 757 (1982).

**I.A This Court's precedents did apply the  
clear and convincing evidence  
standard when litigants' countervailing  
risks of error were substantially  
asymmetric**

Asserting that the clear and convincing evidence standard is inappropriate for patent invalidity proceedings, Petitioner contends that “the appropriate standard of proof in civil cases is a preponderance of the evidence unless particularly important individual interests or rights are at stake.” Pet. Br. 14-16 (cited cases and inner quotes omitted). Petitioner misses a fundamental component: “interests ... at stake” compared to

what? While the cases cited by Petitioner indeed involved risk of loss of “individual interest or rights,” the nature of these rights *per se* was not the determinant in these cases for adopting the clear and convincing evidence standard. Rather, the *asymmetry* of the countervailing risks was the underlying reason — the risk of loss by one litigant (loss which happened to be of “individual interest or rights”) materially exceeded the risk of loss by the opposing litigant.

The rationale that the imbalance of the countervailing risks controlled, and not the nature of those risks was made quite explicit in *Santosky* — a case cited on this issue by Petitioner. In *Santosky* this Court stated: “In parental rights termination proceedings, the private interest affected is commanding; the *risk of error* from using a preponderance standard is *substantial*; and the countervailing governmental interest favoring that standard is *comparatively slight*.” 455 U.S. at 758 (emphasis added). Thus, in requiring a higher certainty level (probability) for finding in favor of the State, the Court required that the factfinder decision threshold be set at the level which balances the *expected* risks of the litigants.

Moreover, for purposes of balancing the expected risks of error in *Santosky*, this Court carefully identified the relevant parties on each side of the scale and properly aggregated the risk of loss for those on the same side (the child and his natural parents), stating that “until the State proves parental unfitness, the child and his parents share a vital interest in preventing erroneous termination of

their natural relationship. Thus, at the factfinding, the interests of the child *and* his natural parents coincide to favor use of *error-reducing procedures.*” 455 U.S. at 760-761 (emphasis added, citation omitted).

This Court has consistently set the standard of proof according to the asymmetry in litigants’ countervailing risks of error. It should not now depart from its precedents.

## **II. THE COUNTERVAILING RISKS IN PATENT INVALIDITY FACTFINDING ERRORS ARE HIGHLY ASYMMETRIC**

In a patent infringement action, a finding that a defendant infringed patent claims allows the patentee to recover damages incurred only as a result of *that specific* defendants’ infringing activity. The litigants’ risks of factfinding errors in determining infringement are symmetric, because each party risks losing the damages judgment amount in the event of a finding for their adversary. Therefore, this essential symmetry of risks has long been recognized as requiring that infringement be proven by preponderance-of-the-evidence. *Bene v. Jeantet* 129 U.S. 683, 688 (1889).

However, where patent invalidity is at stake, the litigants’ risks are vastly different. Whereas the alleged infringer’s risk in an adverse decision amounts only to damages incurred by his own infringing activity, the patentee’s risk is that of losing the patent rights altogether. In an erroneous finding of invalidity, the patentee does not only lose

ability to recover damages from that defendant but may also lose ability to recover from all others because once a trier of fact finds invalidity in court, the patent is rendered unenforceable against all third parties. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50 (1971).

That the patentee's risk from invalidity factfinding errors is far greater than that of the alleged infringer is clearly evident from the patent bargain. The *quid pro quo* of the patent bargain transfers much of the risk of loss to the inventor – a risk not sustained by other parties. Under this bargain, the inventor irreversibly contributes new knowledge hitherto unknown to the world and receives substantial consideration for it – a bargain that the infringer has not made. This risk asymmetry does not stem from the inventor's exclusive right *per se* because, as Judge Markey put it, “from the moment he made the invention the inventor already had a perfect right and ability to exclude the world. All he had to do was keep quiet about it. ... Our Forefathers had some experience with that from the Guilds in Europe and did not want a secret technology. They created the patent system to encourage disclosures.” Markey Howard T., *Some Patent Problems*, 80 *F.R.D.* 203, 206 (1978) (discussing the patent bargain).

Having agreed to shift a secret exclusive right to a public exclusive right, the patentee assumes the risk of losing the entire consideration received under the patent bargain and the patentee's investments made in reliance on that bargain. When the factfinder erroneously invalidates the patent, the

patentee loses all these valuable assets and additionally suffers irreparable harm brought about by the public disclosure of the invention required in exchange for the patent grant. (The accused infringer and the public are unjustly enriched).

Moreover, loss of patent rights due to a judicial error may risk inventor's interests that are far "more substantial than mere loss of money." *Addington v. Texas*, 441 U.S. 418, 424 (1979) (describing applicability of the clear and convincing evidence standard to these circumstances). Indeed, he may lose his reputation and stature in the community<sup>2</sup> and it can bring into question his other inventions and related patents and diminish the likelihood of third party investments.

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<sup>2</sup> The risks of reputation and stature loss to inventors in challenges to patent validity are exemplified in: John Seabrook, Annals of Invention - The Flash of Genius, *The New Yorker*, (Jan. 11, 1993) (describing Dr. Robert Kearns and his patented windshield wiper; explaining that Kearns was not particularly interested in money but in *justice and recognition*. In response to the Ford Co.'s argument that his patent was invalid, Kearns is quoted at page 8 as having said: "I just felt very diminished - it's like you're a nothing, you're a gnat. You don't count. You just don't count." See also Wilbur Wright's public condemnation of the "disgraceful chauvinistic campaign of slander and detraction" in allegations that the Wright Brothers' airplane was not their invention, leveled in attempts to invalidate the Wright's airplane patent. Wilbur Wright, What Mouillard did, 1 *Aero Club of America Bulletin*, 3 (April, 1912) (Reproduced at [http://invention.psychology.msstate.edu/i/Wrights/library/Aero\\_Club.html](http://invention.psychology.msstate.edu/i/Wrights/library/Aero_Club.html)).

## **II.A Petitioner ignores entirely the balance of countervailing risks for the litigants in patent invalidity adjudications**

Petitioner ignores the balance of risks for the litigants in patent invalidity adjudications – the balance which must control the standard of proof. As this Court recognized, the standard of proof “serves to allocate the risk of error between the *litigants* and to indicate the relative importance attached to the ultimate decision.” *Addington v. Texas* 441 U.S. 418, 423 (1979) (emphasis added).

It is through the aggregation of risks imposed on all *litigants* due to the two types of adjudication errors and their frequency in all cases, that broad behavioral adaptive responses and incentives are created for all others in society. As Justice Harlan explained, “[b]ecause the standard of proof affects the comparative *frequency* of these two types of erroneous outcomes, the choice of the standard to be applied in a particular kind of litigation should, in a rational world, reflect an assessment of the *comparative* [risk] of each.” 397 U.S. at 371 (emphasis added).

Petitioner’s brief does not aid this Court in this matter because it fails to provide the “assessment of the comparative risks” of errors, let alone those to the litigants. Instead, Petitioner provides a one-sided account of the purported general harm – errors

of upholding “bad” patents.<sup>3</sup> Pet. Br. at 16-18. Petitioner does not compare this purported harm to the harm caused by errors of the second type – those that invalidate patents that should not have been invalidated.

The harm from errors of the second type is borne out in situations where patentable inventions cannot be exploited; startup companies get shut down because they cannot obtain investment without patent protection; investors in innovations relying on patents are denied any return on their investments; and companies licensed under patents, or otherwise having commercial relationships with patentees, get their rights nullified. Disincentives and adaptive behavior resulting from a rise in these errors of the second type are no less harmful. Adverse effects include suppression of disclosure of new knowledge, underinvestment in innovative research and pioneering advances, and overinvestment in incremental and less risky developments that are not new and require no patent protection.

For Petitioners’ analysis to have any merit, it must *compare* the harm and countervailing risks on *both* sides – an analysis it failed to provide. The

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<sup>3</sup> Petitioner cites sources that review empirical statistical studies purported to support assertions that the PTO issues excessive number of “bad” patents. Several of these assertions have been shown to be based on fundamentally flawed studies that produced erroneous results. *See* Ron D. Katznelson, Bad Science in Search of “Bad” Patents, 17 *Fed. Cir. Bar J.* 1, (2007). Available at <http://works.bepress.com/rkatznelson/1/>

underlying assumption that the social risks associated with the two types of patent invalidity decision errors are roughly symmetric – as required for adoption of the preponderance of evidence standard – is unsustainable given the public policies of the patent grant. It is the scope and nature of the patent bargain and its asymmetric transfer of risks to the inventor – and not to others – that makes the patentee’s risks much higher than that of the alleged infringer.

**II.B The highly asymmetric countervailing risks in patent invalidity decision errors are clearly distinguishable from the comparable risks in trademarks and copyrights**

Petitioner suggests that the application of the preponderance-of-the-evidence standard to overcome the presumption of patent invalidity would be consistent with the treatment of presumptions of validity in other areas of intellectual property – trademarks and copyrights. Pet. Br. at 23. This Court should decline the invitation to so rule, as it merely rests on the fact that trademarks and copyrights are categorized in the same area of law as patents. This kinship, however, is irrelevant for setting a standard of proof. Despite their general intersection of normative values as intellectual property, the fundamental economic balance of risks among litigants in invalidating trademarks and copyrights are far less skewed than those in patent invalidity decisions. As explained in Section I, the standard of proof is not determined by the area of

law to which it pertains but by the balance of risks of adjudication errors.

To assess the degree of disparity in the risks to the litigants, one must presume that the net consideration given to the right-holder in the *quid pro quo* bargain is a measure of his risk of losing the right in an adjudication error. In evaluating the net value of the consideration, one must also compare the right-holder's *ex-ante* position absent a grant to that after an erroneous invalidation of such grant. At the outset, it should be emphasized that a common feature distinguishing rights in both trademarks and copyrights from patent rights is found in many (but not all) cases where an invalidity challenge to a mark or copyright succeeds. In these cases, the challenger often gains or establishes the exclusive right to the disputed mark or its likeness, or to the disputed work or its close derivative work, effectively substituting ownership of the disputed right. The challenger's gain (or risk if he losses) is then comparable to the right-owner's loss (or gain if he wins). In contrast, when a patent is found invalid in court, the exclusive rights do not transfer – they merely get destroyed – valuable rights which only the patentee has at risk.

### **II.B.1 Trademarks**

Unlike patented inventions which have utility when ultimately exploited in many embodiments, applications, improvements and fields of use, trademarks do not contribute to the public by advancing the state of the useful arts. There is no requirement for an extraordinary and non-obvious

advancement to register a trademark. The trademark law merely “provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.” *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985). Thus, trademarks primarily serve their owners and their customers. Unlike patent protection, trademark protection is applicable only for certain classes of products or services and remain valid only as long as the owner actively uses the mark in commerce. The exclusive right to use the mark arises merely through the normal course of business with virtually no exchange of consideration with the public. In stark contrast with patented inventions, the public’s incentive to exploit an invalidated trademark that falls into the public domain is greatly diminished due to its substantial dilution.

For all these reasons, the trademark owner’s bargain with the public is minimal (the differences between positions *ex-ante* grant and post-invalidation are similar for both litigants), making countervailing risks due to invalidity adjudication errors roughly balanced among parties to a trademark dispute. The mark owner’s risk is that of losing the goodwill of his business when the mark is erroneously invalidated; and similarly, the challenger sustains the risk of losing his business goodwill for use of the disputed mark or its likeness, when the disputed mark’s validity is erroneously upheld.

## II.B.2 Copyrights

Despite “the historic kinship between patent law and copyright law,” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), the relative risks of erroneous invalidation to a copyright owner are far lower than those to a patent holder. A copyright grants the author an exclusive right only to the specific form of expression; it only prevents actual *copying* of an original work. Mere similarity or even virtual identity is not dispositive. Unlike patent law, there is an absolute defense of independent creation as well as a full statutory doctrine of fair use. 17 U.S.C. § 107.

The scope of copyright protection is far narrower than that of patents. In contrast with patents, “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” 17 U.S.C. § 102(b).

The quid pro quo in the copyright bargain transfers much less risk of loss to the author than that transferred to a patentee under the patent bargain. “Patents and copyrights do not entail the same exchange, since immediate disclosure is not the objective of, but is *exacted from*, the patentee, whereas disclosure is the *desired objective of the author* seeking copyright protection. Moreover, while copyright gives the holder no monopoly on any knowledge, fact, or idea, the grant of a patent

prevents full use by others of the inventor's knowledge." *Eldred v. Ashcroft*, 537 U.S. 186, 190 (2003) (emphasis added).

In contrast with patent rights, copyrights are attenuated by certain compulsory licensing requirements<sup>4</sup> and are often weakened by bifurcation of rights among different parties.<sup>5</sup> One court opined that copyrights simply do not enjoy the market dominance of patents. *Saturday Evening Post Co.*, 816 F.2d 1191, 1200 (7th Cir. 1987) ("A patent empowers its owner to prevent anyone else from making or using his invention; a copyright just empowers its owner to prevent others from copying the particular verbal or pictorial or aural pattern in which he chooses to express himself. The economic power conferred is much smaller."). Economic power that is not conferred to the copyright holder cannot be considered at-risk.

In conclusion, to the extent that imbalances of litigants' risks in trademark and copyright invalidity adjudication errors exist, they are much less pronounced than the asymmetry of risks in patent invalidity proceedings. It is therefore not inconsistent with decision theory for courts to view

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<sup>4</sup> Compulsory license for making and distributing phonorecords, 17 U.S.C. § 115; Use of certain works in connection with noncommercial broadcasting, 17 U.S.C. § 118.

<sup>5</sup> The exclusive rights in copyrighted works may be bifurcated where rights of the owner of copyright in a sound recording do not include any right of performance of the work under § 106(4). 17 U.S.C. § 114.

the countervailing risks in trademark and copyright proceedings as producing probability requirements that do not reach the clear and convincing evidence band. That situation, however, is amply distinguishable from that of patent rights, where the countervailing risks of error are highly asymmetric – appropriately commanding the use of the clear and convincing evidence standard.

**III. THE HEIGHTENED STANDARD OF PROOF IS CONSISTENT WITH THE ASYMMETRIC COUNTERVAILING RISKS OF PATENT INVALIDITY ADJUDICATION ERRORS**

As shown in Section II, the risks of the litigants' because of errors in patent invalidity adjudications are highly asymmetric, where the patentee's risk far exceeds that of the alleged infringer. As shown in Section I, the standard of proof in this "particular kind of litigation should, in a rational world, reflect an assessment of the comparative [risk] of each" litigant, and that assessment commands a burden of proof that is substantially higher than preponderance-of-evidence in order to invalidate a patent. Consistent with this canon, this Court recast prior precedents by concluding that through them all "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., Inc.*, 293 U.S. 1, 7-8 (1934)

(hereafter *RCA*). This is codified in 35 U.S.C. § 282 as the presumption of patent validity.

**III.A This Court has consistently upheld the heightened standard required to prove invalidity.**

Petitioner contends that “this Court’s pre-1952 decisions recognized only limited categories of cases, such as those involving oral testimony of prior invention, in which a heightened standard could be appropriate.” Pet. Br. 25. Petitioner’s attempt to distinguish prior holdings of this Court on the basis that those cases involved challenges relying on oral testimony is unavailing because the persuasive power of the evidence is the operative matter in factfinding – not the nature of the evidence.

The heightened standard and its underlying rationale broadly stated in *RCA* and other cases are applicable to all types of evidence. This is because the standard of proof prescribes the *level of certainty* a factfinder must have before finding a patent invalid. The required level of certainty in factfinding is a policy instrument reflecting the risks of loss. The losses incurred do not depend on the type of evidence – only on the outcome of the factfinder decision. While conceding that a heightened level of certainty in the mind of the factfinder is required in the face of oral testimony, Petitioner does not explain why the law should allow a factfinder to be *less certain* of the patent’s invalidity when finding it invalid in the face of documented evidence.

Whereas the Court has observed the fact that oral testimony may be particularly unreliable (thus of lower persuasive power), it did so only as a reminder in comparison with the certainty level required under the law. That the persuasive power of the evidence and the level of certainty it engenders in the factfinder's mind are the operative determinant, and not the nature of the evidence, is clear from the sentences specifically pronouncing the heightened burden of proof. In *Coffin v. Ogden*, 85 U.S. 120, 124 (1874), the Court stated "The burden of proof rests upon him, and every reasonable doubt should be resolved against him. .... The *law requires* not conjecture, but *certainty*" (emphasis added). Clearly, *Coffin* does not hold that the "law requires" such "certainty" merely in oral testimony but not in other evidence.

Similarly, in the *Barbed Wire Patent* case the Court used the word "proof" – not oral testimony – stating that "courts have ... required that *the proof* shall be clear, satisfactory, and beyond a reasonable doubt." 143 U.S. 275, 284 (1892) (emphasis added). It further stated that "evidence" on the whole is subjected to the heightened standard: "Upon *the whole*, the *evidence* fails to *satisfy* us that this fence was constructed before application was made for the Glidden patent. ... Under these circumstances we think the *doubts* we entertain concerning the actual inventor of this device should be resolved in favor of the patentee." 143 U.S. 292. (emphasis added). Thus, it is the final state of mind of the factfinder (not "satisfied," having "doubts") that matters – not how this state of mind is arrived at.

The fact that the heightened “certainty which the law requires” is a general requirement – not merely a carve-out for oral testimony was also made clear in *Deering v. Winona Harvester Works* 155 U.S. 286, 300 (1894), in which the Court stated: “Taking this *evidence together*, it falls far short of establishing an anticipation with that *certainty which the law requires*” (emphasis added). Moreover, in *Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U.S. 45, 60 (1923), the Court made clear that “*evidence to prove prior discovery must be clear and satisfactory*” without limiting “evidence” to oral testimony.

Finally, in *RCA*, the Court held that the patent challenger “bears a heavy burden of persuasion, and fails unless his *evidence* has more than a dubious preponderance. 293 U.S. at 8 (Citing *Philippine Sugar E.D. Co. v. Philippine Islands*, 247 U.S. 385, 391 (1918)). Here again, the Court used the term “evidence” in general and cited this Court’s own authority for the heightened standard in the *Philippine Sugar* case in which documented evidence was adduced as proof. Citing *RCA*, the general applicability of the heightened standard not only to oral testimony was confirmed in *Smith v. Hall*, 301 U.S. 216, 232-233 (1937), where this Court observed that the totality of oral and documented evidence “support the heavy burden of persuasion which rests upon one who seeks to negative novelty in a patent by showing prior use.”

As the precedents of this Court discussed above clearly show, it never carved-out a separate standard of proof for evidence adduced in oral testimony,

because doing so would have been contrary to established principles for setting standards of proof. Indeed, this Court's decisions have all been consistent with the heightened risks to patentees from adjudication errors, recognizing the importance of safeguarding against derogation of valuable patent rights when the evidence is less than clear and convincing.

#### **IV. PETITIONER CONFLATES THE ATTRIBUTES OF EVIDENCE WITH THE STANDARD OF PROOF**

The very question on certiorari in this case manifests Petitioner's confusion of the standard of proof with the persuasive power of the evidence that is required to overcome it. Petitioner's remarkable theory is based on selective administrative deference to PTO examination rationale, that the burden of proof required to invalidate a patent under the law should be reduced in patent invalidity contentions based on evidence that pertinent prior-art was not considered by the PTO. Pet. Br. at 33. In other words, Petitioner contends that the *level of certainty* a trier of fact must have before finding a patent invalid should be a variable governed by the evidence. Were Petitioner's logic to hold sway, it would permit a State to persuade this Court that the standard of proof for convicting a criminal defendant should be reduced to less than 'beyond reasonable doubt' whenever the State offers particularly pertinent evidence such as incontrovertible documentation showing that the defendant was at the scene of the crime carrying a gun.

Clearly, Petitioner's assertion leads to an absurd result. Rather, the standard of proof – the level of certainty a trier of fact must possess to find a patent invalid – is set according to the level of risks to litigants under the patent bargain. Whether or not the PTO considered pertinent prior art or whether such art is more relevant than the art of record, amounts to evidence – not to the standard of proof. This evidence does not change the risks to litigants under either types of factfinder errors and therefore cannot change the standard of proof. Instead, the fact that the PTO did not consider pertinent prior art may add considerable persuasive power to the evidence. With such additional power, the standard of proof “may be more easily overcome if such art is presented.” *In Re Etter*, 756 F.2d 852, 861 (Fed. Cir. 1985) (Nies, J. concurring) (citing *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1358-60 (Fed.Cir.1984)). Petitioner's selective administrative deference rationale for a separate standard of proof in some patent cases instead of letting the persuasive power of the evidence determine the outcome is contrary to established principles for setting judicial standards of proof.

**V. HEIGHTENED STANDARD OF PROOF  
IS THE UNDERLYING REASON FOR  
INSTITUTING PATENTABILITY  
EXAMINATION AND FOR  
CODIFYING THE PRESUMPTION OF  
VALIDITY**

Petitioner argues that the “clear and convincing evidence” standard could only have been derived from carve-outs for evidence involving oral testimony (Pet. Br. 25) or from an administrative deference to PTO examination rationale (Pet. Br. at 33). By these contentions Petitioner necessarily means that the standard of proof should be altered based on the evidence adduced to prove invalidity, which clearly leads to absurd results, as discussed in Sections III.A and IV.

Petitioner’s error (and regrettably that of some courts cited by Petitioner) is apparently due to a misguided notion that the standard of proof is derived from the presumption of validity, when it is the other way around – the presumption is a *direct corollary* of the heightened standard of proof that exists independently. The presumption of validity is a policy statement expressing the heightened standard of proof necessitated by the prevailing high asymmetry in litigants’ risks under the patent bargain, as shown in Section II.

Accepting, as this Court must, the patent bargain and the highly asymmetric risks that it imparts on litigants, the heightened standard of proof should be established as the starting point for this Court’s analysis because it is based on

immutable legal principles described in *Winship* and *Santosky* that command the *unconditionally* heightened standard of proof.

The next step in this Court's analysis is the recognition that the heightened standard of proof operates regardless of whether or not administrative deference to PTO examination is due. For that matter, because the fundamental principles in *Winship* and *Santosky* have long been a legal tradition, the heightened standard of proof must have prevailed even before the PTO started examining patent applications<sup>6</sup> after the Patent Act of 1836. This is because the patent bargain had long been firmly adopted<sup>7</sup> and, like today, it imparted highly asymmetric error risks to the litigants. Indeed, based on the Senate report accompanying the bill that became the Patent Act of 1836, since the Patent Act of 1793 courts had conducted adjudications in a manner consistent with the heightened standard:

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<sup>6</sup> "Under the act referred to, the Department of State has been going on for more than forty years, issuing patents on every application, without any examination into the merit or novelty of the invention. .... It becomes necessary, then, [under the Patent Act of 1836] to give the Patent Office a new organization, and to secure to it a character altogether above a mere clerkship." Sen. Rep. Accompanying Senate Bill No. 239, 24th Cong., 1st Sess. (April 28, 1836) (hereafter 1836 Rep.).

<sup>7</sup> "It is not at this day to be doubted that the evil of the temporary monopoly is greatly overbalanced by the good the community ultimately derives from its toleration." 1836 Rep.

“But the decisions of our courts have been characterized by a more enlightened and liberal application of equitable principles to cases of this description, in a just endeavor to sustain patents for meritorious inventions, instead of seeking to find, in the technicalities of law, a pretext for setting them aside.”

1836 Rep.

The heightened standard in the presumption of validity is therefore a basic doctrine of the patent bargain. The presumption is established when the PTO grants the patent, whether or not the PTO examined it for novelty, non-anticipation, or non-obviousness. If there had been any time in history for enacting a presumption of validity statute that is derived from administrative deference to PTO, the enactment of the 1836 Patent Act which established PTO examination would have been the most logical time to do so. According to the statement above, despite the lower confidence the public had in the validity of patents, Congress appears to have been satisfied with the de facto presumption assumed by the *courts*. Congress’ enactment of PTO examination procedures in 1836 was aimed not at establishing the presumption of validity but rather at *further justifying its existence*:

“By this means [examination], without danger to actual and honest inventors, the number of patents would be somewhat diminished. But there would be more confidence in those which should be granted.”

1836 Rep.

Thus, the presumption of validity is derived from the fundamentals of the patent bargain, to which PTO's decisions provide an affirmation. The heightened standard of proof cannot change based on the details of PTO review. Those details are part of the evidence that the trier of fact must consider in determining whether the totality of the evidence is clear and convincing to render the patent invalid.

### CONCLUSION

Dr. Ron D. Katznelson therefore urges this Court to affirm the Federal Circuit's decision below, and to reaffirm this Court's long-standing precedents.

Respectfully submitted,

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18 MARCH 2011

As required by Supreme Court Rule 33.1(h), I certify that the document contains \_\_\_\_\_ words, excluding the parts of the document that are exempted by Supreme Court Rule 33.1(d).

I declare under penalty of perjury that the foregoing is true and correct.

Executed on \_\_\_\_\_, 2011.

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