No. 14-1358

IN THE

Supreme Court of the United States

I/P ENGINE, INC.,

Petitioner,

v.

AOL INC., *et al.*

Respondents.

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

BRIEF OF *AMICUS CURIAE* BOSTON PATENT LAW ASSOCIATION IN SUPPORT OF PETITIONER

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STATEMENT OF INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae is the Boston Patent Law Association ("BPLA"), a nonprofit association of over 900 intellectual property professionals who serve a broad range of clients that rely on the patent system, such as inventors, corporations, investors, universities, and research hospitals. These clients operate in a broad range of industries, including life sciences, high-tech, and traditional manufacturing. The BPLA seeks to promote and strengthen patents and other intellectual property rights because strong intellectual property rights play a vital role in fostering a prosperous, innovative, and thriving nation. The BPLA does not have any interest in the outcome in this matter.[2]

SUMMARY OF ARGUMENT

The BPLA respectfully urges the Court to grant I/P Engine's petition for *writ of certiorari*. Although the Federal Circuit designated its *per curiam* decision as

1. No counsel for a party authored this brief in whole or in part, and no party or its counsel contributed any money to fund the preparation or submission of this brief. No person or entity other than the BPLA made a monetary contribution intended to fund its preparation or submission. The parties have been given at least ten days' notice of *amici's* intention to file this brief and both have consented by email. Such consents are included with this brief.

2. The BPLA urges the Court to take this case because the Federal Circuit's decision could have negative consequences for both the patent system and jury trials, and the BPLA cares about both. The BPLA, however, is otherwise neutral as to the parties and thus takes no stand on the ultimate merits of infringement, validity, and other issues in the case.

non-precedential, it has nonetheless created significant uncertainty in patent law. The Federal Circuit has overstepped its bounds, taking the determination of factual issues related to patent validity into its own hands, acting as USPTO examiner, trial judge, and jury, rather than as a court of review.

Patents are increasingly valuable to our knowledge-driven economy because they create incentives for innovation, attract investment in new technologies and businesses, and contribute jobs and untold billions to the economy. The Federal Circuit's approach to the validity analysis, however, raises the cost of patents, particularly the cost of enforcing the patent's exclusionary rights, and thus diminishes the incentives to innovate and invest in progress.

First, in holding the patents in this case to be obvious, even though the jury explicitly found to the contrary, the Federal Circuit substituted its own hindsight judgment for the jury's specific findings of fact, based on expert testimony, as to how one of ordinary skill in the art would have viewed the claimed inventions against the prior art. In effect, the Federal Circuit failed to trust in the jury's collective wisdom. But juries and trial courts can be trusted with adjudicating patent rights. The Federal Circuit's decision, along with a string of other rulings in recent years, shows an apparent trend of usurping the role of fact finder when it comes to patent rights. Second, after toiling through an entire jury trial, itself a costly investment, a patent litigant should not have to face a second adjudication in which the first one, in effect, did not count. That was the effect, however, of the Federal Circuit's process here. Third, in a concurring opinion, one panel member suggested that the patents should have

been invalidated under 35 U.S.C. § 101, even though the defendants never even raised this issue. This apparent willingness to search for new invalidity grounds not argued nor even conceived by the parties veers from the Federal Circuit's role as a court of review. Cumulatively, these three errors significantly devalue trials, the jury, and the advocacy system, which in turn devalue patents by making them more costly and less predictable to enforce.

ARGUMENT

I. HURDLES TO PATENT ENFORCEMENT INHIBIT INNOVATION

In a recent op-ed piece criticizing patent reform legislation currently pending in Congress, a venture capitalist recognized the value of patents to the American economy and why patent rights must be protected:

> A patent is only as effective as the ability to enforce it, and these bills will make it prohibitively expensive for many small businesses to protect their technology against infringement from larger incumbents, who can absorb these expenses as the cost of doing business. Those of us who back startups view enforceable patents as a fundamental requirement for many investments. Consequently, we will be less inclined to support many worthwhile innovations that require intellectual-property protection to succeed in the market.

Scott Sandell, Op-Ed, *A Venture Capitalist's Second Thoughts on Patent Reform*, Wall St. J., June 1, 2015.

Similar to the harm predicted in the above-quoted op-ed piece, the Federal Circuit's practice of substituting its own hindsight judgment or fact findings for those of juries will harm the American economy by making enforcement of patents more costly and less certain. In effect, the Federal Circuit's practice lowers the burden required under 35 U.S.C. § 282 to prove invalidity and puts into question the divided roles of the trial and appellate courts. Indeed, rather than sticking to the arguments presented by the litigants, the appellate panel in this case even suggested an alternative ground for invalidity of its own making.

The Federal Circuit was founded with the purpose of *increasing* certainty in patent rights and thus boosting innovation. *See* Timothy J. Douros, *Lending the Federal Circuit a Hand: An Economic Interpretation of the Doctrine of Equivalents*, 10 High Tech. L. J. 321, 322 (1995). And, overall, the Federal Circuit has realized this mission while balancing the perspectives of patent owner and accused infringer. But academic studies of the Federal Circuit's reversal rates show that they are particularly high for obviousness disputes—between 35% and 45%, as compared with under 20% for civil litigation generally. *See* Christopher A. Cotropia, *Nonobviousness and the Federal Circuit: An Empirical Analysis of Recent Case Law*, 82 Notre Dame L. Rev. 911, 931–32 (2007) (reporting a 45% reversal rate, including vacations, on obviousness judgments during the study period); Lee Petherbridge & R. Polk Wagner, *The Federal Circuit and Patentability: An Empirical Assessment of the Law of Obviousness*, 85 Tex. L. Rev. 2051, 2077 (2007) (calculating a 35% reversal rate, including vacations, for obviousness for 1990–2005). This high reversal rate suggests a more

wide-spread problem, not limited to this case, in which the Federal Circuit is reviewing matters *de novo* when it should instead be deferring to the fact finders regarding subsidiary factual issues. *See Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 840-41 (2015).

The BPLA does not mean to say that courts should bend over backwards to uphold the validity of a patent—the process should always be impartial as between plaintiff and defendant. But in this case, it appears as if the Federal Circuit *sua sponte* went to extreme lengths to find grounds to void the patent. As further explained below, that approach upsets the delicate balance of the patent system.

A. Juries Can Be Trusted With Patent Cases

Juries are charged with fact-finding and credibility determinations, and their factual findings on obviousness are generally upheld except when they are not supported by substantial evidence. *See* U.S. Const. amend. VII; *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 708-10 (1999) (Seventh Amendment applies to factual findings in statutory causes sounding in tort); *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1359-60 (Fed. Cir. 2012) (factual findings applied to obviousness determinations). Here, the Federal Circuit majority did not hold that the jury's findings were unsupported by substantial evidence but rather found a new ground –"common sense"– for voiding the patents. *See* 17a-19a. The panel appears to have taken on the role of the jury in deciding the teachings of the prior art (*i.e.*, the Culliss reference) and what would have been "common sense" to one of ordinary skill in the art. This approach

sends the message—likely unintended but nonetheless palpable—that a jury's specific factual findings cannot be trusted.

But there is no reason to believe that a jury could not competently evaluate evidence in patent cases and come to the correct conclusion at trial. *See Connell v. Sears, Roebuck & Co.,* 722 F.2d 1542, 1547 (Fed. Cir. 1983) ("The obviousness issue may be in some cases complex . . . but no more so than equally complicated, even technological, issues in product liability, medical injury, antitrust, and similar cases"). This Court has itself acknowledged the jury's ability to decide complex patent issues. *See, e.g.*, *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2072 (2011) (jury decides indirect infringement issues); *KSR Intern. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (factual issues underlying obviousness). In fact, there is empirical evidence that in the vast majority of cases, juries get it right. John Alison, *The Role of Juries in Managing Patent Enforcement: Judge Howard Markey's Opinions and Writings*, 8 J. Marshall Rev. Intell. Prop. L. Sp. 41, 43-44 (2009).

More and more, the Federal Circuit is taking various factual issues out of the hands of the district court judges and juries. *See Markman v. Westview Instruments, Inc.,* 517 U.S. 370 (1996) (holding that claim construction is an issue best left to the judge); *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.,* 682 F.3d 1003, 1007 (Fed. Cir. 2012) (objective determination of recklessness in the willfulness analysis is best decided by a judge as a question of law). There is no reason to continue this trend, however, and this Court's recent decisions have properly reasserted the role of district court judges and juries in

finding facts and evaluating witnesses in complex patent cases. *See, e.g.*, *Teva*, 135 S. Ct. at 840-41 (judge's role in finding facts related to claim construction subject to clear error review); *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2251 (2011) (affirming role of jury in fact-finding in obviousness determinations); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014) (reasserting district court's role in finding an exceptional case under 35 U.S.C. § 285). A Supreme Court ruling reaffirming the role of juries in patent cases will send the right message to patent owners and innovators.

B. The *Per Curiam* Decision Blurs the Divide Between Courts of Review and Trial Courts

If an appellate court may substitute its hindsight judgment for a jury's factual findings, whichever party that successfully convinced a jury at the district court will bear a second burden to try the case anew. This second burden is contrary to the division between trial courts and courts of review. *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 574-75 (1985); *Polaroid Corp. v. Eastman Kodak Co.,* 789 F.2d 1556, 1558 (Fed. Cir. 1986) ("This court reviews judgments . . . we do not retry the case"); *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555 (Fed. Cir. 1985) ("Whatever [appellant] may have meant by 'full and independent review,' it cannot mean that this court may proceed as though there had been no trial").

In effect, the Federal Circuit's treatment of the patents makes the jury trial nothing but a dress rehearsal, not the main event, as it should be. As this Court has stated, "the parties to a case on appeal have already been forced to concentrate their energies and resources on persuading

the trial judge that their account of the facts is the correct one; requiring them to persuade three more judges at the appellate level is requiring too much." *Anderson*, 470 U.S. at 574-75. The Federal Circuit's usurpation of factual determinations, unless remedied, will increase the cost and uncertainty of litigating patents, thus lowering their value. *Id.* at 574-75 ("Duplication of the trial judge's efforts in the court of appeals would very likely contribute only negligibly to the accuracy of fact determination at a huge cost in diversion of judicial resources.").

C. The Concurrence Disregards the Adversary System

The Federal Circuit's concurring opinion in this case is notable in that the § 101 subject matter eligibility issue was, apparently, not raised by either party at the district court level. Combined with the majority's substitution of the jury's findings with its own judgment on "common sense," the concurrence sends the message that the Federal Circuit has *carte blanche* to find new grounds for voiding a patent. But, the BPLA contends, that is not the Federal Circuit's job. Courts of appeal should allow the parties to frame and develop the issues at the district court level. By introducing the prospect that the Federal Circuit may simply devise its own grounds for voiding a patent, it creates an environment in which enforcing patents is a Kafkaesque game with high costs and little certainty or transparency. This Court has explained that such bait-and-switch tactics by an appellate court should not be tolerated:

> [The American legal system's] procedural scheme contemplates that parties shall come to

> issue in the trial forum vested with authority to determine questions of fact. This is essential in order that parties may have the opportunity to offer all the evidence they believe relevant to the issues which the trial tribunal is alone competent to decide; it is equally essential in order that litigants may not be surprised on appeal by final decision there of issues upon which they have had no opportunity to introduce evidence.

Hormel v. Helvering, 312 U.S. 552, 556 (1941).

* * *

Cumulatively, these three detours from the review process described above weaken patent rights and threaten the innovation economy. As explained below, strong patent rights are essential to our economy. Therefore, the BPLA urges this Court to do what it can to remove these unreasonable hurdles to innovation.

II. STRONG PATENT RIGHTS PROMOTE INNOVATION AND A THRIVING ECONOMY

As prefaced in the op-ed piece cited above, strong patents are imperative to this country's economy because they foster innovation and new technologies that make the United States a global economic leader. *See*, *e.g.*, David Silverstein, *Patents, Science and Innovation: Historical Linkages and Implications for Global Technological Competitiveness*, 17 Rutgers Computer & Tech. L.J. 261, 263 (1991) ("the U.S. patent system has played a significant role in both stimulating innovation and promoting the

commercialization of new technologies"). Patents benefit society in at least three ways: by fostering invention, by attracting investment in new technologies, and by encouraging competitors to innovate rather than copy. *Id.; see also Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (the three purposes of the patent system are "to foster and reward invention;" "promote[] disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires;" and "to assure that ideas in the public domain remain there for the free use of the public").

In addition to these societal benefits, patents generate real value in the U.S. economy. *See* David J. Kappos, *Building Bridges and Making Connections Across the IP System*, 20 Fed. Cir. Bar J. 273, 274 (2010) ("IP is becoming the necessary instrument – in many cases the only instrument – for innovation and businesses to capture value as their goods and services move to the marketplace"). Economists calculate that, on average, each patent "is worth over half a million dollars in direct market value." Jonathan Rothwell, *et. al., Patenting Prosperity: Invention and Economic Performance in the United States and its Metropolitan Areas* (Washington: Brookings Institution, 2013) (emphasis added). For instance, Rothwell notes that "recent patent sales reported in the media . . . have ranged from $477,000 to $760,000 per patent." *Id.*

Patents and other intellectual property also create jobs and increase the GDP. A recent government study showed that in 2010 alone, IP-intensive industries accounted for 27.1 million jobs (18.8% of all employment) and contributed $5.06 trillion (34.8%) in value to the U.S.

gross domestic product. *See* United States Department of Commerce, *Intellectual Property and the U.S. Economy: Industries in Focus*, at http://www.uspto.gov/news/publications/IP_Report_March_2012.pdf.

When intellectual property rights are weakened, however, companies built on innovation and corresponding intellectual property rights will be similarly weakened. *See* Victor Mayer-Schönberger, *The Law as Stimulus: The Role of Law in Fostering Innovative Entrepreneurship*, 6 I/S: J. L. & Pol'y for Info. Soc'y 153, 165-66 (2010). This weakening of patent rights will also remove the incentive for entrepreneurs with new technologies to challenge the entrenched "goliaths" of industry. *See id.* Similarly, entrepreneurs and professional investors will not invest in new technologies or businesses unless they can be assured of some degree of market exclusivity. *See* Lawrence H. Stahl & Robert H. Fischer, *The Value of Patents to Technology Driven Companies*, 22 Intell. Prop. & Tech. L. J. 27, 29 (2010) ("The investors . . . will demand protection for their investment. And one of the most visible ways to secure that protection is through patents").

Economic and historical studies reveal than when patents are perceived as too costly to enforce or too easy to evade, innovation declines sharply. *See* Andrew Beckerman-Rodau, *Patents are Property: A Fundamental But Important Concept*, 4 J. Bus. & Tech. L. 87, 93 (2009) ("Absent the ability to assert patent property rights, fewer inventions will be patented and the public storehouse of knowledge will decrease"). The BPLA realizes that in some segments of the economy (such as software and e-commerce), there is a backlash against patents, possibly as a result of fights with "patent trolls."

But the BPLA cautions that this backlash is short-sighted and ignores the long view that, over time, strong patents increase rather than hinder innovation. Indeed, many of the same companies and sectors that criticize patents and have lobbied for so-called patent reform in Congress have stockpiles of their own patents and benefit from them. Bradford L. Smith & Susan O. Mann, *Innovation and Intellectual Property Protection in the Software Industry: An Emerging Role for Patents?*, 71 U. Chi. L. Rev. 241, 242 (2004). Thus, given the value of patents to society, the BPLA contends that, as a matter of policy, this Court should rein in the Federal Circuit and caution it to tread carefully before voiding a patent that has survived a rigorous review at trial.

CONCLUSION

The BPLA respectfully urges the Court to grant I/P Engine's petition for *writ of certiorari*. Otherwise, the Federal Circuit's decision will have the effect of weakening patent rights for others, which in turn will hinder innovation and economic growth.

Respectfully submitted,

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