

ADDITIONAL COMMENTS OF  
VERIZON COMMUNICATIONS INC.

for

FEDERAL TRADE COMMISSION  
HEARINGS ON THE  
EVOLVING IP MARKETPLACE

MAY 2009

EVOLVING IP MARKETPLACE – COMMENT, PROJECT NO. P093900

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As the Federal Trade Commission has heard repeatedly in testimony in its 2008-09 IP hearings, patents can too often be used to hold up commercializers, the companies that make the products and offer the services that patent holders challenge as infringing.<sup>1</sup> In our Written Submission of March 2009, we suggested one set of solutions to that problem: clarifying that a reasonable royalty in a patent case should be a share of the economic value of the patented technology over its next-best alternative, and ensuring that the Supreme Court's rule in *eBay Inc. v. MercExchange, L.L.C.*<sup>2</sup> is understood to govern the International Trade Commission.<sup>3</sup>

This paper suggests an additional set of solutions. First, the burden of proof for showing invalidity in patent cases is unjustifiably high and, as the FTC has already suggested, should be lowered to a more appropriate level. The Supreme Court's statement in *KSR Int'l Co. v. Teleflex Inc.* – questioning the rationale underlying the presumption of validity where evidence that “the PTO, in its expertise, has approved the claim” is lacking<sup>4</sup> – makes the issue ripe for further review now.

Second, the rise of the non-practicing entity, or “NPE,” has disrupted commercializers' right to practice and has undermined their incentives to compete and innovate. Employing independent invention as a factor tending to demonstrate obviousness, and reinvigorating the reverse doctrine of equivalents to correct bargaining breakdowns that keep improvements from the public, can help restore commercializers' ability to practice their inventions and make them available to the public.

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<sup>1</sup> See, e.g., Coalition for Patent Fairness, Comments to the FTC on “The Evolving IP Marketplace” Hearings (Feb. 5, 2009), available at <http://www.ftc.gov/os/comments/iphearings/540872-00021.pdf> (last visited May 14, 2009); Software & Information Industry Association, Comments to the FTC on “The Evolving IP Marketplace” Hearings (Feb. 5, 2009), available at <http://www.ftc.gov/os/comments/iphearings/540872-00015.pdf> (last visited May 14, 2009); Mallun Yen, Presentation on the Behalf of Cisco Systems, Inc., delivered to the FTC at Hearings on “The Evolving IP Marketplace” (Dec. 5, 2008), available at <http://www.ftc.gov/bc/workshops/ipmarketplace/dec5/docs/myen.pdf> (last visited May 14, 2009).

<sup>2</sup> 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (citing FED. TRADE COMM'N, TO PROMOTE COMPETITION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (last visited May 14, 2009) [hereinafter FTC 2003 IP REPORT]).

<sup>3</sup> Verizon Communications, Inc., Comments on the FTC Hearings on “The Evolving IP Marketplace: The Evolution of Remedies” (March 2009) available at <http://www.ftc.gov/os/comments/iphearings/540872-00034.pdf> (last visited May 14, 2009).

<sup>4</sup> 550 U.S. 398, 426 (2007).

## ***I. Burden of Proof***

As early as 2003, the FTC questioned the propriety of the Federal Circuit’s “clear and convincing evidence” standard governing validity challenges generally.<sup>5</sup> In its first IP report, the FTC made clear that the clear-and-convincing standard “appears unjustified. A plethora of presumptions and procedures tip the scales in favor of the ultimate issuance of a patent, once an application is filed. In addition, as many have noted, the PTO is underfunded, and PTO patent examiners all too often do not have sufficient time to evaluate patent applications fully. These circumstances suggest that an overly strong presumption of a patent’s validity is inappropriate. . . . We believe that the ‘clear and convincing evidence’ burden can undermine the ability of the court system to weed out questionable patents.”<sup>6</sup>

The issue can, of course, be handled by legislative reform, as the FTC’s 2003 report suggested. But the problem need not await a legislative solution. The matter of burden of persuasion is left to judicial analysis. To begin with, the Patent Act by its terms does not require a “clear and convincing evidence” burden for invalidity.<sup>7</sup> The statute merely requires a presumption of validity, without saying what is necessary to overcome the presumption.<sup>8</sup> Indeed, the language of “presumption,” standing alone, does not even shift the burden of persuasion. Congress so stated when it enacted the Federal Rules of Evidence in 1975,<sup>9</sup> declaring in Fed. R. Evid. 301:

In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, *a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of nonpersuasion*, which remains throughout the trial upon the party on whom it was originally cast.

Any shifting to the challenger of the burden of persuasion on validity, let alone raising that burden to the “clear and convincing” level, thus cannot be derived from the bare language of Section 282 – which does no more than impose on a validity challenger the burden of production in support of its validity challenge.

Pre-1952 authoritative case law suggests that, at least in some circumstances, the validity challenger bears the burden of persuasion – but not under a “clear and convincing evidence” standard. The Supreme Court decision from which *Am. Hoist* drew the “clear and convincing evidence” standard does not require the standard: all it says is that the common theme running through a variety of cases, at the time, was that “one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of

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<sup>5</sup> See, e.g., *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984).

<sup>6</sup> FED. TRADE COMM’N, TO PROMOTE COMPETITION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf> (last visited May 14, 2009) [hereinafter FTC 2003 IP REPORT] at 8, 10 (recommending the enactment of legislation to amend the burden of proof to “a ‘preponderance of the evidence.’”).

<sup>7</sup> 35 U.S.C. § 282 (2002).

<sup>8</sup> *Id.*

<sup>9</sup> Pub. L. 93-595, 88 Stat. 1931.

persuasion, and fails unless his evidence has more than a dubious preponderance.”<sup>10</sup> Thus, even for a patent that is “fair upon its face,” the most that pre-1952 law could be taken to suggest was that invalidity had to be shown by “more than a dubious preponderance” – which, particularly to a lay jury, is much less demanding than “clear and convincing evidence.” Moreover, that is not a necessary reading: the Supreme Court in *Radio Corp.* did not freeze even that approach in place.

More recently, the Supreme Court stated one basis for reconsidering whether imposing any burden of persuasion on a validity challenger is warranted to the extent that the basis for invalidity asserted in the lawsuit was not one considered and rejected by the PTO. In *KSR*, the Court expressly noted, with respect to an obviousness challenge based on a prior-art reference not considered by the PTO, that “it [is] appropriate to note that the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished here.”<sup>11</sup> That reasoning would seem to apply generally to any ground of invalidity challenge that the PTO did not consider.

Even as to matters that the PTO did consider, there is reason to require less than “clear and convincing evidence” to establish invalidity. *Radio Corp.* does not require that high standard, and the familiar general analysis of what burden of proof should apply leads to the same conclusion. The relevant analysis focuses on the nature of the interest at stake and the risk of error in either direction.<sup>12</sup> Indeed, this analysis readily supports assignment to the validity challenger of no more than a burden of production. And, as *KSR* itself indicates, *Radio Corp.*, which described the general practice of courts in an earlier era, is no obstacle to a full consideration of how the pertinent considerations balance today.

The interest of a patent holder in a patent case is economic; a jury’s finding of invalidity does not threaten the patent holder’s life or personal freedom. In many areas, moreover, especially in the electronic or information technology fields, there are strong reasons to think that patent enforcement plays little role in fostering either innovative activity or publication of knowledge for use by others. When the patent holder is neither the inventive entity nor a productive entity, but has merely purchased a patent for enforcement purposes, the interest on that side of the scale is even more purely monetary. On the other side of the scale are interests of undoubted significance: the economic interests of the alleged infringer and the public interest in competition and innovation, and productive activity more generally, that is threatened by patents of questionable validity or whose wielding in litigation imposes an outsize tax on productive activity. Indeed, the existence of “patent thickets” means that erroneous patent enforcement threatens innovation itself (on the part of accused infringers) – a key objective of the patent system.<sup>13</sup>

The risk of error, in light of contemporary realities, does not justify a heightened burden of proof in challenging validity today if it ever did – or, perhaps, even shifting the

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<sup>10</sup> *Radio Corp. of Am. v. Radio Eng’g Labs.*, 293 U.S. 1, 8 (1934).

<sup>11</sup> 550 U.S. 398, 426 (2007).

<sup>12</sup> *See, e.g., Cooper v. Oklahoma*, 517 U.S. 348, 362-67 (1996).

<sup>13</sup> *See generally* FTC 2003 IP REPORT, *supra* note 6, Executive Summary, 5-10.

burden of persuasion to the challenger at all. The sharp increase in the number of patent applications that the PTO must process, the real-world limitations on the amount of time an examiner may devote to each issue raised by an application, the lack of adversarial testing of applications in virtually all PTO proceedings, and the limited access the PTO has to prior art all suggest that, once a challenger has met an appropriate burden of *production* of evidence showing invalidity, there is no significant reason left to think that the PTO was likely correct in approving the claim at issue – or, more precisely, no reason stronger than is properly accommodated even if the patent holder retains the burden of persuasion. The fact of PTO approval of the claim will, in reality, weigh in the patent holder’s favor with the jury, without need for any shifting of the burden of persuasion, let alone imposition of a heightened burden. Indeed, one experienced patent litigator notes that “[j]ury research has indicated that almost one out of every three jurors is unwilling to undertake a task which they view the Patent and Trademark Office to have already accomplished. While almost all jurors on *voir dire* will honestly state that they are willing to look behind that which the Patent Office has already done, many (if not most) will resort to the presumption of validity once the issues become complicated or difficult. This strong bias has resulted in the substantial number of jury verdicts for patent owner plaintiffs in many jurisdictions.”<sup>14</sup>

In addition, the well-recognized dynamics of patent litigation before a jury already give the patent holder an important advantage in many cases. The simple story for the jury is that the PTO issued the patent and the significance of the technological improvement is confirmed by the very fact that the alleged infringer is practicing the patent. In contrast, the alleged infringer – who, commonly, will be viewed as already behind in the count if the jury is reaching the validity issue – typically must focus on seemingly technical, defensive-sounding arguments.<sup>15</sup>

In these circumstances, the patent holder frequently has a decided advantage, without any shifting of the validity burden. That is not only because of the comparative first-blush attractiveness of its core pitch. It is also because of the simplicity of that pitch, which feeds the ever-present temptation of lay juries to accept the patent holder’s simple story (using PTO issuance as an endorsement) and bypass the need to master the dauntingly complex technical details on which the alleged infringer’s case often depends. Shifting the burden of persuasion – even worse, imposing a “clear and convincing evidence” burden – only enhances the risk of erroneous acceptance of the patent holder’s case that is already built into the system.

Thus, in patent cases, the alleged infringer should be required only to produce evidence that, standing alone, would meet each requirement for invalidity on the particular ground asserted. If it does so, then the burden should shift to the patent holder to persuade the factfinder, by a preponderance of the evidence, that the claim is valid. If this approach is not adopted across the board, then at a minimum, this burden-shifting approach should apply in the cases that *KSR* expressly identified as seeming to fall

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<sup>14</sup> DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW* 1020-24 (2d ed. 2001) (“side bar” of William F. Lee, Managing Partner, Hale & Dorr LLP and John A. Reilly, Visiting Professor from Practice at Harvard Law School).

<sup>15</sup> *See id.*

outside the rationale of presumptive agency correctness underlying placement of a burden of persuasion on a challenger. That is, where the alleged infringer challenges the validity of a patent claim on a ground that the PTO did not consider, the alleged infringer need only produce evidence that supports that challenge. If it does so, then the burden shifts to the patent holder to persuade the factfinder, by a preponderance of the evidence, that the claim is valid as to that particular ground.

In any event, wherever a burden of persuasion were to remain on the validity challenger, the standard should not exceed the one recommended by the FTC in 2003: the alleged infringer should not have to prove invalidity by any standard greater than the preponderance of the evidence. It should not have to prove invalidity by clear and convincing evidence.

## ***II. Right To Practice***

A patent is statutorily defined as a “right to exclude,” but the rise of the patent thicket – especially in high-tech fields where literally thousands of patents can read on single products – has unduly magnified the exclusionary powers of patent holders, at the expense of the ability of commercializers to practice their own technologies and bring their innovative products to the public.<sup>16</sup> In the past, even as the patent thicket has grown, the commercializers that typically won the patents (and that made the products) tended to maintain an equilibrium of détente, either through implicit or explicit cross-license. One patent-holding firm could not sue another such firm without risking retaliation.<sup>17</sup> Firms were thus able to practice their own inventions, with a somewhat reduced right to exclude.

The rise of NPEs has, however, subverted this right to practice. NPEs are not generally deterred by the prospect of infringement litigation.<sup>18</sup> This leads to the paradoxical circumstance that a patent has much greater monetary value in the hands of an entity with no intention of competing in the commercializing field than in the hands of a competitor using the patent for productive activity.

The right to practice can, however, be restored through the development or reinvigoration of legal doctrines already present in patent law. Two warrant particularly

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<sup>16</sup> See, e.g., S. Rep. No. 110-259, at 12 (2008) (“Long past is the day in which the typical invention is a sui generis creation; today’s patents are often combinations, and many products comprise dozens, if not hundreds or even thousands of patents, and the infringed patent may well be one smaller part of a much larger whole.”); Suzanne Michel, Dept’y Asst. Dir. of Pol’y & Coordination, Address to the Committee on the Judiciary, U.S. House of Rep., *Prepared Statement of the Federal Trade Commission Before the Subcommittee on Courts, the Internet and Intellectual Property*, 7 (Feb. 15, 2007), available at <http://judiciary.house.gov/hearings/February2007/michel070215.pdf> (last visited May 14, 2009) (noting that “[i]n some industries, such as computer hardware and software, firms can require access to dozens, hundreds, or even thousands of patents to produce just one commercial product.”); CARL SHAPIRO, *Innovation Policy And The Economy, Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, 120-21 (Adam B. Jaffe, et al. eds., 2001), available at <http://ssrn.com/abstract=273550> (last visited May 14, 2009) (describing the “dense web of overlapping intellectual property rights that a company must hack its way through in order to actually commercialize new technology.”)

<sup>17</sup> See generally FTC 2003 IP REPORT, *supra* note 6 at Ch. 2, 30.

<sup>18</sup> FTC 2003 IP REPORT, *supra* note 6 at Ch. 2, 31 (“MAD strategies do nothing to mitigate NPE hold up.”).

close attention: the use of independent invention to show obviousness, and the reverse doctrine of equivalents.

### A. *Independent Invention.*

A renewed emphasis should be placed on the role of independent invention in challenging poor-quality patents. If others have independently invented the same technology, the propriety of granting a patent on the technology in the first place can sometimes be called into question. Indeed, the National Jury Instruction Project's Model Patent Jury Instructions propose a model jury instruction that tells jurors to consider "independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it" as a "factor tending to show obviousness."<sup>19</sup> Such an instruction reflects the insight that if "many people succeed in making an invention, [that can] provide[] persuasive evidence that a monopoly right is an excessive reward because the invention would have been made even without granting exclusive rights to one of those inventors."<sup>20</sup> Existing case law already provides support for the idea – which deserves, at a minimum, to be assigned greater prominence in the post-*KSR* era of common sense in adjudicating obviousness.<sup>21</sup>

Several academic commentators have argued that providing an independent invention *defense* against infringement to those who independently discover an invention, would help to reduce deadweight loss and to limit patent holders' profits to levels commensurate with their investment in research and development.<sup>22</sup> Such a defense would in part go beyond mere use as a factor in the obviousness analysis: it bars infringement even if this factor did not lead to an obviousness conclusion. On the other hand, this defense would in another way be narrower: using independent invention in obviousness analysis "is in one sense a more radical proposal" than a defendant-specific infringement defense (of a still-valid patent), in that the use in obviousness-analysis "would invalidate some patents altogether."<sup>23</sup> Yet as Prof. Lemley has noted, the fact-specific analysis of obviousness ensures that the rule would not sweep too broadly.<sup>24</sup>

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<sup>19</sup> The Nat'l Jury Instruction Project, Model Patent Jury Instruction, Dec. 2008, *available at* <http://www.patentlyo.com/patentjuryinst.pdf> (last visited May 14, 2009). Verizon Communications Inc. submitted comments on these instructions in February 2009.

<sup>20</sup> *See, e.g.,* Mark Lemley, *Should Patent Infringement Require Proof Of Copying?*, 105 MICH. L. REV. 1525, 1527 (2007); *see also id.* at 1534 (noting further that "[o]nly one [secondary factor regarding obviousness] — simultaneous invention by others — is considered evidence that the invention shouldn't be patentable, and the Federal Circuit has minimized the significance of that factor.") (citing *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1380 n.4 (Fed. Cir. 1986)).

<sup>21</sup> *See, e.g.,* *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1379 (Fed. Cir. 2000) (upholding finding of simultaneous invention prior to filing of patent at issue, and stating that "[t]he fact of near-simultaneous invention, though not determinative of statutory obviousness, is strong evidence of what constitutes the level of ordinary skill in the art.") (quoting *Int'l Glass Co. v. United States*, 408 F.2d 395, 405 (Ct. Cl. 1969)), *cert. denied*, 532 U.S. 974 (2001); *Monarch Knitting Mach. Corp. v. Sulzer Morat GmbH*, 139 F.3d 877, 883 (1998).

<sup>22</sup> *See, e.g.,* Samson Vermont, *Independent Invention as a Defense to Patent Infringement*, 105 MICH. L. REV. 475 (2006); Stephen M. Maurer & Suzanne Scotchmer, *The Independent-Invention Defense in Intellectual Property*, 69 *ECONOMICA* 535 (2002); *see also* Carl Shapiro, *Prior User Rights*, 96 *AM. ECON. REV.* 92 (May 2006).

<sup>23</sup> Lemley, *supra* note 20, at 1534.

<sup>24</sup> *Id.*

## B. Reverse Doctrine of Equivalents.

Likewise, the right to practice can be fostered through doctrines like the reverse doctrine of equivalents, which offers a “safety valve” to release the pressure that hold up can place on innovation.<sup>25</sup> As the FTC has long noted, the goal of the patent system is to promote innovation and competition.<sup>26</sup> But innovation and competition are seriously undermined when patent holders attempt to block innovative technologies from coming on to the market – and, more broadly, when the impossibility of bargaining with thousands of patent holders over the myriad rights that can each be invoked to block a new product stands in the way of competition and innovation.

The reverse doctrine of equivalents strengthens the patent system’s ability to promote innovation by helping clear such blockages. As Prof. Landes and Judge Posner have observed, the reverse doctrine of equivalents “reflects fair use thinking transposed from copyright to patent law: when the improver makes only a trivial use of the patented invention, transaction costs swamp the social benefit of allowing the patentee to exact a licensing fee.”<sup>27</sup>

The reverse doctrine of equivalents promotes innovation. Consider the scenario of the blocked improvement patent: the holder of an improvement patent cannot practice its improvement without permission – in the form of a license – from the holder of the patent on the underlying technology.<sup>28</sup> Under the reverse doctrine of equivalents, a defendant is not liable for infringement, even though its accused device falls within the literal language of a patent claim, if the device is “so far changed in principle from a patented article that it performs the same or a similar function in a substantially different way.”<sup>29</sup> The effect of the doctrine is to mitigate the threat of hold up by the owner of the

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<sup>25</sup> Robert Merges, *Intellectual Property Rights and Bargaining Breakdown: The Case of Blocking Patents*, 62 TENN. L. REV. 75, 75 (stating that “the reverse doctrine [of equivalents] serves as a judicial ‘safety valve,’ releasing pressure that builds up when pioneers and improvers fail to agree to a license.”).

<sup>26</sup> See, e.g., FTC 2003 IP REPORT, *supra* note 6 at Ch. 1, p. 7 (citing Atari Games Corp v. Nintendo of Am., 897 F.2d 1572, 1576 (Fed. Cir. 1990)).

<sup>27</sup> William M. Landes & Richard A. Posner, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 317 (2003); see also *id.* at 315 (“The doubts that we have expressed concerning the social benefits of the existing level of patent protection argue for generous construal of fair use principles in patent law as in copyright law.”).

<sup>28</sup> Private bargaining between the parties does not always reach a result that promotes consumer welfare. The holder of the first patent could overvalue its own technology and fail to appreciate how much value the improvement patent adds; the improver might have the same view of its own work. Merges, *supra* note 25 at 83 (summarizing Robert Coote’s critique of the Coase Theorem as suggesting that “[t]here is no guarantee that rationally self-interested players will agree about how to divide the stakes.”); see also *id.* at 89 (noting that “[t]here have been numerous examples where pioneers failed to grasp the significance of important extensions of their basic work.”). Less strategic considerations – such as “spite, pride, and anger” – might also interfere with the striking of a sound bargain. Merges, *supra* note 25 at 90. The reverse doctrine of equivalents can sometimes be used to prevent such bargaining failures from robbing the public of the technological breakthrough offered by the improvement. The doctrine does not require a showing of any such bargaining breakdown in a particular case. Rather, it is the recognition of that risk of bargaining breakdown – and the undue leverage of the patent holder over innovation – that “provide[s] a rational account of the doctrine.” Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM.L.REV. 839, 867 (1990).

<sup>29</sup> Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605, 608-09 (1950).

original patent, by permitting the improver to avoid liability to that owner for infringement.<sup>30</sup>

The doctrine has special relevance in a world of weak patents and high hold up risks. Indeed, “where the original patent contributes very little value compared to the improvement, the holdup problem may be significant. That is, the holder of the original patent may use it to extract much of the value of the ‘original plus improvement’ combination from the improver. The reverse doctrine of equivalents solves the problem by, in effect, excusing the improver from infringement liability – and therefore removing the original patentee’s holdup right. Reverse equivalents, of course, did not evolve in explicit recognition of this problem. But the fear of the inefficient use of holdup power does provide a rational account of the doctrine and might even assist courts in applying it.”<sup>31</sup>

The Supreme Court applied the reverse doctrine of equivalents in *Westinghouse v. Boyden Power Brake Co.*,<sup>32</sup> and the Federal Circuit has indicated at least some openness to its application.<sup>33</sup> But the doctrine has not been successfully used in a long time.<sup>34</sup> Its potential usefulness, for the reasons discussed, should not be ignored.

The present underuse may stem from a feeling that the doctrine is no longer needed. The reverse doctrine of equivalents excuses infringement if a device is “so far changed *in principle* from a patented article that it performs the same or a similar function in a substantially different way.”<sup>35</sup> That “‘principle’ or ‘equitable scope of the claims’ of the patented invention is determined in light of the specification, prosecution history and prior art.”<sup>36</sup> The Federal Circuit has suggested that one “good reason” why the reverse doctrine of equivalents is rarely relied upon is that the enactment of Section

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<sup>30</sup> See, e.g., Merges, *supra* note 25 at 91; Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 1011 (1997).

<sup>31</sup> Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM.L.REV. 839, 865-67 (1990). Merges and Nelson note that where the original patent and the improvement patent each have an equal value – say, \$100 – “the parties may well reach a bargain whereby the original patentee gains \$50 of the value of the improvement and the improver keeps \$50 of this gain. ... But where the improvement adds value of \$900, compared to the original patent’s value of \$100, the holdup problem becomes acute.” *Id.* at 866 n. 117. Splitting the gains equally can seriously erode the incentive to invent substantial improvements, and the social costs of letting the improvement “sit[] on the shelf” due to deadlock are grave. *Id.*

<sup>32</sup> 170 U.S. 537, 568 (1898).

<sup>33</sup> See, e.g., *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1581 (Fed. Cir. 1991) (remanding for consideration of Genentech’s argument that its recombinant Factor VIII:C protein was different “in principle” from Scripps’s product even though it literally infringed Scripps’s patent on the purified natural protein).

<sup>34</sup> See, e.g., *Roche Palo Alto, L.L.C. v. Apotex, Inc.*, 531 F.3d 1372, 1378 (Fed. Cir. 2008) (stating that the “reverse doctrine of equivalents is rarely applied, and this court has never affirmed a finding of non-infringement under the reverse doctrine of equivalents.”), *cert. denied*, 129 S. Ct. 1046 (2009); *Tate Access Floors, Inc. v. Interface Architectural Resources, Inc.*, 279 F.3d 1357, 1368 (Fed. Cir. 2002) (stating that “[n]ot once has this court affirmed a decision finding noninfringement based on the reverse doctrine of equivalents”). Landes and Posner concede that the reverse doctrine of equivalents “has received a frosty reception from the Federal Circuit, but this may be changing.” See Landes & Posner, *supra* note 27, at 317 n. 44 (citing *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1351 (Fed. Cir. 2003)).

<sup>35</sup> *Graver Tank*, 339 U.S. at 608-09 (emphasis added).

<sup>36</sup> *Roche Palo Alto*, 531 F.3d at 1376.

112 of Title 35 “imposed requirements for the written description, enablement, definiteness, and means-plus-function claims that are co-extensive with the broadest possible reach of the reverse doctrine of equivalents.”<sup>37</sup>

Yet the different consequences of applying the Section 112 requirements and the reverse doctrine of equivalence set them apart. A failure to comply with the requirements of Section 112 can result in the invalidation of the patent claim at issue,<sup>38</sup> whereas the reverse doctrine of equivalents merely “defeat[s] the patentee’s action for infringement,” leaving the patent claim valid.<sup>39</sup> That less sweeping consequence may give the reverse doctrine of equivalents a unique, useful role supplementing the Section 112 doctrines (as they evolve). Reinvigoration of the doctrine in patent litigation could help allow improved technology reach the public, in spite of attempts at hold up.

## CONCLUSION

*KSR* reinforces the point that the FTC established in its first report: that the burden of proof to overcome the presumption of validity is too high and warrants revisiting. The FTC should again make clear that that heavy burden is unwarranted. At a minimum, any FTC report on the 2008-09 IP hearings should restate the skepticism of its 2003 report on this issue, so that readers are not left with the erroneous impression that the agency feels the issue has been somehow rectified or that the problem is not as great now as it was in 2003.

Moreover, NPEs’ disruption of commercializers’ ability to practice their inventions and bring them to the public can seriously injure innovation and competition. The proper exercise of legal doctrines that are already part of the fabric of patent law – independent invention as an obviousness factor, and the reverse doctrine of equivalents – can protect commercializers from undue threats to their ability to practice their inventions and make them available to the public.

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<sup>37</sup> *Tate Access Floors v. Interface*, 279 F.3d 1357 (Fed. Cir. 2002).

<sup>38</sup> 35 U.S.C. 282 (“The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: ... (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title ...”).

<sup>39</sup> *Roche Palo Alto*, 531 F.3d at 1377 (quoting *Graver Tank*, 339 U.S. at 608-09).