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Court Urged To Overturn Rules Making Juries The Arbiters Of Patent Validity

(Hyundai Motor America, Inc. v. Clear With Computers, LLC, No. 13-296)

The Washington Legal Foundation (WLF) this week urged the U.S. Supreme Court to review (and ultimately overturn) a decision of the U.S. Court of Appeals for the Federal Circuit that affirmed a jury verdict upholding the validity of a patent on a method of conducting business.

In a brief filed in *Hyundai Motor America, Inc. v. Clear with Computers, LLC*, WLF charged that the Federal Circuit acted in accordance with longstanding rules that have the effect of making juries the final arbiters of patent validity – even though it is well established that the validity of a patent is a question of law that is to be decided by judges, not juries. WLF argued that the Federal Circuit’s rules have facilitated the efforts of patent trolls to demand tribute from broad swaths of the American business community based on patents of questionable validity.

“Patent trolls frequently assert weak patents that claim, as here, methods of conducting business that are commonly employed by large numbers of companies. The Federal Circuit’s rules unfairly bias jurors in the direction of upholding those weak patents,” said WLF Chief Counsel Richard Samp after filing WLF’s brief. “We are concerned that if those rules remain in place, companies will conclude that the task of demonstrating the invalidity of weak patents is too burdensome and that paying tribute to ‘patent trolls’ is the most sensible course of action,” Samp said.

The patent at issue in this case describes a method for presenting consumers with computer-generated, customized sales proposals that are tailored to the previously-expressed interests of each consumer. On the very day that the patent was issued in 2009, the patentee filed a patent infringement suit against Hyundai, claiming that Hyundai’s website practiced a sales promotion method that infringed the patent. The patentee also claimed that scores of other major companies infringed the patent, and many of them have purchased a license from the patentee rather than following Hyundai’s path: challenging the patent as invalid for obviousness.

Federal patent law provides that a patent challenger does not meet its burden of persuasion on the issue of patent invalidity unless it introduces “clear and convincing” evidence of invalidity. The Supreme Court has made clear that the “clear and convincing” standard applies only to issues of fact, not to issues of law and not to the application of facts to the appropriate legal standards. Nonetheless, Federal Circuit case law permits a trial court to submit the legal issues of patent “invalidity” and “obviousness” to the jury for determination, and the trial court need not instruct the jury regarding what factual determinations it needs to make before rendering a “not invalid” verdict, nor even instruct the jury that the “clear and convincing” standard should not be applied to its ultimate conclusion regarding patent validity. The Federal Circuit’s rules further bias patent trials in the direction of upholding a patent’s validity by presuming on appeal that a jury rendering a

“not invalid” verdict has determined every issue of fact in favor of the patentee – even when, as here, an appellate court has no way of knowing whether the jury actually made those factual determinations.

The jury in Hyundai’s case was not instructed that the “clear and convincing” standard does not apply to obviousness, invalidity, and other issues of law. Its verdict concluded that the patent was both valid and infringed, and the trial judge entered a substantial monetary judgment after presuming that the jury must have decided all relevant facts in the patentee’s favor. The Federal Circuit affirmed the judgment without issuing an opinion, presumably because the district court had proceeded in accordance with the Federal Circuit’s longstanding rules governing patent trials.

In its brief urging the Supreme Court to review the case, WLF argued that the Federal Circuit’s longstanding approach to distinguishing issues of fact and issues of law has the effect of making juries the final arbiters of patent validity. WLF argued that that approach is inconsistent with the Court’s recent decision in *Microsoft v. i4i Ltd.* and, in particular, with Justice Breyer’s concurring opinion in *i4i Ltd.*, in which he cautioned trial courts to keep the “clear and convincing” standard within its proper legal bounds by instructing jurors that the standard does not apply to issues of law. Justice Breyer stated that in the absence of such an instruction, jurors were likely to allow the “clear and convincing” standard to improperly color their verdicts on obviousness and validity. WLF also asserted that the Federal Circuit’s presumption -- that when a jury renders a “not invalid” verdict, it has decided all factual issues in favor of the patentee -- directly conflicts with decisions of two other appeals courts.

WLF is a public interest law and policy center with supporters in all 50 states. WLF devotes a substantial portion of its resources to promoting economic liberty and a limited and accountable government. WLF regularly participates in cases raising important patent law issues.

For further information, contact WLF Chief Counsel Richard Samp, (202) 588-0302. A copy of WLF’s brief is posted on its web site, www.wlf.org.