THE THIRD-PARTY EFFECTS AND BURDEN OF PROOF FOR PATENT VALIDITY IN CIVIL LITIGATION: A COMPARATIVE STUDY BETWEEN TAIWAN AND THE UNITED STATES

Fa-Chang Cheng*
Associate Professor
Graduate Institute of Science and Technology Law,
National Kaohsiung First University of Science and Technology (Taiwan)

&
Judge Chun-Lin Li†
Kaohsiung District Court (Taiwan)

ABSTRACT

The objective of this article is to resolve the possible waste of judicial resources in making patent-validity disputes in civil litigation, which is a major source of conflict in the modern intellectual property industry. By using an analogy, this review attempts to search for possible solutions for the current Taiwan legal system for resolving the patent-validity dispute by comparing against legislative and judicial experiences in the United States. This article provides two solutions for promoting the cost-efficiency in Taiwan patent-validity litigation. One solution is to recognize the defensive issue preclusion, but not the offensive issue preclusion, unless the plaintiff, who was not a part of the previous case and now uses the issue preclusion offensively, could not have easily been involved in the previous case, and the assertion of offensive issue preclusion would not be unfair to the defendant in the case. The other solution is the requirement of clear and convincing evidence to overthrow the presumptive patent validity in the litigation. To adequately permit the third-party effects and enhance the burden of persuasion (proof) for challenging the issued patent in civil litigation, Taiwan could progress to achieve the patent-economy goal.

Keywords: Patent-validity, litigation-economy, burden of persuasion, defensive issue preclusion, offensive issue preclusion

---

* Corresponding author; email: fachang1@hotmail.com. LL.B. 94’, School of Law, Soochow University; LL.M. 97’, Golden Gate University School of Law; J.D. 01’, Claude W. Pettit College of Law, Ohio Northern University.
† Graduate student, Graduate Institute of Science and Technology Law, National Kaohsiung First University of Science and Technology; LL.B. 05’, Department of Law, National Taiwan University.
I. Introduction

The complexity of patent litigation has been recognized as a dispute of facts in modern times. This phenomenon has not only boosted the tendency of respecting business strategies, but also indicates the importance of litigation efficiency. In a patent civil litigation, the dispute of patent validity always takes the crucial role for litigation efficiency. The third-party effects and the burden of proof are two important types of legal perspectives on patent validity contention regarding litigation efficiency. This article presents a general description of these U.S. theories and their contemporary application in patent-validity litigation. After demonstrating the ways to achieve litigation efficiency in the United States, the article reviews the counterpart regulations and judicial decisions in Taiwan. The comparison between Taiwan and the United States for the third-party effects and burden of proof in patent-validity civil litigation would lead to the conclusion that a better policy choice for Taiwanese authorities is to act in accordance with the actions of the United States. Although the structure of the legal system in Taiwan may not be the same as that of the United States, the fundamental jurisprudence for promoting litigation efficiency is no different between the two nations. A review of this article shows that practical measurements to realize litigation-efficiency thinking are also operational in both sovereign entities. By enhancing the efficiency to settle the patent-validity dispute in a patent litigation, the legal protection of patent rights should be expected to operate more smoothly and efficiently. Therefore, a review of legal principles for the litigious third-party effects and burden of proof in Taiwan and in the United States constitutes the primary dissertation in this article.

II. The Third-Party Effects to the Patent Validity both in United States and Taiwan Civil Litigation

A. The Third-Party Effects to the Patent Validity in United States Litigation

The legal doctrine of Res Judicata controls the legal effects to a final judgment. Two levels of interpretation are contained in the broad meaning of Res Judicata: claim preclusion and issue preclusion (collateral estoppel). Claim preclusion confirms the legal effects of a final legal judgment to the

---

3 See DAVID CRUMP ET AL., CASES AND MATERIALS ON CIVIL PROCEDURE 677 (3rd ed. 1998).
same (substantially the same) claim between the same (substantially the same) parties. Regarding the principle of claim preclusion, no serious contention to the appropriateness of applying the principle occurs. Even the application of claim preclusion would generate the closely connected third party covered by the legal effects of a judgment; the close connection seems to justify the third-party involvement. The standard to decide on the issue preclusion would be relatively different, where one party may not be involved with the previous case from which the previously concluded issue is borrowed. In patent litigation, to apply the doctrine of issue preclusion, one party of the case asserts the conclusion to the dispute of patent validity in a previous case, which may not involve all parties or have them closely connected. To be fair to the disadvantageous party against which the preclusion issue goes in order to advance litigation efficiency, U.S. courts developed several legal review principles, which are described as follows.

First, other than the previously decided issue having to be essential to the previous case, the disadvantageous party, by applying the doctrine of collateral estoppel in the current case, must be guaranteed to have a “full and fair opportunity” to litigate in the previous case. The policy thinking supporting the “full and fair opportunity” requirement in the doctrine of collateral estoppel is stipulated as follows: “It is not fair to permit a party to re-litigate an issue which has previously been decided against him in a proceeding in which he had a fair opportunity to fully litigate the point.” For example, to stipulate the general criteria in deciding the “full and fair opportunity” requirement for previous invalid-patent decision preclusion to a patentee, the Supreme Court revealed five considerable factors in a 1971 decision, as follows: (1) whether the patentee in a later case is the plaintiff in the previous case and also has the initiative to choose the time and venue in the previous case; (2) whether the patentee participates fully through the previous proceeding and is fully prepared; (3) whether the previous judicial decision for patent validity is legally sound; (4) whether the previous patent-validity judgment grossly neglects the patent specifications and related disputes; and (5) whether the deprivation of offering primary witnesses or evidence to patent validity that is not attributable to the patentee has occurred in the previous case.

4 See id. at 683.
8 Id. at 808.
9 See Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found., 402 U.S. 313 (1971).
The general thought of litigation efficiency in fairly applying the doctrine of issue preclusion to the current disadvantageous party is also related to how the doctrine would be applied, especially if the asserting party is not involved, or substantially related, to the previous case.

In applying the issue preclusion doctrine, two litigation approaches are plausible: offensive or defensive use of issue preclusion. The offensive use of issue preclusion, which is also named offensive collateral estoppel, is where a litigant attempts to impose a previous favorable concluding issue to the opposing party who is also involved in the previous case. The defensive use of issue preclusion, which is also named defensive collateral estoppel, is where a litigant attempts to avoid a previous favorable concluding issue for the opposing party who was also involved in the previous case.

Explained in a 1979 case, the Supreme Court announced its opinion on the relationship between the doctrine of issue preclusion and the choice of offensive or defensive litigation strategy. Parklane Hosiery Co. (the defendant in the current case) lost a litigation case against the Securities and Exchange Commission (SEC) for the charge of material false and misleading statement to shareholders. In the following stockholders’ derivative action, the stockholders’ part attempted to convince the court to collaterally estop the issue of the material false and misleading statement to shareholders in the current case. The issue preclusion strategy used in the case is actually offensive because the court “must determine whether a litigant (stockers, in the current case) who was not a party to a prior judgment may nevertheless use that judgment offensively to prevent a defendant (Parklane Hosiery Co., in the current case) from re-litigating issues resolved in the earlier proceeding.” After expressing the opinion that the mutuality requirement is not required in an issue preclusion case, the Supreme Court set forth two reasons to support the position that the defensive use of issue preclusion is more appropriate to justify the doctrine when the party attempting to estop is not covered in the previous case. The first supporting argument presented by the Supreme Court is that the defensive use of issue preclusion, not the offensive use, is the primary motivation to the estopped party in the current case to bring all possible defendants in the previous case.

The application of offensive issue preclusion would expect to create a considerable number of litigation because the prior litigant can take advantage of the favorable judgment, instead of bringing in all potential defendants, but is not bound by the unfavorable judgment. The second supporting argument presented by the Supreme Court is that the prior litigant

---

11 Id. at 326.
12 See id. at 329-330.
might suffer by the ensuing litigation with different plaintiffs. The prior litigant loses the previous litigation without defending vigorously because of being inadvertent of the potential seriousness of an oncoming litigation based on the same crucial issue. The Supreme Court made the conclusion that “in case where a plaintiff could easily have joined in the earlier action or where…the application of offensive estoppel would be unfair to a defendant, a trial judge should not allow the use of offensive collateral estoppel.”

After reviewing the judicial decisions to achieve litigation efficiency mentioned in this section, other than the claim preclusion doctrine, the issue preclusion doctrine includes two types of legal review: (1) The disadvantageous party should have a full and fair opportunity to litigate in the previous case from which the issue conclusion is borrowed; and (2) the current party, not participating in a previous case, can generally use the concluding issue in such a case defensively against the other party, who is also involved in the previous case as one party. To offensively assert the doctrine of issue preclusion by the plaintiff, not included in the previous case, the defendant, involved in the previous case where the issue has been concluded, should not be bound unless the plaintiff cannot easily join the previous action, and the application of the issue preclusion doctrine would not be unfair to the defendant judged by the facts of the case. In typical patent infringement litigation, the defendant can always use a previous invalid-patent decision as a defense against the patentee involved in the previous case. However, the patentee cannot use the previous valid-patent decision as an offense to the other party in the current case.

B. The Third-Party Effects to the Patent Validity in Taiwan Civil Litigation Based on the Intellectual Property Case Adjudication Act and its Regulations

After the enactment of the Intellectual Property Case Adjudication Act in Taiwan with the establishment of the Intellectual Property Court, all cases primarily involving disputes of intellectual property shall be reviewed by the legal standard, presented in the act and ensuing regulation. According to the following regulation, Article 34 of the Intellectual Property Case Adjudication Rules, enacted pursuant to Article 16 of the act, the conclusive legal determination of intellectual property validity has the following legal effects:

---

13 See id. at 331; see also Byron G. Stier, Another Jackpot (In) Justice: Verdict Variability and Issue Preclusion in Mass Torts, 36 PEPP. L. REV. 715, 716 (2012).
Where in a final judgment of an intellectual property civil action that substantively found on the issue as to whether an intellectual property right shall be cancelled or revoked...the same party raised a claim or defense contrary to the gist of the final judgment on the basis of the same basic facts, the court shall make its determination by deliberating on the relevant circumstances such as whether the above final judgment is obviously contrary to the laws and regulations, whether new litigation information emerges that may affect the outcome of the judgment, and the principle of good faith.  

In the provision’s appearance, the application of a previous legal conclusion to the validity of intellectual property would not be overthrown on the condition of no obvious legal violation or new sufficient evidence to rebut the existing conclusion. However, reading the legislative history quoting from one previous Supreme Court decision, the meaning of this provision seems, at least, to cause a dispute of whether the previous conclusive decision to the intellectual property validity should be applied. If the word “the same party” means “both of the same parties in the previous case,” the doctrine of Res Judicata or the issue preclusion to both of the same parties would apply in the current case. If the term “the same party” means “either of the same parties in the previous case,” the doctrine of Res Judicata or the issue preclusion to either one of the same parties (offensive or defensive) would apply in the current case. To interpret the meaning of “the same party” in Mandarin, the words could mean either “both of the same parties” or “one of the same parties.” In Mandarin, there is no difference in expressing between the plural and singular noun. Traditionally, the Supreme Court in Taiwan would apply the doctrine of issue preclusion only if both parties from the current case and the previous case, from which the conclusive issue is borrowed, are the same. The review of this article attributes this judicial reality to gravely influence the doctrine of Res Judicata, in which the conclusive claim decision binds the parties to the case. After enacting the Intellectual Property Case Adjudication Act, the dispute of whether the application of the issue preclusion doctrine should be limited to the same parties, in accordance with the traditional judicial opinion rooted in Taiwan’s Civil Procedure. The majority opinion seems more likely to lean

---

16 See Supreme Court Civil Decision 2003 Tai Shang Zi No. 315 (Taiwan) [最高法院民事判決 92 年度台上字第 315 號].
17 See Supreme Court Civil Decision 2012 Tai Shang Zi No. 994 (Taiwan) [最高法院民事判決 101 年度台上字第 994 號].
positively toward the dispute by interpreting Article 1 of the Intellectual Property Case Adjudication Act, which reads, “Intellectual property cases shall be adjudicated pursuant to this Act. For matters not provided for under the Act, the law applicable to civil, criminal or administrative actions, as the case may be, shall govern.” Furthermore, the regulation clearly states that, in civil intellectual property litigation, the third-party effects to the conclusive judicial decision would not exist regarding the intellectual property validity in the case. The pertinent part of the regulation in Article 29 reads as follows:

The court should overrule any independent action filed by a party to an intellectual property civil action, any concurrent claim by the party in the civil action for a judgment establishing the legal relationship against the adverse party, or any counter claim by said party, with respect to the disputed issue over the validity of an intellectual property right or over whether an intellectual property right shall be canceled or revoked, due to inconsistency with the purpose of Article 16 of the Act.

Reviewing the regulation in the Intellectual Property Case Adjudication Rules and the majority opinion given to the interpretation in the Civil Procedure through an analogy altogether, the meaning of “the same party” represents “both of the same parties in the previous case” when applying the doctrine of issue preclusion. Conversely, opponents who go against the ideal may raise the following counterarguments. First, the traditional judicial decisions in the civil procedural dispute of issue preclusion are not included in the meaning of Article 1 of the Intellectual Property Case Adjudication Act—for matters not addressed under the Act, the law applicable to civil, criminal, or administrative actions, as the case may be, shall govern. Therefore, the meaning of “the same party” in the act is not bound by this decision in the Civil Procedure. Second, Article 29 in the Intellectual Property Case Adjudication Rules only prohibit parties in an intellectual property civil litigation case to establish an independent cause of action for the dispute of intellectual property validity, and nothing is stated regarding the third-party effects of concluding intellectual property validity for the ordinary cause of action in an intellectual property litigation. Because the meaning of “the same party” remains under debate, reviewing case decisions from the Intellectual Property Court held in recent years on how to interpret such a meaning would reveal diverse court opinions. Certain court decisions still insist on the traditional legal approach in interpreting the meaning of “the same party” as “both of the same parties in the previous case.”

18 See e.g., Taiwan Intellectual Property Court 2010 Min Zhuan Su Zi No. 191 [智慧財
are gradually accepting the possibility of expanding the doctrine of issue
preclusion to the third party, who is not a party of the previous case. A
review of these cases suggests that the detailed substance of applying the
issue preclusion doctrine to the third party still requires more sophisticated
shaping, and the U.S operational experience of the issue preclusion doctrine
described in this section could support further development of the doctrine of
issue preclusion in Taiwan.

III. The Burden of Proof to the Patent Validity both in U.S. Civil
Litigation

A. The burden of proof to the Patent Validity in U.S. Litigation

The ensuing part introduces the process to establish the burden of proof
in an ordinary civil litigation, to lead to a further discussion on how to satisfy
the burden of proof in patent-validity litigation.

Generally, in civil litigation, if a factual dispute is turned over to the fact
finder to make a decision, the burden of proof is for a plaintiff to reach a
level of persuasion by the preponderance of evidence. This means that before
a plaintiff can convince the court (or jury) to hand down a judgment in favor
of him/her, the plaintiff must prove that there is at least 52% of a chance of
truthful statement in his/her assertion that the defendant is liable for
committing tortious activity. As mentioned above, the burden of persuasion is eventually imputed onto
the plaintiff. The burden of evidence, which means the process of bringing
counterevidence to reduce the credibility of the opposing argument—back
and forth—between parties during the trial or even in the prima facie case
stage, are burdens on both parties. The burden of proof is similar to the
burden of persuasion which is the precise description for burden of proof.
For the discussion in this article, the phrases “the burden of proof” and “the
burden of persuasion” are interchangeable, as mentioned in the context of the

---

19 See e.g., Taiwan Intellectual Property Court 2010 Min Zhuan Su Zi No. 122 [智慧財產法院 99 年度民專訴字第 122 號]; Taiwan Intellectual Property Court 2010 Min Zhuan Su Zi No. 135 [智慧財產法院 99 年度民專訴字第 135 號]; Taiwan Intellectual Property Court 2010 Min Zhuan Su Zi No. 161 [智慧財產法院 99 年度民專訴字第 161 號].


Regarding the topic of burden of persuasion in ordinary civil litigation, a plaintiff has the burden of persuasion (proof) in such a case by the preponderance of evidence. The general principle for the burden of persuasion (proof) may have variations. The principle of Res Ipsa Loquitur could reduce a plaintiff’s burden of persuasion (proof), shifting the burden of proof to a defendant or even relieving a plaintiff’s burden of persuasion (proof). The principle of Res Ipsa Loquitur is a variation to lift the burden of persuasion (proof) from the plaintiff’s perspective. Conversely, the requirement to prove something by “clear and convincing” evidence is to enhance the burden of persuasion (proof). Choosing which standard for the burden of persuasion (proof) would apply in a case is a public policy concern based on circumstances.

Reading from the general introduction to the legal theory of burden of persuasion (proof), the next step for this article is to inquire how the theory would be implemented into U.S. patent litigation. In an ordinary patent litigation, the patentee files a patent-infringement complaint against the alleged infringer, and the alleged infringer also files a counterclaim asserting that the patent is invalid. In this scenario, two actions are involved: the patent-infringement action and the patent-validity action. The original plaintiff in the case is the defendant in the patent-validity action, and the original defendant becomes the plaintiff in the patent-validity action. For convenience of the narrative, this article uses “the patentee-plaintiff” and “the infringer-plaintiff” to represent the claimants in the patent-infringing litigation and the counterclaim for patent invalidity, respectively.

In terms of the patent-validity litigation, in the United States two types of forums have the authority to govern a pending case: the Patent Trial and Appeal Board and the federal court. The Patent Trial and Appeal Board of the United States Patent and Trademark Office serves the function of a court. Although the dispute of patent validity could be raised by a third party in the Patent Trial and Appeal Board through derivation proceedings, which have substantial evidence to support the challenge of patent validity, this type of burden of persuasion (proof) might not be the same as the third party challenging the patent validity in an ordinary patent litigation. The
explanation for the possible disparity is that the Patent Trial and Appeal Board would know how to resolve the patent-validity dispute better than an ordinary federal court because the judges on the board were once patent examiners in the United States Patent and Trademark Office. This factual description also elucidates why the legislative and judicial opinions all intend to enhance the burden of persuasion (proof) in the infringer-plaintiff to rebut the presumed patent validity, and simultaneously achieve the goal of a litigation economy in an ordinary civil litigation. The next part of this section presents the contemporary legislation and judicial decision to the burden of persuasion (proof) in the U.S. patent-validity dispute. Further explanation of how the burden of persuasion (proof) functions in the real patent infringement case and a related discussion vindicates the articulation of this article.

To a patentee-plaintiff, patent validity is presumed according to the pertinent provision in federal legislation, as follows:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent forms) shall be presumed valid independently of the validity of other claims ….

The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.29

This provision in federal legislation actually gives the benefit of doubt regarding patent validity to the patent owner. The presumption of patent validity to the patentee-plaintiff also presents a foreseeable prediction that the federal court would find it difficult to overturn the legal presumption. In the leading case made by the Supreme Court in 1934,30 the Court clarified that whenever an infringer-plaintiff attempts to overthrow the patent-validity presumption, the burden of proof for the infringer-plaintiff should be able to reach the level of “clear and convincing” evidence, to sustain the patent-invalidity counterclaim.

The legislative design and judicial opinion for the burden of proof (persuasion) in the dispute of patent validity reveal the general policy consideration that, once the dispute is no longer to be decided by the United States Patent and Trademark Office, this dispute should not be easily raised again. The policy thinking behind the legislative and the judicial decisions presents not only the respect of the creditability of the authorities (the United States Patent and Trademark Office), but more important, the litigation

30 See Radio Corp. of Am. V. Radio Eng’g Lab., 293 U.S. 1, 2 (1934).
economy without wasting judicial resources.

**B. The burden of proof to the Patent Validity in Taiwan Civil Litigation**

The legal system in Taiwan recognizes the same concepts, such as the burden of proof, the burden of evidence, or even the burden of persuasion (proof), in the manner of the legal system in the United States. As indicated in Article 1 of the Intellectual Property Case Adjudication Act, the trial for intellectual property disputes should follow the rules enacted within the Act, including the dispute of patent validity. If no appropriate guideline can be found in the Intellectual Property Case Adjudication Act and its regulations, “the law applicable to civil, criminal or administrative actions, as the case may be, shall govern”-according to Article 1 of the Act.

Under Article 277 of the Civil Procedure and one judicial opinion, the general principle of burden of persuasion (proof) and the concept of *Res Ipsa Loquitur*, as what exists in the U.S. legal system, are substantially embodied, at least assumed, in Taiwan’s legal system. Certain cases actually explicitly express the same or similar phrase of “by the preponderance of evidence” in the content of court judgment. From the burden of persuasion (proof) to the patent-validity dispute in Taiwan civil litigation, the position taken in this article regarding the burden of persuasion (proof) to the dispute of patent validity in a civil litigation is to act in accordance with the United States.

By enhancing the burden of persuasion (proof) for the patent-validity dispute in an infringer-plaintiff civil litigation, the litigation economy could be achieved. This enhancement of the burden of persuasion (proof) to the patent-validity dispute in civil litigation also represents the judicial tradition of respecting the decision of the governmental agency. Even the Intellectual Property Case Adjudication Act requires that disputes be decided by the court where the litigation is pending; the judicial tradition in this content still exists in the act to an extent.

In addition, after the court decision of KSR followed by the Taiwan Intellectual Property Office, the raised requirement for reviewing the

---

31 *See* Supreme Court Civil Decision 2010 Tai Shang Zi No. 408 (Taiwan) [最高法院民事判決 99年度台上字第 408 號].

32 *See e.g.*, Supreme Court Civil Decision 1984 Tai Shang Zi No. 2174 (Taiwan) [最高法院民事判決 73 年度台上字第 2174 號]; Taiwan Taichung District Court Civil Decision 2008 Su Zi No. 313 [臺灣臺中地方法院民事判決 97年度訴字第 313 號]; Taiwan Taoyuan District Court Civil Decision 2002 Zhong Su Zi No. 279 [臺灣桃園地方法院民事判決 91年度重訴字第 279 號]; Taiwan Taipei District Court Civil Decision 1998 Jian Shang Zi No. 98 [臺灣臺北地方法院民事判決 87年度簡上字第 98 號].

non-obvious element in the patent-validity dispute tends to cause substantial patent-validity disputes in the court, and the enhancement of the burden of proof to the patent-validity dispute is expected to help reduce the number of filed cases.

IV. Conclusion

In modern times, patent disputes have been intensely litigated, mostly for business purposes. Most parts of patent litigation are additionally complicated because of the sophisticated nature of technology. The controversy of patent validity has been the core in most, or at least some, patent litigation. When encountering complex and heated disputes of patent validity, the court could apply rules to avoid wasting unnecessary judicial resources in a trial process.

This article provides two types of legal principles in the process of civil litigation within the United States, which the legal system of Taiwan can adopt. The first is the third-party effects on the previous conclusive judicial decision to a civil patent-validity dispute. The offensive issue preclusion to be against the disadvantageous defendant, who was involved in the previous patent litigation, would not be allowed unless the plaintiff cannot join easily in the previous action, and the application of the issue preclusion doctrine would not be unfair to the defendant judged by the facts of the case. The second is the burden of proof (persuasion) for the patent validity dispute in civil litigation. The U.S. legislative design and judicial opinion for the burden of proof (persuasion) in the dispute of patent validity show the general policy consideration that, once the United States Patent and Trademark Office no longer has any power over the dispute, it should not be raised again easily. The policy thinking behind the legislative and the judicial decisions presents not only the respect of the creditability of the authorities (the United States Patent and Trademark Office), but more important, a litigation economy without unnecessarily wasting judicial resources.

Cited as: