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The Supreme Court Reaffirms the Clear-and-Convincing Standard for Patent Invalidity

In *Microsoft v. i4i* (S. Ct., June 9, 2011), the Supreme Court unanimously affirmed that clear and convincing evidence is needed to prove the invalidity of a U.S. patent. The Court rejected Microsoft's requests to apply the lower preponderance-of-evidence standard, either in general or at least when a fact finder considers evidence not before the U.S. Patent and Trademark Office (PTO).

Background and Jury Instructions in the Lower Court Proceedings

Plaintiff i4i is the owner of a patent for an improved method for editing computer documents. In 2007, it sued Microsoft for infringement based on the operation of certain Microsoft Word products. Microsoft contended i4i's patent was invalid in light of i4i's sale of "S4" software before i4i filed its patent application. Although there was no dispute on when the sale took place, the parties disagreed as to whether the S4 software embodied the claimed invention.

Because the S4 technology was not before the PTO during prosecution of i4i's patent, Microsoft advocated the following jury instruction on burden of proof:

Microsoft's burden of proving invalidity and unenforceability is by clear and convincing evidence. However, Microsoft's burden of proof with regard to its defense of invalidity based on prior art that the examiner did not review during the prosecution of the patent-in-suit is by preponderance of the evidence.

The trial court rejected Microsoft's proposed instruction in favor of an instruction that required clear and convincing evidence to show invalidity based on all prior art, irrespective of whether it was before the PTO. The jury rejected Microsoft's invalidity defense and awarded i4i more than $200 million in damages. The Federal Circuit concluded the trial court's jury instruction was not erroneous.

The Supreme Court Affirms the Clear-and-Convincing Evidentiary Standard

In an opinion by Justice Sotomayor, the Court reviewed 35 U.S.C. 282, which in relevant part provides: (1) "A patent shall be presumed valid"; and (2) "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." Congress did not articulate the force of the presumption in the statute. The Court concluded, however, that the term *presumed valid* is a common-law term that had a settled meaning when 282 was enacted. It noted that *Radio Corp. of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934) ("*RCA*") had held that, for patents, "there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence." As a result, the *i4i* Court decided that *presumed valid*, as used in 282, meant that a defendant raising an invalidity defense bore "a 'heavy burden of persuasion,' requiring proof of the defense by clear and convincing evidence."

According to the Court, "*RCA* leaves no doubt that attached to the common-law presumption of patent validity was an expression as to its 'force,' that is, the standard of proof required to overcome it." The Court presumed Congress meant to incorporate the heightened standard of proof found in the common law and, rejecting a variety of policy arguments raised by Microsoft and some amici, concluded that any "recalibration" of the standard of proof must be made by Congress.

The Standard Is Constant, but Not All Evidence Is Equal

Much of the uncertainty leading up to the *i4i* decision derived from language in the Supreme Court's recent decision in *KSR International Co. v. Teleflex Inc*., 550 U.S. 398 (2007) ("*KSR*"). *KSR* stated that, when evidence before the fact finder was not

before the PTO during procurement, "the rationale underlying the presumption-that the PTO, in its expertise, has approved the claim-seems much diminished." In *i4i*, the Supreme Court harmonized *KSR* with its conclusion that the statute requires a clear-and-convincing standard of proof of invalidity. New evidence supporting an invalidity defense may "carry more weight" before the fact finder than evidence previously considered by the PTO. As articulated by Judge Rich in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984):

When new evidence touching validity of the patent not considered by the PTO is relied on, the tribunal considering it is not faced with having to disagree with the PTO or with deferring to its judgment or with taking its expertise into account. The evidence may, therefore, carry more weight and go further toward sustaining the attacker's unchanging burden.

Thus, the judgment of the PTO "may lose significant force" if the PTO did not have all material facts before it, and the challenger's burden to persuade the jury of invalidity may be easier to sustain. The clear and convincing standard, however, remains "constant and never changes."

Jury Instructions

The Court advised that jury instructions may be formulated for situations where evidence before the fact finder was not before the PTO. For example, "the jury may be instructed to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent." The jury may also be instructed to consider whether evidence presented to it differs from that evaluated by the PTO. In either case, the jury may be instructed to "evaluate whether the evidence before it is materially new, and if so, to consider that fact when determining whether an invalidity defense has been proved by clear and convincing evidence." The Court noted, no doubt to Microsoft's disappointment, that seeking such instructions on appeal is "far too late."

The Concurrences

Justice Thomas wrote a separate concurrence in the judgment of the Court, but he did not accept its reasoning. In finding the statute silent as to the standard of proof, he concluded *RCA* was therefore controlling.

Justice Breyer's concurrence, which was joined by Justices Scalia and Alito, addressed certain limitations of the majority decision. Although these concurring Justices joined the Court's reasoning in full, Justice Breyer emphasized that standards of proof and persuasion apply only to questions of fact, not to questions of law. Questions of fact include when a product was first sold or whether a prior art reference was published. On the other hand, questions of law include whether the given facts show a product was in "public use" or whether an invention was novel and nonobvious. Justice Breyer suggested that courts "can help to keep the application of today's 'clear and convincing' standard within its proper legal bounds by separating factual and legal aspects of an invalidity claim, say, by using instructions based on case-specific circumstances that help the jury make the distinction or by using interrogatories and special verdicts to make clear which specific factual findings underlie the jury's conclusions." He added, "By preventing the 'clear and convincing' standard from roaming outside its fact-related reservation, courts can increase the likelihood that discoveries or inventions will not receive legal protection where none is due."

What This Means to You

With *Microsoft v. i4i*, the Supreme Court confirmed the status quo, that the clear-and-convincing standard is the single standard for proving patent invalidity. The Court acknowledged, however, that the burden of proof may be easier to meet when evidence touching the validity of the patent was not considered by the PTO. The Court has suggested that the lower courts and litigants consider using both jury instructions and special jury interrogatories. That suggestion may have a material and lasting impact on patent litigation practice. Whether you are seeking to enforce your patent rights or to defend against a charge of infringement, if you have questions about *i4i*, please give us a call.