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Microsoft Asks Supreme Court to Ease Burden to Invalidate Patents

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This spring, the Supreme Court will hear arguments in a \$240 million dispute between Microsoft, and i4i LP. The dispute has generated much buzz in the legal world, both because of the large judgment and the potential sea change that may result from the decision the Supreme Court has been asked to render.

i4i owns a patent on an invention for editing custom XML, a computer language that is used to insert metatags into documents. Microsoft Word was found to willfully infringe the i4i patent by a jury, and the Federal Circuit affirmed the monetary judgment and permanent injunction against Microsoft.

The Supreme Court agreed to hear Microsoft's appeal. Although Microsoft battled this case on many fronts in the lower courts, the only question the Supreme Court will consider is: Whether the Federal Circuit erred in holding that Microsoft's invalidity defense must be proved by clear and convincing evidence. The Supreme Court appeal centers on a Microsoft invalidity defense that was based on prior art that was not considered by the USPTO during the prosecution of the patent in suit.

The clear and convincing burden has long been a stalwart of patent validity disputes. Microsoft is now asking the Supreme Court to lower that burden in litigation to a preponderance of the evidence, in cases where the most relevant prior art was not considered by the USPTO during prosecution.

Many corporate titans have weighed in with amicus briefs. Several high tech companies (including Intel, Google, Facebook, and Apple) sided with Microsoft, while the unusual troupe of Teva Pharmaceuticals, Generic Pharmaceutical Association and Cisco Systems are in favor of maintaining the higher clear and convincing rule.

One argument in favor of dropping the clear and convincing standard where the USPTO did not consider the most relevant prior art is that the default burden in civil cases is a preponderance of the evidence, and nothing in 35 U.S.C. § 282 says that it should be higher. Another argument is that neither the presumption of validity nor the deference owed to USPTO decisions by the courts would be diluted by a lower standard for invalidating based on prior art that the USPTO had never seen. One group of amici law professors went a step further and criticized the USPTO's ability to properly weigh even the art that it does consider—a strong hint that the professors, at least, would prefer a lower evidentiary burden at trial for all invalidity arguments, whether the prior art is old or new.

On the other hand, Teva and its co-amici argue that evaluating cases involving new, more relevant prior art with a lower burden during litigation will tempt patent applicants to flood the USPTO with relevant and irrelevant prior art during prosecution—and that current inequitable conduct law does not protect future infringers from this because it is extremely difficult to prove a patent applicant intended to deceive the USPTO.

Even if the Supreme Court lowers the clear and convincing standard, broad trends in patent practice (prosecution as well as litigation strategies, judgments and settlements) may take years to develop—if a patent challenger meets a new lower preponderance standard, no one can know if it would have met the old higher standard anyway. Thus, despite the frenzy of interest in this case, only time will tell how great the impact will be if the Supreme Court rules in favor of the lower standard.

i4i's brief is now due in March 2011, with oral argument to follow.