

ALERTS AND UPDATES

Supreme Court Affirms Heightened Burden of Proof to Invalidate Patents

June 10, 2011

Emphasizes Value of Evidence Presented to USPTO During Patent Prosecution

In a unanimous decision issued on June 9, 2011, the U.S. Supreme Court affirmed the Federal Circuit's holding in *Microsoft v. i4i Limited Partnership*¹ that clear and convincing evidence is required to overcome the presumption of validity to issued patents, codified in section 282 of the Patent Act. Although the Court affirmed the clear and convincing evidence standard, the Court also endorsed the Federal Circuit's qualification that evidence not considered by the U.S. Patent and Trademark Office (USPTO) during the prosecution of the patent may "carry more weight" than evidence before the USPTO.² As such, the ruling preserves a heightened standard to protect patent holders, but also encourages patent applicants to provide as much relevant information as possible to the USPTO.

The patent at issue claimed an improved method for editing computer documents.³ I4i sued Microsoft for willful infringement of the patent.⁴ Microsoft counterclaimed and sought a declaration that the patent was invalid. Microsoft argued that an i4i product (S4) anticipated the same invention as that claimed in the patent and that i4i had sold S4 in the United States more than one year prior to the filing of i4i's patent application. The date, subject of the sale, and the fact that this evidence was not considered by the USPTO were undisputed. The parties disputed whether the S4 software program embodied the invention claimed in i4i's patent.

This factual dispute turned predominantly on the testimony of S4's two inventors at trial, and the inventors of the patent-in-suit, because the source code for S4 had been destroyed several years prior to the suit. I4i, relying on precedent from the Federal Circuit, argued that the jury could only invalidate the patent if Microsoft proved its case by clear and convincing evidence. Microsoft countered that it only had to prove its case by a preponderance of the evidence because its evidence pertaining to the S4 software had not been presented to the USPTO. The district court agreed with i4i. The jury found that Microsoft willfully infringed the i4i patent and had failed to prove the patent's invalidity. The Federal Circuit affirmed and the Supreme Court granted certiorari to hear the dispute.

In its opinion delivered by Justice Sotomayor, the Court explained that its previous opinion in *RCA v. Radio Engineering Labs., Inc.*⁵ required "clear and cogent evidence" to invalidate a patent and concluded that Congress intended to codify the *RCA* meaning of "presumed valid."⁶ The Court noted that the *RCA* case "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,"⁷ and that *RCA*'s holding required "clear and cogent evidence" to invalidate an issued patent and did not restrict the application of this heightened standard of proof.⁸

The Supreme Court rejected Microsoft's alternative and cumbersome proposal that the presumption of validity be lessened for evidence that was not considered by the USPTO during prosecution of the issued patent.⁹ That proposal would have resulted in different evidentiary standards depending on whether particular information had been presented to the USPTO. Nevertheless, the Court did endorse the Federal Circuit's qualification that evidence not considered by the USPTO during the prosecution of the patent may "carry more weight" than evidence before the USPTO.¹⁰ Specifically, the Court noted that:

Simply put, if the PTO did not have all material facts before it, its considered judgment may lose significant force. And, concomitantly, the challenger's burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain. In this respect, although we have no occasion to endorse any particular formulation, we note that a jury instruction on the effect of new evidence can, and when requested, most often should be given. When warranted, the jury may be instructed to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent. When it is disputed whether the evidence presented to the jury differs from that evaluated by the PTO, the jury may be instructed to consider that question. 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.¹¹

Thus, the Court endorsed the Federal Circuit's qualification that "new evidence" of information not presented to the USPTO may "carry more weight" in an infringement action than evidence previously considered by the PTO."¹²

The Court's decision preserves nearly 30 years of Federal Circuit jurisprudence giving patent holders protection against invalidity arguments by imposing the heightened clear and convincing standard on challengers. Significantly, however, the decision reinforces the benefits of presenting as much evidence as possible to the USPTO when prosecuting a patent. Those seeking to invalidate patents will emphasize the evidentiary value of material not presented to the USPTO. This portion of the Supreme Court's decision may likely be the most heavily litigated as courts continue to work to fashion jury instructions to address the weight of such evidence.

For Further Information

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Notes

1. *Microsoft v. i4i Limited Partnership*, 2011 U.S. LEXIS 4376 (June 9, 2011).
2. *Id.*, at *34–35.
3. U.S. Patent No. 5,787,449.
4. I4i claimed that Microsoft infringed the patent by making and selling certain versions of Microsoft Word containing a custom XML editor that duplicated the invention set forth in i4i's patent.
5. *Radio Corp. of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934).
6. *i4i*, 2011 U.S. LEXIS 4376, at *17–20.
7. *Id.* at *21. (internal citation omitted).
8. *Id.* at *17.
9. *Id.* at *29–32.
10. *Id.* at *34.
11. *Id.* at *35–36 (internal citation omitted).
12. *Id.* at *34–36.

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