

# Supreme Court Unanimously Maintains High Hurdle for Invalidity Defense

June 10, 2011

Yesterday, the Supreme Court unanimously ruled<sup>1</sup> that an accused infringer must prove its invalidity defense by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P'ship*, --- S. Ct. --- 564 U.S. ---, 2011 WL 2224428, slip op. at 1, 16 (June 9, 2011).<sup>2</sup> In a case of first impression, the Court determined that this standard applies even when the United States Patent and Trademark Office ("Patent Office") did not consider the evidence of invalidity currently before the jury in the patent examination process. *Id.* The hurdle for proving invalidity historically has been high and now remains high.

According to Justice Sotomayor (who wrote for the majority), "Congress specified the applicable standard of proof in 1952 when it codified the common-law presumption of patent validity." *Id.* at 20. "Nothing . . . suggests that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case." This decision thus keeps in place decades of existing jurisprudence and will continue to allow patent owners to value their portfolios based on past practices. Although accused infringers can take certain steps to minimize negative effects of the clear-and-convincing standard, "[a]ny recalibration of the standard of proof" is now solely in the hands of Congress. *Id.*

## Historical Basis of Proving Invalidity

To receive patent protection, a claimed invention must meet the statutory requirements of patentability. The claimed invention, for example, must fall within certain patentable subject matter (§ 101), be novel (§ 102), be nonobvious (§ 103), and be disclosed in the patent application in sufficient detail to meet the enablement, best mode, and written description requirements (§ 112). Thus, the Patent Office issues a patent for a claimed invention only if its examiners determine that the claimed invention meets all of the statutory requirements. Once issued, a patent holder has the exclusive right to exclude others from using the claimed invention for the term of the patent.

An accused infringer, however, can escape liability for infringement by proving that the patent is invalid (*i.e.*, that the Patent Office should not have issued it in the first place). Under § 282, however, "[a] patent shall be presumed valid" and "[t]he burden of establishing invalidity of a patent . . . rest[s] on the party asserting such invalidity." 35 U.S.C. § 282. For over thirty years, the Federal Circuit has interpreted that section to require "a defendant seeking to overcome this presumption [to] persuade the factfinder of its invalidity defense by clear and convincing evidence." *Microsoft Corp.*, 2011 WL 2224428, slip op. at 3. According to Judge Rich, a principal drafter of the 1952 Patent Act, "Section 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker" by clear and convincing evidence. *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.3d 1350, 1360 (Fed. Cir. 1984). "That burden is consistent and never changes." *Id.*

## Microsoft Unsuccessfully Challenged Federal Circuit's Long-Standing Precedent

In 2007, i4i sued Microsoft claiming that Microsoft Word infringed its patent for an improved method for editing computer documents. *Microsoft Corp.*, 2011 WL 2224428, slip op. at 4. In addition to denying infringement, Microsoft argued that § 102(b)'s on-sale bar rendered i4i's patent invalid due to i4i's sale of a software program, S4, prior to the filing of the i4i patent application. *Id.* The parties agreed that i4i had sold the S4 program prior to the filing of the patent at issue but looked to the jury to determine whether S4 embodied the claimed invention. *Id.* Relying on the undisputed fact that S4 was never presented to the Patent Office, Microsoft objected to i4i's proposed instruction requiring the jury find proof of invalidity by clear and convincing

evidence. *Id.* In its place, Microsoft requested a jury instruction limiting its 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" to a "preponderance of the evidence." *Id.* at 6 (internal quotation marks and citation omitted).

The District Court rejected Microsoft's proposed instruction and instructed the jury that "Microsoft has the burden of proving invalidity by clear and convincing evidence." *Id.* (internal quotation marks and citation omitted). Based on this instruction, the jury found that Microsoft had willfully infringed i4i's patent and that Microsoft had failed to prove its invalidity defense. The Court of Appeals for the Federal Circuit affirmed, concluding that "the jury instructions were correct in light of [the] court's precedent, which requires the challenger to prove invalidity by clear and convincing evidence." i4i *Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 848 (Fed. Cir. 2010).

### Supreme Court Rejected Microsoft's Arguments—Invalidity Must Be Proved by Clear and Convincing Evidence

Microsoft sought certiorari from the Supreme Court as to (1) whether "a defendant in an infringement action need only persuade the jury of an invalidity defense by a preponderance of the evidence" and (2) whether "a preponderance standard must apply at least when an invalidity defense rests on evidence that was never considered by the [Patent Office] in the examination process." *Id.* at 5-6. The answer to both of Microsoft's questions is a clear and unqualified no.

In reaching this decision, the Court started with a common axiom of statutory interpretation: "Where Congress has prescribed the governing standard of proof, its choice controls absent 'countervailing constitutional constraints.'" *Id.* at 6 (citing *Steadman v. SEC*, 450 U.S. 91, 95 (1981)). It then asked the next logical question—"whether Congress made such a choice" when it enacted § 282. To answer this question, the Court first analyzed the plain language of statute. The Court noted that the statute "establishes a presumption of patent validity, and it provides that a challenger must overcome that presumption to prevail on an invalidity defense"; however, the Court recognized that "it includes no express articulation of the standard of proof." *Id.* Nevertheless, the Court concluded that Congress used the term "presumed valid" according to its settled meaning in the common law—a term encompassing "not only an allocation of the burden of proof but also an imposition of a heightened standard of proof." *Id.* at 7-8.<sup>3</sup>

"The common-law presumption, in other words, reflected the universal understanding that a preponderance standard of proof was too 'dubious' a basis to deem a patent invalid." *Microsoft Corp.*, 2011 WL 2224428, slip op. at 8. Accordingly, when Congress declared that a patent is "presumed valid," "the presumption encompassed not only an allocation of the burden of proof but also an imposition of a heightened standard of proof." *Id.* Based on this wide-spread understanding of the common law term, the Court refused to conclude "that Congress intended to drop the heightened standard of proof from the presumption simply because § 282 fails to reiterate it expressly." *Id.* at 9 (internal quotation marks and citation omitted). Rather, the Court concluded that it "'must presume that Congress intended to incorporate' the heightened standard of proof, 'unless the statute otherwise directs.'" *Id.* (quoting *Neder v. United States*, 527 U.S. 1, 23 (1999)). Simply put, "[t]he language Congress selected reveals its intent not only to specify that the defendant bears the burden of providing invalidity but also that the evidence in support of the defense must be clear and convincing." *Id.* at 12 n.7.

Notably, the Court rejected Microsoft's attempts to distinguish nearly century's worth of otherwise clear case law: "Squint as we may, we fail to see the qualifications that Microsoft purports to identify in our cases." *Id.* at 10. Likewise, the Court rejected Microsoft's argument that the Federal Circuit's interpretation of § 282 must fail, because applying that interpretation of the phrase "presumed valid" renders superfluous the statute's additional phrase, "[t]he burden of establishing invalidity of a patent . . . shall rest on the party asserting such invalidity." *Id.* at 12. Although Justice Sotomayor (writing for the majority) seems to agree with Microsoft that the Federal Circuit's interpretation renders some of the statute superfluous, the Court reminded Microsoft that

"the canon against superfluity assists only where a competing interpretation gives effect 'to every clause and word of a statute.'" *Id.* (citing *Duncan v. Walker*, 533 U.S. 167, 174 (2001)). The Court thus found the rule inapplicable here, where "no interpretation of § 282—including the two alternatives advanced by Microsoft—avoids excess language." *Id.* at 13.

In addressing Microsoft's second, more limited argument, the Court rejected Microsoft's request for a variable standard of proof:

Our pre-1952 cases never adopted or endorsed the kind of fluctuating standard of proof that Microsoft envisions. And they do not indicate, even in dicta, that anything less than a clear-and-convincing standard would ever apply to an invalidity defense raised in an infringement action. . . . Nothing in § 282's text suggests that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case.

*Id.* at 15-16.

### Accused Infringers Have Options

The accused infringer, however, is not without options. Although the Court steadfastly affirmed the heightened standard of proof, it recognized that "new evidence supporting an invalidity defense may carry more weight in an infringement action than evidence previously considered by the [Patent Office]." *Id.* at 17. Indeed, the Patent Office's judgment may lose significant force if it did not have all the material facts before it. *Id.* In turn, this may make it easier for the accused infringer to satisfy its burden (e.g., to use the new evidence to persuade the jury of a patent's invalidity by clear and convincing evidence). *Id.* Accordingly, if faced with new evidence of invalidity, an accused infringer should consider taking the following actions:

1. Request a jury instruction on the effect of new evidence not considered by the Patent Office. When requested, such an instruction "most often should be given." *Id.* "When warranted, the jury may be instructed to consider that it has heard evidence that the [Patent Office] had no opportunity to evaluate before granting the patented." *Id.*
2. If the parties dispute whether the evidence presented to the jury differs from the evidence previously before the Patent Office, seek an instruction mandating that the jury consider that question. *Id.* at 18. "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." *Id.* (citing *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1563-64 (Fed. Cir. 1993)).
3. Remember that the clear and convincing standard of proof is an evidentiary standard that applies only to questions of fact to the trial court. *Microsoft Corp. v. i4i Ltd. P'ship*, --- S. Ct. --- 564 U.S. ---, 2011 WL 2224428, at \*12 (June 9, 2011) (Breyer, J., concurring). Accordingly, separate "factual and legal aspects of an invalidity claim . . . by using instructions based on case-specific circumstances that help the jury make the distinction." *Id.* at \*13. In addition, use interrogatories and special verdicts "to make clear which specific factual findings underlie the jury's conclusions." *Id.* "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." *Id.*

### Conclusion

Despite Microsoft's valiant challenge, yesterday's unanimous opinion keeps the hurdle high for parties trying to show that a patent is invalid. Although accused infringers are not without their options, any modification of the clear and convincing standard itself now requires an Act of Congress.

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<sup>1</sup>All eight participating Justices concurred in the judgment. Justice Sotomayor delivered the opinion of the Court, in which Justices Scalia, Kennedy, Ginsburg, Breyer, Alito, and Kagan joined. Justice Breyer filed a concurring opinion, in which Justices Scalia and Alito joined. Although Justice Breyer joined the Justice Sotomayor opinion in full, he wrote separately to emphasize that the clear and convincing standard of proof applies only to questions of fact, not to questions of law. Justice Thomas filed an opinion concurring only in the judgment. According to Justice Thomas, the heightened standard of proof applies because § 292 is silent and therefore does not alter the common-law rule. Chief Justice Roberts took no part in the consideration or decision of the case.

<sup>2</sup>This case marks the third patent-law case released by the Supreme Court during the past two weeks. Earlier this week, the Court ruled that the Bayh-Dole Act does not eclipse inventors' rights. See *Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. ---, 2011 WL 2175210 (June 5, 2011). On May 31, 2011, the Supreme Court ruled that induced infringement of a patent required knowledge that the induced acts constituted patent infringement. See *Global-Tech Appliances, Inc. v. SEB S.A.*, --- S. Ct. ---, 2011 WL 2119109 (May 31, 2011). Each of these cases affirmed the Federal Circuit.

<sup>3</sup>Indeed, the Court concluded that by the time Congress enacted the 1952 Patent Act, "a common core of thought" unified the decisions of courts across the country:

"[O]ne otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance. If that is true where the assailant connects himself in some way with the title of the true inventor, it is so a fortiori where he is a stranger to the [claimed] invention, without claim of title of his own. If it is true where the assailant launches his attack with evidence different, at least in form, from any theretofore produced in opposition to the patent, it is so a bit more clearly where the evidence is even verbally the same."

*Id.* (citing *Radio Corp. of Am. v. Radio Eng'r Labs, Inc.*, 293 U.S. 1, 8 (1934)). As Justice Cardozo put it, "there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence." *Radio Corp. of Am.*, 293 U.S. at 2.