Will SCOTUS Rewrite the Standard for Patent Invalidity?

By Robert Ambrogi

The justices of the Supreme Court, in their questioning of Microsoft Corp. and i4i Limited Partnership attorneys, revealed frustration with the proliferation of bad patents and uncertainty over what to do about the problem. The outcome of the case, that suggests, is anything but certain.

For Microsoft, at issue in the case is the $290 million a jury ordered it to pay i4i after the Canadian company sued it in 2007 for violating its patent relating to Extensible Markup Language, or XML. But the court's ruling could have implications for patents of all kinds, and perhaps most significantly for patents in cutting-edge fields of technology and biotechnology.

The issue the Supreme Court must decide is the standard of evidence to be applied when a defendant in a patent infringement lawsuit raises the defense that the patent was invalid and therefore unenforceable. The U.S. Federal Circuit Court of Appeals has consistently held that the defense requires proof of invalidity by "clear and convincing evidence." In last week's argument, Microsoft argued that the correct standard is the one more commonly used in civil trials, the more lenient "preponderance of the evidence."

The three attorneys who presented the arguments in the hour-long hearing were among the elite of the Supreme Court bar. Arguing for Microsoft was former Deputy Solicitor General Thomas G. Hungar. Representing i4i was former Solicitor General Seth P. Waxman. Appearing on behalf of the United States, as *amicus curiae*, was Deputy Solicitor General Malcolm Stuart.

Microsoft Argues for a Lighter Standard

Hungar opened his argument by going straight to the core of Microsoft's contention. "The Federal Circuit's clear and convincing evidence standard ensures the enforcement of invalid patents, even though this court recognized in *KSR* (*KSR Int'l. Co. v. Teleflex, Inc.*) that invalid patents stifle rather than promote the progress of liberal arts." Because section 282 of the Patent Act does not expressly specify a heightened standard of proof, he asserted, the default preponderance standard should govern in all cases.

In quick succession, Justices Ruth Bader Ginsburg, Antonin Scalia and Elena Kagan all questioned Hungar on that point, noting that the heightened standard "made sense" to former Justice Benjamin Cardozo. In the court's 1934 opinion, *Radio Corporation of America v. Radio Eng'g labs, Inc.*, Justice Cardozo said that the law's presumption of patent validity could be overcome only by "clear and cogent evidence."

Hungar said his case is distinguishable from *RCA* because it involves evidence that the USPTO never considered. That prompted Justice Scalia to ask whether he was suggesting different rules for invalidity cases in which the USPTO had considered the evidence and those in which it had not.

“You can't keep shifting horses, now,” Scalia said. “Are you going to argue for all the time, in which case, you can appeal to the general rule that we always apply, or are you going to say, oh, yes, we won't apply it normally but only when the prior art hadn't been considered?”

Microsoft’s position, Hungar replied, is that the preponderance standard should apply in all cases.

Attempting to deflect from *RCA*, Hungar focused on the intent of Congress when it enacted the patent statute in 1952. “Regardless of the best reading of *RCA*, the question here is what did Congress do in 1952? And we know that Congress in 1952 could not possibly have understood the law to be an across-the-board clear and convincing evidence standard.”

“Well, Mr. Hungar,” Justice Kagan retorted, “it seems to me that *RCA* would matter, even under your view of the world, because if you think that Congress did not codify the existing state of the law as to the standard of proof and you think that section 282 was essentially silent as to the standard of proof, then the question is, What do we do? And one answer to that question is we go with our prior precedent, which is *RCA*.”

Justice Sonia Sotomayor asked Hungar about Microsoft’s failure to request the trial judge to instruct the jury that it could take into account the fact that the USPTO did not consider evidence in allowing the patent. “Why isn't that adequate to convey the point that you're trying to convey, that a jury should, in fact, consider that the PTO never got to see that prior art?”

Asking for such an instruction, Hungar answered, would not have solved the fundamental problem, “which is that when the patent office didn't even consider the evidence, it makes absolutely no sense … to have this heightened deference.”

Justice Stephen G. Breyer asked Hungar why the USPTO’s re-examination procedure was not a sufficient means to address those cases where the USPTO fails to consider evidence. Re-examinations are limited in scope, Hungar responded, and would not have addressed the types of evidence at issue in this case.

i4i Contends the Statute Codified the Stricter Standard

If the justices were tough on Microsoft’s counsel, they were not much easier on the attorney who argued for i4i, Seth Waxman. Waxman’s primary argument was that, with the 1952 statute, Congress intended to codify the law as it had developed in the courts.

“In 1952, Congress codified a long, uniform line of decisions from this court holding that the presumption of validity imposes a heightened burden of proof, a burden of proof that this court in *RCA* unanimously described as, quote, ‘clear and cogent evidence,’” Waxman argued. “And for the past 28 years, Congress has actively acquiesced in the Federal Circuit's consistent holding expressly drawn from RCA that the standard is clear and convincing.”

But Justice Samuel A. Alito pushed Waxman on that point. “If Congress wanted to impose a clear and convincing burden, why in the world would they not have said that expressly?”

The legislative history, Waxman responded, indicated that Congress expressly intended to codify the existing presumption of patent validity, including the Supreme Court's directive in *RCA* that the presumption should not be overturned "except by clear and cogent evidence."

Asked by Justice Ginsburg whether it would have been appropriate for the trial judge to instruct the jury that the evidence would carry more weight if it had not been presented to the USPTO, Waxman said yes. But Justice Scalia expressed concern that attempts to address the evidentiary issue through jury instructions could give rise to added litigation. "You're inviting the parties to litigate that issue."

Justice Ginsburg pressed Waxman on the question raised by Microsoft of why the law should give deference to the USPTO with regard to evidence it never considered. In response, Waxman emphasized that a patent is a grant of property rights that is specifically designed to invoke reliance and that the harm from a jury's erroneous determination in just a single case would be "hugely asymmetrical," vitiating the patent for all time.

That prompted Justice Breyer to interject: "In today's world, where nobody really understands this technology very well, a worse disaster for the country is to have protection given to things that don't deserve it because they act as a block on trade, they act as monopolies, and they will tie the country up in individual monopolies that will raise prices to consumers." Should these principles, he wondered, weigh in favor of the patentee or the challenger?

Congress resolved that issue, Waxman suggested, when it legislated the principle of giving deference to patents.

The Government Aligns Itself with i4i

The government's attorney, Malcolm Stewart, echoed many of the points made by Waxman on behalf of i4i.

"The court in *RCA* said a patent is presumed to be valid until the presumption has been overcome by convincing evidence of error," Stewart asserted. "The requirement of heightened proof was part and parcel of the presumption itself in the same way that I think most attorneys in this country would say that the requirement of proof beyond a reasonable doubt is part and parcel of the presumption of innocence in criminal cases."

When Congress wrote the patent act, he continued, it intended to codify the Supreme Court's holdings up to that point. "Congress acts against the background of existing law," he said.

But Justice Sotomayor questioned that assumption. "Counsel, the problem with your argument, assuming its validity, is why do you need the second sentence? If Congress was intending to sweep up in the use of the word 'presumption' the need to overturn it by clear and convincing evidence, why did you need the second sentence saying that the other side now bore the burden of persuasion?"

Court Seems Unlikely to Side with Microsoft

For observers reading the tea leaves of last week's Supreme Court arguments in the patent dispute between Microsoft Corp. and i4i Limited Partnership, most predict that the court is unlikely to side with Microsoft and change the long-established "clear and convincing" standard of proof for showing that a patent is not valid.

Attorneys and other commentators said it was difficult to predict, based on the arguments, how the court will decide the case. Many, however, seem to agree with *New York Times* reporter Adam Liptak, who described Microsoft's case as one that "faced significant headwinds." Not only did several justices suggest that Microsoft's arguments were at odds with the court's own precedent, Liptak noted, but also i4i had the advantages of the federal government on its side and victories in the lower courts.

Another who attended the arguments, Megan La Belle, assistant professor at the Columbus School of Law at Catholic University, sensed that the justices seemed unwilling to overturn decades of practice. "The principle of *stare decisis* is very powerful," she told a reporter for the *International Business Times*.

But Brent Kendall, who wrote about the arguments for the *Wall Street Journal*, thought that the justices' questioning revealed ambivalence. "Members of the court questioned whether Microsoft's position would weaken important patent protections for inventors," he wrote, "but they also appeared to share the software giant's concern that poor-quality patents were a drag on innovation."

The court is expected to issue its decision in the case by the end of June.

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