

Supreme Court Affirms Clear and Convincing Standard of Patent Invalidation Proof

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Delivering what is likely the final blow to its battle against a \$240 million infringement judgment, on June 9, 2011, the Supreme Court of the United States unanimously rejected Microsoft's plea to modify the clear and convincing evidence standard of proof required to invalidate a patent. Justice Sotomayor wrote the *Microsoft v. i4i* opinion with concurrences by Justices Breyer and Thomas.

The appeal stems from a 2009 jury verdict in the Eastern District of Texas that certain versions of Microsoft Word were found to infringe plaintiff i4i's patent related to editing and formatting XML documents. Microsoft challenged the validity of the patent, based on the §102(b) on-sale bar, by citing i4i's sales of a software product called S4 more than a year before applying for the asserted patent. The S4 product was never presented to the U.S. Patent and Trademark Office (USPTO) examiner.

In December 2009, the U.S. Court of Appeals for the Federal Circuit [squarely rejected](#) Microsoft's argument that the jury should have been instructed to apply a preponderance of the evidence standard of proof to the issue of patent invalidity. (The Federal Circuit [also rejected](#) Microsoft's request to reduce the willful damages award, partially due to Microsoft's failure to file a pre-verdict JMOL, or judgment as a matter of law.)

History

Microsoft petitioned the Supreme Court for certiorari to consider whether an accused infringer that challenges patent validity based on prior art not considered by the USPTO during prosecution must overcome the 35 U.S.C. §282 presumption of validity by "clear and concurring evidence" or whether some lower standard of proof will suffice. (*IP Update*, Vol. 13, No. 12)

The "clear and concurring" standard of proof has been used by Federal Circuit since its pronouncement in 1984's *American Hoist & Derrick v. Sowa & Sons*. Prior to the 1982 establishment of the Federal Circuit, most of the regional courts of appeal applied the less differential "preponderance" standard to the issue. However, the Federal Circuit, in setting its rule, took note of the "the deference that is due to a qualified government agency presumed to have properly done its job."

Microsoft, in its certiorari petition, was supported for review of the Federal Circuit standard of proof by 11 *amici* representing major corporations, law professors and trade associations. Most of the *amici* faulted the deference given to the USPTO examiners who have limited time and resources for the examination of any particular application, who examine applications on a strictly *ex parte* basis and who only infrequently consider non-patent prior art publication or prior products. The *amici* also note that juries already tend to give undue deference to the decision of the USPTO in issuing a patent, especially in cases where the technology is complex.

Microsoft and the *amici* characterized the Federal Circuit rule as inflexible and another “bright line” test, a characterization that has resulted in the reversal of several Federal Circuit rulings in recent history, including the *KSR* obviousness case, in which the Supreme Court, *in dicta*, noted that the rationale for showing deference to the USPTO was “much diminished” where the prior art in issue was not before the examiner.

Supreme Court Decision

In its analysis, the Supreme Court considered whether §282 established the invalidity standard of proof as requiring clear and convincing evidence given the “patent shall be presumed valid” and “[t]he burden of establishing invalidity ... rest[s] on the party asserting such invalidity” language contained in the statute. While §282 does not explicitly state the invalidity standard, the Supreme Court explained that the language used when the statute was enacted in 1952 was synonymous with the clear and convincing evidence standard that was part of the recognized common law, as described by Justice Cardozo in *Radio Corp. of America v. Radio Engineering Laboratories, Inc.* Accordingly, the court emphasized the opinion of Judge Rich, a primary author of the 1952 Patent Act, in *American Hoist & Derrick Co.*, where he wrote that under §282 the “burden is constant and never changes and is to convince the court of invalidity by clear evidence.”

The Supreme Court said this strict invalidity standard *always* applies, even when evidence before the fact-finder was not previously available to the USPTO during the examination process. “[H]ad Congress intended to drop the heightened standard of proof where the evidence before the jury varied from that before the PTO—and thus to take the unusual and impractical step of enacting a variable standard of proof that must itself be adjudicated in each case []—we assume it would have said so expressly.”

However the Supreme Court did suggest the use of tailored jury instructions. “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” and “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.”

Notably, the Supreme Court recognized that new evidence not considered by the USPTO during examination—like the S4 software product in issue here—may “carry more weight” at trial (*i.e.*, “the challenger’s burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain”) and, citing its earlier *KSR* decision, conceded that where prior art was not before the USPTO, “the rational underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished.” As the Supreme Court explained “if the PTO did not have all of the material facts before it, its considerable judgment may lose considerable 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.”

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