

# REPORT

## U.S. SUPREME COURT UNANIMOUSLY CONFIRMS THAT INVALIDITY CAN ONLY BE PROVED IN COURT BY CLEAR AND CONVINCING EVIDENCE

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On June 9, the U.S. Supreme Court issued a unanimous decision in *Microsoft Corp. v. i4i Limited Partnership*, confirming that patent invalidity can only be proved in court by clear and convincing evidence.

The Supreme Court affirmed the decision of the Federal Circuit explaining that the heightened clear and convincing standard for proving invalidity (1) is rooted in the common law, (2) was confirmed by the Supreme Court in *Radio Corp. of America v. Radio Engineering Labs., Inc.*, 293 U.S. 1 (1934) ("RCA"), and (3) was codified by Congress in 35 U.S.C. §282 without subsequent modification. The Supreme Court noted that, although only the presumption of validity is expressly recited in §282, the presumption "encompassed not only an allocation of the burden of proof but also an imposition of a heightened standard of proof."

Addressing Microsoft's argument that a lower preponderance standard should apply to invalidity evidence that was not before the USPTO, the Supreme Court noted that if Congress intended to modify the required standard of proof for such evidence it "would have said so expressly." Whether prior art was before the USPTO, the Court indicated, goes to weight of the evidence without modifying the required standard of proof.

Justice Breyer wrote a concurring opinion to emphasize that "the evidentiary standard of proof applies to questions of fact and not to questions of law." Justice Thomas wrote a concurring opinion that he does not believe that §282 codified a standard of proof, but that under the common-law rule, as endorsed in, *e.g.*, *RCA*, the heightened clear and convincing standard applies.

### I. Background

i4i Limited Partnership and Infrastructures for Information Inc. (collectively "i4i") sued Microsoft Corporation ("Microsoft") in the U.S. District Court for the Eastern District of Texas claiming that Microsoft's manufacture and sale of a software product infringed i4i's patent. Microsoft denied infringement and counterclaimed seeking a declaration that i4i's patent is invalid and unenforceable.

Microsoft claimed that the on-sale bar of 35 U.S.C. §102(b) renders the patent invalid based on i4i's sale of another software program, which was undisputedly on sale in the United States more than one year prior to the filing date of i4i's patent application. Although the parties disputed whether the prior software program embodied the invention claimed in i4i's patent, it was undisputed that the prior software program

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was not considered by the USPTO during examination of i4i's patent application.

At trial, Microsoft proposed a jury instruction to the effect that, while Microsoft's burden of proof of invalidity is by clear and convincing evidence, its burden "*based on prior art that the examiner did not review during the prosecution of the patent-in-suit* is by preponderance of the evidence." (Emphasis added). The district court rejected Microsoft's so-called "hybrid" standard of proof and simply instructed the jury that "Microsoft has the burden of proving invalidity by clear and convincing evidence." The jury found that Microsoft willfully infringed the i4i patent and failed to prove invalidity. The district court denied Microsoft's post-trial motions, rejecting Microsoft's assertion that the district court had improperly instructed the jury as to the standard of proof.

On appeal, the Federal Circuit relied on its long-settled interpretation of §282 and affirmed the holding of the district court. The Federal Circuit found no discernable error in the jury instruction requiring Microsoft to prove invalidity by clear and convincing evidence.

## II. The Supreme Court's Decision

The Supreme Court affirmed the Federal Circuit's decision that Microsoft was required to prove invalidity by clear and convincing evidence.

### A. 35 U.S.C. §282 Establishes the Standard

Considering the language of the statute itself, the Supreme Court noted that it "explicitly specifies the *burden* of proof [but] it includes no express articulation of the *standard* of proof."

(Emphasis added). However, the Court concluded that, by stating that a patent is "presumed valid," Congress used a term with "a settled meaning in the common law."

The Supreme Court cited its earlier decision in *RCA* as authoritative in this regard. The Court noted that the *RCA* Court had unanimously held that "there is a presumption of [patent] validity, a presumption not to be overthrown except by clear and cogent evidence," and that an alleged infringer who challenges the validity of a patent "bears a heavy burden of persuasion, and fails unless his evidence has *more than a dubious preponderance*." (Emphasis added). Given this, the Court in *Microsoft* noted that "by the time Congress enacted §282 and declared that a patent is 'presumed valid,' the presumption of patent validity had long been a fixture of the common law," such that Congress presumably intended to incorporate the heightened standard of proof into the statute.

### B. No Different Standard Applies To Prior Art That Was Not Before the USPTO

Microsoft argued that a reduced standard of proof should at least apply to evidence presented to a court that was not before the USPTO during examination. To support its argument, Microsoft seized on dicta from the Supreme Court's decision in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). In *KSR*, the Court was not faced with the question, but stated that, in instances where prior art is not before the Patent Office during examination, "the rationale underlying the presumption—that the PTO, in its expertise, has approved the claim—seems much diminished." *Id.* at 426.

Addressing Microsoft's reliance on *KSR*, the Supreme Court noted that "if the PTO did not

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have all material facts before it, ... the challenger's burden to persuade the jury of its invalidity defense *by clear and convincing evidence* may be easier to sustain." (Emphasis added). The Court noted that "a jury instruction on the effect of new evidence can, and when requested, most often should be given." The Court stated:

[T]he 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.

The Supreme Court noted that one of the impracticalities of applying a different standard for "unconsidered" prior art "arises from the fact that whether a PTO examiner considered a particular reference will often be a question without a clear answer." The Court concluded that Congress had not enacted a variable standard of proof, and therefore the clear and convincing standard of proof applies equally to evidence that was not before the USPTO.

### **C. Policy Is The Purview Of Congress And Not The Supreme Court**

The Supreme Court noted that the parties "presented opposing views as to the wisdom of

the clear-and-convincing evidence standard that Congress adopted." Microsoft questioned "the deference that the PTO's expert determinations warrant" and insisted that "the heightened standard of proof essentially causes juries to abdicate their role in reviewing invalidity claims raised in infringement actions." i4i argued that the heightened standard properly limits circumstances in which a jury overturns the considered judgment of the expert agency, and that the heightened standard "is an essential component of the patent 'bargain,' ... the incentive[] for inventors to disclose their innovations to the public in exchange for patent protection."

Addressing these conflicting views, the Supreme Court stated:

Congress specified the applicable standard of proof in 1952 when it codified the common-law presumption of patent validity. Since then, it has allowed the Federal Circuit's correct interpretation of §282 to stand. Any recalibration of the standard of proof remains in [Congress's] hands.

### **D. Justice Breyer's Concurring Opinion**

Justice Breyer (joined by justices Scalia and Alito) wrote separately to emphasize that "the evidentiary standard of proof applies to questions of fact and not to questions of law." Justice Breyer noted that many invalidity claims do not rest upon factual disputes, but rather on how the law is applied to the facts of the case. On questions of what legal standards mean, or how they apply to the facts, Justice Breyer asserted that the "clear and convincing" standard does not apply.

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Justice Breyer argued that courts can help keep application of the clear and convincing standard "within its proper legal bounds by *separating factual and legal aspects of an invalidity claim.*" (Emphasis added). Justice Breyer insisted that by isolating the facts, to which the clear and convincing standard is applicable, from application of a correct legal standard, to which the clear and convincing standard is not applicable, courts "prevent[] the 'clear and convincing' standard from roaming outside its fact-related reservation, [and] increase the likelihood that discoveries or inventions will not receive legal protection where none is due."

### III. Analysis

The Supreme Court's holding in *Microsoft* confirms that an accused infringer must establish invalidity of a patent by clear and convincing evidence. The decision is straightforward in its affirmation of the long-held clear and convincing standard of proof, and leaves untouched decades of court precedent applying that standard.

The Supreme Court's holding does not mean that an issued patent is impervious to challenge. One who challenges validity of a patent in court must present factual evidence supporting an invalidity defense that meets the heightened standard of clear and convincing evidence. The patent challenger may, however, benefit from reliance upon prior art that was not considered by the USPTO based on carefully crafted jury instructions. Thus, patent owners may request that a court explicitly instruct a jury that a patent is presumed to be valid and that the challenger must prove invalidity by clear and convincing evidence. On the other hand, patent challengers may request that the court explicitly instruct the jury that new evidence that was not before the USPTO is entitled to enhanced weight.

A patent challenger will be wise to keep in mind Justice Breyer's concurring opinion, which relies upon Supreme Court and Federal Circuit precedent and may provide ammunition for the patent challenger to avoid some of the impact of the clear and convincing standard of proof. In order to keep separate the factual and legal aspects of an invalidity claim, as suggested by Justice Breyer, the patent challenger could request instructions that help the jury make the distinction. The patent challenger could also request that the court use interrogatories and special verdict forms "to make clear which specific factual findings underlie the jury's conclusions."

The Supreme Court's holding applies only to an invalidity defense presented in a court where the statutory presumption of validity of an issued patent applies under 35 U.S.C. §282. The holding does not apply to patents involved in proceedings in the USPTO for (1) reissue (35 U.S.C. § 251), or (2) reexamination (35 U.S.C. §304). *See, e.g., Bruning v. Hirose*, 161 F.3d 681, 685 (Fed. Cir. 1998).

### IV. Recommendations

#### 1. For patent owners:

a. Disclose all known pertinent prior art for consideration by the USPTO during prosecution to limit arguments during litigation that (1) the challenger's prior art is materially different from that considered by the USPTO, and should therefore "carry more weight and go further toward sustaining the [challenger's] unchanging burden;" or (2) that the patent owner failed to meet its duty of disclosure.

b. Validity reconsideration in the USPTO should often be avoided. However, if

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corrections are needed, consider pursuing reissue over reexamination where the facts permit. While the lower preponderance standard of proof of invalidity is applicable to both, reissue provides more procedural protections for the patent owner.

2. For accused infringers:

a. Carefully frame an invalidity defense to separately address questions of law and questions of fact, noting that the heightened clear and convincing standard applies to the facts and not to the application of the law to those facts.

b. Request instructions that help the jury make the distinction between factual and legal aspects of an invalidity claim.

c. Request that the court use interrogatories and special verdict forms to make clear which specific factual findings underlie the jury's conclusions regarding invalidity.

d. Request jury instructions regarding materially new evidence that was not before the USPTO for consideration that instruct the jury to consider that fact when determining whether the invalidity defense has been proved by clear and convincing evidence.

e. Consider filing a Request for Reexamination in the USPTO in order to avail yourself of the lower preponderance standard that the USPTO will apply. Balance this consideration of seeking the lower standard carefully, however, with the patent owner's ability to amend the claims to avoid the prior art in a manner that still covers the accused product or method, and certain procedural advantages the patent owner has over the requester in reexamination.

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