



## **‘Clear and convincing’ evidence standard still applies to US patent validity challenges**

*Microsoft Corp. v i4i L.P.*, 131 S. Ct. 2238, US Supreme Court, 9 June 2011

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### **Abstract**

The US Supreme Court confirms that ‘presumption of validity’ of US patents means that ‘clear and convincing’ evidence standard applies to patent validity challenges.

### **Legal context**

A prior Current Intelligence, *XML Feature in Microsoft Word Permanently Enjoined in US Patent Case*, JIPLP (2010) 5 (4): 210–2, reported a decision by the US Court of Appeals for the Federal Circuit regarding the permanent injunction aspect of *i4i L.P. v Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010) (*‘i4i’*). Thereafter, Microsoft successfully sought *certiorari* of that case to the US Supreme Court on the important question of whether 35 USC §282 requires an invalidity defence to be proved by clear and convincing evidence. On 9 June 2011, eight members of the US Supreme Court unanimously decided that the requirement of §282 that issued patents be ‘presumed valid’, in turn requires the application of the ‘clear and convincing evidence’ standard, even when prior art or facts not previously considered by the US Patent and Trademark Office (‘PTO’) are presented at trial. *Microsoft Corp. v i4i L.P.*, 131 S. Ct. 2238 (2011) (*‘Microsoft’*).

The Court's Opinion, authored by Justice Sotomayor and joined by Justices Scalia, Kennedy, Ginsburg, Breyer, Alito, and Kagan, provides a thorough history and supporting rationale for holding that the ‘clear and convincing evidence’ standard is required by §282. A concurring opinion, authored by Justice Breyer, and joined by Justices Scalia and Alito, offers further insight on the applicability of the ‘clear and convincing evidence’ standard to validity challenges to issued US patents. A separate concurring opinion by Justice Thomas rejected the rationale of Justice Sotomayor's analysis, but agreed with the conclusion as to the scope of §282. Chief Justice Roberts did not participate in this decision.

Each of these Opinions is discussed herein.



## Facts

i4i began as a software consulting company in the late 1980s. In June 1994, it applied for a patent concerning a method for processing and storing information about the structure of electronic documents which issued four years later as US Patent No. 5,787,449 ('the '449 Patent'). More than a year before filing for the '449 Patent, i4i sold a product in the USA referred to as the S4. The S4 prior art was not submitted to the PTO during prosecution of the '449 Patent.

At trial, i4i and Microsoft presented opposing views as to whether the S4 software embodied the invention claimed in the '449 Patent. Because the software had been destroyed years before the commencement of the litigation, the factual dispute turned largely upon the trial testimony of the S4's two developers, who were also the named inventors of the '449 Patent.

Microsoft sought a jury instruction that would have set forth a lower burden of proof for the S4 prior art than the traditional 'clear and convincing' standard because the S4 prior art had not been provided to the PTO during prosecution of the patent in suit. In particular, Microsoft requested the following instruction:

Microsoft's burden of proving invalidity and unenforceability is by clear and convincing evidence. However, Microsoft's 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 is by preponderance of the evidence.

Applying the Federal Circuit's current law as to the burden of proof for invalidity, the trial court rejected Microsoft's requested instruction and instead instructed the jury that Microsoft had the burden of proving invalidity by clear and convincing evidence. The jury found in favour of i4i, concluding that Microsoft wilfully infringed and that Microsoft had failed to establish that the '449 Patent was invalid based upon the S4 prior art or otherwise. The trial court denied Microsoft's post-trial motions, entered a damage award in the amount of \$290 million, and ordered a permanent injunction.

Microsoft appealed to the Federal Circuit and lost, as reported in the Current Intelligence cited above. Relying on its settled interpretation of §282, the Federal Circuit explained that it could discern no error in the jury instruction requiring Microsoft to prove its invalidity defence by clear and convincing evidence. The Supreme Court granted *certiorari*.

## Analysis

Under 35 USC §282, '[a] patent shall be presumed valid' and '[t]he burden of establishing



invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity’.

On appeal, Microsoft asserted in the alternative:

- a defendant in an infringement action need only persuade the jury of an invalidity defence by a preponderance of the evidence; and
- at a minimum, a preponderance standard must apply at least when an invalidity defence rests on evidence that was never considered by the PTO in the examination process.

In three separate Opinions, the Court rejected both positions and confirmed that the presumption of validity under §282 requires an accused infringer to meet a ‘clear and convincing’ evidence standard to prevail on an invalidity defence.

Each of these Opinions is discussed in turn.

#### **Sotomayor Opinion of the Court**

The Supreme Court confirmed that the presumption of validity in §282 required a patent challenger to prove invalidity by clear and convincing evidence.

Justice Sotomayor, writing for the Court, began by reviewing the development of the Federal Circuit's law regarding §282. In particular, the Court turned to *American Hoist & Derrick Co. v Sava & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984), authored by Judge Rich (one of the drafters of the 1952 Patent Act), which discussed §282 and its codification of the common law ‘presumption of validity’ set forth in *Radio Corp. of Am. v Radio Eng'g Labs, Inc.*, 293 US 1 (1934) (*‘RCA’*). *Microsoft* quoted the holding of *American Hoist* as follows:

[Section] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence.

After summarizing the facts, the Court analysed the statutory construction, concluding that when Congress adopted the common law term ‘presumed valid’ in §282, Congress intended to adopt the common law meaning attached to this term by the Court's precedent.

For the common law meaning, the Court turned to Justice Cardozo's decision in *RCA*, 293 US at 2, as providing that ‘there is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence’:

[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 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.

The Court addressed and rejected each of Microsoft's efforts to limit this presumption, including arguments that the clear and convincing standard only applied in the following two circumstances:

1. The heightened standard of proof applied in cases 'involving oral testimony of prior invention', simply to account for the unreliability of such testimony; and
2. The heightened standard of proof applied to 'invalidity challenges based on priority of invention', where that issue had previously been litigated between the parties in PTO proceedings.

Rejecting these arguments, the Court explained, '[s]quint as we may, we fail to see the qualifications that Microsoft purports to identify in our cases' (131 S. Ct. at 2247). The Court also rejected Microsoft's argument that the Federal Circuit's construction improperly rendered a portion of the statute superfluous, since 'Here, no interpretation of §282—including the two alternatives advanced by Microsoft—avoids excess language.'

Next, the Court rejected Microsoft's contention that the clear and convincing standard should not apply when the prior art in question was not before the Examiner during prosecution. However, it recognized that if the PTO did not have all material facts before it, its considered judgment might lose significant force. Thus, while Microsoft waived the right to such a jury instruction in this case, when warranted, a jury could be instructed on the effect of new evidence can, and when requested, most often should be given. For example,

- 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; and
- the jury may be instructed to consider whether the evidence before it is materially new, and if so, to consider that fact when determining whether an invalidity defence has been proved by clear and convincing evidence.

Finally, the Court left it up to Congress to consider the wisdom and policy arguments associated with maintaining a 'clear and convincing' standard.

### **Breyer concurrence**



Justice Breyer, in a concurring opinion shared by Justices Scalia and Alito, joined the majority opinion in full, but wrote separately to highlight that the ‘clear and convincing’ evidence standard only applies to invalidity inquiries that are concerned with questions of fact, rather than questions of law. He illustrated this distinction as follows:

Many claims of invalidity rest, however, not upon factual disputes, but upon how the law applies to facts as given. Do the given facts show that the product was previously ‘in public use’? 35 U.S.C. §102(b). Do they show that the invention was ‘nove[[]]’ and that it was ‘nonobvious’? §§102, 103. Do they show that the patent applicant described his claims properly? §112. Where the ultimate question of patent validity turns on the correct answer to legal questions—what these subsidiary legal standards mean or how they apply to the facts as given—today’s strict standard of proof has no application.

Justice Breyer suggested that courts should keep applications of today’s ‘clear and convincing’ standard within its proper legal bounds by separating factual and legal aspects of an invalidity claim, for instance, by using instructions based on case-specific circumstances that help the jury make the distinction, or by using interrogatories and special verdicts to make clear which specific factual findings underlie the jury’s conclusions. Once the facts are isolated, courts can assure the proper interpretation or application of the correct legal standard.

#### **Thomas concurrence**

Justice Thomas filed a separate concurring opinion in which he agreed that the heightened standard of proof set forth in *RCA*—which has never been overruled by this Court or modified by Congress—applies. However, he did not agree with the majority opinion that Congress had codified that standard in section 282.

## **Practical significance**

While the ultimate holding of *Microsoft* is that the ‘clear and convincing evidence’ standard will continue to apply to validity challenges of US patents, the discussions contained in Justice Sotomayor’s Opinion and Justice Breyer’s Concurrence provide further insights on the applicability of such a standard. Time will tell what, if any, impact will result from distinguishing between factual inquiries in which the ‘clear and convincing evidence’ standard will apply and legal questions which are considered *de novo* by a court. Perhaps more significant will be the practical impact of the jury instructions discussed by the Court on situations where the prior art at issue has not been considered during prosecution.

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