

ClientAlert

Intellectual Property

June 2011

Supreme Court Affirms “Clear and Convincing” Standard in *Microsoft v. i4i*

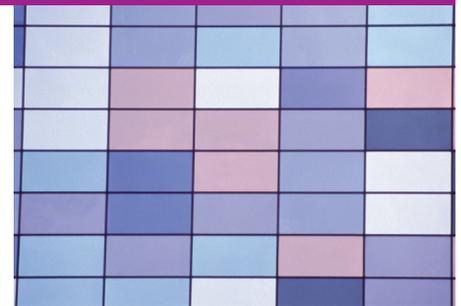
The Supreme Court ruled that invalidity must be proved by “clear and convincing” evidence and not a preponderance of the evidence, in *Microsoft Corp. v. i4i Ltd. Partnership*, No. 10-290 (2011). Writing for the majority, Justice Sotomayor rejected Microsoft’s contentions that the preponderance standard of proof for patent invalidity should be applied across the board or, alternatively, at least when the evidence of invalidity was not before the PTO examiner. Justices Breyer and Thomas penned separate concurrences.

Background

Petitioners i4i Limited Partnership and Infrastructures for Information Inc. (collectively, “i4i”) own the patent-in-suit which claims a method for editing computer documents. In 2007, i4i sued Microsoft, and Microsoft asserted patent invalidity on various grounds, including the “on sale” bar under § 102(b) because the claimed method was allegedly incorporated in software sold by i4i more than one year prior to the application filing. This factual question was disputed by i4i.

A jury trial followed. Microsoft asked the court for—but did not receive—a jury instruction that its burden of proving invalidity generally is by clear and convincing evidence, but that its burden of proving invalidity based upon prior art that the examiner did not review is by preponderance of the evidence. Op. 5. The District Court rejected this hybrid standard, and the jury found in i4i’s favor. The District Court denied Microsoft’s post-trial motion challenging the court’s jury instruction, and the Federal Circuit affirmed.

Microsoft appealed to the Supreme Court asserting two alternate theories: (1) that the standard of proof for patent invalidity is preponderance of the evidence in all cases; or (2) that the preponderance standard applies at least when an invalidity defense rests on evidence that was never considered by the PTO.



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Congress Intended a “Clear and Convincing” Standard

Section 282 of the Patent Act of 1952 states that a “patent shall be presumed valid” and that the burden of establishing invalidity is on the party asserting invalidity. 35 U.S.C. § 282. Although the statute “includes no express articulation of the standard of proof,” the court construed § 282 as incorporating the clear-and-convincing standard then prevailing at common law. Op. 6.

Where Congress uses a common-law term in a statute, we assume the ‘term...comes with a common law meaning, absent anything pointing another way.’ Here, by stating that a patent is ‘presumed valid,’ Congress used a term with a settled meaning in the common law.

Id. at 7 (citations omitted).

The common law standard was articulated by Justice Cardozo in *Radio Corp. of America v. Radio Engineering Labs, Inc.*, 293 U.S. 1 (1934) (*RCA*): “[T]here is a presumption of validity, a presumption not to be overthrown except by clear and cogent evidence.” 293 U.S. at 2. A party challenging validity “bears a heavy burden of persuasion and fails unless his evidence has more than a dubious preponderance.” *Id.* at 8. This standard, the court noted, can be found in cases dating back to 1844.

The court also relied on the Federal Circuit’s opinion in *American Hoist & Derrick Co. v. Sowa & Songs, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984) authored by Judge Rich, a principal drafter of the 1952 Act. In *American Hoist*, Judge Rich wrote that § 282 codified the existing common-law presumption of validity, and that the burden “is to convince the court of invalidity by clear evidence.” 725 F.2d at 1360. “In the nearly 30 years since *American Hoist*, the Federal Circuit has never wavered in this interpretation of § 282.” Op. 3.

The court also rejected Microsoft’s alternative argument—i.e., that the preponderance standard should at least apply where the invalidity evidence was not before the PTO. *RCA* directly addressed that issue and concluded that “clear and cogent evidence” was required even in that circumstance. No exceptions.

The court agreed, however, that “if the PTO did not have all material facts before it, its considered judgment may lose significant force.” Op. 17. Moreover, the jury instruction on this effect, when requested, “most often should be given.” *Id.* “[T]he 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.” Op. 18. While Microsoft argued that such an instruction was warranted on remand, that argument—made in its reply brief—came “far too late,” and the court refused to consider it. *Id.*

The Concurrences

Justice Breyer, joined by Justices Alito and Scalia, wrote separately to emphasize that the “clear and convincing” standard of proof applies to questions of fact and not to questions of law. “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.” Conc. Op. 1. Courts can keep the standard from “roaming outside its fact-related reservation” by using case-specific jury instructions, interrogatories and special verdict forms directed to the factual findings that underlie the jury’s verdict.

For his part, Justice Thomas was not persuaded that Congress borrowed a term of art when it enacted § 282, and so did not codify the common-law standard. Nevertheless, because § 282 did not alter the common-law standard—as set forth in *RCA*—that standard still applies.

The Takeaway

The court’s decision preserves the status quo: invalidity must continue to be proved by clear and convincing evidence. A shift towards a preponderance standard, or the hybrid standard proposed by Microsoft, could have had far-reaching implications for patent owners, litigants and the courts. It is unclear what unintended consequences might have flowed from such a change.

We may expect to see more courts take up the Supreme Court’s suggestion and rely on case-specific jury instructions along with either special interrogatories accompanying a general verdict form, or special verdict form with written findings on each issue of fact. These devices make it easier for the District Court to correct an errant jury verdict and facilitate review by the Federal Circuit.

The fact/law dichotomy will continue to bedevil courts and litigants. Obviousness, for example, is a question of law, but it is underpinned by numerous questions of fact which must be proved by clear and convincing evidence. Adding to the confusion, Justice Breyer’s concurring opinion suggests that novelty is a question of law, while the Federal Circuit has long held that novelty is a question of fact.

Finally, the decision includes a helpful clarification of the frequently misapplied term “burden of proof,” as distinguished from the “standard of proof.” Op. 6-7 n.4. The former is used to identify *the party* who must persuade the jury of its position to prevail, while the latter applies to *the degree of certainty* by which the jury must be persuaded of a factual conclusion. *Id.*

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