



***Microsoft Corp. v. i4i Ltd. Partnership:***  
**Standard of Proof for Patent Invalidity Remains Clear and Convincing Evidence**

Earlier this month, the U.S. Supreme Court issued its highly anticipated decision in *Microsoft Corp. v. i4i Ltd. Partnership*, and unanimously held that a patent invalidity defense must be proved by clear and convincing evidence. This is good news for patent holders because the Court's decision maintained the value of U.S. patents by preserving the presumption of patent validity and rejecting the application of a lower standard of proof for establishing patent invalidity. Thus, the decision has not made it easier to invalidate a patent.

This case arose from a dispute between i4i Ltd. Partnership and Microsoft Corp., in which i4i filed suit for willful patent infringement. The i4i patent relates to a document editing function that was part of Microsoft Word software. In response, Microsoft asserted that the on-sale bar under 35 U.S.C. §102(b) rendered the patent invalid because i4i had sold a software program called S4 more than one year before filing its patent application. Although the occurrence of the early sale was not disputed, the parties disagreed as to whether the S4 software actually embodied the patented invention. This disagreement was particularly difficult to resolve because the S4 software had been destroyed and thus could not be directly evaluated at the time of the litigation. Additionally, the S4 software had not been presented to the U.S. Patent and Trademark Office (PTO) during prosecution of the underlying patent application, which prompted Microsoft to argue that a lower standard of proof (i.e., the degree of certainty by which the fact finder must be persuaded) should be sufficient to rebut the "presumption of validity" afforded to patents under 35 U.S.C. §282. Under this presumption, a patent holder does not have to do anything to prove its patent is valid, and the burden of persuasion rests with the party asserting invalidity. In attempting to meet this burden, Microsoft requested the jury be instructed that "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."

The U.S. District Court for the Eastern District of Texas rejected this proposed instruction in favor of an instruction that patent invalidity must be proved by clear and convincing evidence. Consequently, the jury found that Microsoft had both failed to prove that the patent was invalid, and willfully infringed i4i's patent, which led to a \$290 million judgment against Microsoft. On appeal, the Court of Appeals for the Federal Circuit upheld the District Court's jury instruction; and the Supreme Court affirmed that decision on June 9, 2011.

According to the Supreme Court, Congress codified the common law presumption of invalidity



(as articulated in the Court's own earlier decisions) by enacting §282, which states: "A patent shall be presumed valid .... The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." By the Court's interpretation, this statute implicitly includes a heightened standard of proof by clear and convincing evidence. In the *i4i* case, the burden of persuasion clearly rested with Microsoft, but the question that remained was which standard of proof Congress had intended. To answer this question, the Court looked to the common law because when Congress includes a common law term in a statute, that term is assumed to have its common law meaning, absent anything suggesting otherwise. In particular, the Court focused on its unanimous 1934 decision in *Radio Corp. of America v. Radio Eng'g Labs., Inc. (RCA)*, in which Justice Cardozo wrote that "there is a presumption of [patent] validity ... [that is] not to be overthrown except by clear and cogent evidence." Other decisions antedating the statute expressed a similar understanding that patents are presumed valid and that a mere preponderance of the evidence is too "dubious" a basis for a finding of invalidity. Based on these early cases, the Court concluded that by the time Congress enacted §282 of the Patent Act of 1952, "the presumption of patent validity had long been a fixture of the common law," and was firmly associated with a specific standard of proof – clear and convincing evidence. Thus, even though §282 only expressly identifies the burden of persuasion, it implicitly encompasses the standard of proof as well.

In reaching its decision, the Court rejected Microsoft's alternative proposals, including the notion that the standard of proof should be lowered to a preponderance of the evidence when an invalidity defense involves evidence not presented to the PTO. To support this proposal, Microsoft argued that the Supreme Court's decision in *KSR Int'l Co. v. Teleflex Inc.* endorses the theory of a variable standard because *KSR* recognized that in situations where invalidity evidence had not been presented to the PTO, "the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished." In *i4i*, the Court admitted that the presumption of patent validity is indeed weakened in such cases, but declined to interpret *KSR* or any other case law as suggesting that the lower standard of preponderance of the evidence should apply. Rather, the Court reiterated the longstanding, common sense principle that new evidence supporting an invalidity defense may carry more weight than evidence previously considered by the PTO; and thus it may be easier to persuade a fact finder that there is clear and convincing evidence of invalidity in such situations. In a footnote, the Court also pointed out the significant impracticalities of a variable standard of proof since the question of whether a PTO examiner "considered" a particular reference will depend on the unique facts of each case, and will often be difficult to answer.

In retrospect, Microsoft seems to have missed an opportunity to strengthen its arguments before the jury



by specifically requesting that the jury be instructed to assess whether the invalidity evidence was materially new and, if so, to consider that fact when determining whether invalidity had been proved by clear and convincing evidence. Thus, parties asserting invalidity in future litigations may be more likely to request this type of instruction in any case where the invalidity evidence was not substantively addressed by a PTO examiner during patent prosecution because “materially new” evidence could arguably include not only evidence that was never submitted to the PTO, but also evidence that was submitted but not specifically addressed during prosecution.