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Court Clarifies and Approves Higher Standard to Show Invalidity of Patent

In a closely watched ruling, the Supreme Court of the United States, in *Microsoft Corporation v. i4i Ltd. Partnership*, addressed the standard of proof by which an alleged infringer of a patent must prove the defense of patent invalidity. In a victory for patent owners, the Court upheld a \$290 million jury verdict against Microsoft in concluding that such a defense must be shown by the higher standard of "clear and convincing evidence." The Supreme Court thus sustained one of the largest patent infringement judgments in history. Highlighting the overall importance of this case to many different businesses, a large group of interested companies and trade and industry associations filed friend of the court briefs on both sides of the issue, making it another in a line of recent significant patent cases decided by the Supreme Court.

BACKGROUND

In *Microsoft*, the invention was an improved method for editing computer documents. The patent owner, i4i, sued Microsoft for willful infringement, alleging that its manufacture and sale of certain software products infringed i4i's patent. Among its responses to the lawsuit, Microsoft claimed the patent was invalid and unenforceable because i4i had previously sold a software program more than one year before the filing of the patent application. As a result, Microsoft claimed benefit of the "on-sale" bar under the Patent Act that, if successful, renders a patent invalid. At trial, the jury was instructed that patent invalidity must be shown by clear and convincing evidence, and it decided that Microsoft had not demonstrated that defense by the standard of proof. The jury found for i4i and the Federal Circuit upheld the verdict. On appeal to the Supreme Court, Microsoft argued for a radical change in the legal standard: that an alleged infringer need only prove patent invalidity by a preponderance of the evidence, a lighter standard generally understood to mean simply that a fact is more likely than not.

However, in a decision written by Justice Sotomayor, for a unanimous Court (Justice Roberts did not participate in the case) affirmed the lower courts' use and approval of a jury instruction favorable to the patent owner and held that an alleged infringer asserting the defense of patent invalidity must prove the defense by clear and convincing evidence, a higher standard than the preponderance of the evidence standard generally applicable in civil lawsuits.

THE SUPREME COURT'S ANALYSIS

Under § 282 of the Patent Act, a patent is presumed valid when issued. Among other defenses that an alleged infringer may claim is patent invalidity, based on a number of problems in the patent when it was obtained, in essence that the patent never should have issued in the first

place. To claim that defense, the infringer must overcome the legal presumption that the patent was valid when issued by the U.S. Patent and Trademark Office and "[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." The standard by which that burden must be demonstrated by the infringer to a jury was the exact issue before the Court.

The Supreme Court first determined, pointing to more than a hundred years of its precedent from even before the enactment of the current Patent Act, that when there is a stated legal presumption for a patent it is a "heavy burden" to defeat and not to be overcome unless it is by "clear and cogent evidence." The presumption of patent validity corresponded with the imposition of a heightened or stronger standard of proof to overturn the patent. Following years of precedent, the Court found that the standard of a preponderance of the evidence was too "dubious" a ground to conclude that a patent was invalid. It thus rejected Microsoft's appeal on that ground.

The Court also declined to accept Microsoft's narrower, alternative ground for appeal that a lighter preponderance standard of proof must at least apply where the evidence of patent invalidity before the jury is not considered by the U.S. Patent and Trademark Office during the initial patent application process and the usual presumption of validity on a patent's issuance should therefore be diminished. Here too, though, the Court found that because Congress adopted the presumption of patent validity in the Patent Act, it effectively codified the prior and heightened standard of proof. In closing, the Court stated that "any recalibration of the standard of proof" in these circumstances should be left to Congress to change down the road.

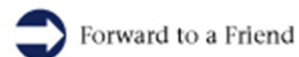
IMPACT OF THE CASE

While every patent and case is different, among the takeaways for companies and inventors are the following: The Court adhered to years of precedent and held in favor of stability. By ruling for patent holders and inventors, it favored innovation on this particular defense in patent infringement cases. By requiring a higher standard of proof, the decision limits the situations in which a jury can effectively invalidate a patent, often years after it was issued and based on information that was not considered by the patent examiners. As before, alleged infringers can still claim patent invalidity as a defense, but the decision maintains the status quo on the level of difficulty in overturning patents based on this defense. Any change in the law must come from Congress by revision to the Patent Act. While Congress has recently taken up various proposals to change the patent laws, it is not clear whether any revisions will be passed or cover this issue.

To read a copy of the decision, please see [Microsoft Corporation v. i4i Ltd. Partnership](#).

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