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Supreme Court affirms “clear and convincing” standard for proving patent invalidity. Majority and concurring opinions invite use of jury instructions to clarify degree of deference due to PTO and role of jury in particular cases.

Microsoft Corp. v. i4i Limited Partnership, 563 U.S. ___ (2011).

On June 9, the Supreme Court finally resolved what had been a contentious issue of patent law ever since the Court’s 2007 decision in *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007): Whether claims of invalidity over prior art that was not considered by the Patent and Trademark Office (“PTO”) should be governed by a reduced standard of proof. The Court held unanimously that it should not: the standard of proof for all invalidity claims remains “clear and convincing evidence.” At the same time, however, the Court suggested that juries could, “and most often should,” be instructed to “consider” the fact that the asserted prior art had not been considered by the PTO. In a concurring opinion, Justice Breyer, joined by Justices Scalia and Alito, also suggested that juries might also be provided with instructions which “separate[e] the factual and legal aspects of an invalidity claim, say, by using instructions based on case-specific circumstances.” The purpose of these instructions would be to “prevent[] the ‘clear and convincing’ standard from roaming outside its fact-related reservation.”

i4i Limited Partnership and Infrastructure for Information Inc. (collectively “i4i”) sued Microsoft for infringement of a patent related to an improved method for editing computer documents. Microsoft denied that it infringed the patent and asserted that the patent was invalid. As to invalidity, Microsoft contended that the on-sale bar of § 102(b) rendered the patent invalid.

In particular, Microsoft contended that S4, a software program sold by i4i more than one year before the filing of the patent application, embodied the invention in the patent-in-suit. S4’s inventors, who were also the inventors of the patent-in-suit, testified that S4 did not practice the key invention of the patent-in-suit. Because the S4 software had not been presented to the PTO, Microsoft requested a jury instruction that its burden of proof for invalidity as to prior art not be reviewed by the PTO during prosecution of the patent. The district court rejected the proposed instruction.

The jury found that the patent was valid, and the district court denied Microsoft’s post-trial motions that the jury was improperly instructed. On appeal, the Federal Circuit affirmed finding no error in the jury instructions. The Supreme Court granted certiorari and affirmed.

Section 282, which is part of the Patent Act of 1952, states that “[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.” Op. at 6. Judge Giles Rich, a principal drafter of the Patent Act of 1952, articulated the Federal Circuit’s view, on the significance of Section 282,

when writing for the Federal Circuit in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.* In that case, the Federal circuit held that pre-1952 precedent including the Supreme Court’s decision in *Radio Corp. of America v. Radio Engineering Laboratories, Inc.* (“RCA”) established the standard of proof as “invalidity by clear evidence.”

With this background, the Supreme Court noted that although the statute explicitly defines the burden of proof, it does not expressly address the standard of proof. Focusing on the term “presumed valid,” the Court explained that its decision in *RCA*, which was decided before the Patent Act of 1952, “is authoritative.” The *RCA* decision established that “a preponderance standard of proof was too ‘dubious’ a basis to deem a patent invalid” and that “presumed valid” meant the standard of proof was “clear and cogent evidence.” Op. at 7-8. The Court concluded that by enacting Section 282, Congress had codified this common-law presumption of validity and the concomitant heightened standard of proof. Op. at 15.

Although rejecting Microsoft’s argument that a heightened standard of proof did not apply when the prior art was not before the PTO, the Court suggested that a jury instruction “on the effect of new evidence can, and when requested, most often should be given.” Op. at 17. Citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), the Court explained “if the PTO did not have all material facts before, its considered judgment may lose significant force.” Op. at 17. Thus, the Court noted that a jury may be instructed to “consider that it has heard evidence that the PTO had

no opportunity to evaluate before granting a patent” or 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. at 17-18.

The Court declined to weigh in on the policy questions of whether the heightened standard tends to protect bad patents or properly incentivizes the patent bargain. Instead, the Court observed that despite numerous amendments to § 282 since 1952 and the interpretations thereof including discussions of this vary issue, Congress had not amended this language in § 282.

Justice Breyer concurred and was joined by Justices Scalia and Alito. In his concurrence, Justice Breyer stated that “the evidentiary standard of proof applies to questions of fact and not to questions of law.” Breyer at 1. Thus, the concurring justices suggested that, “[w]here 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.” *Id.*

Justice Thomas also concurred, adding that although agreeing with the majority’s conclusion, he does not agree that § 282 sets forth a standard of proof in its language. Rather, he stated his view that the statute is silent on the standard of proof, and that the preexisting common-law rule – which established the clear and convincing standard in the first place – remained unperturbed.

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