



Intellectual Property Alert:

Supreme Court Hears Arguments in *Microsoft v. i4i*

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Background

This morning, the U.S. Supreme Court heard oral arguments in the closely-watched case of *Microsoft Corp. v. I4I Limited Partnership, et al.* At issue in this case is the proper standard for challenging the validity of a U.S. Patent.

The Patent Act, at 35 U.S.C. §282, states in relevant part the following:

“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.”

Microsoft challenged the validity of i4i’s patent when it was accused of infringement, alleging that the patent was invalid in view of an i4i software product that was developed and released before the critical date of the asserted patent. During discovery, i4i was unable to produce the underlying source code for this product, on the grounds that the product was old, and that the records and code had been destroyed during the ordinary course of business. Microsoft proceeded with its invalidity challenge, using the evidence it was able to obtain, but the jury ultimately concluded that the evidence was insufficient to meet the clear and convincing standard of proof required by the Federal Circuit, and found in favor of i4i. Microsoft had sought a jury instruction that only required a preponderance of the evidence to prove invalidity, and Microsoft appealed the denial of that instruction.

The Federal Circuit affirmed, citing its line of precedent requiring that invalidity be proven by clear and convincing evidence.

Oral Arguments

During oral arguments, the historical underpinnings of the clear and convincing standard took center stage. Justice Ginsburg began with a question to Microsoft’s counsel regarding what it was asking the Court to do with Justice Cardozo’s analysis in its *RCA* decision¹, referring to that decision’s statement that one asserting invalidity of a patent “bears a heavy burden of persuasion.” Justice Kagan also asked if the *RCA* analysis can be read as broadly establishing the heightened standard. Microsoft’s counsel responded that the reference to a “heavy burden” was made in the context of a dispute over who was the true inventor of a patent in question, and that it had more to do with the reliability of oral testimony than it did with creating a higher overall burden of proof.

Microsoft’s primary point was that the language of the Patent Act itself did not expressly recite a standard of proof needed for overcoming the presumption of validity, and that the pre-1952 body of case law was too inconsistent to conclude that a pre-1952 “clear and convincing” standard existed and was codified into the Act. For example, Microsoft argued that before the Act, some courts reduced (or removed) the presumption if the prior art in question was not considered by the PTO, while other courts had even reversed the presumption – requiring the patentee to demonstrate the validity of the patent. Microsoft asserted that the 1952 Act clarified the matter by establishing a presumption of validity, without defining a standard of proof for overcoming that presumption, and that in the absence of such a defined standard, the preponderance standard is the one that should have been used.

Justice Alito appeared to agree on the statutory interpretation issue. In questioning i4i’s counsel, Justice Alito noted that he could not see where the Patent Act’s language articulated the clear and convincing standard for overcoming the presumption of validity. i4i responded by noting that the phrase “presumed valid” carries its pre-1952 understanding, which (following *RCA*) i4i asserted included a heavy burden on the one asserting invalidity. The Deputy U.S. Solicitor General gave an example from the criminal law context on this point – the phrase “presumption of innocence” does not expressly state that it can only be overcome if there is proof beyond a

¹ *Radio Corp. of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934)

reasonable doubt, but that standard is nevertheless understood from the phrase. i4i asserted that this understanding was “solidified and unanimous” at the time of the 1952 Act’s passage. i4i also noted that a committee report in the legislative history of the 1952 Act stated that it was codifying existing law on the presumption of validity, and that the heightened standard was this existing law.

Another i4i point, and one that drew chuckles in the courtroom, was what its counsel referred to as Congress’s “active acquiescence” to the Federal Circuit’s clear and convincing standard. i4i noted that Congress has been actively paying attention to, and revising, the Patent Act with an eye towards helping ensure quality patents, but that so far there has been no Congressional effort to legislate away from the clear and convincing standard. i4i asserted that this inaction represents a tacit endorsement of the Federal Circuit’s approach.

Justice Breyer asked whether changes were needed at all for addressing “bad” patents. For example, he wondered whether the existing options of reexamination at the PTO, district court stays pending reexam, and the ability to narrowly instruct juries on their findings (i.e., only the “brute facts” of what features were found in the prior art, leaving the ultimate question to the judge), could be sufficient such that further changes to the standard are unnecessary. Microsoft’s counsel noted that reexamination options are limited to certain kinds of validity challenges, and cannot address other issues such as the question of whether a patent satisfies the requirements under 35 U.S.C. 112 for describing and enabling the claimed invention. It also noted that stays are not always granted, alluding to an argument from the briefs, which noted that under the current practice, a court’s decision on the stay could determine the standard of proof of invalidity (preponderance at the PTO in a reexamination, but clear and convincing in a district court).

Justice Breyer also stated he was unsure as to which was the worse risk to take: the risk of being too strict on proving invalidity (in which case there is the risk of “undeserving” patents surviving litigation), or the risk of being too lenient on providing invalidity (in which case there is the risk of a “deserving” patent being unjustly found to be invalid). i4i’s counsel asserted that the latter risk is much greater than the former, since a district court finding of invalidity collaterally estops the patentee from any further assertions, while a district court finding of validity leaves the

patent open to further validity challenges. The Deputy Solicitor General also argued that since the patent system represents a bargain between inventor and the public, and the inventor has already performed his/her end of the bargain by coming forward and describing the invention in an application, then the inventor deserves a bit of credit, and that the former risk would be the better one to take.

Conclusion

It is difficult to predict an outcome from the Justice's questions and discussion. But from the attendance today, and the dozens of *amici* briefs that were filed in this case, it is clear that much of the patent community will be eagerly awaiting the Supreme Court's decision, which should arrive by this summer.

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