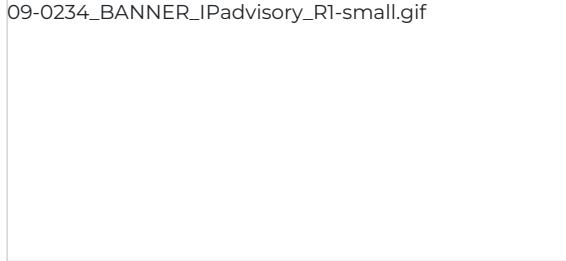


Patent Law Update: Microsoft v. i4i

November 29, 2010

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United States Supreme Court To Review Burden To Prove Patents Invalid in Court — Need For Clear And Convincing Evidence May End — Federal Circuit Patent Law Doctrine Yet Again Up For Change

On November 29, 2010, the United States Supreme Court announced it will hear a case that may determine what level of evidence is needed to prove a United States patent invalid in court. Potentially every case pending in federal courts with open questions of patent validity could be affected.

The case, known as “*i4i v. Microsoft*” in the lower courts, came before the Supreme Court on the petition of Microsoft. The computer software giant asserted to the Court that the current requirement for clear and convincing evidence for patent invalidity was the exclusive and mistaken creation of the United States Court of Appeals for the Federal Circuit. Microsoft also asserted that the standard was at odds with the law of all twelve regional circuits as of the time of creation of the Federal Circuit. The Supreme Court accepted the petition.

The following supported the petition: Law Professors – 36 of them, Apple, Google, Yahoo, Facebook, Intel, Dell, Wal-Mart and more.

In more detail, in the *i4i* case, Microsoft lost what it described in its petition as “the largest patent infringement verdict ever affirmed on appeal.” Defending itself in the Eastern District of Texas, Microsoft lost a nearly \$250 million jury verdict and judgment concerning the editing functions of Microsoft Word. Among other defenses, Microsoft asserted that the patent involved was not valid because the invention was on sale more than a year before its patent application. The product in which the invention was on sale, Microsoft alleged, was “S4,” made and sold by the patent owner’s own predecessor. The product was not considered as “prior art” when the patent application was examined.

Microsoft requested and was refused a jury instruction that the standard of proof for patent invalidity was a preponderance of the evidence. According to Microsoft, i4i used the standard of higher clear and convincing evidence against Microsoft’s ability to explain the features of the S4 product. Microsoft was faced with the fact that the product did not exist at the time of trial. Microsoft claimed that the product did not exist because i4i had destroyed the product’s computer code.

Microsoft lost its appeal at the Federal Circuit, among other reasons, because the Federal Circuit concluded that the evidence on the features of the S4 product was conflicting. It resolved that Microsoft failed the clear and convincing evidence standard. It refused to consider a lower standard.

There was no dispute the S4 product was on sale at a time to invalidate the patent, if its features matched the patent’s claims. The Federal Circuit considered the inventors’ testimony satisfactory for the jury, as did the district court, however, even though the testimony was impeached by contradicting statements at the time of S4 sale from a letter to investors and an application for

government funding.

Leaving behind numerous grounds it could have asserted for further appeal, Microsoft presented the one issue of the invalidity evidence standard to the Supreme Court: whether it had to prove its invalidity defense by clear and convincing evidence, even though the prior art on which it rested was not considered by the Patent and Trademark Office.

The thirty-six law professors, from the areas of law, economics and business, but all specializing in intellectual property, wrote that they were putting it “bluntly,” that “PTO review is not always reliable,” and that what the Federal Circuit is doing with the invalidity proof standard “makes no sense.”

In a report on innovation and competition, the FTC considered the standard to cause “serious potential for ... confirming unnecessary, potentially competition-threatening” patents. In the Supreme Court’s KSR opinion on obviousness, the Supreme Court itself noted that the rationale of the presumption that requires clear and convincing evidence “seems much diminished” where the US PTO did not consider the invalidity evidence at hand.

Many Federal Circuit doctrines of law have not fared well at the Supreme Court. That Court changed the following Federal Circuit doctrines: on sale, in *Pfaff v. Wells*, patentable subject matter, *Bilski*, obviousness, *KSR*, injunction, *eBay*, infringement by equivalents, *Warner Jenkinson*, prosecution history estoppel, *Festo*, licensee estoppel, *Medimmune*, and appellate jurisdiction, *Holmes*. The Supreme Court has at times described Federal Circuit doctrine as capturing helpful insight, but as indicated, has often differed with Federal Circuit doctrines.

The Federal Circuit itself has changed its doctrine of willfulness, in *Seagate*, to conform to Supreme Court precedent, and may do the same as to inequitable conduct law in *Therasense*.

Briefing of *Microsoft v. i4i* will proceed and a decision can be expected in year 2011.

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Posted: November 29, 2010